Friday, 15 May 2026]

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OF THE

REPUBLIC OF SOUTH AFRICA

ANNOUNCEMENTS, TABLINGS AND COMMITTEE REPORTS

FRIDAY, 15 MAY 2026

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ANNOUNCEMENTS

National Assembly and National Council of Provinces

The Speaker and the Chairperson

1. Classification of Bills by Joint Tagging Mechanism (JTM)

(1) The JTM in terms of Joint Rule 202(6) classified the following Bill as a section 76 Bill:

(a) **Traditional and Khoi-San Leadership Bill** [B11–2026] (National Assembly – sec 76).

The JTM further classified the Bill as falling within the ambit of section 39(1) of the Traditional and Khoi-San Leadership Act, 2019 (Act No. 3 of 2019).

Bill to be referred to National House of Traditional and Khoi-San Leaders.

National Assembly

The Speaker

1. Referral to Committees of papers tabled

(1) The following paper is referred to the **Standing Committee on Finance**:

(a) Municipal Finance Management Act (MFMA) Compliance Report for 2024-25 – Strengthening Municipal Financial Management.

(2) The following paper is referred to the **Portfolio Committee on Defence and Military Veterans**:

(a) Annual Activity Report of the Office of the Military Ombud for 2025-26.

(3) The following paper is referred to the **Portfolio Committee on Small Business Development** for consideration and report:

(a) Revised Annual Performance Plan of the Department of Small Business Development for 2026/27.

TABLINGS

National Assembly and National Council of Provinces

1. The Speaker and the Chairperson

(a) Progress report, dated 31 March 2026, to Parliament on the provisional suspension from office of Mr D Nair, Chief Magistrate at Pretoria, submitted in terms of section 13(3)*(f)* of the Magistrates Act, 1993 (Act No. 90 of 1993).

(b) Progress report dated 31 March 2026 to Parliament on the provisional suspension from office of Mr ES Nzimande, Regional Court President, KwaZulu-Natal, submitted in terms of section 13(3)*(f)* of the Magistrates Act, 1993 (Act No. 90 of 1993).

(c) Progress report dated 31 March 2026 to Parliament on the provisional suspension from office of Ms K Bodlani, Regional Magistrate, Emlazi, submitted in terms of section 13(3)*(f)* of the Magistrates Act, 1993 (Act No. 90 of 1993).

(d) Progress report dated 31 March 2026 to Parliament on the provisional suspension from office of Mr LT Mkansi, Regional Magistrate, Bloemfontein, submitted in terms of section 13(3)*(f)* of the Magistrates Act, 1993 (Act No. 90 of 1993).

(e) Progress report dated 31 March 2026 to Parliament on the provisional suspension from office of Mr AAK Singh, Senior Magistrate, Pietermaritzburg, submitted in terms of section 13(3)*(f)* of the Magistrates Act, 1993 (Act No. 90 of 1993).

(f) Progress report dated 31 March 2026 to Parliament on the provisional suspension from office of Ms R Govender, Additional Magistrate, Lenyene, Limpopo, submitted in terms of section 13(3)*(f)* of the Magistrates Act, 1993 (Act No. 90 of 1993).

2. The Minister of Finance

(a) Amendments to the Money Laundering and Terrorist Financing Control Regulations, made in terms of section 77 of the Financial Intelligence Centre Act, 2001 (Act No. 38 of 2001).

National Assembly

1. The Speaker

(a) Reply by the Minister of Public Service and Administration to Report of the Portfolio Committee on Public Service and Administration on Budgetary Review and Recommendations Report (BRRR) for Budget Vote 11, as adopted by the House on 28 October 2025.

Referred to the **Portfolio Committee on Public Service and Administration**.

COMMITTEE REPORTS

National Assembly

1. REPORT OF THE PORTFOLIO COMMITTEE ON SOCIAL DEVELOPMENT ON THE BUDGET VOTE 19, THE ANNUAL PERFORMANCE PLANS OF THE DEPARTMENT OF SOCIAL DEVELOPMENT AND ITS ENTITIES FOR 2026/2027 FINANCIAL, YEAR DATED 13 May 2026

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The Portfolio Committee on Social Development having considered and deliberated on the Budget Vote and the Annual Performance Plans of the Department of Social Development (DSD), the South African Social Security Agency (SASSA) and the National Development Agency (NDA) on 29 April 2026, wishes to report as follows:

1. INTRODUCTION

The Committee's mandate as prescribed by the Constitution of South Africa and the Rules of Parliament is to build an oversight process that ensures a quality process of scrutinising and overseeing government's action that is driven by the ideal of realising a better quality of life for all people of South Africa.

As part of conducting its oversight the Committee has a constitutional mandate to scrutinise and thereafter approve the budget of the department and its entities. It also considers the Annual Performance Plans of these institutions. It, thereafter, draft a report (the current report) in which it reports of the APPs of the department and its entities as they were presented to it. It then raises its observations and formulate recommendations. As part of scrutinising the budget allocation and APPs the Committee makes use of the budget information contained in the National Treasury's Estimates of National Expenditure (ENE), social development sector presentations to the Portfolio Committee and international obligations (Sustainable Development Goals (SDGs, Agenda 2063), and national obligations (National Development Plan (NDP), Medium Term Strategic Framework (MTSF) and the State of the Nation Address (SONA).

This report forms basis from which the Committee debates the budget and the annual performance plans of the department and its entities. This process culminates to the approval of the department's budget and plans.

2. DEPARTMENTAL 2026/2027 ANNUAL PERFORMANCE PLAN

2.1 OVERALL DEPARTMENTAL BUDGET ANALYSIS, 2026/27

Table 1: DSD's budget per programme 2026/27

Programme R million	Budget		Nominal Increase / Decrease in 2026/27 in Rand	Real Increase / Decrease in 2026/27 in Rand	Nominal Percent change in 2026/27	Real Percent change in 2026/27
	2025/26	2026/27				
1. Administration	438.9	462.8	23.9	8.7	5.45%	1.98%
2. Social Assistance	285 920.4	292 770.7	6 850.3	-2 776.6	2.40%	-0.97%
3. Social Security Policy& Administration	8 184.4	8 454.6	270.2	-7.8	3.30%	-0.10%
4. Welfare Services Policy Development & Implementation Support	319.0	330.5	11.5	0.6	3.61%	0.20%
5. Social Policy & Integrated Service Delivery	362.3	386.4	24.1	11.4	6.65%	3.15%
TOTAL	**295 225.1**	**302 405.0**	**7 180.0**	**-2 763.7**	**2.4%**	**-0.94%**

Source: National Treasury (2026)

The DSD's overall budget for 2026/27 sits at R302.4 billion, compared to its adjusted appropriation of R295.2 billion for the 2025/26 financial year. This represents a nominal increase of 2.4% and real decline of 0.9% when considering inflation (i.e. R2.8 billion decrease in real purchasing power). This is mainly due to the anticipated discontinuation of Social Relief of Distress (SRD) Grant related to the COVID-19 pandemic. The baseline for social grants in 2026/2027 has been increased by R36.4 billion due to the extension of the COVID-19 Social Relief of Distress (SRD) grant until 31 March 2027. However, over the medium term the allocations are declining due to the termination of the SRD grant in March 2027. Over the medium-term, the Department's allocation is set to decrease to R286.6 billion by 2028/29.

The DSD received additional funding of R8.9 million in 2026/27 for costs related to the incentivised Early Retirement and Voluntary Exit Programmes for 12 employees. These funds are allocated in its budget for transfers to households. It also received additional R58.4 million for costs related to the incentivised early retirement and voluntary programmes for 134 employees at SASSA. The department reprioritised an amount of R9. 77 million within its operational baseline and was allocated to the Central Drug Authority for increased operational costs.

2.2 Main programme analysis, 202627

2.1.1 Programme 1: Administration

Table 2: Programme 1 budget allocation

Programme R million	Budget		Nominal Increase / Decrease in 2026/27 in Rand	Real Increase / Decrease in 2026/27 in Rand	Nominal Percent change in 2026/27	Real Percent change in 2026/27
	2025/26	2026/27				
Ministry	45.6	45.9	0.3	-1.2	0.66%	-2.65%
Department Management	77.1	79.0	1.9	-0.7	2.46%	0.90%
Corporate Management	177.5	184.6	7.1	0.1	4.00%	0.58%
Finance	78.6	90.4	11.8	8.8	15.01%	11.23%
Internal Audit	18.0	18.7	0.7	0.1	3.89%	0.47%
Office Accommodation	42.2	44.2	2.0	0.5	4.74%	1.30%
TOTAL	**438.9**	**462.8**	**23.9**	**8.7**	**5.7%**	**1.98%**

Source: National Treasury, (2026)

The Administration programme voted allocation for 2026/27 totals R462.8 million, compared to R462.8 million previously. This reflects a 5.7 % nominal increase, but when considering the inflationary effect (real terms), its budget only increases by 1.98%. The Ministry sub-programme allocation declines by -2.7% in real terms from the previous financial year. While the Finance sub-programme has the highest real increase of 11.23% in the 2026/27 financial year.

In terms of spending classification, Compensation of Employees (CoE) increases from R237.8 million (2025/26) to R251.7 million (2026/27). Furthermore, Goods and Services increase from R194.7 million previously, to R195.6 million in the 2026/27 financial year. Programme 1 decreases its allocation to *Travel and Subsistence (S&T*) from R22.0 million previously, to R19.9 million in the current 2026/27 financial year. Audit costs, in the 2025/26 financial year, the external allocation has a slight increase from R17.1 million in 2025/26, to R17.3 million currently.

2.1.2 Programme 2: Social Assistance

Table 3: Programme 2 budget allocation

Programme R million	**Budget**		**Nominal Increase / Decrease in 2026/27 in Rand**	**Real Increase / Decrease in 2026/27 in Rand**	**Nominal Percent change in 2026/27**	**Real Percent change in 2026/27**
	2025/26	2026/27				
Old Age	117 362.0	121 791.9	4 429.9	425.1	3.77%	0.36%
War Veterans	0.1	0.1	0.0	0.0	0.00%	-3.29%
Disability	30 273.2	31 872.5	1 599.3	551.3	5.28%	1.82%
Foster Care	3 431.0	3 193.9	-237.1	-342.1	-6.91%	-9.97%
Care Dependency	4 960.1	5 330.1	370.0	194.7	7.46%	3.93%
Child Support	89 365.6	88 967.9	-397.7	-3 323.1	-0.45%	-3.72%
Grant-in-Aid	3 065.8	4 725.1	1 659.3	1 503.9	54.12%	49.06%
Social Relief of Distress	37 462.5	36 889.3	-573.2	-1 786.2	-1.53%	-4.77%
TOTAL	285 920.3	292 770.8	6.850.5	-2 776.4	2.4%	-0.97%

Source: National Treasury, (2026)

The allocation to the Social Assistance programme increases from R285.9 billion in 2025/26, to R292.8 billion currently (2026/27). The programme's focus always remains the same, i.e. to provide income support to socially vulnerable groups such as the elderly, persons with disabilities, and caregivers of children. The 2026/27 allocation to the programme is below inflation, representing a nominal increase of 2.4%, but a real decrease of 0.97%.

Expenditure under this programme is dominated by the Old Age Grant (OAG) and the Child Support Grant (CSG), which are allocated R121.8 billion and R88.9 billion, respectively. When compared to the 2025/26 allocations, the Old Age Grant increases by 0.4% in real terms and the CSG decrease in real terms by 3.7%.

The strongest growth in expenditure is projected for the Grant-in-Aid (i.e., 49.1% real growth). This is an additional grant to recipients of the Old Age, Disability or War Veterans Grants, who require regular care from another person due to their physical or mental status. The Disability Grant allocation increases by 5.3% in nominal terms and 1.8% in real terms, while Care Dependency Grant increased by 7.5% (or R370.0 million) in nominal terms and 3.9% (or R194.7 million) in real terms. Furthermore, the Foster Care Grant (which supports children in foster care) decreases by 6.9% (or R237.1 million) in nominal terms, but the decrease in real terms is by 9.97% (or R342.1 million).

The SRD Grant provides temporary income support (R370), food parcels and other forms of relief to people experiencing undue hardship. The SRD Grant will decrease in nominal terms by 1.5% and decrease in real terms (4.8%). In 2026/27, R36.9 billion is allocated to the department to fund the grant.

2.1.3 Programme 3: Social Security Policy and Administration

Table 4: Programme 3 budget allocation

Programme	**Budget**		**Nominal Increase / Decrease in 2026/27 in Rand**	**Real Increase / Decrease in 2026/27 in Rand**	**Nominal Percent change in 2026/27**	**Real Percent change in 2026/27**
R million	2025/26	2026/27				
Social Security Policy Development	70.2	76.3	6.1	3.6	8.69%	5.12%
Appeals Adjudication	38.2	39.5	1.3	0.0	3.40%	0.00%
Social Grants Administration	7 993.9	8 256.4	262.5	-9.0	3.28%	-0.11%
Social Grants Fraud Investigations	76.9	77.1	0.2	-2.3	0.26%	-3.04%
Programme Management	5.2	5.3	0.1	-0.1	1.92%	-1.43%
TOTAL	8 184.4	8 454.6	270.2	-7.8	3.3%	-0.10%

Source: National Treasury, (2026)

Social Security Policy received an allocation of R8.4 million, as opposed to R8.1 million in 2025/26 financial year. This marked a nominal increase of 3.3% but in real terms there is no increase.

2.1.4 Programme 4: Welfare Services Policy Development and Implementation Support

Table 5: Programme 4 budget allocation

Programme	**Budget**		**Nominal Increase / Decrease in 2026/27 in Rand**	**Real Increase / Decrease in 2026/27 in Rand**	**Nominal Percent change in 2026/27**	**Real Percent change in 2026/27**
R million	2025/26	2026/27				

Service Standards	30.6	31.2	0.6	-0.4	1.96%	-1.39%
Substance Abuse	20.4	21.2	0.8	0.1	3.92%	0.50%
Older Persons	18.3	18.3	0.0	-0.6	0.00%	-3.29%
People with Disabilities	14.1	14.4	0.3	-0.2	2.13%	-1.23 %
Children	80.5	83.3	2.8	0.1	3.48%	0.08%
Families	11.0	11.3	0.3	-0.1	2.73%	-0.65.%
Social Crime Prevention & Victim Empowerment	82.2	87.1	4.9	2.0	5.96%	2.48%
Youth	11.0	9.5	-1.5	-1.8	-13.64%	-16.48%
HIV & AIDS	46.2	49.2	3.0	1.4	6.49%	2.99%
Programme Management	4.8	4.9	0.1	-0.1	2.08%	-1.27%
TOTAL	319.1	330.5	11.4	0.5	3.6%	0.17%

Source: National Treasury, (2026)

The Welfare Service Policy Development and Implementation Support programme increases from R319.1 million, to R330.5 million. This shows a nominal increase 3.6%, and a real increase of 0.17%. Even though most of the sub-programmes increase in nominal terms, these are mostly eroded by the inflationary effect. The Sub-programmes allocations most impacted in terms of real decreases are Youth (-16.5%) and *Older Persons* (-3.3%) sub-programmes.

2.1.5 Programme 5: Social Policy and Integrated Service Delivery

Table 6: Programme 5 budget allocation

	Budget		**Nominal Increase / Decrease in 2026/27 in Rand**	**Real Increase / Decrease in 2026/27 in Rand**	**Nominal Percent change in 2026/27**	**Real Percent change in 2026/27**
	2025/26	2026/27				
Social Policy Research & Development	7.1	7.3	0.2	0.0	2.82%	-0.56%
Special Project & Innovation	12.9	12.4	-0.5	- 0.9	-3.88%	-7.04%
Population Policy Promotion	40.7	40.2	-0.5	-1.8	-1.23%	-4.48%
Registration and Monitoring of Non-Profit Organisations	43.9	46.7	2.8	1.3	6.38%	2.88%
Substance Abuse Advisory Services & Oversight	6.9	17.2	10.3	9.7	149.28%	141.08%
Community Development	30.5	33.4	2.9	1.8	9.51%	5.91%
National Development Agency	216.3	225.5	8.7	1.3	4.02%	0.60%
Programme Management	4.0	4.2	0.2	0.1	5.00%	1.55%

TOTAL	362.3	386.3	24.0	11.3	6.6%	3.12%

The allocation for Programme 5 increases from R362.3 million in 2025/26 to R386.4 million in 2026/27, denoting a nominal increase of 6.6%, but only a 3.1% real increase.

Of the 8 sub-programmes in this programme, only 3 experience real decreases, namely; Social Policy Research & Development, Special Project & Innovation and Population Policy Promotion.

The National Development Agency (NDA), an entity of the department, is located within this programme. The NDA sub-programme's budget increases from R216.3 million in 2025/26, to R225.5 million in 2026/27. This shows a nominal increase of 4.0% (0.6% in real terms). *The* Substance Abuse Advisory Services and Oversight sub-programme experiences the highest increase in allocation from the previous year, i.e. 149.28% on R10.3 million in nominal terms and 1.41.08% or R9.7 million in real terms.

2.2 OVERALL PERFORMANCE TARGETS

Table 6: Targets per programme, 2026/2027

	APP targets 2025/26	APP targets 2026/27	% Contribution	MTDP (SASSA & provi	BRRR
Programme					
P1: Administration	5	5	11%	0	Aligned
P2: Social Assistance	1	1	2%	0	Aligned
P3: Social Security Policy and Administration	7	9	20%	4	Aligned
P4: Welfare Services Policy and Implementation Support	17	18	40%	3	Aligned
P5: Social Policy and Integrated Services Delivery	12	12	27%	3	Aligned
Total	42	45	100%	10	

DSD has set forty-five (45) targets for the 2026/27 financial year for all its five (5) programmes. This is an increase from forty-two (42) targets in the previous financial year (2025/26).

2.2.1 Performance targets per programme

Programme 1: Administration

The purpose of this programme is to provide leadership, management and support services to the Department and the sector.

In total, there are five (5) most notable targets set by the Department for 2026/27 financial year. Below are some of the selected targets:

Table 7: Programme 1 performance targets, 2026/27

Programme	Targets set
Entity oversight	4 entity oversight reports submitted to the Minister
Monitoring & Evaluation	Electronic M&E System for the Social Development Sector rolled out in five (5) Districts
Finance	Obtain unqualified audit opinion on AFS
Finance	40% of procurement spent on women-owned businesses
Information Management & System Technology (IMST)	One (1) government entity data integrated into NISPIS (as part of the Digital Transformation Strategy)

Programme 2: Social Assistance

Social Assistance transfers provide for the payment of social assistance grants to beneficiaries who qualify for social assistance in terms of the Social Security Act, 2004 (No. 13 of 2004). It provides only funding for payment of social assistance grants to beneficiaries by the SASSA and does not include salaries to staff.

Only one (1) target is planned for 2026/27 financial year under this programme. Programme 2 of the Department is administered by SASSA in providing quality customer-centric social security services to eligible and potential beneficiaries.

Programme 3: Social Security Policy Development Performance

The purpose of this programme is to provide for social security policy development, administrative justice, administration of social grants and the reduction of incorrect benefits payments.

There are a total of seven (9) targets set under this programme, below are some of the selected targets:

Table 8: Programme 3 performance targets, 2026/27

Programme	Targets set
Social Security	DSD is planning to: • Submit the draft Policy on Basic Income Support to Cabinet for consideration. • Conduct oversight visit at 9 SASSA provincial offices to monitor the implementation of Social Assistance Regulations. • Conduct capacity building workshops on social security rights in 9 provinces. • Conduct capacity building on Social Assistance legislation at nine (9) provinces to capacitate SASSA officials on the implementation. • Conduct beneficiary education on Social Assistance at nine (9) provinces. • Conduct beneficiary education on Social Assistance at nine (9) provinces. • Conduct fraud and corruption awareness sessions on social assistance in 9 provinces.

Programme 4: Welfare Services Performance

This programme creates an enabling environment for the delivery of equitable developmental welfare services through the formulation of policies, norms and standards, and best practices.

This programme has set 18 targets set for the 2026/2027 financial year. The table below focuses on a selective few:

Table 9: Programme 4 performance targets, 2026/27

Programme	Targets set
Children's Legislation and Families	• Conduct twenty (20) capacity building sessions on the children's Act • Capacitate twelve (12) districts on the Teenage Parent Programme
Children's Services	• Monitor the implementation of Community Based Prevention and Early Intervention Services to vulnerable children in nine (9) provinces. • Four (4) educational awareness sessions on the prevention of statutory rape conducted.
Professional Social Services and Older Persons	• Conduct three (3) International awareness campaigns on the protection of older persons. • Conduct monitoring of compliance Social Service Profession (SSP) regulation in eight provinces.
Social Crime Prevention and Anti-Substance Abuse	• 10 districts monitored on the Implementation of the Integrated Social Crime Prevention Electronic Information Management Systems. • Support provinces to establish 4 GBV shelters in districts without existing shelters, in alignment with the NSP on GBVF. • Twenty (20) campuses reached through prevention and early intervention measures to curb gender-based violence, substance abuse and social crime.
Office of the Rights of the Child	• Capacitate nine Provinces on the National Plan of Action for Children.
Services for people with disabilities	• Nine (9) districts capacitated on respite care services for Children with Disabilities and their Families. • Policy on Social Development Services to Persons with Disabilities submitted to Cabinet for approval
HIV/Aids	• 8 districts where compliance with the implementation of Social and Behaviour Change (SBC) programmes on HIV and teenage pregnancy prevention assessed.

Programme 5: Community Development Performance

This programme provides support to community development and promotes evidence-based policy making in the Department and the social development sector.

Under this programme, the DSD has set thirteen (12) annual targets for the 2026/267 financial year. The table below highlights some of the key targets:

Table 10: Programme 5 performance targets, 2026/27

Programme	Targets set
Social Policy	• Develop the initial report on the implementation plan of the UN Declaration on Social Development and Programme of Action
Non-Profit Organisations	• Register 100% qualifying applications within two (2) months of receipt in compliance with Section 13(2) of the NPO Act. • Process 80% of reports within two (2) months of receipt.
Special Projects and Innovation	• Create 204 707 EPWP work opportunities through Social Sector EPWP Programmes
Population and Development	• Produce the concept note on the progress review report on the implementation of the Population Policy +30 • 9 provinces capacitated on the implementation of the Framework on Integration of Population Policy in the District Development • Produce a monitoring report on the implementation of the National Sexual and Reproductive Justice Strategy.
Youth Development	• Nine Provinces monitored on the implementation of DSD Youth Development Policy priorities
Poverty Alleviation, Sustainable Livelihood and Food Security	• Monitor Implementation of the National Food and Nutrition Security Plan • Draft policy on Linking Social Protection Beneficiaries to Sustainable Livelihoods Opportunities
Community Mobilisation and Empowerment	• Consolidated monitoring report on the implementation DSD Portfolio DDM Framework

2.3 Legislative and policy priorities

The mandate of the DSD is to provide social protection services and lead government efforts to forge partnerships through which vulnerable individuals, groups, and communities become capable and self-reliant participants in their own development. This is to be achieved while giving effect to the right of everyone to have access to: (a) health care services, including reproductive health care; (b) sufficient food and water; and (c) social security, including if they are unable to support themselves and their dependents, appropriate social assistance, as stated in Section 27 (1) (2) of the Constitution. This mandate places the Department at the centre of government's initiatives to improve the quality of life for all persons in the country.

The policy priorities of the Department should be in line with the aspirations of the NDP, MTDP, SDGs, AU Agenda 2063, and 2026 SONA policy imperatives.

The **MTDP** has identified 3 priorities to be undertaken during 2024 - 2029 to place the country on a positive trajectory towards the achievement of the 2030 vision.

Although all 3 priorities relate to the work of the Department and its entities, Priority 2 (Reduce poverty and tackle the high cost of living) has a direct bearing on its work. This is due to the nature of the DSD's mandate, as enshrined in the Constitution. All 3 priorities are highlighted in Figure 1:

Figure 1: selected MTDP 2024-2029 priorities related to Social Development sector

Strategic Priority 1	Strategic Priority 2	Strategic Priority 3
Drive inclusive growth and job creation	Reduce poverty and tackle the high cost of living	Build a capable, ethical and developmental state

South Africa is party to several international treaties and frameworks and therefore has an obligation to fulfil the aspirations espoused in these agreements. The aspirations articulated in these international and regional frameworks resonate with those found in the NDP, MTSF, and the statutory and policy mandate of the Department.

The **UN** emphasises that gender equality is not only a fundamental human right, but a necessary foundation for a peaceful, prosperous and sustainable world. Similarly, ***Agenda 2063 (AU)*** aspires to a continent in which all forms of violence and discrimination (social, economic, political) against women and girls is eliminated, and that they fully enjoy all their human rights by the year 2063. This means an end to all harmful social practices and barriers to accessing quality health and education for women and girls. ***South Africa's National Strategic Plan (NSP) on GBVF***, highlights economic empowerment as a key area of concern that must be addressed.

The **Sustainable Development Goals (*SDGs)*** place strong emphasis upon values such as *human dignity, equality, empowerment, and self-reliance*, which are also among the core values and principles of the work of the Department. The 2030 Agenda for Sustainable Development is built on the promise of leaving no one behind, particularly marginalised groups who were previously more likely to be left behind in the country's developmental agenda. *Agenda 2063* aspires to a *high standard of living*, *quality of life* and *well-being* for all citizens. The Department's priority of improving the **optimisation of social welfare services** through increased access, is thus aligned to both international and regional framework aspirations. Research shows that social grants continue to be a major anti-poverty tool, providing income support to millions of poor households. The **National Development Plan (NDP)** supports social security reforms that are being considered by government, including mandatory retirement contributions. It emphasises the need for social protection of the working age population, including enhancing public employment programmes such as the Expanded Public Works Programme (EPWP).

Agenda 2063 pays much attention to social protection by encouraging Member States to implement various policies and treaties. For some time, the AU has been elaborating on an Additional Protocol to the African Charter on Human and Peoples' Rights on the Rights of Citizens to Social Protection and Social Security, which, once ratified, will become a legally binding instrument. Similarly, the NDP commits to achieving a defined social protection floor and defines social protection as mechanisms used by the government to protect the most vulnerable in society and ensure that all citizens live above the 'social floor'.

MTSF agenda for social protection considers how to progressively realise rights, mitigate current patterns of inequality, prevent further deprivation, as well as contribute to the economic and social transformation agenda. For social protection to play its expected developmental role, there is a need to consider new policy instruments and re-envision how the different policy instruments can interact and contribute to the betterment of poor citizens.

SONA 2026 highlights are as follow:

Gender-Based Violence: SONA 2026 classified gender-based violence and femicide as a national disaster. In this regard, Government will better coordinate by building on the

National Strategic Plan, mobilising all relevant sectors of society through communication and social mobilisation to challenge harmful attitudes and practices. Government will also improve case management, scale up survivor-centred support, ensuring access to shelters, one-stop service centres, mobile and rural outreach, and the placement of social workers in police stations. Additionally, promotion of women's economic empowerment through training, financial support and preferential procurement will be continued.

Job Creation and persons with disabilities: SONA 2026 reiterates the importance of job creation and indicated that, government have taken a decision to increase employment equity targets of persons with disabilities in the public service to 7% by 2030, and to mandate a 7% preferential procurement target across all government and public entities. In addition, SONA 2026 highlighted an expansion of public employment programmes, including the Community Works Programme, Expanded Public Works Programme (EPWP) and the Presidential Employment Stimulus.

Social Assistance (Poverty and inequality): Social Relief of Distress (SRD) Grant will be continued. In 2026/27 financial year Government will redesign the grant to more effectively support livelihoods, skills development, work opportunities and productive activity. Government will be building on existing support such as the Child Support Grant (CSG), by implementing targeted interventions to ensure that pregnant women and low birth-weight children get the protein and nutrients that they need. Government will digitise services, citizens will be able to fill out police statements online and test eligibility for South African Social Security Agency (SASSA) grants remotely. All these services will be available on the MyMzansi platform.

Children's Services and Communities: Government will embark on a mission to end child stunting by 2030 and address malnutrition among young children, in line with the National Strategy to Accelerate Action for Children. The focus will be on the crucial first 1,000 days of a child's life.

Social Crime Prevention and Anti-Substance Abuse: The President called upon relevant provincial governments to strengthen the regulation of alcohol by limiting the density of liquor outlets, restricting trading hours and ending the sale of alcohol in large containers.

The President directed the Minister of Police and the SANDF to develop a tactical plan on where security forces should be deployed within the next few days in the Western Cape and Gauteng to deal with, amongst other, gang violence. Government is currently implementing an integrated strategy to address the root causes of crime through coordinated interventions across society, from street lighting to access to social services. The DSD monitors the intersectoral protocol on the prevention and management of gangsterism, and other forms of social crime through the Welfare Services Policy Development and Implementation Support programme.

3. COMMITTEE DELIBERATIONS

- **Finance:** noting that the department obtained unqualified audit opinions in the past two financial years, the Committee wanted to know what measures are being implemented to strengthen audit outcomes and to maintain the good audit opinions.

  The Committee wanted to know how will financial management reforms translate into better developmental outcomes rather than compliance outputs?

The department reported that during the 2025/2026 financial year, together with its SASSA introduced various internal control measures to ensure that sound governance processes are in place and effectively being implemented to improve the audit outcome for 2025/2026 financial year and beyond. It developed a sound Internal Audit Turnaround Strategy (IATS) that includes, amongst others, root cause analysis of the problems that led to the department obtaining qualified audit outcome on Transfers and Receivable. Management developed adequate preventative, detective and corrective controls, including clear action plans and timelines to enhance and maintain positive audit outcome.

For this financial year, it is in the process of capacitating internal audit unit by filling key vacant post. Amongst the key vacant posts that are currently being filled include the Information Technology (IT): Director post. This is a strategic internal post that will assist management in regularly reviewing the department IT system and provide early warnings to management on system weakness prior to the AGSA conducting the regularity audit after the end of each financial year.

In addition to the work done by the internal audit, the department Audit Committee is also constantly playing a vital role in consistently providing adequate oversight advisory services through.

It has established a Quality Assurance Committee comprising Strategy, Performance Information Reporting, Internal Audit and Risk Management to strengthen governance, accountability and oversight processes. This Committee aims to enhance the department's capacity to effectively respond to internal audit findings, improve quarterly performance and financial reporting reviews, strengthen oversight through governance structures, and ensure implementation and monitoring of audit action plans and related corrective measures.

In relation to financial management reforms, the department reported that it will continue with the costing of policies, programmes, legislative mandates and projects to determine cost implications of planned activities at activity -based approach for all Targets. Furthermore , the strategic plans should align with the available budget, and the procurement plan should be addressing the identified targets. Procurement should be strictly in accordance with the planned activities as identified in the Procurement plan which is aligned to the Strategic objectives and APP.

- **Social assistance programme:** the Committee wanted to know the allocation of the Child Support Grant-Top Up (CSG-Top Up) for 2026/2027. It expressed a concern that despite the department reporting in 2025/2026 financial year that it trained social workers and other officials on the provisions of the Social Assistance Amendment Act (No. 20 of2020), the Children's Amendment Act (No.17 of 2022) and their Regulations, some DSD officials still do not understand how this grant can be applied for. The Committee also raised a concern that the annual increase of R80 in the Old Age Grant was not enough to cover the living expenses of older persons.

It also raised a concern that the Basic Income Support (BIS) policy is only planned to be finalised in 2029/2030 financial year. What financial assistance would be available to the beneficiaries of the Social Relief of Distress Grant (SRD grant) when it comes to an end in March 2027.

The Committee further asked the following questions:

- How will social assistance programme contribute to the targeted outcome of poverty reduction and improved household livelihoods?
- What measures are in place to ensure that Basic Income Support policy translate into sustainable socio-economic outcomes?
- How will the department ensure efficiency and accuracy in grant administration, noting that there is utilisation of digital and manual systems?
- How will dependency on social grants be reduced through linkages to economic opportunities?
- How will the department address fraud, leakages, and inefficiencies in the system?

The department explained that the CSG-Top Up grant is a top up to the basic CSG. For the first time, with the Top Up, the CSG is above the food poverty line. The challenge is that DSD cannot increase the value of any social grants because it works with the allocated budget from National Treasury. There are also other government programmes that deal with poverty eradication such as the School Nutrition Programme, which National Treasury also considers when it allocates budgets.

In relation to social assistance programme contributing to poverty reduction, the department reported that it contributes through ongoing transfer of funds to SASSA to pay social grants to vulnerable individuals.

In relation to ensuring efficacy and efficiency in the grant administration, the department reported that these will be done through institutionalising the linking process via the sharing of live data and opportunities on the myMzansi platform. The success of this will be entirely dependent on the ability of the economy to create the necessary jobs, and the sustainability of those jobs and other economic opportunities.

Regarding addressing the fraud, leakages and inefficiencies in the grant system, the department reported that it will increase monitoring and supervision of SASSA through more robust entity oversight processes. This will be supported by the establishment of the Inspectorate for Social Assistance, which is empowered to address complaints from the general public and institute more robust investigations into any potential and actual fraud in the system.

- **Social security policies:** the Committee was concerned about the length of time (5 years) it has taken to finalise policies, such as the Basic Income Support policy, the White Paper on Social Development and the White Paper on Comprehensive Social Security.

  The Committee also asked the following questions:
  - How will policy reforms contribute to the targeted outcome of a comprehensive and sustainable social security system?
  - How will policy development translate into measurable improvements in social protection coverage and at which stage is the Basic Income Grant at?
  - What mechanisms ensure alignment between policy, implementation, and budgeting?

The department explained that it is a norm for government to take up to five (5) years to finalise a policy. The policy for universal access to social assistance dates back three (3) years ago. The department is in support of the SRD grant used as a benchmark for the Basic Income Support policy. The extension of the SRD grant until March 2027 gave the department time to finalise the BIS policy.

It reported that it submitted a draft Basic Income Support Policy to Cabinet in 2024. Cabinet advised that the policy should make provision for linkages of beneficiaries to economic opportunities. It also had to develop an updated costing in response to the Cabinet resolution. The costing is done based on the outcome of the income and expenditure survey. The latest outcome of income expenditure survey was only released in January 2025, but it was based on 2022/2023 trends. The number of people living under poverty lines had obviously changed.

The other challenge of the department was to find ways on how to link beneficiaries to economic opportunities. The current landscape of various job creation programmes is fragmented between various government departments, for example, the Extended Public Works Programme (EPWP) and programmes implemented by the Department of Employment and Labour. DSD has only recently been able to consolidate all the number of beneficiaries contained in these programmes. It also worked with Presidency which developed the MyMzansi platform that has a digital register of unemployed. SASSA database will also be integrated into the MyMzansi database. Once the platform is finalised, beneficiaries of various programmes will be able to be traced and linked to economic opportunities. Once finalised, the policy will be submitted to Cabinet. If Cabinet approves it, it will be gazetted for public comments. The inputs will then be added into the draft policy, which will need to be submitted again to Cabinet for approval. It will be only after the Policy has been approved by Cabinet that the legislation on BIS will be drafted.

Regarding, the concern of what financial income will be available for the beneficiaries of the SRD grant when comes to an end, the department explained that it is the prerogative of the President to further extend the Grant.

With regard to policy reform contributing to comprehensive and sustainable social security system, the department explained that a comprehensive and sustainable social security system is one that provides universal cover, and is affordable to the country and is institutionally designed to ensure that those who are able to contribute are provided with a platform to contribute, and those who cannot pay are supported by the state according to its available resources. In this regard, the DSD policy is to maintain existing social grants for vulnerable children, adults and persons with disabilities, and over time increase the value of the grants to ensure that the beneficiaries are lifted out of poverty.

The policy reforms focus on the Basic Income Support to extend income support to those who are currently excluded, and to progressive increase the value of support to ensure that no one is left behind, and the constitutional mandate is achieved. To ensure long term sustainability, the approach is to also develop institutional platforms to enable those who are working in both formal and informal employment but do not participate in social insurance to begin to make mandatory contributions towards their own retirement so that they will not depend on the social grants when they reach retirement age.

By combining contributory and non-contributory approaches, the reforms aim to develop a coherent institutional platform to enable those who earn an income from work or other livelihoods to make contributions to the system, while those who remain vulnerable and unable to work are supported through the fiscus.

Regarding to how will policy development translate into measurable improvements in social protection coverage and at which stage is the Basic Income Grant, the department reported that the policy can only translate into improvements once it is approved, and the necessary funding availed to allow for implementation. At present, the BIS policy is not funded but it aims to translate the current funding of the SRD grant to finance the BIS. Should the BIS policy be approved and funded, it will translate into an increase in social security coverage for all working age adults living below the poverty lines. Furthermore, the policy makes provision for other departments to collaborate with DSD in providing job opportunities, skills training, small business development funding and other opportunities to graduate some of the BIS beneficiaries from grants to supporting themselves.

In relation to mechanisms to ensure alignment between policy, implementation, and budgeting, the department reported that the ongoing engagement with National Treasury on alternative costing scenarios to inform alternative budget options, along with careful engagement with various government departments to support implementation through sharing of real time data to identify eligible beneficiaries and provide access to their economic opportunities, are intended to achieve alignment between policy and implementation.

- **Social Grant administration:** the Committee wanted to know how the department is implementing or is it going to implement the recommendations of the Financial

Fiscal Commission that there should be stringent oversight on social grant administration.

- **Job creation and income generation:** the Committee raised a concern that through the Extended Public Works Programme (EPWP), the department is planning to create 209 310 work opportunities by the end of 2029/2030 when the country has approximately 7.8 million people who are unemployed. It also wanted to know what measures are in place to ensure that EPWP and other livelihood programmes lead to permanent economic opportunities. It further wanted to know how the department will link beneficiaries to income-generating opportunities to reduce dependency.

  The department explained that there are are various pathways to ensure sustainable livelihoods, firstly to provide the most vulnerable with meaningful work that contributes to their work experience, secondly the training opportunities that improves their employability or enterprise development and lastly the income support through a regulated EPWP minimum wage.

  It will link beneficiaries to income generating opportunities through the following initiatives:

  - customization of indicators on Social Sector EPWP, Sustainable Livelihoods and Food Security programmes across all Provinces.
  - fast-tracking and prioritising the approval of the Policy on Linking Social Protection to Sustainable Livelihoods Opportunities and enact so that it compels other Government Departments to link the social protection beneficiaries to Sustainable Livelihoods.
  - linking of social protection beneficiaries should be an indicator of all Community Development Units Nationally and should be customised and prioritised. Generating Better Livelihoods to be scaled up and resourced in all Provinces as a model of implementing Linking of Social Protection Beneficiaries to Sustainable Livelihoods Opportunities.

- **Youth empowerment:** the Committee wanted to know to what extent is the department empowering youth-owned entities?

The department reported that targeted specific goals also includes empowering business owned by Youth and people with disabilities. However, the empowerment of women is the only one which was elevated to the APP. The reports showing statistics on the youth and people with disability owned entities is available for information.

- **Community development:** the Committee wanted to know how partnerships with communities and stakeholders will improve programme sustainability? It also wanted to know what strategies are in place to ensure scalability and long-term impact of community programmes?

  The department reported that a Project Steering Committee on GBL was established in 2026, composed of representatives from relevant government departments, implementing partners, communities and other key stakeholders, to strengthen coordination, improve partnership management, and enhance programme sustainability. There should be targets given officially to different Government Departments on linking of the beneficiaries from Social Protection programmes like EPWP, Social Grants and others.

To ensure scalability and long term impact of community programmes, it is concluding the Pilot project on Generating Better Livelihoods which has demonstrated, how we can implement the linking of social protection beneficiaries to sustainable livelihoods and improve sustainability and meaningful economic opportunities. This has been running for 24 months in partnership with FINMARK Trust. It has also demonstrated how much resources are needed and how partnerships should be managed.

- **Gender based violence (GBV) and HIV/AIDS:** the Committee noted that the department is planning to conduct four (4) educational awareness sessions on the prevention of statutory rape. It also noted the department's plan to conduct assessment on compliance on the implementation of Social Behaviour Change (SBC) Programmes on HIV and teenage pregnancy prevention in eight (8) districts. It still expressed a serious concern that girls as young as 10 years fall pregnant and therefore are at high risk of contracting HIV/AIDS. It wanted to know the four provinces it has targeted for awareness campaigns to prevent statutory rape and how these provinces were identified.

The Committee also noted that the department is planning to support provinces to establish four (4) GBV shelters in districts without existing shelters. It wanted to know the reasons for the department to identify only 4 districts and which districts are these. It also wanted to know the provinces that do not have shelters and how this has derailed the fight against GBV. The Committee also wanted to know how the implementation of Community-Based Prevention and Early Intervention Services to vulnerable children (RISIHA) will assist tracking the impact of the government response and protected vulnerable children.

It also wanted to know what measures ensure that GBV, child protection, and disability programmes result in measurable social impact.

The department reported that the impact of the Risiha programme aims to improve the resilience of vulnerable children through the implementation of the seven domains which are health services, educational support, food and nutrition, psychosocial support, childcare and protection, HIV and AIDS, and economic strengthening. The child and youth care workers monitor these domains daily.

The monitoring reports provides insight on the implementation of the core package of services within the RISIHA which are childcare and protection, food and nutrition, health promotion, psychosocial support, economic strengthening, HIV and AIDS, and educational support. As the programme (RISIHA) is intended to move children from vulnerability to resilience through the provision of this core package of service, the Department has seen a successful matriculation rate and empowerment of the beneficiaries of children attending RISIHA programme. The programme serve as a protection measure for vulnerable children.

In relation to statutory rape awareness, the department reported that provinces countrywide are implementing programmes to prevent statutory rape, however, National DSD prioritised support to the four provinces which has high number of reported cases of child sexual abuse as well as child/ teenage pregnancy. These provinces are KwaZulu Natal, Eastern Cape, Mpumalanga and Northern Cape where cases are identified from the National Child Protection Register and the Department of Health statistics.

It recognises that limited shelter coverage in certain districts continues to affect the accessibility of immediate protection and psychosocial support services for survivors of gender-based violence, particularly in rural and underserved communities. To address this gap, funding through the European Union Gender Equality and Women Empowerment (EU GEWE) Programme has been secured to support the establishment of shelters in provinces and districts that currently have limited shelter services.

The identified districts include John Taolo Gaetsewe District in the Northern Cape, Vhembe, Waterberg and Sekhukhune Districts in Limpopo, and Dr Kenneth Kaunda District in the Northwest Province. Infrastructure has already been identified, and at least four shelters are targeted for establishment during the 2026/27 financial year.

In addition, it has established a strategic partnership with the Department of Public Works and Infrastructure to repurpose unoccupied state-owned buildings into shelters and centres of support for survivors of GBV. This initiative will contribute significantly towards expanding access to safe accommodation and integrated support services across the country.

- **Services to persons with disabilities:** the Committee expressed a concern that children with disabilities continue to be neglected. Many of them cannot access schools. Also, government buildings, including SASSA offices, do not have accessible facilities and infrastructure for people with disabilities. It also wanted to know what measures ensure that GBV, child protection, and disability programmes result in measurable social impact.

The Department explains that it ensures measurable social impact through the implementation of monitoring and evaluation systems, programme reporting tools on monthly and quarterly basis, aligned for example to the National Strategic Plan on Gender-Based Violence and Femicide. Furthermore, the Department continues to implement the 365 Days Programme of Action for No Violence Against Women and Children, which adopts an integrated approach that addresses gender-based violence, child protection, anti-substance abuse initiatives, disability inclusion, and the prevention of social crime. This approach strengthens prevention and early intervention programmes while promoting collaboration across government departments, civil society organisations, and communities to ensure sustainable social impact.

- **Welfare services:** the Committee also wanted to know how the department will ensure equitable access to welfare services across provinces amid infrastructural challenges. It also wanted to know how the department will address capacity and funding challenges in welfare services.

  The department reported that it ensures equitable access through strategic partnerships with development partners, government infrastructure repurposing such as the partnership with the Department of Public Works and Infrastructure (DPWI), and collaboration with provincial departments and civil society organisations. Through the partnership with the Department of Public Works and Infrastructure, unused government buildings are being identified and repurposed into service centres and GBV shelters, particularly in areas with limited infrastructure.

  It also utilises community-based outreach programmes and integrated district service delivery models to ensure that vulnerable individuals in rural and remote communities can access psychosocial support, victim empowerment services, child protection programmes, and other welfare services.

  In addressing capacity and funding challenges, the department explained that it continues to address capacity and funding challenges through partnerships, skills development, and resource mobilisation initiatives. Collaboration with development partners, SETAs, donor agencies, and civil society organisations assists in strengthening service delivery capacity and expanding support programmes.

In addition, the Department is implementing measures to improve the utilisation of available state infrastructure, strengthen monitoring and accountability systems, and enhance coordination between government and civil society partners. Through these interventions, the Department aims to improve the sustainability, accessibility, and quality of welfare services provided to vulnerable individuals and communities across the country.

- **NPO funding and role of NPOs:** the Committee wanted to know how the department intends to address the challenges of delay in NPO transfers. It further wanted to know how the involvement of NPOs has improved service delivery in welfare services and overcome the budgetary constraints.

  The department explained that it intends to address delays in NPO transfers through a combination of administrative reforms, earlier planning cycles, strengthened compliance systems, digitization, and tighter management of Service Level Agreements (SLAs). Key measures include:

  - **Earlier processing of funding applications:** the NPO Funding Coordination unit has commenced to process earlier in the financial cycle to avoid delays at the start of the new financial year.
  - **Accelerated signing of Service Level Agreements (SLAs):** the delay with unsigned SLAs is identified as one of the main causes of delayed transfers. The department has therefore introduced stricter timelines for signing agreements in line with approved sector funding policy.
  - **Improved communication and coordination with NPOs:** it has committed to issuing approved letters earlier and maintaining continuous communication with funded organisations regarding application outcomes, compliance requirements, and payment schedules.
  - **Digitization of NPO registration and compliance systems:** it is introducing a new online NPO registration and compliance monitoring system aimed at reducing administrative bottlenecks, improving verification processes, and shortening turnaround times. The digital platform will automate registration, annual reporting, compliance verification, and document management. The new system is expected to reduce waiting periods significantly.

- **Strengthening compliance management:** it has linked many payment delays to non-compliant NPOs and governance deficiencies. To address this, the department is intensifying compliance monitoring, annual reporting requirements, and verification processes in line with Financial Action Task Force (FATF) Recommendation 8 obligations relating to accountability and prevention of misuse of NPOs.
- **System and financial administration improvements:** it has acknowledged challenges relating to BAS financial system processing, verification procedures, and new payment systems. Department states that improvements to internal financial administration and coordination with Treasury is intended to speed up transfer payments.

- **Enhanced oversight and accountability:** it is introducing stricter monitoring of funded organisations and improved accountability mechanisms which is aimed at preventing administrative disputes, incomplete documentation, and delays associated with governance weaknesses within some NPOs.

Despite these interventions, challenges remain, including budget constraints, compliance backlogs, delayed adjudication processes, and administrative inefficiencies, which continue to affect timely transfers in some provinces.

In relation to how the involvement of NPOs involved service delivery, the department explained that NPOs remain key partners in extending government services to communities and improving responsiveness to the needs of vulnerable groups. Their involvement has strengthened service delivery in areas such as sheltering services, psychosocial support services, child protection services, disability services, and community awareness programmes.

To further support sustainability, the department continues to assist civil society organisations by linking them with funding opportunities through partners such as the European Union, Global Fund and the National Lotteries Commission. These partnerships enable NPOs to mobilise additional resources, enhance operational capacity, and continue delivering critical services despite financial pressures.

- **Central Drug Authority (CDA) funding:** the Committee noted and welcomed the additional budget allocation of R9.9 million to the CDA. It however wanted to know how the budget would be dispersed and accounted for between DSD and the CDA.

- **National Development Agency (NDA) funding:** considering that the biggest share in Programme 5 goes to the NDA, the Committee wanted to know how the department is ensuring that there is stability in the Agency.

  The department explained that it commissioned a review of the NDA including its budget structure. It has been working hard to stabilise its governance and capacity. There is now a permanent CFO.

- **Compensation of employees budget:** the Committee expressed a concern that positions remain vacant for years post-retirement of officials. It wanted to know how the department is planning to fill these vacant positions.

- **Funding and capacity constraints:** the Committee wanted to know how the department will address capacity and funding challenges in welfare services?

- **Intergovernmental relations (IGR):** the Committee expressed a concern about the non-alignment between the national DSD and the provincial DSD in planning and setting priorities, even though provincial budget allocations are appropriated through the national department.

  The department explained that the Constitution sets concurrence mandate between the national department and provincial departments. Setting priorities involves a negotiated process through MINMEC. Provinces set their own priorities through the Premier's Offices. In the spirit of IGR different spheres of government plan together. On 07 May 2026, Heads of Social Development Sector (HSDS) will meet to discuss common priority areas.

- **Information, Communication Technology (ICT):** the Committee also raised a concern that in these modern times the department's digital platforms are outdated, legacy systems are operating in silos and there is poor connectivity in rural areas. It requested the department to submit a comprehensive report on the state of its ICT platforms and interventions planned to address inefficiencies.

  The Committee wanted to know how ICT systems (e.g., NPO digital system) will improve data integrity and service delivery outcomes.

  The department reported that ICT systems will improve data integrity and service delivery by replacing fragmented, manual processes with centralized, automated, and secure digital solution that will ensure credible real time service delivery with accurate audit trail to trace and track any anormal activities that might impact on service delivery. These systems will improve data accuracy by eliminating manual entry errors, providing real-time access to information, and enabling data-driven decisions that increase overall operational efficiency and transparency. Data from all provinces will be centrally managed which will assist in eradication on any fraudulent activities on hopping around different provinces to request same services which were not approved due to non-compliances. These will also assist with standardization of legislative processes and ease of validation on verification of person's and organizations.

- **Capacity constraints:** the Committee wanted to know how the department will address capacity constraints to ensure effective implementation of APP targets.

  The department reported that capacity constraints will be addressed through a combination of organisational strengthening measures, including the implementation of the recently approved organisational structure, the filling and re-advertisement of vacant posts arising from recently retired officials, subject to budget availability, as well as targeted skills development and capacity building initiatives.

It will also continue to strengthen internal coordination between programmes and support units, upskilling the existing human resources, and enhance monitoring and oversight mechanisms to improve the implementation and reporting of APP targets.

In addition, it will leverage digital systems and intergovernmental partnerships to improve operational efficiency, while continuous support and guidance will be provided to officials to strengthen performance management, compliance, and service delivery outcomes.

During the 2025/2026 financial year it prioritized a couple of positions which are being filled, and some have already been filled. This is after the approval and concurrence of the organisational structure by the DPSA and National Treasury. With the introduction of the Voluntary Early Retirement programme, the department will be able to generate some savings and be able to identify and prioritise further positions which will assist in the implementation of the APP targets.

- **Technical aspects of the annual report:** the Committee expressed a serious concern and disappointment over the poor quality of the report. It contained abbreviations that were not listed in the Abbreviations and Acronyms. The table of contents contained bookmark errors. Paragraphs were written in different font sizes.

The department noted the concern of the Committee and undertook to improve the quality of its annual reports in future.

4. THE SOUTH AFRICAN SOCIAL SECURITY AGENCY (SASSA)

4.1 SASSA 2026/20267 performance

For 2026/27 financial year, SASSA has prioritised the following outputs against its three outcome:

SASSA outcomes	2026/2027 Outputs
Outcome 1: Reduced levels of poverty	• Provision of social assistance to persons unable to support themselves and /or their dependents. • Reduction of exclusion and inclusion errors. • Provision of temporary relief to individuals and households affected by disasters, undue hardships and loss of breadwinner.
Outcome 2: Improved customer experience	• Reduced turnaround times in social grants application process. • Informed citizenry. • Implement measures to reduce long queues at SASSA local offices.
Outcome 3: Improved organisational efficiencies	• Cost of administering social grants. • Effective financial management. • Implementation of the SASSA Modernisation Plan. • Enhanced technology and analytics. • ICT architecture reviewed and optimised. • Capacitation of SASSA for optimum performance.

4.2 Budget analysis for 2026/27 financial year

Table 11: overall appropriation of SASSA 2023/24, 2024/25, 2025/26 and 2026/27

Description	2025/2026	2026/2027	2027/2028	2028/2029
	R'000	R'000	R'000	R'000
Baseline allocation	7 770 816	8 116 952	8 484 232	
Additional allocation	300 000	300 000		
Reduction on the original allocation		(141799)	(189 154)	
Revised allocation	8 070 816	8 333 570	8 295 078	8 252 020
% Change to the original allocation	4%	3%	-2%	
R Y/Y increase/decrease	322 378 84	262 754 00	-38 492 00	-43 058 00
% Y/Y increase/decrease	4%	3%	0%	-1%

For the year under review, SASSA has been allocated a total budget of R8 116 952 billion, which translated to a minimal increase of R346 136 from R7 770 816 billion in 2025/2026. It was allocated R300 million for the administrative costs for the payment of the SRD grant (R370 grant), which it pays to approximately 7.7 million as of December 2025. The Agency's budget has however experienced significant cuts, R141 799 in 2026/2027 and R189 154 in 2027/2028. An additional R58 million has for the first time allocated for the Early Retirement and Voluntary Early Exit programme (ERP and VEP). This allocation was made from SASSA's baseline budget due to no additional funds allocated for SASSA and continuing budget reductions over the medium term period.

Over the medium term, the spending priorities of SASSA include:

- Promoting the use of digital applications system to enable quicker response and grant approval times.
- Alleviating overcrowding at local offices.
- Reduce call centre demand and improve client communication by introducing the digital self-help channels in 2025/26 as an alternative to calls. These channels include Facebook and WhatsApp chatbots.
- Introducing bank income checks on applicants and recipients of various grants and cross-check the databases of other government departments and agencies upon registration and routinely.
- Continuing to improve local offices, including sourcing alternative power supply.
- Enhancing service delivery to beneficiaries. This will be done at 72 offices in 2025/26, 81 offices in 2026/27 and 90 offices in 2027/28.
- Rolling out and upgrading a biometric solution aimed at reducing fraud. This will be done by strengthening beneficiary verification and authentication mechanisms at a cost of R105 million over the MTEF period.

SASSA has already met some of the above listed spending priorities:

- It rolled out bandwidth upgrades, intensified its queue management system automation and system's availability. However, the problem of long queues continue to plague SASSA
- It also installed alternative power solutions, including inverters, lithium batteries and solar panels to ensure that operations at local offices are not interrupted when there are power outages. By December 2025, there were 341 local offices that were equipped with alternative power supply.
- It also started implementation of modernisation of core business processes and scanning of beneficiaries files.
- It also continues with investments in network connectivity solutions such as mobile data routers and fibre upgrades to ensure reliable communication and uninterrupted access to digital systems across service points.
- It rolled out the beneficiary biometric solution, income reviews and life certification to reduce acts of fraud including identity theft.

4.3 National Treasury conditions

Similarly to the 2025/2026, the 2026/2027 budget allocation of SASSA is subjected to the National Treasury conditions, as follows:

- SASSA must, on registration and at least biannually, conduct bank income checks on applicants and recipients of the child support (including top-up), old age, war veterans, care dependency, permanent disability and temporary disability grants, leading to reviews of recipients with income above the means test threshold; OR
- SASSA must conduct credit bureau checks of applicants and recipients of the child support (including top-up), old age, war veterans, care dependency, permanent disability and temporary disability grants on registration and at least biannually.
- SASSA must initiate and conduct any other income and asset checks of applicants and recipients of the child support (including top-up), old age, war veterans, care dependency, permanent disability and temporary disability grants where necessary in line with regulation 21 of the Regulations to the Social Assistance Act, 2004 on registration and at least biannually.

- SASSA must, on registration and at least biannually, conduct bank income checks on applicants and recipients of the child support (including top-up), old age, war veterans, care dependency, permanent disability and temporary disability grants, leading to reviews of recipients with income above the means test threshold; or
- SASSA must conduct credit bureau checks of applicants and recipients of the child support (including top-up), old age, war veterans, care dependency, permanent disability and temporary disability grants on registration and at least biannually.
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4.4 Programme performance and budget analysis, 2026/2027

Table 12: overall targets of SASSA for 2026/27 financial year

Programme	2025/26 Targets	2026/27 Targets	2026/2027 number new targets	2025/2026 revised budget allocation	2026/2027 approved budget allocation
Administration	19	23	7	R3 559 174	R3 728 004
Benefits admin & support	9	9	2	R4 517 783	R4 605 566
Total targets	**28**	**31**	**9**	**R8 076 957**	**R8 333 570**

As can be seen in table 6 above, SASSA has set itself to achieve 31 performance targets for 2026/27, compared to 28 in 2025/2026. In line with the revised outcomes for the medium term, for this financial year, SASSA has set 11 new targets between the two Programmes.

Below is the analysis of the performance targets per programme against the allocated budget:

a. Programme 1: Administration

The Administration Programme provides leadership, as well as management and support services. In line with the outcome based planning, the programme's work will contribute towards the realisation of the three SASSA outcomes, namely, economic transformation, improved customer experience and improved organisational efficiency. Over the medium term, SASSA's critical interventions for this programme will include:

- Ensuring effective financial management, by improving performance audit outcomes, and reducing the cost of administering social assistance to remain below 5% of total transfers,
- Enhancing cyber resilience and data security through the full implementation of the Cyber Range Security Operations Centre,
- Reviewing and optimising the ICT Enterprise Architecture to support automation, integration, and efficient information flow across SASSA systems,
- Strengthening human capital management through the review and alignment of Human Resources policies and improving labour relations management to promote a stable and high-performing workforce,
- Develop ethics management strategy to reinforce ethical conduct and combat fraud and corruption towards regaining public trust,
- Implement lifestyle reviews and audits,
- Implement reviewed communications and marketing strategy.

Table 13: Programme 1 performance targets, 2026/27

Outcomes	Annual performance targets
Improved organisational efficiency	• **New target -** 75% of projects in the demand plan awarded. • SASSA AS-IS Enterprise Architecture finalised, and TO-BE Business architecture developed. • Implement alternative service channels and integrated single user interface for Grants System (SOCPEN, OGA, BRM and BIAM). • 90% availability of the Online Grants Application System. • Modernised Customer Contact Centre solution implemented.

	• **New target:** Modernised grants operations reporting capability developed and implemented. • **New target:** Cyber Security Awareness and Training Solution implemented. • User Behaviour Analytics Solution implemented. • **New target**: 80% of training and development programmes implemented to address identified skills gaps. • **New target:** 347 SASSA offices audited on facilities performance management. • **New target**: SASSA management strategy developed. • **New targeted**: 10% of identified employees through lifestyle reviews audited.
Improved customer experience	• Reviewed Integrated Communication and Marketing Strategy implemented. • **New target:** Digital Communication Platform Framework developed and approved.

b. Programme 2: Benefits Administration and Support

The Benefits Administration and Support Programme provides a grant administration service and ensures that operations within SASSA are integrated. The programme manages the full function of grant administration from application to approval, as well as beneficiary maintenance.

This programme is responsible for the core business of SASSA and ensures the implementation of the full value chain of grants administration. The functions relating to this programme cut across all levels within the Agency, including the day-to-day interface with clients. Over the medium term, SASSA's critical interventions for this programme will include:

- Increase coverage of social assistance to older persons, people with disabilities and children who are unable to support themselves,

- Gradually improve the turnaround time for processing social grant applications,
- Improve customer experience,
- Explore the possible value that can be added to the SASSA beneficiaries using the economies of scale that we have and the improvements in the payment landscape.

Table 14: Programme 2 performance targets, 2026/27

Outcomes	Annual performance targets
Reduced levels of poverty	• 1 500 000 social grant applications approved. • 18 991 697 grants in payment at a cost of R256 billion.
Improved organisational efficiency	• 85% new grants applications processed within 7 working days. • **New target:** 352 000 social grants reviews processed. • 95% of COVID-19 SRD applications processed. • 99% of social grants payments successfully processed.
Improved customer experience	• 4.2 million calls answered, • 70 community outreach events conducted (targeting 500 people per event), • **New target:** 70% end-of-call customer satisfaction survey completed.

4.5 Legislative mandate and priorities

The **NDP** alludes that South Africa needs to ensure that vulnerable groups and citizens are protected from the worst effects of poverty by 2030. The social protection measures proposed to support those in need, including children, people with disabilities and the elderly. In addition, the NDP seeks to promote active participation in the economy and society for those who are unemployed and underemployed through labour market activation measures, employment services, income support programmes and other services to sustain and improve quality of life. The NDP recommends that priority should be improving efficiency in the delivery of services, addressing exclusions by identifying and reaching those who are entitled to the existing benefits of social protection, reducing the administrative bottlenecks that prevent people from accessing benefits. In this regard, SASSA is responsible for the provision of a basket of social assistance services (income support and safety net to the most vulnerable) through amongst others and oversee services responding to the needs of the community.

The payment of social grants, including the Covid 19 Social Relief of Distress (SRD) grant has contributed towards the attainment of this goal. By the end of December 2025, about 7.7 million individuals aged 18-59 years were approved for the grant. Social grants continue to provide financial security to beneficiaries and their families. Children, people with disabilities and older persons constitute the most vulnerable population group of the country. To address the exclusion of the 18 – 59 years population from any form of social (financial) protection, the 2026 State of the Nation Address (SONA) announced the extension of the SRD grant until the end of the 2026/2027 financial year. It also announced government's commitment to introduce the Basic Income Grant, which will be a build up from the SRD grant.

To eliminate erroneous exclusions and inclusions due to fraud or weaknesses in the social grant payment system, in 2025 SASSA rolled out the beneficiary biometric enrolment and social grants reviews. However, these processes did not necessarily increase the number of social grants in payment. They instead decreased the social grants in payment from 19 255 361 as at the end of March 2025 to 19 089 771 at the end of December 2025.

In the previous medium term and the current medium term (2025/2030), SASSA set a target to reach excluded but eligible children under the age of 1. The age cohort was increased to cover children under the age of 2 for the current medium period. By the end of March 2025, SASSA had managed to reach 432 235 of 707 327 children, marking a 61% achievement against the targeted 80%. SASSA has not been able to reach its targets for this age group. One of the identified challenge is the lack of documentation of children as well cultural/religious (naming) practices that delay the registration of children at the Department of Home Affairs. Over the years, the Portfolio Committee on Social Development had recommended to SASSA to consider deploying its officials at the health care facilities to register children together with the Department of Home Affairs. However, the challenge is that Home Affairs services are not available in all health care facilities. Concerningly, this target does not appear in the 2026/2027 APP.

The **MDTP** identified six (6) outcomes for Priority 2, namely, reduced poverty and improved livelihoods; improved coverage of social protection; improved access to affordable and quality healthcare; improved education outcomes and skills; skills for the economy; and social cohesion and nation-building. SASSA contributes towards the achievement of priority to improve coverage of social protection. Under this outcome, the MTDP outlines the need to transition the grant towards a more sustainable form of income for the unemployed.

SASSA was established, amongst others, to eliminate poverty and its causes and this speaks to the **SDGs** aspirations. The SDGs, otherwise known as the Global Goals, is a global agenda consisting of 17 goals aimed at ending poverty, protecting the planet and ensuring that humanity enjoys peace and prosperity. The SDGs recognises that eradicating poverty in all its forms and dimensions, including extreme poverty, is the greatest global challenge and an indispensable requirement for sustainable development. In this regard, SASSA contributes to South Africa's target of ensuring that deserving South African receiving social grants and as indicated earlier research studies have shown that social grants have had significant contribution towards poverty eradication. SASSA also provides temporary relief of distress to individuals and households experiencing undue hardship due to disasters, loss of breadwinners etc.

The **2026** SONA outlined several policy imperatives for the social development sector. Related to SASSA, SONA identified the following priorities:

- Implement targeted interventions to ensure that pregnant women and low birth-weight children get the protein and nutrients that the need.
- Continue the payment of the SRD Grant until March 2027.
- Redesign the SRD Grant to more effectively support livelihoods, skills development, work opportunities and productive activity.

5. COMMITTEE DELIBERATIONS

- **Property costs:** the Committee noted that the property costs account for the highest budget allocation (19%) compared to other budget for Goods and Services items. It wanted to know what is entailed under property costs.

SASSA reported that the total property costs amount to R740 million. This figure is made up of several components - cleaning services accounting for R182 million, municipal services for R96 million, and security services for R462 million budget allocations.

- **Closure of pay points:** the Committee reiterated its concern that the closure of pay points did not consider the impact it would have on rural and township economy.

- **Use of kiosks:** the Committee wanted to know the number of social grant applications that were processed through kiosks.

- **Biometric roll out:** the Committee wanted to know how SASSA is assisting beneficiaries, especially older persons, who are not technologically literate or do not have access to technology. It was concerning that many social grant beneficiaries are left out and their social grants are not paid because they have challenges in accessing the verification and life certification processes.

- **Exclusion of children under 2 years old:** the Committee noted that the target to reach children under 2 years who are excluded from the social assistance programme is not included in the Annual Performance Plan, despite it being in the Five Year Strategic Plan. It wanted to know the reason for that.
- **Staff capacity:** the Committee wanted to know what SASSA is doing to address the shortage of front line officials.
- **Quality performance information:** the Committee noted that SASSA's quality performance is constrained by a predominance of output-based indicators, such as the number of grants processed and system enhancements, with insufficient focus on outcome-level measures. The limited inclusion of indicators tracking poverty reduction and improvements in beneficiary livelihoods weakens the APP's ability to assess developmental impact. It is therefore recommended that SASSA strengthens its performance information by incorporating measurable, outcome-based indicators that assess the socio-economic effects of its interventions.

- **Achievement of targets:** the Committee wanted to how will SASSA ensure the achievement of improved organisational efficiency as outlined in the APP.

SASSA explained that its outcome “improved organisational efficiency” is more inward looking ensuring that the Entity has the right people and systems in place for realisation of its constitutional mandate to administer, manage and pay social grants. The move towards modernising SASSA’s business processes from manual to automation is amongst the key efficiencies being implemented to improve organizational efficiency. The modernization encompasses several projects which include less utilisation of paper through scanning of beneficiaries ‘records and conversion of the physical ones into electronic. The implementation of the biometrics for both staff and beneficiaries to amongst others reduce fraudulent cases within the administration of the social grants.

It ensures that it maintains a 5% vacancy rate (95% filled) for all funded posts, these posts are filled within a 120-day turnaround from the date a position remains vacant. Priority is given to Local Office positions where SASSA’s core business is undertaken. This minimizes operational disruptions and ensures organisational efficiency. The Entity also prioritise training and development of the frontline staff to ensure an effective machinery that is ready to serve the public. This also includes well-being programmes to take care of both emotional and mental health interventions. Furthermore, SASSA has embarked on a process to review its organisation structure to ensure it remains relevant and fit for purpose.

- **ICT:** the committee wanted to know what measurable outcomes will demonstrate that ICT modernisation and digital systems improve service delivery and reduce fraud.

SASSA explained that the success of ICT modernisation and digital systems in improving service delivery and reducing fraud will be demonstrated through several measurable outcomes. These include reduced application processing and turnaround times, shorter queues and waiting periods at service points, increased uptake and usage of digital platforms, and improved customer satisfaction index.

Additional indicators will include a reduction in manual processing errors, improved accuracy and efficiency in beneficiary verification, and faster resolution of customer queries and appeals. The implementation of systems such as biometric verification and automated validation processes will measure the number of fraudulent applications detected and prevented, as well as reductions in duplicate or irregular payments.

Furthermore, enhanced system integration and real-time data sharing will improve monitoring, reporting, and decision-making capabilities. Increased system uptime, reliability, and accessibility of services through digital channels will also serve as key indicators of improved service delivery. Collectively, these outcomes will demonstrate the impact of ICT modernisation in creating a more efficient, secure, transparent, and customer-centred service environment.

- **Improved customer experience:** the Committee wanted to know mechanisms SASSA has in place to ensure that administrative efficiencies translate into improved customer experience outcomes

  SASSA explained that in its environment, several mechanisms are in place to ensure that administrative efficiencies translate into improved customer experience outcomes. These include the integration of grant administration systems, automated application and verification processes, and the use of digital service channels such as the Online Grant Application (OGA) platform, SRD digital channels, self-service kiosks, and biometric verification systems. SASSA also monitors service delivery performance through turnaround-time tracking, queue management at local offices, and regular reporting on application processing times and payment efficiencies. These measures enable the Agency to identify operational bottlenecks and implement corrective actions to improve beneficiary experience.

  Customer care mechanisms, including call centre, the envisaged WhatsApp platform, complaints management systems, and social media engagement channels, provide beneficiaries with accessible platforms to lodge enquiries, track applications, and report service challenges. Feedback received through these channels informs continuous service improvement initiatives.

In addition, biometric verification and integrated data validation with other government databases help to reduce identity fraud and duplicate records, thereby improving the integrity and reliability of grant administration while ensuring that eligible beneficiaries receive services efficiently and securely. Ongoing staff training, change management programmes, and standard operating procedures further support consistent service delivery across regional and local offices. Collectively, these mechanisms strengthen accessibility, responsiveness, transparency, and overall customer experience within the SASSA service environment.

- **Infrastructure investments:** the Committee also wanted to know how SASSA will ensure that investments in infrastructure (e.g., office space, power backup, connectivity) result in uninterrupted service delivery.

SASSA reported that it has implemented an ongoing programme to modernise and strengthen its local office infrastructure to support uninterrupted service delivery. This includes regular maintenance of facilities, investment in alternative power solutions and water backup systems, and improvements to network connectivity to minimise disruptions caused by load shedding, system outages, or infrastructure failures.

In addition, it is ensuring that all facilities comply with Occupational Health and Safety (OHS) standards and are accessible to persons with disabilities. Professional assessments are currently being undertaken to determine infrastructure and operational requirements, including disability access and service delivery needs.

Furthermore, it is reviewing its facilities policy to enable the Agency to own strategically located buildings, rather than relying solely on leased premises. This approach is expected to improve long-term operational stability, strengthen infrastructure planning, and enhance the Agency’s ability to provide consistent and reliable services to beneficiaries.

- **Internal controls:** the Committee further wanted to know what outcome-based indicators are used to assess improvements in internal controls and audit outcomes

  SASSA reported that it committed through the inclusion of an improved organisational efficiency outcome with one of the key output indicators being an attainment of an Unqualified audit opinion. To achieve an unqualified audit opinion various key measures will need to be implemented that will provide adequate assurance to the Auditor General in order for them to issue a favourable audit outcome. SASSA's outcome-based indicators to assess improvements in internal controls and audit outcomes for the 2026/27 financial year focuses on strengthening governance, improvement of internal controls, preventing irregular and fruitless expenditure, reviewed policies and procedures and enhancing system integrity. Some of these measures entails:

  - **Improved Compliance Management including Audit Action Plan:** development and 100% implementation of the 2025/26 Audit Action Plan, this sub target is included in the Operational Plan of the Agency. Indicators measuring the percentage of audit action plans implemented seek to address internal control deficiencies.
  - **Reduction of Audit Findings:** reduction of repeat audit findings from the Auditor-General South Africa (AGSA), targeting improved audit outcomes based on effective Internal Audit function that tests effectiveness of internal controls.
  - **Irregular Expenditure, Fruitless and Wasteful Expenditure cases resolved:** specific targets are set to manage the irregular, fruitless, and wasteful expenditure, focusing on addressing supply chain management (SCM) breaches and implementing consequence management.
  - **Verification of Beneficiary Records:** enhanced, automated verification processes (including biometric verification) to eliminate fraudulent claims and payments to deceased beneficiaries, aiming to fix control failures that led to prior-year audit limitations.
  - **Digitization of Records:** a key operational indicator is the completion of digitization projects to ensure secure and readily available records, reducing the risk of missing information during audits.

- **Improvement in SCM Processes:** reduction in material irregularities within the Supply Chain Management system hence the Implementation of the Demand Management Plan was elevated and included in the APP, Prompt awarding of projects will enhance service delivery, spending and enable testing of existing controls by Supply Chain Management Compliance unit as the unit perform a pre-audit function before bids are awarded,
- **Proactive Ethics and Integrity Management Implemented:** this serves as a vital governance indicator. It measures the agency's shift from reactive anti-fraud investigations to proactive deterrence. This tracking includes the formal operationalization of the SASSA Ethics Management Committee and compulsory financial disclosures.

- **Budget constraints:** the Committee wanted to know how will budget constraints impact administrative performance, and what mitigation strategies are in place.

SASSA indicated that in the presentation that it had to absorb increasing cost-of-living adjustments for its employees, prioritise contractual obligations, and operational demands within a constrained R8.3 billion baseline over the 2026 MTEF, as no additional funding is available.

It therefore prioritised projects linked to National Treasury conditions, modernisation and digitisation, immovable property maintenance backlogs, and Annual Performance Plan (APP) targets, while continuing to address capacity constraints by filling critical priority posts. This approach requires strict financial discipline to manage existing commitments and sustain service improvements throughout 2026/27 and beyond. The Agency also considered the continued implementation of cost-containment measures.

To ensure the sustainability of the allocated budget, SASSA has taken a strategic approach to the apportionment process. The following principles underpinned the budget apportionment process:

  - Living within our means: Ensuring that the budget is allocated within the approved limits.

  - Maximizing value: Prioritizing and reprioritizing to achieve more with fewer resources.
  - Affordability: Selecting projects that are financially feasible.
  - Sustainability: Ensuring that chosen projects are supportable throughout the MTEF period and not just for a single year.
  - Focusing on alignment of the budget with the Annual Performance Plan (APP) i.e., funding the targets in the APP.

- **Poverty reduction:** the Committee wanted to know how will the Programme 2 ensure that the delivery of social grants contributes to the targeted outcome of reducing poverty levels**.**

  SASSA indicated that it will continue to ensure that the delivery of social grants contributes meaningfully to the reduction of poverty by maintaining a comprehensive, targeted social assistance system that prioritises poor and vulnerable households, while strengthening operational efficiency, coverage and inter-governmental coordination.

  Evidence shows that social grants already play a decisive role in reducing poverty in South Africa. According to research and official statistics, South Africa has one of the largest social assistance programmes in the developing world, with roughly one-third of the population receiving a social grant, increasing to around 42% of individuals in 2026 when including the Social Relief of Distress (SRD). Studies consistently confirm that social grants are associated with significant reductions in poverty and inequality, particularly among children, older persons and persons with disabilities.

  Statistics South Africa and academic research show that without social grants, poverty levels would be substantially higher. Social transfers are the primary source of income for many poor households and are mainly used for essential needs such as food, education and basic services, thereby directly reducing income poverty and food insecurity. Evidence further indicates that grants play a stabilising role during economic shocks, as seen during the COVID-19 pandemic, when the SRD Grant expanded coverage and prevented millions from falling into extreme poverty.

Beyond income support, research shows that social grants contribute to broader social and developmental outcomes, including improved child wellbeing, school attendance and household resilience. Studies confirm that grants reduce inequality by narrowing income gaps and enhancing economic stability in a highly unequal society like South Africa.

Building on this demonstrated impact, SASSA will enhance poverty-reduction outcomes through:

- Accurate targeting and expanded access, ensuring eligible beneficiaries—especially children, older persons, persons with disabilities and unemployed adults—are reached;
- Efficient and reliable payment systems that ensure predictability and dignity for beneficiaries;
- Co-operation with complementary government programmes, including health, education, food security and employment initiatives, to support sustainable livelihoods beyond cash transfers.

Through these measures, SASSA ensures that social grants remain a key instrument of South Africa's poverty-reduction strategy, with a proven record of mitigating poverty and inequality while providing a foundation for social and economic inclusion.

- **Exclusion of eligible beneficiaries:** the Committee wanted to know what measures SASSA has in place to ensure that eligible beneficiaries are not excluded, particularly in rural and underserved areas, factoring in the challenges of both physical and soft infrastructure.

  SASSA reported that it has put in place a combination of policy, operational and service-delivery measures to ensure that eligible beneficiaries are not excluded from accessing social grants, with particular emphasis on rural, deep-rural and underserved communities, where both physical and soft infrastructure constraints remain prominent.

Empirical evidence confirms that social grants have been most impactful in rural and former homeland areas, where poverty levels are highest and alternative income sources are weakest. Research shows that social grants are a Primary Driver of Poverty Reduction in Rural Areas, significantly reducing both income poverty and inequality in these communities.

National studies indicate that without social grants, poverty in rural households would be substantially higher, as grants often represent the main or sole source of regular income. Statistics South Africa further confirms that grant receipt is more prevalent in rural provinces, particularly the Eastern Cape, Limpopo and KwaZulu-Natal, where poverty rates are historically highest.

This evidence underscores that SASSA's service model has historically reached the poorest geographic areas effectively, provided delivery mechanisms are adapted to local constraints.

To address physical infrastructure limitations such as distance, poor transport networks and limited brick-and-mortar facilities, SASSA employs a multi-channel service delivery model, ensuring that beneficiaries can access services through more than one point of entry.

These channels include:

- Local SASSA offices strategically located across districts;
- Mobile outreach units deployed to deep-rural and sparsely populated areas;
- Extended service points, often hosted at community halls, Thusong Service Centres and municipal facilities.

This diversified approach ensures that geographic remoteness does not translate into exclusion, particularly for older persons, persons with disabilities and caregivers in rural households.

Recognising that access is not only physical but also informational, SASSA conducts regular outreach and registration programmes in partnership with local government and community structures. These outreaches are targeted at communities with:

- Limited digital access,
- Low awareness of eligibility criteria, and
- Historically low uptake of social grants despite high poverty levels.

Outreach programmes are designed to bring services to communities, rather than requiring communities to travel long distances to access services. This approach directly addresses soft-infrastructure barriers such as limited digital literacy, low levels of formal education and lack of access to online platforms.

To address challenges related to digital exclusion, documentation gaps and low administrative capacity at household level, SASSA provides:

- In-person application assistance during outreach visits;
- Support with identity and eligibility verification, in coordination with partner institutions; and
- Simplified communication and guidance to ensure beneficiaries understand application, review and appeal processes.

This ensures that digitalisation does not become a barrier to access, particularly in rural communities where internet coverage and device access remain uneven.

- **Integrated Community Registration Outreach Programme (CROP):** the Committee wanted to know how will the rollout of the Integrated Community Registration Outreach Programme) ICROP and outreach programmes improve access and equity in social assistance

SASSA explained that the rollout of ICROP, together with targeted outreach programmes, will significantly improve access, equity and inclusion in social assistance by bringing integrated government services directly to communities, particularly those that are rural, remote and historically underserved.

ICROP is designed to overcome persistent barriers associated with distance, travel costs and limited physical infrastructure by shifting from a predominantly office-based service model to a community-centred outreach approach. Through ICROP deployments, SASSA services are taken directly into communities, reducing the need for beneficiaries to travel long distances to access registration, enquiry and application support.

This approach is particularly important in rural and deep-rural areas, where limited transport options and poor road infrastructure can result in exclusion even where individuals are eligible for social assistance.

ICROP strengthens access and equity by integrating SASSA services with those of other government departments and social partners during outreach activities. This coordinated delivery enables communities to address multiple administrative and social needs at a single point of service, including grant-related processes and supporting documentation.

By reducing fragmentation across government services, ICROP improves the likelihood that eligible individuals are able to complete registration processes successfully, rather than falling out of the system due to unresolved documentation or referral challenges.

This flexibility ensures that access to social assistance is not dependent on a single mode of service delivery, thereby reducing exclusion risks linked to geography, mobility constraints or service-point capacity.

ICROP allows SASSA to deliberately prioritise high-poverty and under-served communities using available socio-economic and geographic data. Outreach locations are selected based on demonstrated need, ensuring that populations who are most at risk of exclusion—such as rural households, older persons, persons with disabilities and caregivers of children—receive focused support.

This targeted approach strengthens equity by ensuring that social assistance reaches those most affected by poverty, rather than relying solely on self-initiated access to formal offices.

In addition to physical access barriers, ICROP directly addresses soft-infrastructure challenges, including limited digital access, low awareness of eligibility criteria and administrative capacity constraints at household level. During ICROP outreaches, beneficiaries receive assisted services, including guidance on grant eligibility, application processes and follow-up requirements.

This ensures that digitalisation and administrative processes do not unintentionally exclude vulnerable individuals, particularly in communities where access to technology and information remains uneven.

The focus of ICROP on rural and underserved communities builds on SASSA's historic success in reducing poverty in these areas through social grants, which have consistently been shown to have the greatest poverty-alleviating impact in rural households. By strengthening access and coverage in precisely these communities, ICROP reinforces social grants as a key instrument for reducing poverty, inequality and vulnerability.

Through integrated service delivery, community-based outreaches, multiple access channels and targeted deployment, ICROP improves both access and equity in social assistance. The programme ensures that eligibility is not constrained by location, infrastructure limitations or administrative barriers, while reinforcing SASSA's established role in reaching the poorest and most vulnerable communities across South Africa.

- **Digital applications:** the Committee wanted to know what outcomes are expected from digital grant application systems, and how will they improve turnaround times and user experience.

  SASSA reported that the rollout of digital grant application and self-service systems is expected to deliver measurable improvements in access, efficiency, turnaround times and user experience, while enabling SASSA to prioritise in-person support for beneficiaries who genuinely require assistance face to face/ in person services.

Digital grant application systems provide self-service channels for applicants who are digitally able and have access to basic technology. These platforms allow individuals to submit applications, upload supporting information, track application progress and complete routine transactions without having to visit a local office.

By enabling beneficiaries who can assist themselves to use digital channels, SASSA reduces unnecessary office visits. A key expected outcome of digitalisation is the more effective use of limited frontline capacity. As routine and repeat transactions shift to self-service platforms, SASSA offices are better able to:

- Prioritise older persons, persons with disabilities and digitally excluded clients;
- Provide assisted support for complex cases; and
- Reduce congestion that undermines service quality.

This approach reflects a deliberate differentiated service model, where digital channels are used by those who can self-serve, while in-person capacity is preserved for vulnerable beneficiaries who require support.

Digital application systems are expected to improve turnaround times by enabling earlier submission of information, reducing repeat visits, and allowing applications to enter processing workflows immediately. Evidence from SASSA pilots and system upgrades shows that:

As a result, the overall system becomes more responsive, with shorter waiting times for walk-in clients and faster application progression for digital users.

From a user-experience perspective, digital systems offer:

- Convenience, allowing services to be accessed remotely and outside normal office hours;
- Reduced travel and waiting costs for beneficiaries; and
- Greater transparency through status visibility and notifications.

SASSA's self-service initiatives, including e-Life Certification and online grant services, are explicitly promoted as tools to reduce travel, waiting time and unnecessary office visits, while preserving assisted service options for those who require them.

Importantly, the expected outcomes of digital systems are premised on a multi-channel service model, not a full substitution of in-person services. Digital channels complement, rather than replace, physical offices, mobile outreaches and assisted service points.
This ensures that digital transformation:

- Improves efficiency where feasible;
- Does not exclude beneficiaries with limited digital access; and
- Supports equitable access by matching service channels to beneficiary needs, consistent with international best practice on accessible digital government services. [

The expected outcomes of digital grant application systems are shorter queues, improved turnaround times, better user experience and more effective use of limited in-person resources. By providing self-service channels for clients who can assist themselves, SASSA is able to redirect frontline capacity to serve vulnerable and digitally excluded beneficiaries more effectively, while strengthening the overall efficiency, dignity and equity of the social assistance system.

- **Fraud detection:** the Committee wanted to how will SASSA ensure that fraud detection systems and biometric verification enhance system integrity without disadvantaging legitimate beneficiaries?

SASSA reported that it will ensure that fraud detection systems and biometric verification strengthen system integrity without disadvantaging legitimate beneficiaries by applying a risk-based, human-centred and legally compliant approach that balances effective fraud prevention with access, fairness and due process.

Biometric verification is implemented as a targeted identity-assurance tool, not as a blanket exclusion mechanism. Biometric verification is primarily applied:

- At the point of new grant applications;
- During grant reviews or changes to personal details; and
- In cases flagged by risk or fraud-detection systems.

This approach ensures that legitimate beneficiaries are not required to undergo unnecessary verification, while allowing SASSA to focus enhanced controls on higher-risk transactions where fraud exposure is greatest.

SASSA has explicitly stated that no beneficiary will lose access to a grant solely because they lack technology or digital capability. Where biometric verification cannot be completed independently, such as for older persons, rural residents or those without smartphones, assisted verification is provided at SASSA offices and mobile service points, including through outreach programmes, as well as home visits for the very elderly and bedridden
This ensures biometrics enhance identity assurance without creating a digital or geographic barrier to access.

Applications or grants that cannot be verified immediately are placed into a formal review process, rather than being automatically rejected or terminated. This protects legitimate beneficiaries against false positives or system errors and ensures that fraud controls are applied with procedural fairness.

Fraud detection systems and biometrics also serve to protect legitimate beneficiaries themselves, by reducing the risk of impersonation, duplicate records and unauthorised grant access. These controls improve proof-of-life verification, reduce payments to deceased or fictitious persons, and prevent fraudulent redirection of payments

This contributes to a fairer system in which resources are preserved for eligible beneficiaries who genuinely rely on social assistance.

- **Reviews and attrition:** the Committee wanted to know what strategies are in place to manage the declining number of grants due to reviews and attrition, while still protecting vulnerable groups.

  SASSA explained that it manages the decline in grant numbers arising from reviews, life certification and natural attrition through a structured, legally mandated process that safeguards vulnerable beneficiaries while improving the sustainability and effectiveness of the social assistance system.

  Grant reviews are conducted in terms of the Social Assistance Act and its Regulations and are a standard compliance mechanism to verify whether beneficiaries continue to meet eligibility criteria. These reviews are targeted, routine and non-punitive, aimed at identifying changes in income, personal circumstances or life status that may affect eligibility.

  Reviews are not designed to arbitrarily reduce beneficiary numbers, but to ensure that support remains directed to eligible individuals, while preventing misuse of public funds.

  To protect vulnerable beneficiaries SASSA applies:
  - Advance notifications, including SMS communication and multiple reminders;
  - Clear review windows, allowing beneficiaries sufficient time, up to 90 days, to comply before a grant can lapse; and
  - Assisted services at local offices and outreach points for those who are unable to comply independently due to age, disability or access constraints.

  Suspension during a review period is a temporary administrative measure, not a permanent cancellation, and beneficiaries are restored once eligibility is confirmed.

  Attrition resulting from reviews, such as beneficiaries whose circumstances have improved or who no longer qualify, is part of a normal and expected system correction process. This process contributes to maintaining the integrity and credibility of the social assistance system, without undermining access for those who remain eligible.

Importantly, these controls reduce inclusion errors, such as payments to deceased individuals or ineligible beneficiaries, thereby protecting the system from abuse.

Reductions in grant numbers due to confirmed ineligibility directly result in fiscal savings, which can be redirected to sustain and strengthen support for vulnerable groups. These strengthened verification, reviews and data-matching measures have already generated significant fiscal savings, enabling funds to be safeguarded and directed to qualifying beneficiaries.

This ensures that finite public resources are focused on households facing genuine and persistent vulnerability, particularly in a context of fiscal pressure.

In addition to fiscal benefits, corrected beneficiary numbers reduce administrative burden on SASSA systems and frontline offices. Fewer ineligible or duplicate records allow SASSA to:

- Focus administrative capacity on legitimate applications and reviews;
- Improve turnaround times for eligible beneficiaries; and
- Strengthen outreach and support initiatives targeted at high-poverty areas.

This administrative efficiency is essential to protecting service quality for vulnerable groups while maintaining system integrity.

- **Customer satisfaction experience**: the Committee wanted to know how does the Programme 2 measure improvements in customer experience and satisfaction.

SASSA reported that a key mechanism currently in place is the end-of-call customer satisfaction survey administered by the SASSA call centre. At the conclusion of a call, customers are invited to provide immediate feedback on their experience, including:

- Overall satisfaction with the service received,
- Whether their enquiry was resolved, and

- The professionalism and helpfulness of the agent.

This approach allows SASSA to capture real-time, interaction-specific feedback, while the experience is still fresh, which is regarded as best practice in contact-centre customer-experience measurement.

Feedback from the end-of-call survey is assessed alongside operational indicators such as call answer rates, resolution times and repeat contact patterns. SASSA has already demonstrated measurable improvements in call-centre performance over time, including substantial improvements in call answer rates following system and capacity enhancements.

While detailed satisfaction scores from the end-of-call surveys were not routinely published, they are now part of SASSA's APP targets and will be reported on quarterly. SASSA uses the survey results internally to:

- Identify areas of service strength and weakness,
- Inform agent coaching and quality-assurance interventions, and
- Track trends in customer satisfaction over time.

Building on the call-centre end-of-call survey, SASSA plans to extend customer-experience measurement across all major service channels during the current financial year. This includes digital service channels and in-person service points.

The intention is to ensure that customer satisfaction is measured consistently across multiple access channels, rather than being limited to telephonic interactions. The roll-out will support a more comprehensive, organisation-wide view of customer experience and enable management to:

- Compare service quality across channels,
- Identify systemic bottlenecks affecting user experience, and
- Implement targeted service-delivery improvements.

Customer feedback gathered through surveys is not treated as an isolated metric, but as an input into continuous service improvement. Survey findings are used to inform:

- Adjustments in processes and workflows,
- Enhancements to digital and self-service channels, and
- Better allocation of frontline and support resources (used together with data from the queue management system.

By systematically measuring satisfaction and acting on feedback, SASSA ensures that service improvements are evidence-based and responsive to beneficiary experience, rather than assumption-driven

- **SRD grant:** the Committee wanted to know in what way the extension of the SRD grant contributes to long-term developmental outcomes such as economic inclusion.

SASSA explained that the extension of the Social Relief of Distress (SRD) grant contributes to long-term developmental outcomes, including economic inclusion, by addressing a structural gap in South Africa's social protection system and the exclusion of working-age adults with little or no income from regular support.

Research by the University of Johannesburg's (UJ)Centre for Social Development in Africa (CSDA) confirms that the SRD grant introduced a new category of beneficiaries into the social assistance system, namely unemployed working-age adults who were not covered by existing grants for children, older persons or persons with disabilities. With the introduction of the SRD grant in 2020, nearly half of South Africa's population began receiving some form of social assistance, marking a significant expansion of coverage.

This expansion is developmental in nature, as it brings a previously excluded group into the economic mainstream, enabling participation in local markets and networks rather than reliance on emergency coping mechanisms.

UJ research shows that social grants, including the SRD grant, do not function only as consumption support. While food remains a primary expenditure, evidence demonstrates that beneficiaries also use grant income to exercise agency, including participating in informal economic activity and supporting small-scale livelihoods. Importantly, quantitative analysis cited by Köhler and Bhorat (2021) finds that receipt of the SRD grant increased the probability of job search by 25 percentage points, indicating that the grant supports labour-market engagement rather than discouraging it. This directly links the SRD grant to economic inclusion and labour-market participation.

By providing a predictable, albeit modest, income stream, the SRD grant introduces beneficiaries as active economic actors in local economies. Affiliated qualitative studies document how beneficiaries use grant income to purchase goods and services within their communities, thereby injecting cash into local markets and supporting informal traders and service providers.

This local multiplier effect strengthens community-level economic activity and reinforces the developmental value of the grant beyond immediate household consumption.
Research consistently confirms that social grants, including the SRD, have positive effects on poverty and inequality reduction. The SRD grant has been shown to reduce income poverty for recipients and to mitigate extreme deprivation among working-age adults who would otherwise have no form of income support.

This research further emphasise that the developmental value of the SRD grant lies in how it supports agency, rather than fostering passive dependency. Beneficiaries already use grants to:

- Finance job searches,
- Cover transport costs linked to work opportunities, and
- Make small productive investments in informal livelihoods.

This evidence underscores the role of the SRD grant as a foundation for inclusion, especially when aligned with complementary labour-market and livelihoods interventions.

Extending the SRD grant stabilises these gains and prevents a regression into deeper poverty and exclusion. Sustained income support for working-age adults strengthens social and economic participation, reduces vulnerability, and creates a platform for future integration into employment and developmental programmes.

6. NATIONAL DEVELOPMENT AGENCY (NDA)

6.1 THE NDA 2026/2027 ANNUAL PERFORMANCE PLAN AND BUDGET ANALYSIS

As a Schedule 3A entity, the NDA's main source of funding is the transfer from the DSD, located under Programme 5: Social Policy and Integrated Service Delivery. The mandate of the NDA is realised through three (3) budgeted programmes, namely:

- Governance and Administration,
- Civil Society Organisation Development, and
- Research.

Approximately 98.7% of the NDA revenue is through a transfer from the DSD, while 1.3% is derived from interest income. The NDA's budget for 2026/27 is R228.0 million, up from R219.5 million in the previous year (2025/26). NDA Fixed costs are approximately 86.9% of its expenditure, leaving 13.1% for operations and service delivery. This means that R29.7 million of the entity's entire budget is allocated to service delivery.11 The entity's spending on operations and service delivery will continue to decline of the medium term, reaching 12.7% of the overall budget by 2027/28, and 11.7% by 2028/29. This is a very concerning trend.

The NDA reports that its budget is allocated firstly to contractual fixed costs such as compensation of employees, office rentals, municipal services, etc.12 The budget that remains after funding fixed costs is allocated to its mandate which are given effect through programmes 2 and 3. Employee-related costs constitute 71.5% of the NDA's overall budget, which is projected to slightly increase to 72.0% by 2028/29.

6.1.1 Budget per programme

Programme 1: Governance and Administration

Programme 1 is responsible for promoting and maintaining organisational excellence and sustainability through effective and efficient administration. Programme 1 is tasked with the development of strategy, compliance with legislation, and financial and human resources management.

In terms of expenditure, this programme has been allocated a total amount of R11.9 million in 2026/27 as opposed to R14.2 million in 2025/26.

Programme 2: Civil Society Organisation (CSO) Development

This programme budget allocation has increased significantly from R12.8 million in 2025/26 to R13.5 million in 2026/27 financial year.

Programme 3: Research

The budget allocation in this programme has decreased from R3.99 million in 2025/26 financial year to a total of R4.3 million in the 2026/27 financial year.

Fixed/ Operating Costs Allocation

The following are the three (3) fixed costs with the highest allocation of the total budget:

- **Employee costs** consume the largest share of the NDA's total budget, with a value of R163.0 million (or 71.5% of the overall budget).
- **Rental of Offices** allocation is a total of R11.7 million (or 5.2% cent).

ICT Infrastructure (Network, licensing, data, communication) has a budget allocation of R13.5 million (or 5.9%).

6.1.2 Annual Performance Targets

The NDA has a total of twenty-three (23) targets for the 2026/27 financial year, the majority of which are located within Programme 1 and Programme 2.

Programme 1: Governance and Administration

For the 2026/27 financial year, there are selected indicators from the twelve (12) performance targets (only 7 targets will be highlighted in the table below) the NDA set for itself:

Table 15: Annual performance targets for Programme 1

Output indicator	Annual target
Rand value of resources mobilised directly to NDA	R25 million
Rand value of resources mobilised directly to CSOs	R15 million
Percentage reduction of cumulative Irregular Expenditure	80% reduction of cumulative Irregular Expenditure
Percentage reduction of cumulative Fruitless and Wasteful Expenditure	80% reduction of cumulative Fruitless and Wasteful Expenditure
Percentage of referred disciplinary cases concluded within policy-prescribed timelines	80% of referred cases concluded
Percentage implementation of approved investigation reports recommendations	80% of recommendations implemented
Percentage implementation of approved compliance workplan	100% implementation of the compliance workplan

Programme 2: Civil Society Organisation Development

This programme designs and implements programmes and projects that respond to poverty eradication through sustainable livelihoods. It uses a combination of interventions to support efforts to eradicate poverty in poor communities. The key intervention targets people who without gainful income from economic activities to sustainably support themselves.

The programme will use the District Development Model (DDM) model architecture and mechanisms to deploy its development.

The key annual performance targets six (6) for the programme for the 2026/27 financial year include the following:

Table 16: Annual performance targets for Programme 2

Output Indicators	Annual Target
Number of Civil Society Organisations that have accessed resources from strategic partners and NDA	800
Percentage utilisation of the NDA grant funding budget for the implementation of poverty eradication interventions by CSOs	95%

Output Indicators	Annual Target
Number of community engagements on poverty eradication conducted	22 Community Engagement
Number of Civil Society Organisations capacitated with skills to implement development interventions	2500
Number of community members capacitated with skills to implement poverty eradication interventions	3000
Number of beneficiaries participating in income generation projects	1500

Programme 3: Research

This programme is responsible for conducting evidence-based research and evaluations to inform development policy and generate information on best practice. The outcome is to inform national development policy debate and engagement on issues related to development and poverty eradication.

This programme has a total of five (5) performance targets (only 3 targets will be highlighted on the table below) for the 2026/27 financial year.

Key annual performance targets under the programme include:

Table 17: Annual performance targets for Programme 3

Output Indicators	Annual Target
Research on CSO policy impediments conducted	CSO research report produced
Monitoring and Evaluation (M&E) Framework Institutionalised	Monitoring and Evaluation Framework will be approved.
Approved NDA Service Delivery Model	Service Delivery Model will be approved

6.2 Analysis of APP indicators and targets

The indicators for Programme 2 are primarily delivery-focused and measure reach, utilisation, engagement and capacity-building in support of poverty-eradication interventions (for example, 800 CSOs accessing resources from strategic partners and the NDA; 95% utilisation of the grant funding budget; 22 community engagements on poverty eradication; 2 500 CSOs and 3 000 community members capacitated; and 1 500 beneficiaries participating in income-generation projects). While ‘participation’ may be the start, it does not disclose whether poverty was reduced. In essence, Programme 2 focuses on counting participation rather than measuring outcomes.

Programme 3 indicators and targets are enabling-focused and concentrate on the evidence and institutional tools that should improve how the NDA delivers and measures impact (for example, producing a research report on CSO policy impediments, and securing approval of the M&E framework and the NDA service delivery model). The NDA targets and indicators are broadly coherent; however, they tend to lean more towards measuring activities and approvals rather than demonstrated outcomes and implementation. While approvals may be necessary, it does not prove that change has happened. See below:

Output Indicators	Annual Target (in NDA APP)	Example of implementation targets
Monitoring and Evaluation (M&E) Framework Institutionalised	Monitoring and Evaluation Framework will be approved.	• Number of districts/projects reporting against M&E framework • the service delivery model applied consistently in funded project. • decisions (funding, support, corrective actions) based on M&E findings.

Indicators are preoccupied with counting beneficiaries participating in projects rather than tracking sustained income gains, and reporting that frameworks/models are approved rather than rolled out and used. From an oversight perspective, this suggests a need to interrogate definitions, unit costs and delivery modalities for Programme 2 targets, and to ensure that Programme 3 outputs are not only produced but also institutionalised and used to improve poverty-eradication results. Because if indicators remain focussed on ‘activities’ and ‘approvals’, Parliament’s oversight cannot assess:

- value for money (what results came from the spend),
- whether Programme 2’s capacitation targets translate into better CSO performance,
- whether Programme 3 outputs actually strengthen delivery and accountability.

6.3 LEGISLATIVE AND POLICY PRIORITIES

This section seeks to demonstrate the alignment of the NDA's priorities for the 2026/27 financial year to key international and national frameworks. These frameworks include the NDP, the MTDP, and the United Nations (UN) Sustainable Development Goals (SDGs).

The NDP, the MTDP, Sector Plans and the SDGs guide the functions of the NDA. The NDP outlines how the country can eliminate poverty and reduce inequality by 2030. The NDP

Vision 2030 has a long-term perspective to eliminate poverty and reduce inequality by 2030. Accordingly, South Africa can realise its goal of eliminating poverty and reducing inequality by drawing on the energies of its people, growing an inclusive economy, building capabilities, enhancing the capacity of the state, and promoting leadership and partnerships throughout society.

In the attainment of the NDP aspirational goals, the MTDF identified priorities to be undertaken during its 5-year implementation plan (2024-2029). The SDGs represent a global agenda consisting of 17 goals aimed at ending poverty, protecting the planet and ensuring that humanity enjoys peace and prosperity. The SDGs recognise that eradicating poverty in all its forms and dimensions, including extreme poverty, is the greatest global challenge and an indispensable requirement for sustainable development.

The NDP position is that South Africa has the potential and capacity to eliminate poverty and reduce inequality over two decades. For this to happen, it is argued that there should be a shift from passive communities receiving services from the state to a situation that systematically includes the socially and economically excluded, where people are active champions of their development. The new NDA Turnaround Strategy also emphasise the shift from cooperatives to Community-Owned Enterprises (COEs), requiring a mindset change.

Furthermore, the NDA notes that it understands that it takes more than a government grant and training to establish a thriving CSO. The NDA's Operating Model seeks to holistically address the reality of social entrepreneurs in welfare-dependent communities. The Agency indicated on its APP that it will use its mandate bestowed by Section 3.1(a) of NDA Act to bring the potential resource providers to the social entrepreneur. The core of the NDA operating model is a process that starts and ends in the community, builds a pipeline of projects to create social enterprises and promotes these projects with potential resource providers in government, the private sector, the development funding community, the CSO community and the rest of the welfare dependent community itself.

7. COMMITTEE DELIBERATIONS

- **Board fees:** with the NDA operating without a board since the end of the term of the previous board, the Committee wanted to know what has happened to the allocated funds for the board.

- **Role of the NDA in poverty eradication:** the Committee raised a serious concern that the NDA's APP is not aligned to poverty eradication. The role and the value of the NDA in poverty eradication is not clearly expressed in the APP. It reiterated its concern that the NDA continues to be underfunded despite the critical role it should plays in poverty eradication as per its legislative mandate.

- **Budget allocation structure:** the Committee reiterated its serious concern that the NDA's budget for Compensation of Employees accounts for 70% of the total budget of the NDA.

- **Budget allocation for Civil Society Organizations (CSOs):** the Committee also raised a concern that with approximately 28 million people living in poverty, the Agency only allocated R6. 5 million for CSO funding.

  The Committee was concerned that the APP reflects limited financial resources for the NDA and a heavy reliance on external partnerships and donor funding. It also reflects ambitious targets, such as supporting 800 CSOs, without clearly demonstrating that sufficient and sustainable funding is secured. While the APP includes efforts to mobilise additional resources, including approximately R40 million through partnerships, this introduces a degree of uncertainty and implementation risk, as such funding is not guaranteed.

- **Research outcomes:** the Committee wanted to know the specific outcomes of the evaluation studies on the NDA programmes.

  The NDA explained that the study is designed as a three-year longitudinal project comprising of three phases:

- Phase 1 (2025-26) focused on challenges affecting CSOs as observed by NDA Development Practitioners e.g. administrative delays, registration difficulties, budget constraints, banking requirements etc.
- Phase 2 (2026-27) will examine CSO-related systematic regulatory bottlenecks - targeting CSOs; and
- Phase 3 (2027-28) will analyse the policy and regulatory environment, such as municipal by-laws, the NPO Act, Cooperatives Act among others - targeting policy regulators.

Overall, the study aims to develop a progressively comprehensive understanding of the policy impediments of the ecosystem. The findings will be used to inform and advocate practical policy reform options.

The key expected outcomes are as follows:

- **Outcome 1:** improved understanding of the key policy and administrative impediments affecting CSOs.
- **Outcome 2:** stronger evidence on how these impediments impact CSO functionality, compliance, and sustainability.
- **Outcome 3:** better alignment between NDA support interventions and the actual needs of CSOs.
- **Outcome 4:** evidence-based policy recommendations and advocacy priorities to improve the enabling environment for CSOs.
- **Outcome 5:** strengthened institutional dialogue between the NDA, CSOs, and regulators.

- **Audit findings:** the Committee wanted to know the root causes of recurring audit findings, and what consequence management is in place.

  The NDA reported that the recurring audit findings largely arise from historical weaknesses in internal controls, instability in key leadership and technical positions, inadequate record management practices, and weaknesses in contract and performance management processes. In addition, capacity constraints in specialised areas such as SCM and financial compliance have contributed to repeat findings.

To address this, the NDA will implement a consequence management framework aligned to the PFMA and applicable regulations. This includes strengthening accountability through performance agreements linked to compliance responsibilities; implementation of audit action plans monitored monthly by management and quarterly by the Audit and Risk Committee; disciplinary processes where negligence or misconduct is identified; and strengthening preventative and detective controls through internal audit reviews, compliance monitoring, and management oversight.

- **Reduction of organisational skills gaps:** the Committee wanted to know what specific measures are being implemented to ensure that the reduction of organisational skills gaps by 10% translates into a capable and high-performing institution.

The NDA explained that the reduction of organisational skills gaps is linked to the implementation of a broader organisational competency framework and workplace skills plan. The focus is on ensuring that the reduction in skills gaps improves productivity, programme delivery, financial management, and stakeholder responsiveness rather than merely filling vacancies.

- **ICT:** the Committee wanted to know in what way will the migration of 25% of legacy ICT systems contribute to enhanced operational efficiency, transparency, and performance monitoring.

The NDA explained that the migration of legacy ICT systems will modernise the NDA's digital environment and reduce operational inefficiencies associated with fragmented and outdated systems. The migration will: improve integration of business processes and data management; enable real-time reporting and performance monitoring; strengthen internal controls and audit trails; reduce system downtime and maintenance costs; and improve transparency through reliable and accessible management information. This forms part of the NDA's broader digital transformation agenda aimed at improving institutional agility and evidence-based decision-making.

- **Improved service delivery:** the Committee wanted to know what outcome-based indicators are in place to ensure that administrative reforms translate into improved service delivery to communities and stakeholders.

  The NDA reported it is strengthening outcome-based performance monitoring through indicators such as implementation of Preferential Procurement targets, reduction in audit findings and compliance breaches; increased efficiency in resource allocation and reporting. Creation of work opportunities through active participation in income generation economic interventions. These indicators are intended to move the institution beyond measuring administrative activities towards assessing whether reforms improve the quality, responsiveness, and impact of services delivered to communities and CSOs.

- **Financial constraints:** the Committee wanted to know how the NDA will mitigate risks associated with financial constraints and reliance on external funding, and what impact will this have on institutional sustainability

  The NDA indicated that it acknowledges the risks associated with fiscal constraints and declining donor funding. To mitigate this, it is implementing a resource mobilisation and sustainability strategy that includes diversification of funding sources through partnerships with other departments and agencies, the private sector, development finance institutions, and international donors; improving operational efficiencies and cost containment measures; and repositioning the NDA as a strategic coordinator and catalyst for development funding. These interventions are intended to improve institutional sustainability while enabling the NDA to continue delivering on its developmental mandate. The NDA will raise resources to the value of R40 million in the 2026/27 financial year.

- **NDA rebranding:** the Committee wanted to know how in implementing the rebranding and stakeholder engagement initiatives, the NDA will the NDA ensure enhanced partnerships and increased resource mobilisation.

  The NDA indicated that the rebranding process is intended to reposition the NDA as a credible and impactful development agency within the social development ecosystem. The stakeholder engagement strategy focuses on strengthening collaboration with government, business, civil society, and development partners; improving visibility of development impact and success stories and leveraging the NDA's convening role to mobilise financial and non-financial resources.

- **CSO support:** the Committee wanted to know how will supporting 800 CSOs translate into sustainable community development and poverty reduction, and does this focus on the most affected provinces.

  The NDA explained that support to 800 CSOs is targeted towards strengthening community-based institutions that directly deliver services and economic opportunities in poor and vulnerable communities. The intervention prioritises provinces with high poverty and unemployment levels. The expected outcomes include improved community access to developmental services; and increased local economic participation. The focus is not merely on the number of CSOs supported, but on strengthening their developmental impact and sustainability.

- **Annual targets:** the Committee requested the NDA to consider revisiting their annual target on page 47 because the numbers are not adding up when spread across the four quarters.

  The NDA noted and appreciated the observation. It will review the quarterly distribution of targets to ensure alignment between annual targets and quarterly performance projections. Where necessary, adjustments will be made to improve realism, sequencing, and implementation feasibility.

- **Capacitation on CSOs:** the Committee wanted to know what measurable outcomes are expected from capacitating 2 500 CSOs. It also wanted to know how the training of 3 000 community members will result in sustainable employment, income generation, and reduced dependency on social grants.

  The NDA explained that capacitation programme seeks to improve the institutional sustainability and effectiveness of CSOs. These include improved governance and financial management compliance. The long-term objective is to develop capable community institutions that can drive local development independently and sustainably.

The training interventions are linked to livelihood opportunities, entrepreneurship development, cooperatives, social enterprises, and local economic development initiatives. The NDA's intention is to move beyond short-term training outputs towards sustainable economic participation and household resilience.

- **Income generating projects:** the Committee further wanted to know how in facilitating the participation of 1 500 beneficiaries in income-generating projects, what mechanisms are in place to ensure long-term viability.

  The NDA explained that to improve sustainability and scalability, it is implementing development support and mentorship; market linkage facilitation; and financial literacy and governance training. The Agency is also promoting partnerships with development finance institutions and private sector actors to improve access to markets and funding opportunities.

- **Resource mobilisation:** the Committee wanted to know what strategies are in place to ensure that resource mobilisation leads to expanded development impact rather than fragmented interventions.

  The NDA explained that resource mobilisation strategy is guided by integrated development outcomes rather than isolated projects which include aligning partnerships to national and local development priorities; and strengthening collaboration among government, civil society, and private sector stakeholders.

- **Impact of poverty reduction interventions:** the Committee wanted to know how the NDA will measure the actual reduction in poverty and inequality resulting from interventions

  The NDA reported that it is strengthening its Monitoring and Evaluation framework to include developmental outcome indicators such as household income improvements; organisational sustainability of CSOs; and access to services and economic opportunities.

- **Inclusive economic participation:** the Committee wanted to know in what way partnerships with the private sector and DFIs will translate into inclusive economic participation and job creation at scale.

The NDA explained that partnerships with the private sector and development finance institutions are intended to expand access to funding and enterprise support; and facilitate skills transfer and market access.

- **Research outcomes:** the Committee wanted to know what specific outcomes are anticipated from the research programme.

  The NDA explained that research programme is expected to generate evidence to inform national poverty eradication strategies. The research function is also intended to position the NDA as a thought leader within the development sector.

- **Monitoring and Evaluation:** the Committee wanted to know how the implementation of the M&E Framework will strengthen the measurement of development impact rather than outputs.

  The NDA reported that it revised M&E Framework shifts the focus from activity-based reporting towards developmental outcomes and impact measurement. The framework aims to strengthen learning, adaptive management, and evidence-based planning.

- **Research outputs:** the Committee wanted to know in what way research outputs will be utilised to improve programme design and resource allocation. It also wanted to know how the NDA will ensure that research findings translate into practical interventions. It also wanted to know what mechanisms are in place to ensure that research contributes to policy coordination across sectors.

  The NDA reported that research findings will inform programme targeting and prioritisation; and identification of high-impact interventions; and refinement of implementation models and partnerships.

  It is strengthening collaboration between research, programme implementation, and policy units to ensure that findings are translated into operational recommendations and pilot interventions through dissemination workshops and policy dialogues

  The also facilitates knowledge-sharing platforms and evidence-based dialogues between civil society organisations and other members of the sector including intergovernmental and multi-stakeholder forums. These mechanisms are intended to strengthen alignment between policy, implementation, and community development practice across sectors.

8. RECOMMENDATIONS

Having considered the strategic plans and the annual performance plans of the department and its entities, the Committee makes the following recommendations:

8.1 Department of Social Development

- The Minister should ensure that the department within the 2026/2027 financial year, works with National Treasury to explore and come up with an interim income support for the beneficiaries of the Social Relief of Distress (SRD) grant should the grant not be extended beyond March 2027. As confirmed by 2026 SONA, the SRD grant has been an essential source of income and consequently a critical poverty eradication mechanism. It is thus very important to ensure that vulnerable households are not left with no income support post March 2027.

- The Minister should ensure that the department and the Central Drug Authority (CDA) within the 2026/2027 financial year, develop transparent budget allocation, expenditure and accountability frameworks. They should also make sure that the financial statements are audited both by the DSD internal audit committee and the Auditor-General South Africa. The 2026/2027 annual report of the CDA should therefore reflect audited financial statements and report.

- The Minister should also ensure that the department makes sure that its annual reports are of good quality before they are published and submitted to Parliament.

8.2 South African Social Security Agency (SASSA)

- The Minister should ensure that within the 2026/2027 financial year, SASSA develops the alternative service delivery models aimed at addressing the impact of the closure of pay points in rural areas. These models should be reflected in the 2027/2028 Annual Performance Plan.

- The Minister should also ensure that SASSA re-instates in its 2027/2028 Annual Performance Plan the target to reach children under 2 years old to access children's grants. The target is part of its Five Year Strategic Plan (2025-2030). Inclusion of this target enables tracking and reporting on these children as well as SASSA's performance on achieving this target. Also, the country has high levels of child malnutrition and stunting among children in this age cohort. It is critical that these children are reached.
- The Minister should ensure that within the 2026/2027 financial year, SASSA deploys accessible alternatives for all beneficiaries, particularly the elderly, people with disabilities and the frail, who do not have access to technology to process their biometric verification and life certification.

- The Minister should also ensure that SASSA prioritizes the employment of front line officials. The continuing challenge of long queues at SASSA offices due to shortage of front line officials is of serious concern.

8.3 National Development Agency (NDA)

- The Minister should also ensure that within the 2026/2027 financial year, the department finalizes the review of the National Development Agency (NDA) and submit the outcomes of the review to the Portfolio Committee of Social Development.

Report to be considered.

2. REPORT OF THE PORTFOLIO COMMITTEE SOCIAL DEVELOPMENT ON AN INTERNATIONAL STUDY TOUR TO THE UNITED KINGDOM FROM 23 – 28 MARCH 2026, DATED 13 May 2026

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1. INTRODUCTION

South Africa faces significant challenges in terms of illegal drug markets, with cannabis, methamphetamine (locally known as "tik"), heroin, and cocaine being the most prominent. The SACENDU data highlights that cannabis was the most common primary substance in 2022, followed by methamphetamine and heroin. Cannabis use has increased since its '*decriminalization'* in 2018, with ongoing debates about its commercialization. However, the health risks associated with regular cannabis use, including mental health disorders and cognitive impairments, are significant concerns. Alcohol consumption also remains high in South Africa, with binge drinking contributing to significant social issues, including gender based violence, underage drinking, and health complications like foetal alcohol spectrum disorders (FASD). Because of the alarming high levels of substance and drug abuse, which has resulted in high levels of associated social ills (gender based violence, violent crime, mental health challenges, car accidents, gang violence, etc), there has been an increasing call for the President to also declare substance and drug abuse a national crisis/disaster.

The Central Drug Authority (CDA) was established through the Prevention of and Treatment for Substance Abuse Act (No.70 of 2008) to monitor and oversee the implementation of the National Drug Master Plan (NDMP), to advise government on policies and programmes related to substance abuse and drug trafficking, ensure the development of prevention, early intervention, and after care strategies and ensure that each government department develop performance indicators. It also plays a critical role in coordinating, receiving and compiling annual performance reports of national and provincial departments reports on their implementation of the strategies of the NDMP. It also monitors the functioning of the Provincial Substance Abuse Forums (PSAFS) and Local Drug Action Committees (LDCs) as provided for in the Prevention of and Treatment of Substance Abuse Act.

The Authority is premised within Programme 4 of the Department of Social Development and thus its budget is appropriated through Budget Vote 19 (DSD).

The CDA however, is faced with various challenges that hinder it from fully implementing its critical legislative mandate. It reported the following challenges to the Portfolio Committee:

- The Prevention of and Treatment for Substance Abuse Act 70 of 2008 is due for review, the section on the CDA is perceived as subsumed under the department and not a separate entity reporting to the Minister like other entities of the department. This creates challenges for the department and the CDA.
- The Act calls for the appointment of a Director and additional qualified staff by the Minister, but no Executive Director has been appointed since the CDA's inception.
- The CDA does not control its budget allocation and expenditure, which hinders effective planning and execution of its mandate.
- The CDA's operational work is supposed to be supported by a dedicated secretariat, but
- this has not been fully implemented as mandated by the Prevention of and Treatment for Substance Abuse Act.
- The secretariat staff report directly to the DSD, not the CDA, which undermines the authorities' ability to operate independently like other entities of the department (SASSA and NDA).
- The CDA is often seen as a sub-entity of the Anti-Substance Abuse Directorate, limiting its capacity to fulfil its mandate and interact with other departments and stakeholders.
- The overall organizational environment is not conducive to the CDA's effective functioning because the CDA is a national structure that should serve the whole nation and not be limited to the mandate of the department but to the overall mandate of Act No 70 of 2008 and the NDMP.

These challenges have been reported to the Portfolio Committee for the two terms of administration (5th and 6th) and to the current one. The Committee has repeatedly recommended that the Prevention of and Treatment for Substance Abuse Act should be amended to address all these challenges, but this has not happened.

Due to the urgency of the substance and drug abuse in the country and the critical mandate or role of the CDA, the Committee took a decision that it should conduct a study tour to a country that has the best practice with regard to a functioning and independent agency similar to that of the CDA. There has also been a similar trend with other African countries to establish autonomous or semi-autonomous agencies due to the magnitude of substance and drug abuse.

2. OBJECTIVES OF THE STUDY TOUR

- To meet with Parliamentary counterparts to learn from their oversight work on areas of substance and drug abuse.
- To meet with the central authorities (relevant government departments) to engage with them on the state of substance and drug abuse in the country, legislative provisions, policies, programmes and put in place to fight the scourge of substance and drug abuse.
- To meet with government agencies (such as Advisory Council on the Misuse of Drugs (ACMD) that deliver advisory service to the state on substance and drug abuse.
- To conduct site visits to state funded treatment and rehabilitation centres, aftercare programmes and any other related programmes.

3. MEETING WITH SOUTH AFRICAN HIGH COMMISSIONER: Mr J. N. MAMABOLO

The delegation (Portfolio Committee on Social Development) was welcomed and addressed by the High Commissioner. He provided a high level geo-political overview in relation to the US, Israel and Iran war. He highlighted that the war has tested United Kingdom (UK) and United States (US) political relationship. United Kingdom has found itself indirectly involved in the war by allowing US to use its army base. This relationship was already tested previously when President Trump Administration attempted to cease Greenland and imposed tariffs. President Trump actions is increasingly causing discomfort between to the European Union.

In relation to local politics, the High Commissioner reported that the Labour Party was gradually losing popularity over to the Reform Party because of some of the promises it had not been able to fulfil. Since coming to Parliament, the party has lost 3% popularity. He emphasised that South Africa has a good relations with the European Union and it is most loved. South Africa is seen as a gateway for economic partnerships through the Global Fund. One of the partnerships is the funding for HIV/AIDS and TB in response to the US withdrawal of the PEPFAR funding (President's Emergency Plan for Aids Relief).

There is a All-Party Parliamentary Group (APPG) in that specifically focuses on South African matters.

European Union also supported South Africa when it hosted the G20 and it is committed in carrying out its resolutions. It is thus very important for South Africa to take advantage of these good relations, including, collaborations on skills development through scholarships. UK universities are willing to work with South African universities.

The High Commissioner also reported that UK economy has not been performing well. Indication was that it will grow by only 1.3%, which may not be sufficient to meet the needs of the people. It is growing slow compared to other G7 countries. This has had a bad reflection on Prime Minister Keir Starmer. Also, it has been found that he had close connection with Epstein saga because he appointed Lord Peter Mandelson, who has been linked to the Jeffrey Epstein saga, as the UK ambassador to the United States. About 54% Members of the Labour Party feel that there should be a change of leadership. After the May 2026 elections there will be significant reshuffling in government.

The High Commissioner also reported that the Embassy has been operating since 1994 on a 99 year lease. The building needs some structural refurbishment and maintenance such as replacement of the boiler system, which is used for heating in winter. He indicated that the building has an emotional history and so it would be difficult to lose it. The refurbishment of the building was planned to commence before the end of March 2026.

4. MEETING WITH THE MEMBERS OF THE HEALTH AND SOCIAL CARE COMMITTEE

The Members of this Committee gave a brief overview of some of the report the Committee has produced, one of them being a report on community care on mental health. The report highlighted that government was spending more on physical health and less on mental health. The Committee recommended that more spending should also be on community care and mental health.

The Members emphasised that the war on drugs in the country mainly focuses on justice system. However, there is recognition that to win the war on drugs there is need to go beyond just the criminal justice system and policing. It should also involve health, education, skills development, employment. UK is implementing the UK Ten Year Drug Strategy, From Harm to Hope.

The Members pointed out that the drug policies in England and Wales are more punitive compared to Scotland's policy, which focuses more on prevention. Scotland has more drug problem compared to England. There were Family, Alcohol and Drug courts that were once piloted but nothing came out of the pilot process. This is a way of dealing with drug abuse in a less adversarial approach, which aimed to focus more on family preservation.

The Members also indicated that there was an increase in smuggling of drugs to prison using drones. This is a new development that South African may need to be on the look out for.

The country also has a serious issue of people who are incarcerated for short sentences and have no drug problems but come out with drug problems. There is also serious of economic divide where the peripheral areas feel neglected economically and they have relatively high drug problem. There is a move towards non-custodial sentences for offences to drug, alcohol, and pretty crimes and expand the probation services.

Government is also moving towards the use of tagging technology on users of alcohol and gambling to monitor their rehabilitation. It will monitor their movements on a regular basis by probation officers. This information can assist judges to give non-custodial sentences to avoid re-offending. Social workers and probation officers prepare pre-sentencing reports for the offenders which the Judge would take into account when giving a sentence. It is thus important for the social workers, probation officers and the judiciary to work together.

5. MEETING WITH MEMBERS OF THE HOME AFFAIRS COMMITTEE

The meeting mainly emphasised the importance of regulating and/or legalising certain drugs, such as Cannabis. Countries that legalised the medical use of Cannabis have experienced economical gains through the sale of cannabis products. In UK there has not been a good focus on evidence based approach in relation to legalising certain drugs.

Vaping was also highlighted as a serious source of addiction in the UK with serious health problems on young people. The government developed regulation that prohibited the use of flavours on vaping products to curb the appeal to vaping.

6. JOINT SESSION WITH THE HOUSE OF LORDS JUSTICE AND HOME AFFAIRS SELECT COMMITTEE

The delegation (PC on Social Development) was hosted by the House of Lords Justice and Home Affairs Committee to observe its proceedings. The Committee was conducting oversight on probation services in various jurisdictions.

7. OBSERVING PRIME MINISTER KEIR STARMER QUESTIONS AND ANSWER SESSION

The delegation attended the Prime Minister's question and answer session in Parliament. The session focused on issues affecting Northern Island and impact of Israel, US and Iran war on the supply of oil.

8. VISIT TO PRIORITY HOSPITAL ROEHAMPTON

Priory Hospital Roehampton, based in southwest London, is one of the UK's best-known private hospitals for mental health and substance addiction treatment. It offers care for both adults and young people, with dedicated services for addiction, acute psychiatric conditions, and eating disorders.

As part of the wider Priory Group, the hospital is regulated by the Care Quality Commission (CQC) and recognised for its evidence-based approach. Treatment is provided by a team of psychiatrists, psychologists, therapists, and nurses. Patients are able to self-fund or use private medical insurance, with some NHS (National Health Services) referrals also accepted.

Addiction treatment at Priory Hospital Roehampton is delivered through the Addictions Therapy Programme (ATP). This is a structured 28-day residential rehab programme based on the 12-step model. This includes one-to-one counselling, group therapy, family therapy, and couples therapy. Holistic elements such as yoga, relaxation sessions, and mindfulness are also offered to support emotional and physical recovery.

The treatment programme covers both substance addictions (alcohol, drugs, prescription medications) and behavioural addictions (sex, gambling, internet use). Detoxification, where needed, begins with a full medical assessment and is managed by experienced doctors and nursing staff, ensuring safety throughout the withdrawal process.

A key part of Roehampton's treatment approach is preparing patients for life after rehab. Step-down pathways include day care and outpatient therapy, offering continuity of treatment. In addition, those completing the programme receive 12 months of free aftercare, which includes support groups, advice, and relapse-prevention resources – helping individuals stay connected and supported long after discharge.

9. MEETING WITH PROF. DAVID WOOD, CHAIR OF THE ADVISORY COUNCIL ON THE MISUSE OF DRUGS (ACMD)

The Advisory Council on the Misuse of Drugs (ACMD) was established through the Misuse of Drugs Act of 1971. It is an advisory non-departmental public body sponsored by the Home Office which handles crime, police, drugs policy, immigration, and counter-terrorism. Its key functions include:

- Making recommendations on the classification and scheduling of controlled drugs under the Misuse of Drugs Act 1971 and its regulations.
- Considering substances being misused with harmful effects.
- Carrying out inquiries into drug use and producing reports.
- Promoting research on preventing drug misuse.

The Act provides the powers to ACMD to:

"keep under review the situation in the United Kingdom with respect to drugs which are being or appear to them likely to be misused and of which the misuse is having or appears to them capable of having harmful effects sufficient to constitute a social problem, and to give to any one or more of the Ministers, where either the Council consider it expedient to do so or they are consulted by the Minister or Ministers in question, advice on measures (whether or not involving alteration of the law) which in the opinion of the Council ought to be taken for preventing the misuse of such drugs or dealing with social problems connected with their misuse, and in particular on measures which in the opinion of the Council ought to be taken—

(a) for restricting the availability of such drugs or supervising the arrangements for their supply;

(b) for enabling persons affected by the misuse of such drugs to obtain proper advice, and for securing the provision of proper facilities and services for the treatment, rehabilitation and after-care of such persons;

(c) for promoting co-operation between the various professional and community services which in the opinion of the Council have a part to play in dealing with social problems connected with the misuse of such drugs;

(d) for educating the public (and in particular the young) in the dangers of misusing such drugs, and for giving publicity to those dangers; and

(e) for promoting research into, or otherwise obtaining information about, any matter which in the opinion of the Council is of relevance for the purpose of preventing the misuse of such drugs or dealing with any social problem connected with their misuse."

The ACMD has 27 members and functions through four (4) committees and working groups that are established to undertake studies and produce reports on various areas of concern in relation to misuse of drugs.

There are 4 standing committees on the ACMD:

- **The Harm Reduction, Treatment and Recovery committee**: it is a standing committee of the ACMD, formed in 2011 to support the ACMD to advise the government on how people can best be supported to recover from dependence on drugs and alcohol. The recovery committee is comprised of ACMD members with an interest or expertise in aspects of drug and alcohol recovery, supplemented by additional co-opted experts in aspects of recovery.
- **The Technical Committee:** its primary purpose is to provide technical advice on classification and scheduling of substances under the Misuse of Drugs Act 1971 and its regulations. For example, the committee is consulted on the measures necessary to ensure a controlled drug is not diverted from legitimate medical purposes.
- **The Novel Psychoactive Substance Committee**: the novel psychoactive substances committee was set up in response to the emergence of novel psychoactive substances (NPS) that have rapidly and significantly changed the drug scene. The committee aims to monitor the prevalence and harms of NPS and where appropriate provide advice on this to government.

- **The prevention committee**: The committee was formed in 2023, following the publication of the ACMD Prevention Report in 2022 and in response to an increasing demand for work around prevention. The committee considers advice on preventing drug use among vulnerable groups of people and how those groups can be prevented both from first using and developing dependence on drugs.

These Committees are formed by various scientifically qualified experts (professors, lawyers, senior lecturers, pharmacist, senior police officials). Together with members of the working groups, they produce and publish independent reports, independent from government departments. Ministers only have access to reports when they are published. The Home Affairs department co-ordinates various government department's responses to the recommendations made by the ACMD.

It has a Secretariat that provides administrative support to the ACMD and assists the Chair in ensuring that the Council operates effectively, this includes ensuring the quality of documentation and Council's proceedings. The Secretariat is made up of staff from the Home Office and is responsible for coordinating the work of the ACMD and its sub-committees, including arranging meetings, providing administrative support, managing finances and resources, and ensuring that the Council's advice is communicated effectively to the government and other stakeholders. The Secretariat also assists the Chair in ensuring that the Council's work is conducted in accordance with the ACMD Code of Practice and relevant legal requirements. Crucially, the Secretariat is the main point of contact between the Home Office and ACMD. It informs the ACMD about withheld information due to the Code of Practice on Access to Government Information, Freedom of Information Act, or info outside government influence.

9.1 ACMD Membership

Members of the ACMD are appointed usually for a term of 3 years. They are ordinarily appointed by the Home Secretary, in accordance with guidance issued by the Commissioner for Public Appointments. According to this guidance, members can serve a maximum period of 10 years, although no member can be reappointed unless they have received a satisfactory performance appraisal. To ensure continuity of work, ACMD has a succession plan in which the term of office of the Chairperson overlaps with appointment of the incoming Chairperson, who served as a Deputy Chairperson.

9.2 ACMD Governance

ACMD is governed by the following:

- **Working Protocols:** it outlines the relationship, responsibilities, and processes between the UK Home Secretary and the ACMD to ensure evidence-based advice informs drug policy and control measure. It establishes a framework for collaboration between the Home Secretary and ACMD, supporting the latter's statutory duties under the Misuse of Drugs Act 1971. It emphasizes the importance of independent, high-quality scientific advice to guide policy decisions on drug misuse and control, including temporary and permanent scheduling

  The Protocol follows the following rules of engagement:

  - Both parties are committed to working together to reduce drug-related harms, respecting ACMD's independence and statutory duties.
  - The ACMD operates under the Code of Practice for Scientific Advisory Committees and the Nolan Principles, maintaining impartiality, integrity, and transparency.
  - Ministers follow the Guidelines on Scientific Analysis and the Ministerial Code, ensuring advice is grounded in scientific principles.
  - The ACMD provides advice aligned with government priorities, communicated in writing, and considers both ministerial requests and its own initiatives.
  - The ACMD publishes advice alongside its presentation to Ministers unless justified reasons prevent disclosure, such as national security or public safety concerns.
  - The ACMD Chair reports annually on progress, and any substantive issues are brought to Ministers before public statements.

- **Standard Operating Procedures (SOP) for using evidence to make classification, scheduling and other recommendations**: the SOP provides a standardized, transparent process for the ACMD to develop evidence-based drug classification and scheduling recommendations. It guides the collection, analysis, and presentation of evidence, including health and social harms, to inform decisions.

The following are the SOP followed:

- **Evidence Collection and Analysis Methods:** evidence sources include peer-reviewed research, government reports, expert opinions, and media. The Working Group determines analysis methods based on the evidence and questions, with a focus on structured descriptions over quantification.

- **Recommendations and Evidence Quality:** reports must include targeted recommendations with implementation measures and metrics. An annex describes evidence sources, quality, and causality assessment, with a quality assurance process before final approval.

- **Assessment of Drug Harms Using Matrices:** the ACMD employs health and social harms matrices to evaluate harms across domains. Health harms encompass physical and mental health effects, while social harms include impacts on education, employment, housing, relationships, and broader societal costs.

- **Factors Influencing Harm Assessment: c**onsideration of drug properties, use patterns, and user characteristics such as dose, potency, dependence potential, age, sex, health status, and social factors. These factors inform the overall harm consensus and recommendations.

- **Classification Decision-Making Framework:** the ACMD advises on drug control under UK legislation: Psychoactive Substances Act 2016 and Misuse of Drugs Act 1971. Classification (A, B, C) reflects harm severity, with Class A being most harmful. TCDOs enable rapid temporary control of emerging substances, lasting up to 12 months, with penalties aligned to drug class.

- **Factors Considered in Classification Decisions: t**he ACMD assesses multiple factors such as international control obligations, existing UK controls, prevalence of use, and properties of substances. They evaluate international and UK prevalence, harm potential, social harms, and international experiences to inform recommendations. Substance properties include chemical structure, pharmacology, health harms, and related deaths. Additional considerations include medicinal status, safety profile, diversion risk, legitimate uses, enforcement needs, and unintended consequences.

- **Process of Developing Classification Recommendations:** recommendations are based on evidence review, harm assessment, and comparison of actual, potential, and relative harms. The ACMD considers emerging evidence, especially for new psychoactive substances, with reviews every 10 years or sooner. Recommendations involve expert working groups and aim for consensus, considering substance forms and potential international implications. Final decisions on control are made by the government, beyond ACMD's scope

- **Codes of Practice:** the Governance Code on Public Appointments sets out the process and principles that should underpin all public appointments made to bodies listed in the Public Appointments Order in Council.

- **Code of Practice for Scientific Advisory Committees and Councils (CoPSACs):** it is intended for the use of scientific advisory committees and councils (Chairs and members) and their secretariats and the sponsoring organisations they advise (officials and Ministers). The purpose of the CoPSAC is to provide guidance on the establishment, management and conduct of SACs and their relationship with the sponsoring organisations they advise.

9.3 ACMD budget structure and reporting

ACMD budget is allocated through the Secretary of State (Minister) for the Home Department in accordance with the Misuse of Drugs Act 1971, which states, "*the Secretary of State may pay to the members of the Advisory Council such remuneration (if any) and such travelling and other allowances as may be determined by him with the consent of the Minister for the Civil Service. Any expenses incurred by the Advisory Council with the approval of the Secretary of State shall be defrayed by the Secretary of State*".

The ACMD publishes regular ‘annual reports’ on its website, which detail annual expenses to provide transparency to the Government and the public. In recent years these annual reports have been consolidated and published once every 3 years. In general, only expenses related to travel and subsistence for attendance at Council and other meetings are provided. Neither the Chair nor the Council members receive payment for time in relation to ACMD related activity.

The ACMD does not report directly to Parliament for its annual reports. Its annual reports are published on its website to provide the public with a summary of all the work it has published within the reporting period

It provides written advice, in the form of reports, to Ministers (the Secretary of State for the Home Department, the Minister for Policing and Crime, the Secretaries of State respectively concerned with health in England, Wales and Scotland, the Secretaries of State respectively concerned with education in England, Wales and Scotland, the Minister of Home Affairs for Northern Ireland, the Minister of Health and Social Services for Northern Ireland and the Minister of Education for Northern Ireland).

9.4 Success rate of its recommendations

The ACMD provides advice to Ministers and other bodies, which have informed updates and changes to the UK drug legislation and policies. Government is responsible for responding to ACMD advice. The Joint Working Protocol between Ministers and the ACMD, requires government to publish responses detailing whether they accept each recommendation. Government responses to previously published ACMD reports and recommendations are posted alongside the corresponding report on the ACMD website.

Government is then responsible for ensuring that the recommendations that have been accepted are implemented. While the ACMD does not formally monitor the progress of implementation of recommendations, there is an ongoing internal work to develop a system for the ACMD to track whether recommendations have been appropriately implemented, and the impact they have had.

9.5 ACMD working relationship with different spheres of government

The ACMD's role under the Misuse of Drugs Act 1971 includes working with various professional and community services which have a part to play in dealing with social problems connected with the misuse of such drugs. Members of the ACMD, and co-opted members of ACMD committees and working groups, may also have experience of working with local levels of government; where this is specifically relevant to a report being produced by the ACMD. The Chair of the Committee or Working Group will ensure appropriate co-opting of relevant representatives.

10. MEETING WITH DETECTIVE SUPERINTENDENT SEAN LYONS: LEADER OF PROJECT ADDER

Detective Superintendent leads Project ADDER (Addiction, Diversion, Disruption, Enforcement and Recovery), which aims to help substance and drug users to access treatment. The aims of the programme is to reduce drug-related offending, drug deaths and drug use. It combines a co-ordinated law enforcement activity through multi-agency partnership approach (health, police, education, criminal justice), alongside expanded diversionary programmes, enhanced treatment and recovery provisions (including housing and employment support). Its implementation is co-ordinated through local Combating Drugs Partnerships, led by the Drug and Alcohol Commissioners, Criminal Justice Teams, Substance Misuse and London Drugs Information System. They work closely with treatment providers and 12 Metropolitan Police Service (MPS) Basic Command Units (BCUs).[1]

It is provided government funding via police forces operating in 26 local authority areas of England and Wales that were considered to be most affected by illegal drug use. It focuses on restorative approach, through which users are assisted to access treatment centres instead of being incarcerated. However, users who fail to present themselves to treatment centres are incarcerated.

Project ADDER has demonstrated the power of working in partnerships, collaboration between health agencies and law enforcement agencies. It also allowed for speedy sharing of

[1] BCUs are local policing units into which territorial police forces in England and Wales are divided.

information and reduction of duplication. It also enabled a cultural shift from just police arresting offenders to a more public education approach and diversion. The work is carried out by smaller teams headed by an inspector in all the 32 Boroughs (local government districts). They facilitate public engagements with local stakeholders – substance abuse teams, drug and alcohol commissioners, criminal justice teams. The success is measured on how many people were assisted to access treatment and not on how many were arrested.

Project ADDER has enabled a cultural shift that focuses on 4Ps (Prepare, Protect, Prevent and Pursue). This has ensured that enforcement efforts are paired with prevention, education and treatment initiatives, with Combative Drugs Partnerships (CDPs) playing a key role. The key learning from Project ADDER was that a holistic, whole system and forward-thinking approach to addressing drug supply, use and its associated challenges is key – the core of the ADDER approach.

Detective Superintendent also heads the implementation of the Drug Action plan for 2026 - 2028, which is heavily influenced by the From Harm to Hope" 10-year Drugs Strategy. The Drug Action Plan reinforces commitment to policing against crime and drugs as well working partnerships with local communities, Home Affairs and other national agencies. It also aims to address the harm caused by drugs in communities, economy, organised crime, social behaviour such as child exploitation. It targets dismantling organised groups, such as gangs who are exploiting young people. It has three pillars, 1) investigate with precision, focusing on high harm offenders and perpetrators of violence, 2) divert and support those impacted by drugs through referrals to drugs treatment and intervention, and 3) disrupt and dismantle organised crime networks, particularly those exploiting children and those causing the most harm to London.

Those who are most harmful to the society and to themselves are not necessarily criminalised but identified and assisted. However, the drug dealers at the top end are criminalised. Those identified through random stop and search are referred to local treatment centres that are located in 32 local authorities. The referral is done through an integrated referral system with the health, criminal justice, police and local charity organisations.

Furtherance to the implementation of the 10 Year Drug Strategy, the Drug Action Plan has the following 10 commitments, namely;

1. Minimise the impact of drugs in communities
2. Dismantling County Lines for those coming out and in of London.

3. Understanding how drugs and crimes (domestic violence, sexual violence) through academic work to make sure right criminals are targeted.
4. Criminal justice for serious offences but with the review of minimising imprisonment because prisons are overcrowded.
5. Partnership and collaboration, which is premised within Project ADDER.
6. Listening to communities through lived experiences of those who have been through the criminal justice system and those who have been rehabilitated from drugs. Police are trained on how to understand the lived experiences of people, change their mindset against attaching stigma to drug abuse to more providing help. This is done to strengthen and capacitate the front line officers.
7. Use available data and evidence to prioritise activity, targeting illicit drugs that cause the most harm to individuals and communities.
8. Targeting online and digital crime and drug trafficking, identifying how online and in-person offending is linked.
9. Maintain a performance framework that matches the ambition to support New Met for London, the Met's Serious and Organised Crime Strategy and relevant national strategies.
10. Keep the Action Plan under regular review, focusing on changes within the drug market, tactics and methodologies deployed by organised criminals.

11. STUDY TOUR KEY FINDINGS AND LEARNING AREAS

11.1 Drug Policy

- There is a shift in drug policy from punitive criminal justice system to a restorative and non-custodial approach that recognizes that the fight against alcohol, drug abuse and gambling goes beyond the justice system.

- Implementation of Project ADDER, which advocates for strategic partnerships in the fight against drug abuse and trafficking.

- Implementation of an integrated referral system to treatment providers through Project ADDER partnerships.

- The fight against alcohol and drug abuse should be approached through a holistic approach that involves strategic partnerships involving justice, police, health and care, home affairs, education, community structures, correctional services, family preservation interventions and local authorities (boroughs).

- Piloting of the Family, Alcohol and Drug courts as a non-custodial approach focusing more on family preservation.

- Treatment of substance abuse not only focuses on treatment of substance abuse but also prioritises family preservation and integration of users into their families and communities. This underscores the importance of after care programmes.

11.2 ACMD and CDA

	Learning areas for the review of the CDA
1. Legislative mandate ACMD was established through the Misuse of Drugs Act of 1971 as an advisory body to advise and give recommendations on drug classification and scheduling, prevention of drugs and abuse of substances, carry inquiries into drug use and produce reports and promote research on preventing drug misuse. Due to the nature of its mandate, the ACMD its membership is made of **various scientifically qualified experts in the field of drugs and substance abuse.** Through various committees these experts produce and publish independent reports on drug related matters, as per the mandate of the ACMD. The **reports are produced and published independently from Minister of Home Affairs and/or any ministers**.	The Central Drug Authority (CDA) was established by the Prevention of and Treatment of Substance Abuse Act of 2008 to primarily oversee the implementation of the National Drug Master Plan (NDMP), encourage government departments and private institutions to compile plans to address substance abuse in line with the NDMP, advise government on policies and programmes in the field of substance abuse and drug trafficking, recommend to Cabinet the review of the NDMP every 5 years and organise a biennial summit on substance abuse. The membership of the CDA is thus made up of, in accordance with the Act, **government department's representatives and members of the public who have knowledge or experience in the management of demand and supply of substances or who are able to make a substantial contribution to the combating of substance abuse**. The Act provides that the CDA compiles a report on all its functions and national efforts to reduce demand for, harm caused by and supply of substances, **and submit it to the Minister of Social Development. The Minister then submits the report to Parliament**. Thus,

	the work and reporting of the CDA is not independent from the Minister. The mandate and functions of the ACMD and the CDA are obviously different, but **both agencies were established to act as statutory advisory bodies**. The key learning areas for South Africa maybe a need to rethink the requirements (qualifications, knowledge and expertise) and composition of members of the ACMD. There is also a need to rethink the status from that of an advisory body fully dependent on DSD to an independent advisory body.
2. Governance The independence of the ACMD is governed through the below governance frameworks: **2.1 Working Protocols:** emphasizes the **independent,** high quality scientific advice to guide policy decisions on drug misuse and control. The Protocol commits parties to work together to reduce drug related harms respecting ACMD's independence. 2.2 **Code of Practice for Scientific Advisory Committees and Councils:** the ACMD operates under the Code of Practice for Scientific Advisory Committees and the Nolan Principles, maintaining impartiality, integrity, and transparency.	The governance framework for the ACMD may address the current governance challenges faced by the CDA related to its lack of independence or semi-independence, authority and powers due to the implementation challenges of Section 53(1) of the Prevention of and Treatment of Substance Abuse Act (No.70 of 2008). Similar Working Protocols and Code of Practice may need to be adopted between the CDA, DSD and other role players.
3. ACMD membership 3.1 **Governance Code on Public Appointments:** sets out the process and principles that should underpin all public appointments made to bodies listed in the Public Appointments Order in Council. **3.2 Succession Plan:** the term of the Chairperson overlaps with the	As per the provisions of the Prevention of and Treatment of Substance Abuse Act, the CDA is not a public entity or Council. However, with the review and subsequent amendment of the Act and possible re-classification of the CDA to a public entity, the existing South African regulatory framework governing appointments of statutory bodies would have to be applied.

appointment of the incoming Chairperson, who served as a Deputy Chairperson to ensure continuity of the work.	Also, to ensure continuity, it will be critical for the CDA to also adopt a similar approach of a succession plan.
4. Budget structure In accordance with the Misuse of Drugs Act 1971, ACMD is allocated the budget by the Secretary of State of Home Affairs Department with the consent of the Minister for the Civil Service. It accounts annually for its expenses in its annual reports that are posted in its website for transparency.	 Similarly, the CDA is allocated the budget by the Minister of Social Development as per the Prevention of and Treatment of Substance Abuse Act. The CDA however, has no autonomy to control its budget and expenditure. This is one of the recommendations that the CDA has made over years that the Act should be amended to give it such authority.

Report to be considered.

3. REPORT OF THE PORTFOLIO COMMITTEE ON DEFENCE AND MILITARY VETERANS ON BUDGET VOTE 23 (DEPARTMENT OF DEFENCE), DATED 15 MAY 2026

The Portfolio Committee on Defence and Military Veterans (PCDMV), having considered Budget Vote 23 of the Department of Defence (DOD), reports as follows:

INTRODUCTION

Mandate of the Committee

Section 55 (2) of the Constitution of the Republic of South Africa (1996) states that "The National Assembly must provide for mechanisms (a) to ensure that all executive organs of state in the national sphere of government are accountable to it and (b) to maintain oversight of (i) the exercise of national executive authority, including the implementation of legislation; and (ii) any organ of state."

Process

The PCDMV considered the 2026 Annual Performance Plans (APP) and budget of the DOD and the Castle Control Board on 6 May 2026. It further considered the Corporate Plans and budget of the Armaments Corporation of South Africa (Armscor) and Denel on 13 May 2026. This Report includes observations and recommendations from the Committee during the engagements of 6 and 13 May 2026.

PART A: DEPARTMENT OF DEFENCE

1. MANDATE OF THE DEPARTMENT OF DEFENCE

Section 200(2) of the Constitution dictates that the primary object of the defence force is to defend and protect the Republic, its territorial integrity and its people in accordance with the Constitution and the principles of international law. This aligns with the mission of the DOD that is to provide, manage, prepare and employ Defence capabilities commensurate with the needs of South Africa as regulated by the Constitution, national legislation, parliamentary and executive direction. The above is provided through the proper management, provision, preparedness and employment of defence capabilities, which are in line with the domestic and global needs of South Africa.

2. COMMITTEE 2025/26 BUDGET REPORT

In order to include a holistic review by the Committee, past recommendations are included. The Committee made the following recommendations in terms of the 2025/26 APP and budget of the DOD:

a. The Committee remains concerned about the low levels of defence funding, but acknowledges that engagements between the DOD, the South African National Security Secretariat, National Treasury, and the Presidency are under way to address this matter. Given the urgency of funding certainty for the DOD, the Committee will write to the President noting the need for an urgent final decision on the funding projections for the DOD. The Committee will request feedback from the Presidency and the DOD on the projected timelines for finalising current engagements. The Committee expresses the need for this process to be concluded so that implementation can start in the 2026/27 financial year.
b. While acknowledging current engagements between the DOD, the South African National Security Secretariat, National Treasury and the Presidency, the Committee requests that key planning documents such as the Defence Capstone Policy Concept, South African Military Strategy, Force Design and Force Structure and the Journey to Greatness be tabled in parliament by the end of 2025 to allow alignment with the next fiscal cycle.
c. While future funding engagements are ongoing, the Committee urges the DOD to resolve audit queries noted by the Auditor-General to limit the risk to any potential future

increase in funding. The Minister must submit a comprehensive audit recovery plan by the end of September 2025, with quarterly updates thereafter. The Committee also insists on consequence management by both the Secretary for Defence and the Chief of the SANDF in cases of persistent governance failures, with a written update on this by the end of October 2025.

d. The Committee noted that the Strategic Plan and APP of the DOD lack new initiatives, particularly in addressing issues related to compensation of employees and rejuvenation plans. The Committee previously instructed the Minister of Defence and Military Veterans and the Minister of Finance to jointly develop a rejuvenation mechanism that does away with the concept of 'soldier for life', in line with the recommendations of the 6th Parliament. As stated previously, the Committee undertakes to re-engage the Ministers on the matter in the third term of 2025/26 and urges the DOD to prioritise the development of this plan to both ensure force rejuvenation and address over-expenditure on Compensation of Employees, with implementation starting by the end of 2025.
e. Given current fiscal constraints, the Committee urges the DOD, including SANDF leadership, to drastically minimise unnecessary spending and divert all discretionary funds towards the operational effectiveness of the SANDF, specifically equipment availability and training.
f. The Committee undertakes to engage the DOD, in conjunction with Armscor, on the defence portfolio's cyber defence capabilities.
g. The Committee requests the Minister to submit a full withdrawal report to the Committee within 30 days following the final withdrawal of all SANDF troops and equipment from the DRC.

3. DEPARTMENT OF DEFENCE ANNUAL PERFORMANCE PLAN FOR 2026/27

3.1 DOD contributions to government planning frameworks

The 7th Administration's Government of National Unity (GNU) introduced a new planning instrument, the **Medium-Term Development Plan (MTDP)** 2024 - 2029, to replace the previous Medium-Term Strategic Framework (MTSF) (2019-2024), better aligning with international naming conventions and refocusing the 5-year government plan directly on implementing the NDP.

The DOD will support the following Strategic Priorities of the MTDP:

- **Strategic Priority 1: Building a Capable, Ethical and Developmental State**

Strengthen civil oversight over defence through improved governance, accountability, and compliance measures.

- **Strategic Priority 2: Economic Growth, Job Creation and Infrastructure Investment** Catalyse localised defence manufacturing and stimulate job creation through partnerships with the defence industry.
- **Strategic Priority 3: Reducing Poverty and Inequality**
  Contribute through community outreach, military support to rural development, and implementation of the National Strategic Plan on Gender-Based Violence.
- **Strategic Priority 4: Tackling Crime and Corruption**
  Support border safeguarding, maritime security, and internal security operations, including supporting the SAPS and providing military aid to civil power.
- **Strategic Priority 5: Building a Better Africa and World**
  Deploy peacekeeping forces and engage in defence diplomacy to support regional and continental peace and security mechanisms.

In addition to the DOD's direct support to the MTDP, the Department also provides support to a number of other government and international initiatives, including but not limited to the following:

- **The National Development Plan (NDP) Vision 2030**. The DOD supports youth employment through the Military Skills Development System (MSDS), enhances peace and security through regional deployments, and invests in education, training, and innovation.
- **United Nations Sustainable Development Goals (SDGs).** The DOD contributes to SDG 16 (*Peace, Justice and Strong Institutions*) through defence diplomacy, peacekeeping missions, and support to international humanitarian operations.
- **African Union Agenda 2063**. The DOD strengthens continental security by participating in AU peace missions, supporting the African Peace and Security Architecture, and promoting good governance and democracy.
- **Southern African Development Community (SADC) Regional Indicative Strategic Development Plan (RISDP) 2020–2030.** The DOD contributes to regional stability by participating in SADC peace support operations and maintaining defence readiness.

- **SADC Integrated Maritime Strategy (IMS) 2050**. The DOD supports maritime security by conducting coastal patrols and anti-piracy operations under initiatives like Operation COPPER.
- **National Security Strategy (NSS) of South Africa**. The DOD aligns its operations with the NSS to ensure national security through internal and external defence missions, disaster relief, and cyber resilience efforts.
- **National Cybersecurity Policy Framework (NCPF).** The DOD advances cyber defence capabilities by finalising its Cyber Strategy and Implementation Plan, supporting national cybersecurity initiatives.
- **District Development Model (DDM)**. The DOD integrates defence community outreach projects and support services at district level to contribute to local development and social cohesion.

  Disaster Risk Reduction and Development of Disaster Management Plans. The DOD Disaster Management Plan informing a disaster management support capability, will be pursued during the period of this period of this Plan.

3.2 Ministerial priorities and departmental direction

Through their respective forewords to the APP, the Minister, acting Secretary for Defence, and the Chief of the SANDF note strategic priorities for the DOD and SANDF:

3.2.1 The Minister of Defence and Military Veterans (Ms M.A. Motshekga)

The Minister’s foreword focuses on modernising and stabilising the defence function within tight fiscal and governance constraints. Priority is given to advancing the review of the South African Defence Review 2015 and implementing the SANDF’s long-term capability plan to transition from legacy ICT systems to a more modern, technologically enabled force, alongside strengthening border safeguarding across land, air, sea, and cyber domains. A central operational enabler is the digital transformation of outdated ICT systems. The Minister further emphasises managing the Compensation of Employees ceiling, signalling ongoing pressure to align personnel costs with imposed limits while engaging stakeholders on sustainable funding solutions. These priorities are reinforced by a continued focus on governance, responsiveness to audit findings, and human resource transformation, including inclusivity and demographic representivity.

3.2.2 Acting Secretary for Defence (Dr T. Gamede)

The Acting Secretary for Defence's foreword emphasises strengthening governance, fiscal discipline, and institutional performance within a constrained budget environment. Key priorities include reinforcing accountability, risk management, and compliance under the PFMA, while improving responsiveness to audit findings through tighter oversight and implementation of corrective measures. A central pillar is the digital transformation of legacy ICT systems, moving towards an integrated enterprise architecture to enhance resource management, data-driven decision-making, and administrative efficiency. The Acting Secretary also highlights the importance of advancing the review of the South African Defence Review 2015, improving service delivery through structural reorganisation, and ensuring that human resource management balances operational readiness with the Compensation of Employees ceiling, signalling continued pressure on personnel affordability. Finally, strategic attention is given to repositioning Denel as a viable national asset with both defence and economic value, alongside ongoing transformation objectives centred on inclusivity and representivity.

3.2.3 Chief of the SANDF (General R. Maphwanya)

The Chief of the SANDF focuses on operational readiness, capability modernisation, and institutional renewal in a resource-constrained security environment. Central is the implementation of the long-term "Journey to Greatness" plan to build a modern, responsive force, with priority given to border safeguarding, the development of rapid deployment and disaster response capabilities, and the strengthening of logistics and sustainment systems to support operations. The SANDF will also advance cyber and space capabilities as critical domains, deepen partnerships with the defence industry, and push for a sustainable funding compact to address ongoing resource constraints. Operationally, focus areas include concluding the DRC peacekeeping mission, maintaining internal deployments in support of the police (including gang violence and illicit mining), and supporting the 2026 local government elections. Alongside this, there is a strong emphasis on taking care of soldiers, improving career management, and enforcing governance, discipline, and anti-corruption measures, positioning institutional integrity and human capital as central to future effectiveness.

4. DEPARTMENT OF DEFENCE BUDGET OVERVIEW

4.1 Overview of planned expenditure

The total allocation for the DOD for 2026/27 is R57.605 billion, which is significantly lower than the adjusted appropriation of R59.072 billion for 2025/26. However, it should be considered that in the previous year (2025/26), the budget was increased through the adjustment process to make provision for the withdrawal of the SANDF from the Mission in the DRC (SAMIDRC). The 2026/27 budget (R57.605 billion) therefore seems more aligned with the original budget of 2025/26 (R57.184 billion). While aligned, the stagnating allocation results in a real percentage decrease after adjustment for inflation. As a percentage of the projected GDP for 2026/27 (R8.188 trillion), defence expenditure stands at 0.7% (the same as in 2025/26).

Table 1 reflects the nominal and real percentage changes per programme for the DOD's 2026/27 budget, *using the higher adjusted allocation of 2025/26*. The real percentage changes are adjusted for Consumer Price Inflation (CPI) and do not take into account other forms of inflation such as medical or the concept of 'defence inflation' which are generally considered higher than CPI. Individual programmes will be discussed in subsequent sections.

The most significant reduction is for Programme 2 (Force employment) which decreased by R2.175 billion from 2025/26 to 2026/27. As noted, this relates largely to the reduced funding requirements for the SANDF's participation in SAMIDRC. The allocation of all other programmes remains fairly constant, but with a noteworthy reduction in the allocation to the Landward Defence programme (the largest DOD programme) by R416.2 million when compared to 2025/26.

Table 1: Increase/decrease per programme from 2025/26 to 2026/27

Programme	Budget		Nominal Increase / Decrease in 2026/27	Real Increase / Decrease in 2026/27	Nominal Percent change in 2026/27	Real Percent change in 2026/27
R million	2025/26	2026/27				
Programme 1: Administration	5 839,9	6 138,8	298,9	97,0	5,12%	1,66%
Programme 2: Force employment	6 561,0	4 385,7	- 2 175,3	- 2 319,5	-33,16%	-35,35%
Programme 3: Landward Defence	19 176,0	18 759,8	- 416,2	- 1 033,1	-2,17%	-5,39%
Programme 4: Air Defence	7 247,9	7 569,5	321,6	72,7	4,44%	1,00%
Programme 5: Maritime Defence	5 011,9	5 076,8	64,9	- 102,0	1,29%	-2,04%

Programme 5: Military Health Support	6 342,8	6 403,7	60,9	- 149,7	0,96%	-2,36%
Programme 7: Defence Intelligence	1 192,6	1 236,7	44,1	3,4	3,70%	0,29%
Programme 8: General Support	7 700,1	8 034,7	334,6	70,4	4,35%	0,91%
TOTAL	**59 072,2**	**57 605,7**	**- 1 466,5**	**- 3 360,7**	**-2,5%**	**-5,69%**

4.2 Overview of planned expenditure and related performance targets per programme

The DOD has eight budget programmes related to the different functions of the SANDF. Planned expenditure for 2026/27 remained largely aligned to expenditure in the previous year, except for significant reductions in the Force Employment programme because of the withdrawal from the DRC. Further noticeable changes in allocation are noted below.

4.2.1 Programme 1: Administration

The Administration programme received a nominal increase of R298.9 million (5.1%) from R5.840 billion in 2025/26 to R6.139 billion in 2026/27. This increase translates to a real percentage increase of 1.66% when adjusted for inflation. The allocation to most subprogrammes remained relatively stable, except for the Ministry subprogramme that decreased from R153 million in 2025/26 to R113.0 million in 2026/27. This allocation is, however, still significantly higher than in prior years (R61.3 million in 2024/25 and R56.0 million in 2023/24). The Financial Services subprogramme in turn received a nominal increase of R99.4 million (19.9%).

In terms of economic classifications, allocations also remained fairly static. However, *Operating payments* decreases from R90.9 million in 2025/26 to R34.5 million in 2026/27 while *Household* expenditure increases from R20.3 million in 2025/26 to R99.6 million in 2026/27.

Programme 1 has been set a total of eight targets for 2026/27. This is one less target than in 2025/26, with the following target removed: Percentage compliance to the Department of Defence Interim Policy on Preferential Procurement. Programme 1 targets for 2026/27 include:

- Percentage adherence to the DOD Master Record Index for Policies. (*Target: 65% (Previous audited performance in 2024/25: 71.6%).*
- Percentage adherence to the DOD Master Record Index for Plans. (*Target: 100% (37) (Previous audited performance in 2024/25: 87.8% (36)).*

- Number of Reserve Force man-days per year. (*Target:2 647 579 (Previous audited performance in 2024/25: 3 664 429).*
- Percentage payments made within 30 days of receipt of legitimate invoice. (*Target: 80% (Previous audited performance in 2024/25: 78.2%).*
- Percentage of women employed in the DOD. (*Target: 40% (New target from 2025/26).*
- Percentage of women in active SMS posts. (*Target: 40% (New target from 2025/26).*
- Percentage of youth employed in the DOD. (*Target: 40% (New target from 2025/26).*
- Percentage audits completed in terms of the resourced Risk Based Internal Audit Plan. (*Target: 100% (Previous audited performance in 2024/25: 100%).*

4.2.2 Programme 2: Force employment

The allocation for the Force Employment programme for 2026/27 decreased significantly when compared to the adjusted allocation of the previous financial year. This is largely due to a large allocation for the SANDF's withdrawal from the SAMIDRC mission. The reduction is visible in the Regional Security subprogramme which decreases from R3.313 billion to R923.7 million. While the focus on regional security diminishes, there is an increased focus on the SANDF's domestic role. This is reflected in the *Support to the People* subprogramme which maintains a relatively high allocation, increasing from R1.289 billion in 2025/26 to R1.439 billion in 2026/27. National Treasury notes that the "department will also continue to support the South African Police Service to address internal security challenges, including the protection of critical government infrastructure and national key points, and operations related to illegal mining, public unrest and the 2026 local government elections. These activities are carried out through allocations amounting to R4.2 billion over the next 3 years in the *Support to the People* subprogramme in the *Force Employment* programme." Despite the withdrawal from the DRC, the Travel and Subsistence expenditure for Programme 2 remains relatively high but decreasing from R299.0 million in 2025/26 to R217.9 million in 2026/27.

The Force Employment Programme has a total of 13 targets set for 2026/27 of which five are classified and not reported on. Classified targets include the following:

- Percentage compliance with Joint Force Employment requirements as resourced
- Percentage combat-ready capabilities available for the SANDF
- Percentage compliance with force levels for external operations
- Percentage compliance with self-sustainment of personnel for external operations.

- Percentage compliance with serviceability of main equipment for external operations.

Non-classified targets for 2026/27 include the following:

- Number of planned joint, interdepartmental, interagency and multinational military exercises conducted per year. *Target: 3 (Previously audited performance in 2024/25: 3)*
- Percentage implementation of the DOD Border Safeguarding Optimisation Plan. *Target: 25% [New indicator]*
- Number of landward subunits deployed on border safeguarding per year. *Target: 15 (Previously audited performance in 2024/25: 15)*
- Percentage compliance with number of external operations conducted per year. *Target: 100% (Previously audited performance in 2024/25: 75%)*
- Compliance with SADC Standby Force. *Target: 100% (Previously audited performance in 2024/25: 100%)*
- Percentage Air Border Patrols conducted per year. *Target: 100% [New indicator]*
- Number of Maritime Coastal Patrols conducted per year. *Target: 4 (Previously audited performance in 2024/25: 4)*
- Percentage compliance with number of internal operations conducted per year. *Target: 100% (Previously audited performance in 2024/25: 100%)*

4.2.3 Programme 3: Landward Defence

The Landward Defence programme is the largest programme in the DOD and includes the SA Army that constitutes the bulk of the SANDF personnel. For 2026/27, the programme received a nominal decrease of R416.2 million (2.2%). When adjusted for inflation, this results in a real percentage decrease of 5.39%. The decreased allocation largely affected two subprogrammes. The Infantry Capability subprogramme's allocation was reduced from R7.189 billion to R6.632 billion in 2026/27 (-7.74%). The Air Defence Artillery capability allocation was decreased from R605.7 million to R522.5 million in 2026/27 (-13.7%). Further, the General Training Capability receives a R41 million (5.61%) additional allocation in 2026/27. Similarly, the Signal Capability receives an increased allocation of R81.2 million (4.68%) in 2026/27.

In terms of economic classifications, an increase in the allocation to contractors can be noted, rising from R137.8 million in 2025/26 to R170.5 million in 2026/27. There is also a significant increase in the allocation for Fleet Services, rising from R43.1 million to R73.6 million in 2026/27. In line with previous recommendations from the Committee, there is also a significant increase in the allocation for clothing from R63 million to R153.8 million in 2026/27. This aligns with National Treasury's specific allocation for the procurement of uniforms. The allocation for Food and Food supplies decreases to its lowest figure in five years, from R832.7 million in 2025/26 to R706.5 million in 2026/27. Travel and subsistence also decreases substantially from R486.2 million to R232.5 million in 2026/27. Only R719.3 million is transferred to the Special Defence Account for the Landward Defence programme.

The MTDP outlook for the Landward Defence programme contains the same four performance targets as in previous years. The target related to the percentage combat ready capabilities available to the SANDF as well as the target related to Joint Force employment requirements remain classified. The two other targets set for 2026/27 remain in line with the preceding year. The SA Army will conduct five unique Landward Defence training exercises, which is one more than in previous years. The target "Percentage compliance with DOD Training targets" is 100% (3 445 learning opportunities). This aligns with the last audited performance of 3 692 training opportunities offered in 2024/25.

4.2.4 Programme 4: Air Defence

Overall, the allocation to the programme increases from R7.248 billion in 2025/26 to R7.570 billion in 2026/27, which reflects a 4.4% increase in nominal terms, but only a 1.0% increase when adjusted for inflation. Significant changes in allocations can be noted in the following subprogrammes:

- Strategic Direction received a significant increased allocation from 34.9 million in 2025/26 to R55.7 million in 2026/27. This is, however, still lower than the allocation for previous years (i.e. R74 million in 2024/25).
- The Helicopter Capability received an increased allocation from R921.5 million in 2025/26 to R1.127 billion in 2026/27 (22.3%).
- The Transport and Maritime Capability received a decrease in its allocation from R711.7 million in 2025/26 to R630 million in 2026/27 (-11.5%).
- The Command and Control capability received an increase from R420.5 million in 2025/26 to R467.2 million in 2026/27 (11.1%).

- The Training Capability receives an increase in its allocation from R484.4 million in 2025/26 to R535.9 million in 2026/27 (10.6%)

In terms of economic classifications, the allocation for *Food and food supplies* increases from R83.3 million to R147.4 million and R1.326 billion is allocated from the Air Defence programme to the SDA in 2026/27, which is higher than the R1.198 billion allocated in the previous financial year.

Five targets remain in place for the Air Defence Programme during the MTDP of which two remain classified ('percentage combat-ready capabilities available to the SANDF' and 'percentage compliance with Joint Force Employment requirements'). The target for percentage compliance with DOD training targets for 2026/27 is set at 100% (633 training opportunities). This aligns with the previously audited outcome in 2024/25 (689 training opportunities). The SA Air Force will also conduct one (1) unique force training exercise in 2026/27.

The target on flying hours for the year is set for 12 000, which is the same as in the previous year. The 12 000 planned hours for 2026/27 is set to include force preparation (7 000 hours), force employment (4 000 hours) and (1 000 VVIP hours). It must be noted that previous years resulted in much lower actual flying hours, largely as a result of a lack of aircraft availability.

4.2.5 Programme 5: Maritime Defence

As in recent years it is evident that the overall allocation to the Maritime Defence programme remains fairly stable. This, however, results in a general decrease in real allocation to the programme due to the impact of inflation. The current allocation increases only marginally from R5.012 billion in 2025/26 to R5.077 billion in 2026/27 (1.3% increase). Adjusted for inflation, this results in a 2.04% decrease in allocation. The SA Navy is therefore likely to remain under fiscal pressure, adding to operational constraints.

Two significant changes in allocation are visible in terms of the subprogrammes. The allocation for the Maritime Combat Capability increased by 23.9% from R964.2 million to R1.195 billion in 2026/27. In turn, the Maritime Logistics support Capability's allocation decrease by 14.4% from R1.859 billion in 2025/26 to R1.592 billion in 2026/27. In terms of economic classifications, the following increases and decreases from 2025/26 to 2026/27 can be noted:

- The allocation for *Contractors* decreases significantly from R418.1 million to R312 million.

- Travel and subsistence increases from R75.2 million to R100.9 million.
- The allocation to the SDA increases marginally from R798.4 million to R835.4 million.

Five targets were set for the programme over the MTDP of which two are classified (‘percentage combat-ready capabilities available to the SANDF’ and ‘percentage compliance with Joint Force Employment requirements’). The percentage compliance with maritime defence training targets increases to 100% from a previous target of 80%. In 2026/27, the SA Navy will endeavour to ensure 498 learning opportunities which is significantly higher than the last audited output of 165 learning opportunities in 2024/25. The SA Navy is further planning one unique force training exercise. The target for the number of sea hours was reduced from 10 000 for 2020/21 to 8 000 in 2021/22 and remains at this level since, including over the MTDP. It includes 3 840 hours for Force Preparation and 4 160 hours for Force Employment. However, the SA Navy has not been able to meet its target for the past financial years.

4.2.6 Programme 6: Military Health Support

The Military Health Support programme’s allocation remains relatively stable in 2026/27 with a marginal increase from R6.343 billion in 2025/26 to R6.404 billion in 2026/27. This, whoever, translates into a 2.36% decrease in real terms when adjusted for inflation. In terms of the subprogrammes, there is a significant decrease in the allocation for Military Health Product Support (22.4%) from R398.5 million in 2025/26 to R309.3 million in 2026/27. Increased allocations are made to Military Health Maintenance (18.1%), Strategic Direction (11.7%), and Military Health Training (11.7%).

In terms of economic classifications, three matters can be noted. First, the allocation for medical supplies decreases from R166.9 million in 2025/26 to R120.9 million in 2026/27. This is, however, higher than the average of around R54 million per year spent in preceding years. Second, similarly, the allocation for medicine decreases from R320.1 million to R285 million. Third, spending on outsourced services is expected to remain high with an allocation of R692.5 million in 2026/27.

For the MTDP, only four targets were set for Programme 6 of which three are considered classified. Only the target related to training is not classified (100% compliance for 2026/27 which includes 655 learning opportunities). The set target is higher than the previously audited performance level (564 learning opportunities).

4.2.7 Programme 7: Defence Intelligence

The allocation for Defence Intelligence remains stable with a marginal increase from R1.193 billion in 2025/26 to R1.237 billion in 2026/27. The main increase is in terms of the Operations subprogramme which sees its allocation increase by 4.2% (R13.3 million) while the DI Support Services allocation is increased by 3.5% (R30.7 million).

In terms of economic classifications, expenditure remains largely aligned with that of the previous year. However, a large increase in CoE expenditure in recent years from R479.6 million in 2022/23 to R740.2 million in 2026/27. Further, in 2021/22 and 2022/23, Travel and Subsistence expenditure was relatively low at less than R8 million per annum. This increased since 2023/24 to R30.3 million per year, with expected expenditure of R28.6 million in 2026/27.

For 2026/27, two targets have been set as follows:

- 6 300 vetting decisions to be taken (3 093 achieved in the last audited year – 2024/25).
- The total number of Defence Attaché offices remain at 44, as in previous years.

In the previous (2025/26) APP, it was indicated that a Cyber Defence Strategy was set to be completed and approved in 2025/26. This target has been removed in 2026/27 and replaced with a new target (classified) measuring the percentage of detected cyber threats prevented.

4.2.8 Programme 8: General support

The General Support programme's allocation was increased marginally by 4.3% from R7.7 billion in 2025/26 to R8.035 billion in 2026/27. The R334.6 million increase translates to a 0.9% increase in real terms when adjusted for inflation. The allocation to most programmes remained stable with the largest increase (5,71%) noticeable in the Command and Maintenance Information Systems subprogramme, increasing by R65.5 million compared to the previous year. In terms of economic classifications, expenditure on contractors is set to increase from R77.8 million in 2025/26 to R106.5 million in 2026/27. The allocation for Machinery and Equipment further increases from R75.7 million in 2025/26 to R101.1 million in 2026/27. There is also an increased allocation to the SDA, with R400.2 million being transferred (compared to R366.4 million in 2025/26).

A total of seven targets, of which one is classified, has been set for 2026/27 as follows:

- *Joint Logistics Services Performance:*
  - Percentage procurement requests fully completed within 90 days from registration (80%). This is significantly higher than the last audited performance of 56.6% in 2024/25.
  - Percentage expenditure in accordance with facilities plan (100%). This target aligns with previous performance.
- *Command Management Information Systems Performance:*
  - Percentage compliance with DOD ICT Plan (100%). This planned performance is higher than the last audited performance of 90.5% in 2024/25.

- *Military Police Performance:*
  - Number of crime prevention operations (124 operations). This planned performance is lower than the last audited performance of 168 in 2024/25.
  - Percentage criminal cases investigated (backlog) (50%). This planned performance is higher than the last audited performance of 34.6% in 2024/25. This target is essential to the improvement of consequence management in the SANDF.
  - Percentage criminal cases investigated (in-year) (30%). This planned performance is marginally higher than the last audited performance of 25.7% in 2024/25.

4.3 Key cost drivers in the DOD for 2026/27

Key cost drivers and other concerns of the DOD 2026/27 budget include the following (in terms of broad economic classifications):

- **Compensation of employees.** Spending on CoE remains a primary concern for the DOD, as in recent years, and will result in unauthorised expenditure as the DOD remains unable to bring CoE to levels below the ceiling imposed by National Treasury based on prior Cabinet decisions. This will continue to affect the Department in 2026/27, where the allocation for spending on CoE (as per National Treasury) is set to increase from R36.703 billion in 2025/26 to R37.744 billion in the current financial year. For context, the DOD already spent more than the current allocation in 2024/25, meaning over-expenditure in 2026/27 is highly likely. It must be noted again that the Minister stated in the APP that there will be "ongoing initiatives to ensure Departmental compliance with the National Treasury Compensation of Employees budget allocation ceiling and where necessary, discussions with identified stakeholders will continue to ensure agreement on funding solutions are achieved."

- **Computer services.** The allocation for computer services has increased in recent years from R740.8 million in 2024/25 to R1.043 billion in 2025/26 and further to R1.168 billion in 2026/27. This is likely aligned with the stated intent to improve legacy ICT systems.
- **Travel and subsistence.** Expenditure on Travel and subsistence remains high with R1.007 billion expected to be spent in 2026/27. This is, however, significantly lower than spending in recent years and raises the question whether the DOD will be able to remain within the planned expenditure levels. While lower, projected travel and subsistence expenditure still constitutes 1.74% of all defence expenditure for 2026/27.
- **The Special Defence Account (SDA).** Transfers to the SDA decreases from R5.044 billion in 2025/26 to R3.844 billion in 2026/27. This points to the ongoing inability of the DOD to fund the substantial technological rejuvenation of the SANDF.
- **Contractors.** The allocation for spending on contractors decreases marginally from R1.710 billion in 2025/26 to R1.543 billion in 2026/27. It must be noted though that there have been cases in the past, such as in 2022, where the funds allocated to Contractors was used to pay salaries and cover the shortfall in the CoE. Payments to contractors relate directly to the maintenance of defence capabilities as they often provide specialised maintenance of defence capabilities such as aircraft, weapons, weapon systems and vessels.
- **Property payments.** The allocation for property payments increases marginally from R2.319 billion in 2025/26 to R2.408 billion in 2026/27.

4.4 DOD income for 2026/27

The 2026 APP notes "the exploration of strategic partnerships through [public-private partnerships] (PPP) will continue, ensuring the improvement in the condition and management of SANDF facilities, reinforcing infrastructure resilience and sustainability while proactively seeking funds generating opportunities, generating additional defence revenue…" However, the Estimates of National Expenditure forecasts only a marginal increase in Departmental Receipts from R1.346 billion in 2025/26 to R1.373 billion in 2026/27. Some of the income to be generated includes:

- Rental of Capital Assets: R116.5 million
- Services rendered: R391.1 million
- Sale of Goods: R15.8 million
- Transfers received: R718.7 million
- Sale of Capital Assets: R35.0 million

5. COMMITTEE OBSERVATIONS

During deliberations with the DOD on 6 May 2026, Members of the PCDMV made the following observations related to the budget allocation, the performance indicators and the targets set in the APP and budget:

a) The Committee observed persistent delays in the filling of critical vacant posts within the DOD and raised concerns regarding the lack of accountability measures to address prolonged vacancies.

b) The Committee expressed concern regarding discipline, governance and consequence management within the SANDF, including the need for stronger enforcement measures in cases of misconduct, corruption and financial non-compliance.

c) The Committee noted recurring governance and financial management weaknesses, including projected Compensation of Employees over-expenditure that may result in unauthorised expenditure, recurring audit findings, and concerns regarding compliance with procurement regulations and broader financial controls.

d) The Committee raised concerns regarding the adequacy of SANDF resources, equipment and operational capacity to effectively execute its constitutional mandate, including the alignment of budget allocations with operational priorities and force readiness requirements.

e) The Committee highlighted concerns regarding the absence of a clear long-term strategic roadmap for Defence, including uncertainty surrounding the status of the "Journey to Greatness" initiative and related policy documents, as well as the relationship between these proposed policies and the 2015 Defence Review. Members noted that this uncertainty complicates effective oversight and assessment of the Annual Performance Plan.

f) The Committee noted with concern that force design and long-term capability planning are proceeding before Parliament has been provided with the final National Security Strategy as applicable to the SANDF, National Defence Policy, revised Defence Review, and full Journey to Greatness framework, undermining proper legislative oversight.

g) The Committee emphasised the need for clarity on when the new defence policy documents will be tabled in Parliament and questioned whether adequate engagement has taken place with National Treasury regarding the reported objective of increasing defence expenditure to 1.5% of GDP.
h) The Committee expressed concern regarding cybersecurity preparedness within the DOD and the SANDF, including the Department's role in contributing to broader national cybersecurity resilience.
i) The Committee raised serious concerns regarding repeated security breaches at military bases, theft and loss of military equipment, and broader weaknesses in the safeguarding of military assets and installations.
j) The Committee noted concerns regarding the capacity and capability of the Military Police to effectively conduct lifestyle audits and anti-corruption investigations.
k) The Committee stressed the need for stronger coordination between the SIU, Hawks, NPA and Auditor-General to ensure effective consequence management and accountability in the DOD.
l) The Committee raised questions regarding the Department's plans to strengthen border safeguarding and address illegal border crossings.
m) The Committee raised questions regarding the future utilisation and role of the SANDF following the withdrawal from peacekeeping operations in the Democratic Republic of the Congo (DRC), particularly regarding the force's potential domestic responsibilities.
n) The Committee expressed concern regarding the high level of expenditure on Subsistence and Travel within the Department.

6. RECOMMENDATIONS

The PCDMV identified the following areas that will be subject to monitoring by the Committee throughout the 2026/27 financial year:

a) As in previous years, the Committee remains concerned about the low levels of defence funding and the impact this continues to have on the operational capabilities of the SANDF. The Committee notes that Cabinet approved various policy documents relating to the future of the SANDF on 6 May 2026. These policy documents, including the Journey to Greatness, should be urgently tabled in Parliament for consideration. The primary concern of the PCDMV remains the affordability and long-term sustainability of these policy proposals. The Committee therefore reiterates that all future policy submissions to Parliament should be preceded by extensive engagement with National Treasury and a*ccompanied by costing models and timeframes for implementation. The Minister should indicate to the Committee, and the Joint Standing Committee on Defence, by* ***15 June 2026*** *when the policy documents will be tabled in Parliament for deliberation.*

b) The Committee remains deeply concerned about the Department's continued inability to align Compensation of Employees (CoE) expenditure with the approved expenditure ceiling, despite previous interventions and recommendations by the Committee. The Committee notes with concern that this will likely result in unauthorised expenditure by the end of the financial year. While acknowledging that the DOD is scheduled to appear before the Joint Standing Committee on Defence on 5 June 2026 regarding this matter, the Minister should provide the PCDMV with a comprehensive report outlining planned medium-term interventions to address CoE over-expenditure within the DOD. The report should include relevant Executive directives, implementation timelines, and projected expenditure measures aimed at restoring expenditure control. *The report should be submitted by 31 July 2026.*

c) In previous reports, the PCDMV recommended that the DOD prioritise its core mandate and strengthen operational capabilities. However, the Committee remains concerned about continued high levels of ad hoc expenditure on items such as Subsistence and Travel (particularly overseas travel), Armed Forces Day activities, consultants, Project Kgala, and related expenditure areas. The DOD should submit a report identifying areas of discretionary or ad hoc expenditure from which funds could be redirected towards strengthening the SANDF's core operational capabilities, together with proposed timelines for implementing such reprioritisation during the 2026/27 financial year. *The report should be submitted by 31 July 2026.*

d) The Department should submit a written report to the Committee outlining planned interventions aimed at strengthening physical security measures at military bases, specifically the securing of armaments, and installations. *The report should be submitted by 31 July 2026.*

e) The Department should clarify to the Committee whether it has received the R823 million requested for Operation Prosper in support of the South African Police Service. If the funding has not yet been received, the Department should indicate when engagements have taken place with National Treasury and whether a detailed breakdown of the proposed expenditure has been submitted to Treasury. *The report should be submitted by 31 July 2026.*

f) The Department should provide the Committee with a detailed breakdown of how it intends to utilise the R1 billion allocated from the Criminal Assets Recovery Account (CARA), as announced by the Minister of Finance during the Budget Speech. *The report should be submitted by 31 July 2026.*

g) Feedback on digitisation process and updates to the legacy ICT systems, including the Logistics and Personnel systems and HR systems, should be *provided to the Committee by 31 July 2026*.

h) The Committee welcomes the appointment of a permanent Secretary for Defence and calls for the urgent filling of other senior critical posts that have remained vacant for extended periods, specifically in the Secretariat.

i) The Committee calls on the Minister for clarity on the status of the position of the current Chief SANDF and when a new Chief will be appointed that is not post the retirement age. *This information should be provided to the Committee by 31 July 2026.*

PART B: DEFENCE ENTITIES

The Portfolio Committee on Defence and Military Veterans (PCDMV), having considered the 2026/27 Corporate Plan of the Armaments Corporation of South Africa (Armscor), the Annual Performance Plan (APP) of the Castle Control Board (CCB) and the Corporate Plan of Denel 2026/27 reports as follows:

ARMAMENTS CORPORATION OF SOUTH AFRICA (ARMSCOR)

The PCDMV, having considered the 2026 Corporate Plan of Armscor on 13 May 2026, reports as follows:

1. INTRODUCTION

The Armaments Corporation of South Africa SOC Ltd (Armscor) was established in terms of the Armaments Production and Development Act (No. 57 of 1968) and further legislated under the Armaments Corporation of South Africa SOC Limited Act (Act No. 51 of 2003) to meet the Defence Materiel requirements of the South African National Defence Force (SANDF). Armscor operates on a partially self-funded model with commercial revenue-generating activities, although it remains substantially dependent on annual transfer payments from the Department of Defence (DOD). Parliamentary oversight of Armscor continues to focus on striking a balance between corporate efficiency and sustainability and, importantly, ensuring effective service delivery to the SANDF in relation to acquisition and maintenance contract management.

2. ARMSCOR CONTRIBUTION TO NATIONAL GOVERNMENT PLANNING

Armscor will seek to contribute to several Government outcomes as per the National Development Plan (NDP) and the Medium-Term Development Plan (MTDP) (2024-2029).

Armscor contributions to the **NDP**:

- Sharpening South Africa's innovative edge by continuing its contribution to global scientific and technological advancement.
- Implementing greater investment in research and development and better use of existing resources.
- Facilitating innovation and enhanced cooperation between public service and technology institutions.
- Committing to procurement approaches that stimulate domestic industry and job creation.
- Procuring from and supporting SMMEs, black-owned and black-managed enterprises, and female-led enterprises, the youth, and military veterans.

Armscor contributions to the 2024-2029 **MTDP Strategic Priories:**

- **Strategic Priority 1: Inclusive growth and job creation.**
  The DOD and Armscor will indirectly support Priority 1 by leveraging defence-related research and development initiatives to stimulate innovation, rebuild the defence industry, and create employment opportunities, modernise defence capabilities and generate export revenues.
- **Strategic Priority 2: Reduce poverty and tackle the high cost of living.**
  The DOD and Armscor will indirectly support Priority 2 through development and upliftment and self-sustainment of local communities through high impact projects, with an emphasis on women, youth and people with disabilities, contributing to the developmental agenda of government and sustainment of the
- **Strategic Priority 3: Build a capable, ethical and developmental state.**
  - Armscor will seek to review and improve processes and policies to ensure good governance and alignment with public service prescripts.
  - Armscor will provide technology and equipment to the DOD in support of the overarching strategy to defend, protect, secure, and ensure well-managed borders by securing the land, airspace, and maritime borders.
  - Armscor provides support for capacitating a Cyber Security Institution in the establishment of the Cyber Command Centre Headquarters.
  - Armscor will prevent corruption where prevalent and in the execution of Armscor's mandate.

- o Armscor supports the DOD by supplying the necessary security equipment to enable successful operations within the region. This is ultimately aligned to the core mandate of Armscor.

3. ARMSCOR BUDGET ANALYSIS

The **projected revenue** for the Armscor Group in 2026/27 (R2.053 billion) is marginally higher than that which was projected for 2025/26 (R1.965 billion). R1.282 billion of the revenue for 2026/27 is from direct government funding (grant), equalling 63% of its total revenue. After the inclusion of depreciation, Armscor is expected to have a net surplus of only R1.3 million for 2026/27 (as compared to a projected surplus of R500 000 for 2025/26).

The main cost drivers for Armscor in the 2026/27 financial year include the following:

- Direct personnel costs remains the key cost driver and increases from a projected R1.296 billion in 2025/26 to R1.338 billion in 2026/27.
- Lease rentals on operating leases will increase from a projected R3.7 million in 2025/26 to R7.4 million in 2026/27.
- Cost of sales remains fairly static compared to the previous financial year at R170.1 million for 2026/27.
- General expenses are projected to increase from R398.2 million in 2025/26 to R438.2 million in 2026/27.

In terms of the breakdown of Group Capital Expenditure for Armscor, this is expected to increase from R482.9 million on 2026/27 to R693.7 million in 2026/27, of which the following can be noted:

- o Office equipment decreases from R57.5 million to R16.1 million.
- o Computer equipment increases from R104.3 million to R322.0 million.
- o Computer software decreases from R70.4 million to R67.0 million.
- o Buildings and infrastructure increase from R107.8 million to R176.3 million.
- o Motor vehicles increase from R8 million to R19.0 million.
- o Capital assets decrease from R62.4 million to R4.7 million.

Armscor's funding

Armscor is largely funded from state finances through a transfer payment. The reduced defence allocation is pressuring Armscor to supplement this through commercial projects. For 2025/26, Armscor planned funding comprises the following:

- Transfer payment: R1.282 billion (R1.224 billion in 2025/26)
- Sale of goods: R18.2 million (R16.7 million in 2025/26)
- Rendering of services: R482.5 million (R473.2 million in 2025/26)
- Rental income: R80.4 million (R74.8 million in 2025/26)
- Interest received: R147.7 million (R134.3 million in 2025.26)
- Other income: R34.9 million (R16.7 million in 2025/26)

4. SELECTED PERFORMANCE INDICATORS

The table below highlights a number of service delivery performance targets across Armscor's six output areas (goals) that is essential to track throughout the year. The six focus areas for Armscor for 2026/27 include:

- Output A1: Provide Defence Acquisition and Supply Chain Management: Acquisition activities (Goal 1 and 2)
- Output A1: Provide Defence Acquisition and Supply Chain Management: Schedule Placement (Goal 3)
- Output A1: Provide Defence Acquisition and Supply Chain Management: Management of Defence Industrial (Participation (Goal 4)
- Output A2: Provide Defence Research and Development: Management and execution of defence technology, research, and test and evaluation requirements of the DOD (Goal 5)
- Output A3: Goal 5: Manage Defence related strategic facilities: Performance against mandate (Goal 6)
- Output A4: Management of DOD owned Intellectual Property: Effective Technology and IP Management.

Table 1: Selected performance indicators per Armscor goal for 2026/27

Performance indicator	2024/25 Achievement (audited)	2025/26 Target	2026/27 Target
Percentage of DOD capital requirements converted into orders placed	100%	95%	95%
Percentage of baselines completed against planned within the quarter. *New target*	n/a	n/a	For in-year deliverables: 95%
	n/a	n/a	For lag deliverables (outstanding from previous reporting periods) 75%
Percentage of DOD system support and procurement requirements converted into orders placed	99.9%	95%	95%
Average time from receipt of requirement to placement of contract	72 days for shortened process items 146 days for standard acquisition 120 days for SDA programmes	90 days for shortened process items 120 days for standard acquisition 140 days for SDA programmes	90 days for shortened process items 120 days for standard acquisition 140 days for SDA programmes
Value of Defence Industrial Participation (DIP) credits granted	R1.21 million	R1.16 million	R1.62 million
Percentage of Assets under Construction and Work in Progress created/produced assets accounted for *New target*	n/a	n/a	100%
Percentage of execution of DOD Systems Engineering and Product System Life-Cycle Support Requirements *New target*	n/a	n/a	95%
Percentage compliance with DOD contracted work (as per the Technology Development Master Plan)	90%	100%	90%
Maritime Technology and Research Services Percentage of execution of (DOD) technology requirements *New target*	n/a	n/a	95%
Operational Research Services Percentage of execution of (DOD) technology requirements *New target*	n/a	n/a	95%
Fluid & Mechanical Engineering Modelling & Testing Services Percentage of execution of client (DOD) technology requirements. *New target*	n/a	n/a	95%
Chemical and Biological Defence Research Services Percentage of execution of client (DOD) technology requirements	n/a	n/a	95%

Performance indicator	2024/25 Achievement (audited)	2025/26 Target	2026/27 Target
New target			
Ergonomic Research Services Percentage of execution of client (DOD) technology requirements ***New target***	n/a	n/a	95%
Environmental and Product Testing Percentage of execution of client (DOD) technology requirements ***New target***	n/a	n/a	95%
Ballistic Test and Evaluation Services Percentage of execution of client (DOD) technology requirements ***New target***	n/a	n/a	95%
Armour Test and Evaluation Services Percentage of execution of client (DOD) technology requirements ***New target***	n/a	n/a	95%
Specialist Chemical and Biological Defence Manufacturing Capability (Hazmat) Percentage of execution of client (DOD) technology requirement ***New target***	n/a	n/a	95%
Percentage compliance to project finance	90%	90%	90%
Percentage of project tasking and job cards executed (Adherence to project taskings as approved in the project plan and execution of the ad hoc activities)	72%	90%	90%
Percentage of ancillary services Executed (Provision of ancillary services as defined by South African Navy)	95%	95%	95%
Training provided in accordance with the plan and requirements submitted by South African Navy	100%	100%	100%
Maintain a complete and comprehensive IP register	31 March 2025	31 March 2026	31 March 2027
Submit Quarterly IP Reports with the following information: • Status of the IP register. • Exploitation Requests. • Status of Royalties. • Risks associated with DOD IP. ***New target***	n/a	n/a	31 March 2027

In addition to the service delivery performance indicators, Armscor also set itself a number of targets in terms of its strategic output. These are summarised in the Table below.

Table 2: Selected performance indicators per Armscor goal for 2026/27

Outcome	Output	2024/25 Achievement	2025/26 Estimate	2026/27 Target
Armscor administration	Armscor's accountability documents aligned with the PFMA prescriptions.	31 March 2025	31 March 2026	31 March 2027
	Percentage compliance of Armscor to Parliamentary activities.	100%	100%	100%
	Unqualified report after final AGSA Audit.	100%	100%	100%
	Implementation of the approved DOD and Armscor Service Level Agreement 2025/26–2027/28.	31 March 2025	31 March 2026	31 March 2027
Revenue generation	Group revenue	R1.401 billion	R1.454 billion	R1.524 billion
	Revenue from Armscor R&D	R425.9 million	R457.2 million	R461.8 million
	Revenue from Business Enablement Unit	R90.0 million	R65.0 million	R67.8 million
	Percentage Payments within 30 days of receipt of legitimate invoices.	100%	95%	95%
Cost Management	Improve net financial position	R85.7 million deficit	R0.5 million surplus	R1.3 million surplus
Efficient and effective delivery	Complete digitisation of data reporting and non-corporate business processes. ***Previous target not included in 2026/27***	-	31 Mar 2026	-
	Complete implementation of the Finance ERP module.	-	31 Mar 2025	30 Nov 2026
	Complete implementation of Supply Chain Management module. ***Previous target not included in 2026/27***	-	31 Mar 2026	-
	Complete implementation of SCM ERP module.	-	30 Sep 2025	30 Nov 2026
	Improve Cybersecurity Capability (% Implementation of the annually approved Cybersecurity Capability)	34.5%	80%	80%
	Achievement of approved Employment Equity Plan that is directed towards % improvement for female representation	41.5%	40%	43%
	Controllable staff turnover in technical positions, excluding retirements	<4.91%	<4%	<4%
	Provision of bursaries for full-time studies	25	23	25
	Total number of people employed with disabilities	28	32	32
Stakeholder management	Availability of freight forwarding and Customs capability: Proof of SARS customs clearing license ***New target***	n/a	n/a	100%
	Training of Military Diplomats before deployment ***New target***	n/a	n/a	31 Mar 2027
	Tenders issued for the disposal of defence articles as per the issued stock lists (stock lists issued prior to Q4 of FY) completed by 31 March of every year ***New target***	n/a	n/a	100%
	Implementation of the Identified Youth Owned Business	n/a	n/a	1

Outcome	Output	2024/25 Achievement	2025/26 Estimate	2026/27 Target
	New target			
	Preferential procurement from Military Veterans entities	2%	2.4%	2.4%

5. PERSONNEL INFORMATION SUMMARY

Armscor's personnel component has seen a significant reduction in recent years. However, for 2026/27 there seems to be some stability in that personnel figures remain largely aligned with the previous year. Both the Armscor (excluding R&D) and Research and Development have increased numbers of personnel while the personnel figures at the Dockyard remains fairly stable.

Table 3: Armscor Personnel figure comparison

Armscor Group	Total Permanent employees projected in the 2026/27 Corporate Plan	Total Permanent employees provided for in the previous (2025/26) Corporate Plan
Armscor (excluding R&D)	617	603
Research & Development	334	317
Armscor Dockyard	379	382
TOTAL	**1 330**	**1 302**

6. COMMITTEE OBSERVATIONS

During deliberations with Armscor on 13 May 2026, Members of the PCDMV made the following observations related to Armscor's Corporate Plan:

a) The Committee noted that the analysis presented by Armscor reflected persistent institutional and operational weaknesses, including delays in acquisition processes, limited progress in commercialisation initiatives, ageing legacy systems and broader capacity constraints.
b) The Committee raised concerns regarding the apparent slow pace of acquisition and procurement processes, including questions relating to acquisition turnaround times, project implementation delays and the broader impact on operational readiness and capability sustainment.

c) The Committee expressed concern regarding the limited growth in commercial revenue generation and the continued reliance on transfer payments as the primary funding model, raising questions regarding the long-term sustainability and financial viability of Armscor.
d) The Committee noted concerns regarding significant expenditure shifts between financial years, including decreases in capital equipment and office equipment expenditure alongside increases in expenditure on computer equipment, and requested greater clarity regarding the rationale for these reprioritisations.
e) The Committee expressed concern regarding the viability, operational sustainability and continued deterioration of the Armscor Dockyard in Simon's Town, particularly given its strategic importance in providing maintenance, repair, reconstruction, upgrade and modernisation capabilities for SA Navy vessels and submarines.
f) The Committee expressed serious concern regarding delays and apparent underperformance relating to Project Hotel and the refit of the SAS Isandlwana, including concerns that project delays may reflect broader systemic weaknesses within the Dockyard environment and defence maintenance capability.
g) The Committee requested clarity regarding the future direction, sustainability and anticipated outcomes of Project Hoefyster.
h) The Committee expressed concern that the APP is substantially informed by the "Journey to Greatness" policy directive despite Parliament not yet having been formally briefed on or provided with the document, raising concerns regarding transparency and effective parliamentary oversight.

7. RECOMMENDATIONS

The PCDMV makes the following recommendation that will be subject to monitoring by the Committee throughout the 2026/27 financial year:

a) The Committee requests the Minister of Defence and Armscor to provide it with a clear way forward on Project Hoefyster, including whether the Developmental Phase will be concluded, whether there are sufficient funds to do so, and whether any production under the subsequent phase will begin. Any further funding required for the project should be urgently communicated to the Committee. *This information should be provided to the Committee by 31 July 2026.*

b) The Committee requests Armscor to submit a detailed written report on Project Hotel, including all expenditure incurred to date, projected costs required to complete the project, estimated timelines for completion, and the projected lifespan of equipment currently in storage awaiting installation on the vessel. *The report should be submitted by 31 July 2026.*

c) The Committee requests Armscor to submit a detailed written report on the refurbishment of the SAS Isandlwana, including all expenditure incurred to date, projected costs required to complete the project, and estimated timelines for completion. Initially contracted delivery dates should also be indicated. Armscor should also indicate whether any legal charges were brought with regards to this project and, if so, the Committee should be provided with the relevant details. *The report should be submitted by 31 July 2026.*

d) The Committee recommends that Armscor increase its focus on commercialisation as a means of reducing its reliance on the fiscus.

e) The Committee notes the need for further intervention at the Armscor Dockyard to ensure its viability and improved service delivery to the SA Navy. The Committee is set to visit the Armscor Dockyard on 10 June 2026 for a joint briefing by Armscor and the SA Navy on the status of the Armscor Dockyard, service delivery to the SA Navy, and the status of maintenance programmes. The committee recommends that this engagement reflect on the input from Members regarding the viability of the Dockyard, as raised during the budget process.

f) The Committee requests Armscor to submit within 30 days a full report on all major delayed acquisition and sustainment projects, including contract values, amendments, payment milestones, percentage completion, reasons for delay, and responsible officials, with specific focus on landward mobility platforms, naval refits, dockyard performance and strategic air capability sustainment. *The report should be submitted by 15 June 2026.*

DENEL

The PCDMV, having considered the 2026 Corporate Plan of Denel on 13 May 2026, reports as follows:

1. INTRODUCTION

Denel was incorporated as a private company in 1992 in terms of the Companies Act (1973), but as a state-owned company (SOC) Denel's sole shareholder is the South African Government. As part of President Ramaphosa's national macro-organisation of government, oversight of Denel shifted from the abolished Department of Public Enterprises (DPE) to the Department of Defence (DOD). A Multi-Disciplinary Integrated Project Team was appointed to ensure the smooth transition, by 31 March 2025, of Denel (SOC) from the DPE to the DOD. In February 2026, after years of delays, Denel's Annual Reports were tabled in Parliament, and its Corporate Plan 2026/2027 was submitted to the Shareholder.

The constitutional governance framework applicable to public enterprises in South Africa is rooted principally in Chapter 10 of the Constitution of the Republic of South Africa, 1996 and operationalised through the Public Finance Management Act 1 of 1999 (PFMA).

Section 195 of the Constitution establishes binding democratic values and principles governing all public administration, including public enterprises and organs of state. These constitutional obligations include accountability, transparency, ethical governance, efficient use of resources, and responsiveness to public needs.

The PFMA gives practical effect to these constitutional imperatives by creating differentiated categories of public entities according to their function, financial model, and degree of commercial orientation. The PFMA recognises that not all public entities operate identically. The Act therefore creates a differentiated governance framework through its schedules. This reflects a deliberate statutory distinction between (i) entities primarily funded through parliamentary appropriations and performing regulatory/public-service functions, and (ii) commercially oriented state enterprises operating with greater financial autonomy. The Schedule 2 Public Entities are major public entities with significant commercial or strategic functions, including entities such as Denel.

Section 52 of the PFMA is particularly significant in the case of Denel given the history of financial distress, repeated governance concerns, and reliance on substantial taxpayer support. The provision requires Denel to submit projected revenue, expenditure, borrowing plans, and a three-year corporate plan to both the executive authority and the National Treasury before the commencement of each financial year, thereby enabling prospective fiscal scrutiny rather than relying solely on retrospective auditing.

Such scrutiny is especially necessary because of the allocation of R3.4 billion to Denel through the Special Appropriation Act in 2023 as part of a broader R5.2 billion turnaround strategy. Given the dependence on public recapitalisation and continuing fiscal vulnerability, rigorous oversight of Denel's financial assumptions, restructuring commitments, and borrowing projections is essential to protect the public purse and limit contingent liabilities to the state.

2. ACCOUNTING FOR DENEL'S CAPITAL INJECTION

The 2026 Budget indicated that "Over the medium term, Denel will continue implementing its turnaround plan, which includes the rollout of a new operating model, organisational restructuring and the optimisation of its cost structure. The plan requires funding of R5.2 billion, of which the company committed to raise R1.8 billion through the disposal of noncore assets. The remaining R3.4 billion was allocated to Denel in March 2023 through the Special Appropriation Act (2022). This capital injection was intended to support the implementation of the turnaround plan, settle legacy obligations and address liquidity constraints to sustain operations and execute the existing order pipeline." However, the Corporate Plan 2026/27 candidly states that "Denel remains significantly loss-making despite some improvements from the turnaround process". As such, the turnaround process has not yet achieved the operational and financial outcomes originally envisaged.

The Denel Corporate Plan notes that "approximately R900m was set aside in the turnaround plan to support the growth phase of Denel. Due to the collective decision to stop the sale of non-core assets, the funds to support this portion of the plan was not raised. Continued operating losses over the last 24 months have cannibalised the remainder of the recapitalisation funds. It is highly unlikely that any significant growth can be achieved without the liquidity to support working capital and critical capabilities and processes to support such growth Although the recapitalisation was formally framed as a restructuring and recovery intervention, and to execute the existing order pipeline, the utilisation profile table shows that the overwhelming proportion of funding was consumed by legacy obligations and stabilisation requirements rather than growth-oriented transformation. Of the approximately R4.214 billion utilised under the turnaround framework by January 2026, roughly R3.522 billion (more than 80% of the total) was directed toward "current and legacy obligations."

Table 1: Denel recapitalisation utilisation

Recapitalisation utilisation	Utilised Recap up 27 March 2023 to 28 January 2026	Utilised DMBT funds	Utilised sale of non-core asset funds	Total funding utilised in turnaround plan	Total planned funding plan for turnaround plan
Stabilisation Phase	**370**	**183**	**0**	**553**	**977**
Restructuring Costs	242	20		262	577
Working Capital requirement	128	163		291	400
Growth Phase	**139**	**0**	**0**	**139**	**900**
Further optimisation and restructuring				0	180
Critical Capex				0	120
Strategic Resource Operational Maintenance	5			5	280
Growth Working Capital Requirement	134			134	320
Current and legacy obligations	**2713**	**809**	**0**	**3522**	**3326**
Total Recapitalisation utilised	**3222**	**992**	**0**	**4214**	**5203**
Balance remaining 28 January 2026	**156**				
Total Recapitalisation received	**3378**				

The relatively limited allocation toward the "Growth Phase" is particularly revealing. Only approximately R139 million had been utilised against a planned R900 million growth allocation, while no funding had yet been utilised for "Further optimisation and restructuring" or "Critical Capex".

From a strategic perspective, the recapitalisation data suggests that Denel's turnaround remains incomplete and financially fragile. While the intervention may have succeeded in preventing immediate operational collapse, Denel has not yet fully transitioned from stabilisation to sustainable growth. Long-term viability will therefore depend less on further balance-sheet support and more on whether Denel can successfully execute structural reforms, improve programme delivery discipline, deepen strategic partnerships, and generate commercially sustainable revenue streams within an increasingly competitive and technologically dynamic global defence environment.

3. FINANCIAL OVERVIEW OF DENEL FOR 2026/27

Despite restructuring efforts, Denel continues to generate large operating losses. Actual operating losses are R647 million in 2024, R514 million in 2025, and a forecast loss of R601 million in 2026. Financial results have been supported by non-operational income sources, such as (i) the interest earned on recapitalisation funds, (ii) the unbundling of Denel's Medical Benefit Trust (DMBT), and (iii) the investment performance from Denel associates, but the current trajectory does not yet demonstrate a durable return to commercially sustainable defence-industrial competitiveness.

The revenue performance is particularly concerning. Across every reporting period, actual revenue materially underperformed turnaround projections. In 2024, actual revenue reached only R1.324 billion against a planned R1.972 billion, while in 2025 actual revenue was only R1.272 billion compared with a planned R2.440 billion. The 2026 forecast of R1.613 billion also remains dramatically below the planned R3.207 billion. Moreover, gross profit declined from an actual R339 million in 2024 to only R135 million in 2025, far below planned levels.

4. DENEL TURNAROUND STRATEGY IMPLEMENTATION

Governance credibility remains a significant concern in assessing Denel's long-term sustainability and its ability to attract strategic partners, investment, and export opportunities. The findings of the Judicial Commission of Inquiry into Allegations of State Capture, recurring concerns raised by the Auditor-General of South Africa, delays in the tabling of annual reports, and instability in leadership and operational execution have all weakened institutional confidence in the entity. In the defence industry, governance credibility is not merely a compliance issue but a strategic asset, particularly where international partnerships, technology-sharing arrangements, and long-term procurement contracts are involved.

The success of Denel's turnaround strategy will therefore depend not only on financial stabilisation, but also on demonstrating sustained improvements in governance discipline, transparency, programme execution, and board and management accountability.

5. COMMITTEE OBSERVATIONS

During deliberations with Denel on 13 May 2026, Members of the PCDMV made the following observations related to Denel's Corporate Plan:

a) The Committee expressed concern regarding ongoing governance and credibility challenges within Denel, including repeated findings and concerns raised by the Auditor-General of South Africa (AGSA), and emphasised the need for strengthened governance, accountability and institutional stability.
b) The Committee questioned the decision not to dispose of certain non-core assets as part of Denel's turnaround strategy and raised concerns regarding the impact of this decision on the entity's ability to raise sufficient funding for long-term sustainability.
c) The Committee raised concerns regarding Denel's persistent operating losses and the continued failure to achieve projected revenue targets.
d) The Committee expressed concern regarding Denel's continued dependence on state funding and requested clarity on the revised pathway, timelines and practical measures required to achieve a sustainable financial recovery and reduce reliance on the fiscus. The success of Denel's turnaround strategy will therefore depend not only on financial stabilisation, but also on demonstrating sustained improvements in governance discipline, transparency, programme execution, and board and management accountability.
e) The Committee questioned the utilisation of recapitalisation funding, including the extent to which such funding has been directed towards legacy debt and expressed concern regarding the apparent underutilisation of portions of the funding.
f) The Committee requested clarity regarding the governance reforms and corrective measures implemented in response to findings and recommendations arising from the State Capture Commission.
g) The Committee expressed concern regarding the adequacy of Denel's internal control environment.
h) The Committee highlighted the importance of skills retention within Denel and expressed concern regarding the potential loss of critical technical and engineering expertise.
i) The Committee questioned Denel's long-term strategic industrial role within South Africa's defence sector and requested greater clarity regarding the entity's future positioning and alignment with global defence industry developments.

j) The Committee expressed support for increased utilisation of public-private partnerships (PPPs), strategic joint ventures and multi-stakeholder partnerships as part of Denel's turnaround strategy, noting the relative success of Rheinmetall Denel Munitions.
k) The Committee requested clarity regarding the financial returns and dividends accruing to Denel through Rheinmetall Denel Munitions.
l) The Committee expressed concern regarding the apparent lack of urgency in the implementation of Denel's turnaround initiatives and emphasised the need for accelerated implementation and measurable progress.The Committee highlighted the need for broader stakeholder engagement through a multi-stakeholder engagement or *imbizo* to discuss the future sustainability and strategic direction of Denel and the domestic defence industry.n) The Committee expressed the view that clear Board-level policy direction is required regarding partnerships, public-private partnerships and strategic cooperation models to support Denel's long-term sustainability and growth.

6. RECOMMENDATIONS

The PCDMV makes the following recommendation that will be subject to monitoring by the Committee throughout the 2026/27 financial year:

a) The Committee requests that the Minister include the Committee as part of the upcoming Defence Industry Lekgotla, as this engagement will be essential in determining the future role and position of Denel within the domestic defence industry context. Such participation will further assist the Committee in tracking developments within the local defence industry.
b) The Committee recommends that the Board of Denel develop a comprehensive policy statement on Public-Private Partnerships (PPPs) to enable Denel to pursue such opportunities where feasible and beneficial to the company. A non-commercially sensitive version of the policy direction should be shared with the Committee upon completion.
c) The Committee requests clarity regarding the decision not to dispose of non-core assets, including who was responsible for the decision and the impact of the decision on Denel's turnaround strategy. The Committee further requests clarity on how Denel intends addressing the funding shortfall resulting from the absence of funds anticipated from the disposal of non-core assets. *This information should be provided to the Committee in writing by 31 July 2026.*

d) Denel should provide the Committee with a detailed report outlining measures implemented to strengthen and improve internal controls within the company. *This information should be provided to the Committee in writing by 31 July 2026.*

e) The Committee undertakes to arrange a further detailed engagement with Denel on its planning, projections and turnaround initiatives for the 2026/27 financial year.

f) The Minister must submit within 30 days a schedule of all irregular, fruitless and wasteful expenditure cases, disciplinary action taken, criminal referrals made, and recovery actions instituted. *This information should be provided to the Committee in writing by 15 June 2026.*

THE CASTLE CONTROL BOARD (CCB)

1. INTRODUCTION

The Castle Control Board (CCB) derives its primary authority from the Castle Management Act, 1993 (No. 207 of 1993), which mandates the preservation and protection of the military and cultural heritage of the Castle of Good Hope (CGH), in Cape Town. The Act provides for a CCB to govern and manage the Castle, South Africa's oldest architectural structure, on behalf of the Minister of Defence and Military Veterans (MOD&MV). The CCB is a Schedule 3(A) Public Entity of the MOD&MV. Aspects of the board's mandate are also derived from the Defence Endowment Property and Account Act (1922) and from the National Heritage Resources Act (No. 25 of 1999) which provides for the management of the Castle as a national heritage site.

The legislative mandate of the CCB is derived from three Acts: The Castle Management Act (No 207 of 1993); the Defence Endowment Property and Account Act (No 33 of 1922); and the National Heritage Resources Act (No 25 of 1999). The CCB has identified that the current founding legislation is outdated and has submitted a review document to MOD&MV. Through a legislative review process the CCB is proposing to amend the Castle Management Act the process remains outstanding.

2. EXECUTIVE PRIORITIES FOR 2026/27

2.1 The Minister Minister of Defence

The Minister emphasises that the CCB operates within a continued context of geopolitical and economic instability, with negative impacts at domestic, regional, and continental levels. Key risks include sluggish economic growth, a constrained fiscal environment, high unemployment, widening inequality, and increasing pressure on limited resources, all of which affect the CCB's ability to deliver on its mandate.

To support the entity, the Minister has directed the Department of Defence to provide grant funding of R4 million in 2026/27 and R4 million in 2027/28, aimed at alleviating financial pressures and enabling the CCB to strengthen its revenue-generating capacity. Strategic priorities include:

- Strengthening internal controls to promote clean governance, efficient administration, and effective service delivery, while safeguarding the Castle's heritage.
- Advancing inclusivity through a gender-sensitive approach and expanding access and opportunities for youth, women, and persons with disabilities.
- Promoting social cohesion, safer community spaces, educational programmes, and universal access to the Castle of Good Hope.

2.2 The Castle Chief Executive Officer

The Chief Executive, as Accounting Officer of the CCB, affirms responsibility for the integrity and accuracy of both financial and non-financial performance information contained in the APP. The APP has been prepared in accordance with relevant Department of Defence guidelines and frameworks, aligned to the policy direction of the MOD&MV and associated leadership. The Chief Executive confirms that the information presented for the 2026/27–2028/29 period is accurate, complete, and free from omissions, and that supporting auditable records will be made available as required. Performance information is managed and stored in line with the CCB's approved Performance Management System. Key commitments include:

- Ensuring compliance with applicable governance frameworks and audit requirements.
- Maintaining accurate, complete, and verifiable performance information.
- Managing performance data within the approved institutional system.
- Promoting inclusivity by prioritising the interests of women, youth, and persons with disabilities

2.3 The CCB Board Chairperson

The Chairperson notes that the CCB's financial sustainability remains highly dependent on tourism, with recovery linked to improved visitor numbers and increased events. The Board maintains a strong focus on governance, building on its unqualified audit outcome, and continues to strengthen internal controls and supply chain management toward achieving a clean audit. Key strategic risks and priorities include:

- Enhancing revenue generation through tourism, events, and targeted marketing of the Castle.
- Strengthening safety and security measures, including infrastructure and collaboration with law enforcement.
- Advancing heritage preservation and progress toward UNESCO World Heritage status.

- Expanding education and stakeholder engagement, including support for military veterans.
- Promoting inclusivity, with a focus on women, youth, and persons with disabilities.

Collectively, these priorities indicate a continued focus on governance and financial recovery but also underscore the CCB's ongoing dependence on tourism-driven revenue expansion and external financial support.

3. CCB CONTRIBUTIONS TO GOVERNMENT PRIORITIES

The CCB notes that it will continue to support the government's priorities and, ultimately, the National Development Plan (NDP), Vision 2030 as well as the 5-year Implementation Plan, the Medium-term Development Programme (MTDP) 2024-2029. The CCB aims to address the following MTDP pillars over the medium-term:

- MTDP Pillar 1: "A Strong and Inclusive Economic Growth".
  - MTDP Priority 1: "Economic Transformation and Job Creation".
- MTDP Pillar 3: "A Capable State".
  - MTDP Priority 6: "A Capable, Ethical and Developmental State".
  - MTDP Priority 7: "A Better Africa and World".

Furthermore, the CCB aligns its programmes with the MOD&MV's priorities for 2026/27 by promoting clean governance and accountability to Parliament. It contributes to national imperatives by supporting youth skills development through internships in tourism, marketing, and events. Operationally, the CCB is committed to paying suppliers within 30 days, maintaining a clean audit by addressing findings, and submitting all accountability documents, including performance agreements, financial disclosures, and reports. It also ensures compliance with national planning frameworks and timely responses to parliamentary processes.

4. CCB PERFORMANCE INDICATORS

The table below highlights selected CCB's planned output indicators per programme between 2024/25 (audited outcome) and 2026/27 (planned targets)

Output indicator	Performance 2024/25 (audited)	Performance 2025/26 (estimated)	Target 2026/27
Programme 1: Administration			
Number of corporate governance policies approved per annum	2	2	2
Percentage of significant prior year audit findings resolved	95%	95%	100%
Percentage reduction in the number of irregular expenditures within the CCB	65%	95%	100%
Percentage reduction in the number of fruitless and wasteful expenditures within the CCB	100%	100%	100%
Percentage payments within 30 days from receipt of legitimate invoices	100%	100%	100%
Programme 2: Maintenance and Conservation of the Castle of Good Hope			
Number of preventative and regulation maintenance projects completed	87	9	45
Number of non-commercial, cultural events Hosted annually at the Castle of Good Hope	92	17	50
Number of exhibitions hosted annually at the Castle of Good Hope	13	6	6
Programme 3: Maximizing the Castle's Tourism Potential			
The annual number of visitors and tourists attracted to the Castle of Good Hope	137 296	170 000	180 000
Gross revenue generated through tourism and events.	R11.611 m	R11.366 m	R12.048 m
Number of commercial events hosted at the Castle of Good Hope	30	35	40
Number of film and fashion shoots accommodated at the Castle of Good Hope	22	16	17
Number of tourism infrastructure upgrades completed	3	3	3
Number of Joint Marketing Initiatives undertaken	2	2	2
Number of fulltime jobs sustained by the Castle of Good Hope's Heritage Tourism sector	37	40	43
Number of temporary employment opportunities created through the Castle of Good Hope's filming and hospitality sector	1 200	1 300	1 400
Programme 4: Increase Public Access to the CGH			
The annual number of potential visitors reached through the media	1.9 billion	130 000 000	500 000 000
Number of student interns hosted at the CGH per annum	26	14	14
Number of heritage-educational programmes organised for women, unemployed youth, disabled and traditional communities	46	22	22
Number of heritage programmes organised for Military Veterans	17	6	6

5. RESOURCE ALLOCATIONS PER PROGRAMME

Overall expenditure increases steadily from R11.366 million in 2025/26 to R12.048 million in 2026/27, and further to R13.54 million by 2028/29, reflecting an average annual growth of approximately 6 per cent. This indicates a stable, inflation-driven trajectory rather than a substantive expansion or reprioritisation of the budget. The expenditure structure remains heavily concentrated, with Administration consistently accounting for around 81 per cent of total spending over the MTEF period, largely driven by personnel costs. Conservation Management reflects modest and steady growth, while Tourism Management and Public Access remain comparatively small allocations, together constituting less than 10 per cent of total expenditure. Overall, the budget reflects a structurally rigid and administration-dominant framework, with limited evidence of reprioritisation towards revenue-generating or externally focused programmes, and a continued reliance on incremental adjustments rather than strategic shifts in resource allocation. This structure constrains the CCB's ability to meaningfully scale its core functions, particularly tourism development and public engagement, which are central to its long-term sustainability and reduced reliance on funding from the DOD.

The CCB notes the following trends per programme in terms of planned expenditure:

- **Programme 1: Administration (R9.788 million)**
  Administration remains the dominant cost driver, increasing from R9.234 million to R9.788 million (6%). In real terms, growth is more modest at 2.51%, indicating that much of the increase is inflation-driven rather than expansion of administrative capacity. Administration continues to absorb the largest share of resources with no evidence of administrative consolidation, meaning the CCB's cost structure remains heavily centralised. This expenditure area is primarily driven by employment costs for 25 staff members. The CCB provides a full-time facilities and logistics manager, a facilities management contract, and a limited number of full-time maintenance personnel to meet its legislative mandates. Key planned spending includes:
  - Visitor information services (tourist literature, maps, guidebooks, upgraded information centre).
  - Digital and communication systems (updated website, marketing and information platforms).
  - Visitor infrastructure improvements (signage, security systems, external restaurant/kiosk facilities).
  - Expanded and diversified tour offerings to increase domestic and international visitation.

- Facilities management capacity, including a full-time facilities and logistics manager, maintenance staff, and outsourced facilities management contracts
- Employment and personnel costs, which remain the primary cost driver within the programme.

- **Programme 2: Conservation Management (R1.594 million)**
  The second-largest spending item focuses on preserving and showcasing the Castle's heritage. Conservation increases from R1.504 million to R1.594 million (5.98%), with real growth of 2.50%. This programme shows steady but constrained growth, suggesting incremental strengthening of preservation functions, but not a structural shift in favour of heritage conservation relative to administration. Planned priorities:
  - Active marketing initiatives to increase visitation by South African learners and local communities.
  - Heritage programmes and cultural workshops targeting all cultural and ethnic groups in South Africa.
  - Skills development and training workshops for military veterans
  - Expansion of interactive heritage and museum displays to enhance visitor experience.
  - Development and enhancement of the Castle of Good Hope Chapel as a heritage and reflective space.
  - Expansion of museum and chapel spaces, and efforts to achieve UNESCO World Heritage Site status.

- **Programme 3: Tourism Management (R226 000)**
  Tourism grows from R213 000 to R226 000 (6.1%), with real growth of 2.61%, the highest among programmes. Though small in budget, this programme is critical to boosting tourism revenue. Although tourism is central to the CCB's revenue model, it remains significantly underfunded in absolute terms. This creates a clear misalignment between the CCB's revenue ambitions and the level of investment in the very programme expected to drive that growth. Planned actions include:
  - Expansion of tour options and development of new visitor experiences.
  - Introduction of child-friendly tourism products and interpretive experiences.
  - Improved signage and enhanced presentation of cultural and tourism displays

- Implementation of targeted and more aggressive marketing initiatives to increase visitor numbers.
- Acquisition of a 2,500-seater marquee in partnership with the DOD Logistics Division to host ministerial, government, and corporate events with the objective of increasing revenue-generation capacity.

- **Programme 4: Public Access (R440 000)**

  Public Access increases from R415 000 to R440 000 (6.02%), with real growth of 2.54%. This programme focuses on social inclusion and outreach. Funding for public access remains modest and largely unchanged in real terms, indicating maintenance of existing activities rather than expansion. The programme maintains a consistent share of resources, but there is no evidence of strategic expansion in public engagement or accessibility initiatives. Planned expenditure is directed primarily towards:
  - Community engagement and public outreach programmes.
  - Educational workshops and school-based visits.
  - Targeted access programmes for special-needs and vulnerable groups, including pensioners, children affected by HIV/AIDS, and abused women and children.
  - Internship opportunities and structured youth development programmes
  - Broader public events aimed at increasing community participation and awareness of the Castle as a heritage site.

CCB Planned expenditure in 2025/26 and 2026/27

Programme	Budget		Nominal Increase / Decrease in 2026/27	Real Increase / Decrease in 2026/27	Nominal Percent change in 2026/27	Real Percent change in 2026/27
R'000	2025/26	2026/27				
Administration	9 234,0	9 788,0	554.0	232.2	6.00 %	2.51 %
Conservation Management	1 504,0	1 594,0	90.0	37.6	5.98 %	2.50 %
Tourism Management	213,0	226,0	13.0	5.6	6.10 %	2.61 %
Public Access	415,0	440,0	25.0	10.5	6.02 %	2.54 %
TOTAL	**11 366,0**	**12 048,0**	**682,0**	**285,8**	**6,0%**	**2,51%**

Total revenue is projected to increase from R12.05 million in 2026/27 to R13.54 million in 2028/29, reflecting steady nominal growth over the medium term. This growth is driven primarily by own revenue sources, as grant funding continues to decline from R4.0 million in 2026/27 to zero by 2028/29, indicating a deliberate transition away from state subsidy dependence toward financial self-sufficiency. Sales remain the core revenue stream, supported by visitor-related income, while rental income shows the most significant structural increase, rising sharply over the period and reflecting greater commercialisation of the Castle through events and venue hire. Other income and interest income are also projected to increase modestly, contributing to gradual diversification of the revenue base.

Overall, the revenue framework reflects a clear shift toward a more commercially oriented model, with increasing reliance on internally generated income and expanded utilisation of the Castle's assets. This transition introduces a material fiscal risk, as the sustainability of the CCB will increasingly depend on its ability to realise projected growth in internally generated revenue. While the CCB demonstrates improving revenue prospects, the current expenditure structure does not yet reflect a strategic shift toward enabling that growth.

6. COMMITTEE OBSERVATIONS

During deliberations with the CCB on 6 May 2026, Members of the PCDMV made observations related to the budgetary allocation and the performance indicators in the APP of the CCB. The following were noted:

a) The Committee raised questions regarding whether the current emphasis on revenue generation is appropriately balanced with the CCB's core mandate of heritage preservation and public cultural value.
b) The Committee noted the need for greater clarity regarding the overall vision, strategic direction and long-term institutional objectives of the CCB.
c) The Committee highlighted the importance of ensuring affordability and accessibility at the CCB, particularly for local communities, young entrepreneurs and emerging artists.
d) The Committee emphasised the need for the CCB to continue promoting inclusion, transformation and broader public participation in its activities and programmes.
e) The Committee expressed concern regarding the potential over-commercialisation of a public heritage site and the possible impact this may have on the institution's heritage mandate and public accessibility.

f) The Committee raised concerns regarding the long-term financial sustainability of the CCB in the context of limited government funding and increasing operational pressures.
g) The Committee noted the need for greater clarity on how government funding mechanisms could better support the CCB's mandate while preserving affordability and accessibility for the public.

7. RECOMMENDATIONS

The PCDMV identified the following areas that will be subject to monitoring by the Committee throughout the 2026/27 financial year and beyond:

a) The Minister and the CCB should submit a written report to the Committee outlining plans regarding the submission of legislative amendments and plans to amend the management structures of the CCB, if any, as the matter of legislative amendments has been raised repeatedly in recent years. The response should be submitted to the Committee by 31 July 2026.
b) The Committee encourages the CCB to prioritise the marketing of the Castle to increase revenue generation and reduce its dependence on transfers from the DOD. Programme 3 ("Maximising the Castle's Tourism Potential") should receive focused attention, and the Committee recommends that future APPs more clearly reflect this prioritisation.

The Portfolio Committee on Defence and Military Veterans (PCDMV) supports the budgets of the Department of Defence, Armscor and the Castle Control Board for 2026/27 as well as the Corporate Plan of Denel and recommends that the Budget Vote 23 be adopted.

Reservation of Rights by Political Parties on Vote 23:

- The Economic Freedom Fighters reserve its rights on Vote 23.
- The uMkhonto weSizwe Party reserve its rights on Vote 23.
- The Democratic Alliance reserve its rights on Vote 23.

Report to be considered.

4. REPORT OF THE PORTFOLIO COMMITTEE ON DEFENCE AND MILITARY VETERANS ON BUDGET VOTE 26, DEPARTMENT OF MILITARY VETERANS, DATED 15 MAY 2026

The Portfolio Committee on Defence and Military Veterans (PCDMV), having considered Budget Vote 26 on the Department of Military Veterans (DMV), and its 2026/27 Annual Performance Plan (APP) on 12 May 2026, reports as follows:

1. INTRODUCTION

Section 55 (2) of the Constitution of the Republic of South Africa (1996) states that "The National Assembly must provide for mechanisms (a) to ensure that all executive organs of state in the national sphere of government are accountable to it and (b) to maintain oversight of (i) the exercise of national executive authority, including the implementation of legislation; and (ii) any organ of state."

The Portfolio Committee considered the DMV 2026/27 APP and budget allocation on 12 May 2026. The Committee made observations that led to recommendations to the DMV to enhance their performance for the remainder of the financial year. The Department's annual budget allocation is outlined in National Treasury's Estimates of National Expenditure (ENE) as Vote 26.

2. CONTRIBUTIONS OF THE DMV

The DMV maintains that its strategic direction for 2026/27 aligns with both the National Development Plan (NDP): Vision 2030 and the 2024–2029 Medium-Term Development Plan (MTDP). As in the previous Financial Year the three strategic priorities include:

(1) improving the socio-economic status of military veterans,
(2) facilitating economic opportunities for veterans, and
(3) strengthening governance, legislation, and operational efficiency within the department.

However, in the 2026/27 Financial Year, the order of the priorities changes and now places "Strengthened governance, legislation and efficiencies at DMV (Inward looking)" as the number one priority. Table 1 summarises each priority and its link to specific NDP chapters and MTDP themes.

Table 1: DMV priorities linked to NDP and MTDP

Executive Authority (EA) Priority	Linked National Development Plan (NDP) Chapters	Linked MTDP 2024-2029 Strategic Priorities
Priority 1. Strengthened governance, legislation and efficiencies at DMV (Inward looking)	Ch 13: Building a capable state	Strategic Priority 3: A capable, ethical and developmental state
Priority 2: Improved socio-economic status of Military Veterans (Outward looking)	Ch 9: Improving education, training and innovation Ch 10: Promoting health Ch 11: Social Protection Ch 15: Transforming society and uniting the country	Strategic Priority 2: Reduce Poverty and tackle the high cost of living
Priority 3. Economic opportunities for Military veterans (Outward looking) -Facilitation of employment -Facilitation of or advice on business opportunities	Ch 3: Economy and employment Ch 4: Economic Infrastructure Ch 5: Ensuring environmental sustainability and an equitable transition to a low-carbon economy Ch 6: An integrated and inclusive rural economy Ch 8: Transforming human settlement and national space economy	Strategic Priority 1: Inclusive growth and job creation

3. COMMITTEE 2025/26 BUDGET REPORT

In order to include a holistic review by the Committee, past recommendations are included. The Committee made the following recommendations in terms of the 2025/26 APP of the DMV:

a. The Minister should, as a matter of urgency, appoint a permanent Director-General for the DMV by 31 August 2025. Failure to do so would result in the Committee considering recommending that the Department be placed under administration or an equivalent intervention. In addition, the Minister should further ensure that the high vacancy rate at senior levels in the DMV is addressed urgently.
b. The Committee notes the outstanding feedback from the Minister regarding investigations into the alleged non-compliance with the Public Finance Management Act (PFMA) and other allegations against the Acting Director-General. A request for feedback was submitted by the Committee to the Minister on 28 May 2025 with no response. A ministerial response must be submitted by 30 July 2025.

c. The Committee reiterates its resolution of 14 May 2025 where it noted that the Executive should "report on the intervention by the transversal team on the development of the DMV organisational structure, job evaluations and filling critical vacancies. The Committee noted that the Executive will be required to provide feedback on these developments to the Committee and, should the Committee not be satisfied with progress, it may consider recommending that the Department be placed under administration or a similar intervention." The feedback remains outstanding and must be submitted to the Committee by 31 August 2025 for consideration. As per the previous resolution, failure to do so will result in the Committee considering recommending that the Department be placed under administration or an equivalent intervention.
d. The DMV should submit, by 30 July 2025, a detailed plan on the capacity building of the Internal Audit unit in the DMV, including clear timelines for achieving a functional Internal Audit Unit by March 2026.
e. The DMV should reprioritise funds to ensure the establishment of a fully functional and effective call centre that can respond to inquiries from military veterans and Members of Parliament. Based on this reprioritisation, the Department should submit a detailed call centre operationalisation plan to the Committee by 31 August 2025, with quarterly feedback thereafter.
f. The DMV should submit to the Committee in writing, by 15 August 2025, the decision-making process in the DMV to fund military veterans' structures.
g. The Committee recommends the prioritisation of financial and procurement processes to address previous findings of the Auditor-General, notably the payment of suppliers within 30 days, limiting irregular expenditure and implementing consequence management in cases of irregular expenditure. The Committee requires the Department to submit quarterly reports to the Committee on progress with supplier payments within 30 days, irregular expenditure reduction, and the implementation of consequence management as it relates to unauthorised, irregular, fruitless and wasteful expenditure
h. The Committee noted with concern observations by the Deputy Minister that there are insufficient funds allocated for the payment of pensions in 2025/26. The Minister should submit to the Committee in writing, by 30 July 2025, plans on how this shortcoming will be managed. It should include a costed sustainability plan, with timelines for implementation, developed in consultation with the National Treasury.
i. The DMV should prioritise the process of developing a Public Transport benefit as is provided for in the Military Veterans Act. The Committee will invite the Department to report on plans in this regard.

j. The DMV should re-evaluate the value for money that it provides, given the high cost of delivering benefits. The Department should submit an initial value-for-money report with measurable targets to the Committee by 30 September 2025 with quarterly feedback thereafter. Targets in this regard should also be developed for the outlying years of the MTDP.
k. The Committee recommends that the database verification process should come to an end and that the DMV should aim to finalise and close this process by the end of 2025.
l. The Committee requires an updated list of regulations guiding benefits to be submitted by the end of August 2025.

4. DMV 2026/27 BUDGET OVERVIEW

4.1 Overview of planned expenditure

The DMV's 2026/27 budget reflects a shift from direct benefit expansion toward administrative consolidation and intermediary-driven service delivery. Overall, the budget allocation has increased, in cash terms, by R34.3 million from the previous year. This is a nominal increase of 3.9%, but it is only an increase of only 0.49% after adjustment for inflation.

VOTE 26: MILITARY VETERANS						
Programme	**Budget**		**Nominal Increase / Decrease in 2026/27**	**Real Increase / Decrease in 2026/27**	**Nominal Percent change in 2026/27**	**Real Percent change in 2026/27**
R million	**2025/26**	**2026/27**				
Programme 1: Administration	175,1	205,2	30,1	23,4	17,19%	13,34%
Programme 2: Socio-economic Support	472,7	433,3	-39,4	-53,6	-8,34%	-11,35%
Programme 3: Empowerment &Stakeholder	230,7	274,3	43,6	34,6	18,9%	14,99%
TOTAL	**878,5**	**912,8**	**34,3**	**4,3**	**3,9%**	**0,49%**

The growth is being reallocated rather than expanded: the biggest increase in nominal terms was in Programme 3 with an additional R43.6 million (18.9%) allocated. In the previous year, the original allocation of programme 3 was adjusted downwards by R40.5 million, raising questions as to whether the DMV will be able to spend the higher allocation to this programme in 2026/27. Programme 1 also received a nominal increase of R30.1 million (17.19%). Programme 2 experiences a significant contraction, declining by R39.4 million (−8.34%) in nominal terms and −11.35% in real terms, indicating a substantial reduction in funding after accounting for inflation.

In terms of economic classifications, general expenditure trends in 2025/26 remain in line with the previous year, but the following should be noted on the overall budget:

- The largest increase in the budget allocation is under the economic classification of Current Payments, which increases by R53.5m from R497.8 million to R551.3 million in 2026/27. The largest contributor to this is Compensation of Employees (CoE) which receives an additional R25 million.
- Compensation of Employees will be R158.5 million, an 18.73% increase on the previous year. CoE makes up 17.4% of the DMV's total expenditure.
- Compensation of employees shows a clear upward trend over the period, rising from R118.6 million in 2023/24 to R158.5 million in 2026/27. This represents an increase of 33.7% from 2023/24 to 2026/27.
- Transfers and subsidies to Households are reduced significantly from R374.3 million in 2025/26 to R345.9 million in 2026/27, a reduction of R28.4 million or about 7.6%.

5. PROGRAMME BUDGET AND PLANNED PERFORMANCE OVERVIEWS

The DMV has three budget programmes namely (1) Administration, (2) Socioeconomic Development, and (3) Empowerment and Stakeholder Management.

5.1 Programme 1: Administration

The main purpose of the programme is to provide management and strategic administration support to the Ministry, and overall management of the department.

Corporate Services at R87.7 million remains the largest component of Programme 1, increasing its share in 2026/27 to 42.8% of the Programme 1 Budget. This is followed by Financial Administration at 16.77% of the total.

The Management subprogramme sees the largest nominal percentage increase (44.78%), though there are also significant increases in Corporate Services (23.78%) and Internal Audit and Risk Management (21.26%). The only reduction can be observed in the Office Accommodation subprogramme which drops by 1.57%.

In terms of economic classifications, the principal contributor to Programme 1 costs is an increase in Compensation of Employees. There is an increase of R18m from R74m in 2025/26 to R92m in 2026/27. The largest proportional increase in Programme 1 is Payments for Capital Assets, rising from R4.5 million to R8.1 million (approximately +80%).

Programme 1 - Performance targets

Output Indicator	2024/25 Audited Performance	2025/26 Estimated Performance	2026/27 MTEF Target
Favourable Audit outcome	Unqualified audit opinion	Unqualified audit opinion	Unqualified audit opinion
Percentage of legitimate invoices paid within 30 days	93%	100%	100%
Percentage implementation of the ICT Strategy	1.5%	100%	100%
Percentage representation of persons with disability	1.7%	3%	3%
Percentage representation of women at SMS level	52.6%	50%	50%
Research Agenda 2030	New indicator	Approved Research Agenda 2030	Research Agenda 2030 implementation report

5.2 Programme 2: Socioeconomic Development

The main purpose of the programme is to develop and monitor the implementation of legislation, policy frameworks and service delivery cooperation agreements on compensation for injury in military service, counselling, education, healthcare, public transport, pension and housing benefits to Military Veterans eligible for such support. This requires maintaining the credibility and security of the national database of military veterans through consolidating data and updating software and the personal files of military veterans on an ongoing basis.

The largest component of Programme 2 in 2026/27 is Socioeconomic Support Management, which accounts for R207.5 million or approximately 47.9% of the total programme budget. However, this same subprogramme also records the largest nominal decrease in 2026/27, falling from R267.1 million to R207.5 million, a nominal reduction of about 22.3%, indicating a significant contraction in the programme's primary spending area. The largest nominal percentage increase occurs in

Database and Benefits Management, which rises from R22.3 million in 2025/26 to R28.0 million in 2026/27, an increase of about 25.6%.

In terms of economic classifications, current payments increase from R208.6 million in 2025/26 to R235.8 million in 2026/27, driven mainly by both higher compensation of employees and continued growth in goods and services. Compensation of employees rises from R25.5 million to R34.0 million.

At the same time, transfers and subsidies decline from R263.3 million to R195.7 million, a reduction of R67.6 million (about -25.7%), which explains the contraction observed in Socioeconomic Support Management. This indicates a deliberate scaling down of direct household-level support or benefit-type expenditure in 2026/27.

Performance targets for programme 2 are reflected in the Table below. Significantly, the way in which the measurement of some of the performance targets is conducted has changed, moving from absolute numbers to a percentage measure. Percentage-based performance indicators can weaken oversight when they are not accompanied by absolute delivery numbers because they measure compliance relative to a changing denominator, rather than clearly showing the actual scale of service delivery and its real-world impact. This makes year-on-year comparison difficult, may hinder oversight of progress overtime (trend analysis) and obscures the scale of the programme.

Programme 2 – Performance targets

Output Indicator	2024/25 Audited Performance	2025/26 Estimated Performance	2026/27 MTEF Target
Number of confirmed military veterans registered in the database per year	1 678	1 500	1 500
Percentage of completed Houses allocated to eligible military veterans per year	New indicator	New indicator	100%
Percentage of military veterans approved for the compensation benefit per annum	New indicator	New indicator	100%
Total number of military veterans and their dependents receiving pension benefit	4 378	6 500	5 000
Percentage of military veterans approved to access to health care services	New indicator	New indicator	100%

Output Indicator	2024/25 Audited Performance	2025/26 Estimated Performance	2026/27 MTEF Target
Number of military veterans and dependents provided with dedicated counselling services and treatment	607	500	600
Percentage of eligible military veterans approved for mortgage bond subsidy per year	New indicator	New indicator	100%
Approved feasibility study on subsidised public transport	New indicator	New indicator	Report on feasibility study on subsidised public transport
Comprehensive managed Healthcare service delivery model for military veterans acquired	New indicator	New indicator	Comprehensive managed Healthcare service delivery model for military veterans acquired

5.3 Programme 3: Empowerment and Stakeholder Management

The main purpose of this programme is to manage and facilitate the implementation of military veteran empowerment and stakeholder management programmes. Programme 3 increases from R230.7 million in 2025/26 to R274.3 million in 2026/27, a rise of R43.6 million (+18.9%).

The subprogramme *Empowerment, Skills Development and Education Support* remains the largest subprogramme in 2026/27, increasing from R142.6 million to R185.7 million. This represents a significant expansion and confirms its continued dominance within the programme, accounting for roughly two-thirds of total expenditure. The increase may possibly reflect stronger investment in bursaries, training, and education support for military veterans and their dependants. Overall reductions in Programme 3 are limited and concentrated in provincial coordination functions, while most of the programme’s growth is driven by expanded investment in empowerment and education-related support services.

At the same time, provincial coordination structures are slightly reduced, while heritage functions grow steadily. The economic classification confirms a shift toward beneficiary support and skills development.

The performance targets for Programme 3 are captured in the Table below. As in programme 2, there are changes to how some existing performance targets are measured, moving away from actual numbers to a percentage. The effect on oversight is a negative one. As noted above, percentages describe performance relative to a denominator and while not inherently weak, though it can be manipulated, this method can obscure absolute numbers and real-world delivery. Moreover, there is no basis for year-on-year comparison, no continuation from past MTEF projections. This affects:

- PPI:302: Military Veterans and their dependents approved for skills development programmes. (Previously 1000 approvals per annum, now measured as a percentage)
- PPI:303: Bursaries provided to military veterans and their dependents per year. (Previously 4500 bursaries in 2025/26, 4800 bursaries in 2026/27, and 5100 bursaries in 2027/28, now measured as a percentage)

A wholly new Output Indicator is 'Deceased military veterans' families provided with burial support' is introduced. The 'Liberation struggle history research outputs' Output Indicator falls away, though six such outputs per annum were forecast in the MTEF to 2027/28.

Programme 3 – Performance targets

Output Indicator	2024/25 Audited Performance	2025/26 Estimated Performance	2026/27 MTEF Target
Number of memorial lectures coordinated for Military Veterans	4	4	4
Percentage of Military Veterans and their dependents approved for skills development programmes	New indicator	New indicator	100%
Percentage of Bursaries provided to Military Veterans and their dependents per year	New indicator	New indicator	100%
Number of economic empowerment programmes facilitated for Military Veterans' businesses	New indicator	2	3
Number of Military Veterans provided with access to employment placement opportunities	9	30	30
Number of Partnership agreements with other departments and entities	3	4	4
Percentage of deceased military veterans' families provided with burial support	New indicator	New indicator	100%

6. HUMAN RESOURCES

Across the vote as a whole, personnel numbers increase from 199 posts in 2025/26 to 286 posts in 2026/27, reflecting a significant overall expansion of 87 posts (+43.7%), even though this growth is unevenly distributed across programmes. This is accompanied by an increase in total personnel expenditure from R133.5 million to R158.5 million (+R25.0 million or +18.7%), indicating both expansion and partial rebalancing of staffing across functions.

Between 2025/26 and 2026/27, the department's HR profile shifts significantly, with strong growth in Programme 2 and moderate growth in Administration offset by a reduction in Programme 3 staffing:

- Programme 1 shows a moderate increase in staffing, rising from 111 to 132 posts (+21 posts). Personnel costs also increase from R74.0 million to R92.0 million (+R18.0 million).
- Programme 2 shows the most significant HR expansion, increasing from 41 posts in 2025/26 to 114 posts in 2026/27 (+73 posts). However, personnel costs rise more modestly from R25.5 million to R34.0 million (+R8.5 million), implying that many of the additional posts are at lower salary levels.
- Programme 3 is the only programme showing a decline in staffing, decreasing from 47 to 40 posts (−7 posts), while personnel expenditure falls slightly from R34.0 million to R32.5 million (−R1.5 million).

Over the medium term, the department's staffing grows moderately from 199 to 271 posts but shifts structurally toward system and administration capacity (Programmes 1 and 2).

7. COMMITTEE OBSERVATIONS

During deliberations with the DMV on 12 May 2026, Members of the PCDMV made the following observations related to the budget allocation, the performance indicators and the targets as set out in the APP of the Department:

a) The Committee expressed concern regarding persistent vacancies within the Department, particularly critical senior management posts, including the continued vacancy of the Director-General position. Members noted concerns regarding delays in the filling of posts and explanations relating to the finalisation of the Department's organisational structure and approval processes involving the Department of Public Service and Administration (DPSA).

b) The Committee raised concerns regarding the apparent prioritisation of administrative expenditure and Compensation of Employees over direct service delivery to military veterans. Members specifically questioned increases in Programme 1 expenditure alongside perceived reductions in socio-economic support and benefits directed towards veterans.

c) The Committee expressed concern regarding the apparent reduction in direct socioeconomic support to military veterans, including reductions in Programme 2 allocations and transfers to households, while administrative expenditure and Compensation of Employees continue to increase significantly.

d) The Committee noted concerns regarding the use of percentage-based targets within the APP, rather than measurable numerical outputs, and expressed the view that such targets may obscure actual performance and undermine effective oversight. The Committee further emphasised that APP targets should be specific, measurable, achievable, relevant and time-bound (SMART).

e) The Committee expressed serious concern regarding the continued challenges with the military veterans' database, including its incomplete status and lack of digitisation, which continue to undermine the effective delivery of benefits and support services to veterans.

f) The Committee raised concerns regarding delays in the processing and payment of pensions and benefits to military veterans, including reports that the GPAA is failing to meet the required turnaround times for pension applications. Members also questioned recurring mid-year funding shortfalls relating to pension obligations.

g) The Committee expressed concern regarding the slow pace of delivery of housing support to military veterans, including the reduced housing targets over the MTEF period.

h) The Committee highlighted the need to improve access to military veterans' services in rural areas and questioned how the Department intends ensuring equitable access to both public and private health facilities across the country.

i) The Committee raised concerns that the increased reliance on partnerships with external entities and other departments may indicate a shift away from direct service delivery by the DMV, potentially affecting accountability and delivery to military veterans.

j) The Committee raised concerns regarding the effectiveness, cost, and measurable impact of the Transversal Ministerial Task Team and questioned how its mandate and functions differ from those of the Presidential Task Team.

k) The Committee expressed concern regarding the lack of responses to parliamentary and constituency inquiries relating to military veterans' cases and emphasised the need for improved responsiveness and accountability by the Department and the Ministry.

l) The Committee questioned whether the Department possesses adequate internal audit capacity and whether outsourcing of internal audit functions would again be required.

m) The Committee requested clarity regarding the status of the Zeal Health matter and the and the Petse compensation appeal as well as related implications for service delivery to military veterans.

8. RECOMMENDATIONS

Based on its engagement on the 2026/27 DMV Budget and APP, the Committee makes the following recommendations:

a) The Committee recommends that the Department resubmit the Annual Performance Plan (APP) with revised SMART targets that include clear and measurable numerical outputs, particularly in relation to housing support, pensions, healthcare access and skills development for military veterans. *The amended APP, including revised SMART targets, must be submitted to Parliament by 31 July 2026.*

b) The Committee requests that the Department submit a detailed report outlining all engagements held with the Department of Public Service and Administration (DPSA) regarding the rationalisation and organisational restructuring of the Department, including dates of meetings, matters discussed and progress made. *The report must be submitted by 31 July 2026.*

c) The Committee notes concern regarding the adequacy of the current legislative framework governing military veterans and requests the Department to indicate whether a formal legislative review process of the Military Veterans Act has commenced, particularly regarding the definition of a military veteran. The Department must further indicate anticipated timeframes for the introduction of amendment legislation to Parliament. *A response must be submitted by 31 July 2026.*

d) The Committee requests that the Department submit the Terms of Reference, composition, mandate and deliverables of the Transversal Ministerial Task Team, including clear timelines for the submission of interim and final reports. *The requested information must be submitted by 31 July 2026.*

e) The Committee requests a detailed status update regarding the Zeal Health matter and the Petse compensation appeal, including potential financial, legal and service delivery implications for the Department and military veterans. *The Department must submit the requested update by 31 July 2026.*

f) The Committee recommends that the Department and the Ministry engage National Treasury regarding the ring-fencing of funding allocations for military veterans' pensions and housing support, including consideration of emergency top-up allocations where funding shortfalls arise, in order to ensure continuity of benefits and support services to military veterans.

g) The Committee requests a detailed report regarding the filling of the Director-General post and other critical senior management vacancies, including reasons for the significant delays, the outcomes of previous interview and headhunting processes, and anticipated timelines for appointments. *The report must be submitted by 31 July 2026.*

h) The Committee notes that its 2025 instruction on the establishment of a fully functional call centre was not complied with. The continued failure to answer calls, respond to emails and provide feedback to military veterans constitutes a serious service delivery failure. The Department must submit a report explaining why the Committee instruction was not implemented, who was responsible, and by what date a fully functional call centre with measurable response standards will be operational. *The report must be submitted by 31 July 2026.*

The Portfolio Committee on Defence and Military Veterans supports the budgets of the Department of Military Veterans for 2026/27 and recommends that the Budget Vote 26 be adopted.

Reservation of Rights by Political Parties on Vote 26:

- The Economic Freedom Fighters reserve its rights on Vote 26.
- The uMkhonto weSizwe Party reserve its rights on Vote 26.

Report to be considered.

5. REPORT OF THE PORTFOLIO COMMITTEE ON LAND REFORM AND RURAL DEVELOPMENT ON VOTE 42: LAND REFORM AND RURAL DEVELOPMENT; DATED 13 MAY 2026

The Portfolio Committee on Land Reform and Rural Development, hereinafter referred to as the Committee, having considered Vote 42: Land Reform and Rural Development, reports as follows:

1. Introduction

Sections 55(2) and 92 of the Constitution of the Republic of South Africa impose an obligation on Parliament to conduct oversight of the exercise of national executive authority and to ensure accountability. Against this backdrop, the Committee considered the budget allocation, strategic priorities and annual performance targets of the Department of Land Reform and Rural Development, hereinafter referred to as the Department, and the relevant public entities; namely, the Commission on Restitution of Land Rights (the Commission), the Office of the Valuer-General (OVG) and the Ingonyama Trust Board (ITB).

The Committee considered the budgets and strategic priorities in light of enduring structural challenges confronting the land and agrarian reform: a slow pace of land redistribution, delays in the settlement and finalisation of restitution claims, insufficient post-settlement support, institutional instability and under-capacitation. The committee process followed the introduction of the budget by the Minister of Finance, and the tabling of Strategic Plans, APPs, and budget allocations for the Department and related public entities by the Minister of Land Reform and Rural Development (the Minister) in accordance with the Public Finance Management Act (PFMA), 1999 (Act No. 1 of 1999). The APPs outline the annual plans in line with the Strategic Plans and the allocated budget as per the Estimates of National Expenditure (ENE). The Minister tabled the planning documents in March and April 2024, and the Department briefed the Committee on 29 April 2026 and further deliberated on with the adoption of this report on 13 May 2026. The Committee assessed the plans and resource allocation against key policy priorities drawn from the National Development Plan (NDP), the Medium-Term Development Plans (MTDP), the National Treasury's Estimates of National Expenditures (ENE), and the 2026 Budget Speech by the Minister of Finance. The assessment also drew on its past oversight visit reports, Budget Vote Reports and Budget Review Recommendations Reports (BRRR).

This report therefore accounts for the process the Committee followed in considering Vote 42, as described above. It is primarily concerned with whether the Department's key priorities were clearly articulated, supporting programmes were put in place, and sufficient resources were allocated to give effect to the Constitutional imperatives to redress skewed land ownership patterns as set out in Section 25 of the Constitution and the rural development imperatives in Sections 24, 26 and 27 of the Constitution. It concludes with recommendations for consideration by the National Assembly.

2. Overview of the Strategic Focus of the Department and the 2026/27 Annual Performance Plan

Guided by its vision to drive economic growth and build thriving rural communities, the Department plays a central role in addressing historical inequalities in land access and ownership and in shaping a more inclusive future. Its mission is to foster economic growth through integrated land administration, effective land reform, and comprehensive rural development. Its mandate focuses on facilitating equitable access to land, promoting holistic rural development, and addressing historical injustices stemming from colonial and apartheid land dispossession. The land reform programme, comprising redistribution, restitution, and tenure reform, complemented by targeted post-settlement support, has the potential to empower communities, restore dignity, and create lasting socio-economic impact across rural areas.

2.1. Alignment of APPs with the Medium-Term Development Plans

The expenditure and strategic priorities of the Department and its public entities must be understood within the context of a broader policy and strategic framework of the Government, particularly the NDP and the MTDP. These frameworks collectively provide the strategic direction for land reform and rural development. Table 1 below illustrates the alignment of the Department's plans (outcomes and indicators) with the 2024–2029 Medium-Term Development Plan (MTDP) priorities, particularly with regard to inclusive growth, poverty reduction and the building of a capable developmental State.

Table 1: Alignment of MTDP Priorities and the Departmental Strategic Plan Outcomes

MTDP Priority	Outcome	Indicators	Five-year Target
Priority 1: Drive Inclusive Growth and Job Creation	Outcome 2: Inclusive, modernised and integrated land administration	Implementation of national and regional spatial development frameworks.	• Implementation of NSDF. • National and regional SDFs
		% of the National Spatial Data Observatory developed.	• 100%
		Improved efficiency in the processing of cadastral documents, and provision of access to credible cadastral and geospatial information services, in support of an equitable and sustainable land administration	• 14 days for processing cadastral documents submitted at the SG offices for examination and approval. • 7 days for updating spatial dataset. • 77 operational TrigNet's CORS transmitting GNSS data on an average of 99% of time. • 445 maps of the national map series
Priority 2: Reduce Poverty and tackle the high cost of living	Outcome 3: Redress and equitable access to land	Equitable access to land	• 200 000 hectares (ha)
	Outcome 4: Integrated and inclusive rural economy	Rural communities are empowered with socio-economic opportunities and sustainable development facilitated. • Number of rural infrastructure projects completed. • Number of young people trained through the NARYSEC Programme. • Reports on implementation of the Integrated Rural Development Sector Strategy (IRDSS).	• Jobs: 2 250 • Infrastructure: 165 • Skills: 3 405 • Districts: 44
Priority 3: Building a capable, ethical, and developmental state	Outcome 1: Improved governance and modernised service delivery.	• % compliance with legislative frameworks • % achievement of key performance indicators (KPIs). • % core departmental business processes digitalised	100% 90% 100%

2.1.1. MTDP Priority 1: Drive inclusive growth and job creation

Outcome 2 *(Inclusive, modernised and integrated land administration)* aligns with Priority 1, contributing to driving inclusive growth and job creation**.** At the centre of Outcome 2 is the implementation of national and regional spatial development frameworks to improve spatial planning and coordination across the country, guiding sustainable land use, infrastructure investment, and regional economic development. The Department plans to develop the National Spatial Data Observatory (NSDO) to enhance the availability and accessibility of reliable spatial information for planning and decision-making. Also, the NSDO will improve the efficiency of cadastral services by processing cadastral documents within 14 days and updating spatial datasets within 7 days. Further, the Department plans to maintain 77 operational TrigNet Continuously Operating Reference Stations (CORS), which transmit Global Navigation Satellite System (GNSS) data with an average uptime of 99%, thereby supporting accurate geospatial positioning services. The targeted production of 445 maps in the national map series also helps strengthen geospatial information services and ensure equitable and sustainable land administration.

2.1.2. Priority 2: Reduce poverty and tackle the high cost of living,

The Department addresses two major outcomes linked to the above-mentioned priority; namely, Outcome 3 - Redress and equitable access to land, and Outcome 4 - Integrated and inclusive rural economy. These can be summarised as follows:

- Outcome 3 *(Redress and equitable access to land)* seeks to advance land reform and equitable land distribution. In this regard, the Department set a target to provide equitable access to 200,000 hectares of land over a five-year period to attain land redress, social justice, and inclusive economic participation.
- Outcome 4 *(Integrated and inclusive rural economy)* focuses on empowering rural communities through socio-economic opportunities and sustainable development initiatives. The Department intends to complete 165 rural infrastructure projects to improve basic services and economic opportunities in rural areas. These initiatives are expected to create 2,250 jobs, thereby supporting local livelihoods and economic inclusion. In addition, this outcome focuses on youth empowerment and skills development. The NARYSEC Programme will train 3,405 young people, equipping them

with skills to participate meaningfully in the rural economy. The Department will produce implementation reports on the Integrated Rural Development Sector Strategy across 44 district areas, ensuring coordinated and monitored rural development interventions nationwide.

2.1.3. Priority 3: Building a capable, ethical, and developmental state,

In terms of Outcome 1 (*Improved governance and modernised service delivery)*, the Department commits to strengthening institutional performance and accountability, and digital transformation. It targets 100 per cent compliance with legislative frameworks, demonstrating its intention to uphold governance standards and regulatory requirements. In addition, it seeks to achieve 90 per cent of its key performance indicators (KPIs), reflecting a strong emphasis on organisational effectiveness and service delivery performance. The Department will also digitise 100 per cent of its core departmental business processes to improve efficiency, accessibility, and responsiveness in the delivery of public services.

2.2. The Committee responses

While the Department presented a set of targets aligned to the MTDP, the Committee made several observations which can be summarised as follows:

- It welcomed the efforts to modernise land administration systems, expand equitable access to land, and strengthen rural development initiatives. However, the pace of implementation, the feasibility of certain targets, and the need for stronger coordination across spheres of government remain a critical concern.

- The NSDF and related spatial planning instruments are vital to integrated development. However, there is also a need for evidence of practical outcomes and the developmental impact of these frameworks.

- With the vacancy rate, the Department's capacity to fully operationalise the NSDO and sustain the technological infrastructure required to maintain efficient geospatial and cadastral services is a major concern. There is a need to invest in human capital and recruitment.

- On the land redistribution front, the Committee emphasised that the transfer of 200,000 ha over five years is insufficient relative to the NDP targets. Further, there was no evidence of coordination of a robust post-settlement support to ensure productivity, sustainability, and long-term socio-economic benefits for beneficiaries. Because LDS programme contributions are minimal relative to demand, land redistribution alone would not adequately address poverty and inequality unless integrated with agricultural support, access to markets, infrastructure, and financial assistance.

- Regarding rural development targets, the Committee welcomed the planned infrastructure projects, job creation initiatives, and youth training programmes under NARYSEC. Nevertheless, the Committee expressed concerns about the sustainability of jobs created, the quality and maintenance of infrastructure, and the extent to which training programmes translate into long-term employment or entrepreneurial opportunities for young people in rural communities.

To sum up, the Committee noted that the strategic priorities and targets are broadly aligned with national development objectives. However, greater emphasis should be placed on implementation capacity, intergovernmental coordination, monitoring and evaluation, and the tangible socio-economic impact of programmes on communities.

2.3. Legislative Programme

Table 2 below outlines the planned legislative programme over the medium term, highlighting key legislative initiatives to strengthen land reform, spatial planning, rural development, land administration, and tenure security. The proposed Bills aim to advance constitutional imperatives for equitable access to land, secure land rights, efficient land administration systems, and integrated rural development. The table provides an overview of each proposed policy or Bill, its intended objective, the current stage of development, and the anticipated year for tabling before Parliament. The Committee expressed great concern regarding the long time it takes to bring legislation to Parliament and the tendency to shift the submission deadline.

Table 2: Legislative Programme 2026/27 -2028/29

Name of the Bill	Objective	Progress	Tabling
Electronic Deeds Registration and Recordal Systems Amendment Bill	To provide the electronic registration and recordal of properties (land and rights in land) and subsequent registrable transactions.	The Bill is awaiting Cabinet approval before it is published for comment.	2026
Equitable Access to Land Bill	To enable the State to acquire land and make it available to citizens on an equitable basis as envisaged by section 25(5)(8) of the Constitution	The Bill is awaiting Cabinet approval to publish for comment	2027
Land Survey Amendment Bill	To amend laws relating to land surveys and align the duties to be performed in terms of the Act with the structure of the Department, and to provide for the appointment of certain members of the Survey Regulations Board.	The Bill is awaiting Cabinet approval for publication for comment.	2027
Communal Land Bill	To regulate the transfer of communal land from the State to its occupiers and its administration to ensure legally secure tenure as required by section 25(6) of the Constitution	The Bill is still being drafted.	2027
Spatial Planning and Land Use Management Amendment Bill Planning Professions Amendment Bill	To amend laws relating to spatial planning and land use to align the role of municipalities with the involvement of traditional councils. The professions Bill seeks to strengthen the regulation of the planning profession.	The Bills are still being developed.	2027
Rural Development Bill	To provide a legislative framework for the development of rural areas.	Bill still to be drafted	2028

3. Overview of the 2026/27 Budget Allocation

Table 3 below shows that the Department's estimated expenditure decreases from an adjusted budget of R10.46 billion in 2025/26 to R10.35 billion in 2026/27. In nominal terms, this represents a 1.1 per cent decline, whereas in real terms it is a 4.3 per cent budget decline.

Table 3: Budget allocation over the medium term (2026/27 – 28/29)

Programme	**Budget** *(R million)*			
	2025/26	**2026/27**	**2027/28**	**2028/29**
1. Administration	2 021.2	2 142.2	2 184.6	2 251.4
2. Land Administration	783.2	834.7	849.1	875.7
3. Land Reform and Restitution	7 030.4	6 654.9	6 729.0	6 938.4
4. Rural Development	633.3	723.4	952.4	982.7
TOTAL	**10 468.1**	**10 355.2**	**10 715.1**	**11 048.2**

The overall budget decline is driven by Programme 3 (Land Reform and Restitution). As Table 3 shows, its budget decreased from R7 030.4 billion in 2025/26 to R6 654.9 billion in 2026/27. It is a nominal decrease of R375.5 million, but an inflation-adjusted change is about -10.3 per cent. Given that Programme 3 is the core for the Department, the decline in budget is of great concern. It suggests that the Department is reprioritising resources away from land reform and restitution (the core mandate), while increasing allocations for administrative functions. Programme 4: Rural Development receives the smallest budget allocation and experiences the most significant growth, at 14 per cent in nominal terms. This means, therefore, that additional resources will be available to promote an integrated rural economy through rural development strategies whereas land acquisition declines.

3.1 Programme 1: Administration

Programme 1 provides strategic leadership, management and support services to the Department. It contributes to Outcome 1: improved governance and modernised service delivery. The outputs are intended to deliver the interventions needed to enable an effective, well-run Department and to ensure good governance, aligning with Priority 3 of the MTDP: building a capable, ethical and developmental State.

Table 4: Programme 1 (Administration) Budget allocation

Sub-programme	**Budget** *(R million)*	
	2025/26	**2026/27**
1. Ministry	50.5	52.3
2. Departmental Management	68.6	72.1
3. Internal Audit	44.8	47.5
4. Financial Management Services	171.5	216.5
5. Corporate Support Services	474.1	481.0
6. Provincial Operations	573.6	578.9
7. Office Accommodation	638.1	693.9
TOTAL	**2 021.2**	**2 142.2**

As shown in Table 4 above, Programme 1 receives an allocation of R2,14 billion for 2026/27, a nominal increase of 6 per cent on the 2025/26 allocation. The largest share of the budget is allocated to the Office Accommodation sub-programme (32.4 per cent), followed by the Provincial Operations Sub-programme (27 per cent) and the Corporate Services Sub-programme (22.5 per cent). In terms of economic classification, the budget for compensation of employees in 2026/27 is R985.5 million, representing 46 per cent of the total programme budget, while the budget for goods and services accounts for 51.3 per cent. Expenditure on goods and services is mainly driven by office accommodation, computer services, travel and subsistence, audit costs and communications, which support the programme's operational and administrative requirements.

Overall, Programme 1 has six targets, which are as follows:

- Obtaining an unqualified audit opinion on the 2025/26 financial statements,
- Obtaining an unqualified audit opinion for the Agricultural Land Holding Account on the 2025/26 financial statements.
- Obtaining an unqualified audit opinion for the Registration of Deeds Trading Account (RDTA) on the 2025/26 financial statements.
- 100% of valid invoices paid within 30 days of receipt by the Department.
- Four quarterly reports on preferential procurement for designated groups.

- E-Performance Management System deployed (Performance Agreement, probation, mid-term assessments and Annual Assessment Module), which implies that core departmental processes are digitalised.

3.2 Programme 2: Land Administration

Programme 2 provides and maintains an inclusive, effective, and comprehensive system for planning, geospatial information, and cadastral surveys, and ensures legally secure tenure, by conducting land administration that promotes social, economic, and environmental sustainability. Programme 2 is aligned with Outcome 2 of the Department; that is, inclusive, modernised, and integrated land administration, contributing to Priority 1 of the MTDP: Inclusive Growth and Job creation.

Table 5: Programme 2 – Land Administration Budget Allocation

Sub-Programme	**Budget** *(R million)*	
	2025/26	**2026/27**
1. National Geomatics Management Services	585.0	599.3
2. Spatial Planning and Land Use	176.4	194.1
3. Registration of Deeds Trading Account	0.0	19.3
4. South African Council of Planners	8.7	9.1
5. South African Council of Geomatics	3.0	3.2
6. Integrated Land Administration	0.0	0.0
7. South African Spatial Data Infrastructure	10.0	9.8
TOTAL	**783.2**	**834.7**

Table 5 above shows that the budget allocation for Programme 2 increases from an adjusted appropriation of R783.2 million in 2025/26 to R834.7 million in 2026/27. This increase represents a nominal rise of 6.6 per cent and a real (inflation-adjusted) increase of 3.1 per cent. This growth is driven by nominal increases across all sub-programmes, except the South African Spatial Data Infrastructure.

The National Geomatics Management Services (NGMS) sub-programme receives the largest share of the total Programme budget, accounting for 71.8 per cent in 2026/27. Together, the

NGMS and Spatial Planning and Land Use sub-programmes (23.3%) account for 95.1 per cent of the programme's total allocation. The prominence of these allocations underscores their critical role in supporting land reform and spatial planning, particularly by facilitating land surveying and the registration of real rights at the deeds office. These functions are essential to advancing integrated development, a core objective of the NDP. Notably, the Deeds Registration sub-programme, which typically operates on a self-funding model through revenue generated from the sale of deeds information, is allocated R19.3 million in 2026/27.

In terms of economic classification, the largest share of the budget is allocated to compensation of employees, amounting to R606.1 million, which represents 72.6 per cent of the Programme's total allocation for 2026/27. It highlights that the Programme is labour-intensive. However, human resource capacity remains a significant constraint within NGMS. Of the 691 approved posts, 78 are vacant, resulting in a vacancy rate of 11.3 per cent. These capacity constraints adversely affect service delivery, including the timely examination of cadastral documents and the updating of cadastral spatial datasets.

The key targets for 2026/27 included under this programme are:

- 95 per cent of deeds made available within seven days of lodgement for execution.
- 95 per cent of deeds made available within three working days of lodgement for execution via the electronic Deeds Registration System (e-DRS).
- 95 per cent of registered deeds delivered within 10 days of the date of registration, the same target for 2025/26.
- Five National Spatial Action Areas (NSAA) assessment tools developed.
- Twenty organs of state to be supported professionally and technically to implement the Spatial Data Infrastructure Act (Act No. 54 of 2003).
- Forty per cent of the National Spatial Data Observatory (NSDO) is to be developed.

3.3 Programme 3: Land Reform and Restitution

Programme 3 acquires and redistributes land in line with Outcome 3 of the Department, i.e. redress and equitable access to land, contributing to priority 2 of the MTDP as shown in Table 1 above. Over the medium term, this programme will focus on fast-tracking land delivery, settling and finalising land claims and ensuring adequate post-settlement support.

Table 6: Land Redistribution and Restitution Budget Allocation

Sub-Programme	**Budget** *(R million)*	
	2025/26	**2026/27**
1. Commission on Restitution of Land Rights	61.8	98.7
2. Restitution	4 556.4	3 839.5
3. Land Redistribution and Tenure Reform	1 293.9	1 643.2
4. Agriculture Land Holding Account	946.2	894.5
5. Ingonyama Trust Board	22.8	23.8
6. Office of the Valuer General	149.2	155.2
TOTAL	**7 030.4**	**6 654.9**

Table 6 above shows that the programme budget allocation decreases from an adjusted appropriation of R7 billion in 2025/26 to R6.7 billion in 2026/27, a nominal decrease of 5.3 per cent and or an 8.5 per cent decrease in real terms. The Restitution sub-programme accounts for the largest share of the programme's total budget at 58 per cent, followed by the Land Redistribution and Tenure Reform sub-programme at 25 per cent. Together, these two sub-programmes account for 83 per cent of the programme's total allocation in 2026/27.

Budget decreases in Restitution (18.5 per cent inflation-adjusted) and Agriculture Land Holding Account (ALHA) sub-programmes account for much of the decrease. This allocation means that funds have been reprioritised away from Restitution; therefore, less money is available for the settlement and finalisation of land claims. The ALHA budget also decreases by 5.5 per cent in nominal terms, or by 8.6 per cent after inflationary adjustments, in 2026/27 compared with 2025/26. This budget decrease affects the acquisition of strategically located land and the Land Development Support Programme (LDS) initiatives that advance post-settlement support.

The Commission on Restitution of Land Rights, as an institution, has a significant increase of 59.7 per cent in nominal terms or 54.5 per cent in real terms in 2026/27 compared to 2025/26. The Land Redistribution and Tenure Reform sub-programme has also received a significant increase of 27 per cent in nominal terms or 22.8 per cent in real terms in 2026/27 compared to 2025/26.

In terms of economic classification, a significant portion of the allocations in 2026/27 is for households, amounting to R2.8 billion, or 42.8 per cent of the programme's total budget. The allocation for households is used to settle and finalise claims and to pay development grants.

The Department will deliver on five targets under this Programme over the 2026 MTEF period, which are:

- *Compliance with the Communal Property Association Act (No. 28 of 1996)*: The Department targets to train 808 CPAs' executive committee members in governance. It is an increase of 18 compared to the target to train 790 CPA executive committee members in 2025/26. Over the medium term, the target will increase by 890 CPA members. It should be noted that in 2024/25, the Department had targeted 983 CPA executive members. This is a clear indication of the impact of the budget decline.
- *Land Acquisition:* The Department plans to acquire and allocate 57,751ha of land in 2026/27, a slight increase compared to the target of 44 000 ha in 2025/26. The target is expected to increase over the medium term 63 600 by 2028/29. Over the medium term, the Department will prioritise accelerating land reform by identifying suitable land with high development potential for redistribution. The total target for the medium term is 200 000 ha of strategically located land for redistribution, at an estimated cost of R4.6 billion. These targets, relative to the NDP commitments, are lagging behind. The current performance trajectory, especially quarter 3 of 2025/26, shows a department that is failing to deliver even these meagre targets.
- *Land Development Support:* Land delivery will be complemented by the provision of necessary post-settlement support (training, production inputs, and market linkages) to qualifying beneficiaries to maintain productivity. The LDS Programme will support 60 farms, up from 36 in 2025/26. The target will increase over the medium term to 66 in the 2028/29 financial year. A total of 165 farms will be supported over the medium term.

3.4 Programme 4: Rural Development

Programme 4 facilitates, coordinates and serves as a catalyst for the implementation of the Integrated Rural Development Sector Strategy (IRDSS) and the Comprehensive Rural Development Programme (CRDP). The programme aligns with Outcome 3 of the Department, the Integrated and Inclusive Rural Economy, and Priorities 1 and 2 of the MTDP.

Table 7: Rural Development Budget 2025/26 vs 2026/27

Programme	Budget *(R Million)*	
	2025/26	2026/27
1. National Rural Youth Service Corps	193.3	291.5
2. Rural Infrastructure Development	387.9	378.2
3. Technology Research & Development	31.4	33.1
4. Rural Development Co-ordination	20.7	20.6
TOTAL	**633.3**	**723.4**

The allocation for rural development increases from the adjusted appropriation of R633.3 million in 2025/26 to R723,4 million in 2026/27, representing a nominal increase of 14.2 per cent and a 10.5 per cent increase in real terms. Much of the increase is accounted for by the NARYSEC sub-programme, whose budget increased by 50.8 per cent in nominal terms or 45.8 per cent in real terms in 2026/27 compared with 2025/26. However, the budget allocation to the Rural Infrastructure Development sub-programme (RID) has decreased by 2.5 per cent in nominal terms or 5.7 per cent in real terms. RID accounts for 52.3 per cent of the total budget, followed by NARYSEC, which accounts for 40.3 per cent. This indicates that the Department's priorities are infrastructure development and youth development. In terms of economic classification, the bulk of the allocations in 2026/27 is for goods and services, amounting to R451.3 million or 62.9% of the total budget. The budget for goods and services largely covers infrastructure and planning services.

The annual targets for 2026/27 for the Rural Development Programme are as follows:

- Coordinating 60 per cent of IRDSS pillars across national and provincial sector departments, with full coordination expected in 2028/29.
- Training 1 227 young people through the NARYSEC, an increase on the estimated performance of 681 in 2025/26, with the target set to increase to 1 500 in the 2028/29 financial year.
- Creating 300 jobs through rural development initiatives, a decrease from the targeted 450 jobs in 2025/26. The number of jobs is expected to increase to up to 400 in 2028/29; however, it remains below the 2025/26 target.

- Completing 33 rural infrastructure projects, as in 2025/26, a decrease in targets compared with 63 rural infrastructure projects completed in 2024/25, while 174 were completed in 2023/24.
- Supporting five districts with Investment in Rural Industrial Development through Enterprise Development and Cooperatives, a decrease compared with the target of ten districts supported in 2025/26.

4 Settlement of labour tenants applications

The Committee received a briefing from the Department and the Special Master on the status of the Labour Tenants applications, including challenges, litigation trends, institutional capacity constraints, and the alignment of planning instruments with constitutional obligations.

4.1 Court-supervised implementation framework

Processing of labour tenants' applications continues under an unprecedented court-supervised governance framework stemming from the Constitutional Court judgment in Mwelase v Director-General for the Department of Rural Development and Land Reform. The appointment of the Special Master of Labour Tenants at the Land Court has effectively created a dual accountability structure in which the Executive's programme implementation is subject to ongoing judicial oversight on one hand and parliamentary oversight on the other.

The Committee welcomed the fact that a process was underway to evaluate the Court-approved Implementation Plan. The review seeks to assess the effectiveness of the current implementation architecture, identify operational and procedural bottlenecks, improve administrative systems and implementation sequencing, and ensure legal compliance while accelerating settlement of outstanding claims. It is envisaged that the review might help unlock some of the bottlenecks in the settlement of land claims.

4.2 Alignment of planning instruments and implementation architecture

The Department reported that the programme was being implemented within a framework set out in multiple planning instruments, including the Annual Performance Plan (APP), the

Annual Operational Plan (AOP), the Court-approved Implementation Plan, and the Multi-site Accelerated Claims Resolution Initiative. However, the Special Master cautioned that significant gaps remain between strategic planning, operational execution, and legal obligations. To this end, the APP did not translate constitutional obligations into measurable and implementable targets, hence the need to present the operational plan. The Committee noted that indicators in the AOP were simplistic and failed to reflect the complexity of the labour tenant claims processes, which includes investigation, mediation, court referral, adjudication, land acquisition, surveying, transfer, and settlement support.

4.3 Operational reforms

The Department outlined a number of operational reforms to improve implementation efficiency and claimant participation. These include strengthening internal case management systems and coordination procedures; revitalising mediation services as a preferred settlement mechanism; implementing mass communication and awareness campaigns targeting labour tenant communities; and enhancing stakeholder coordination across national and provincial structures. The Committee welcomed the renewed emphasis on mediation and negotiated settlements, noting that litigation-heavy approaches significantly increase costs, delays, and administrative burdens. However, increasing resistance from landowners and widespread contestation of labour tenant status have progressively shifted the programme towards court adjudication as the dominant resolution pathway. This calls for addressing the backlog of matters referred to court between 2018 and 2024 and for improving coordination between the judiciary and the Department.

4.4 Backlog

The Committee expressed serious concerns about the amount of the outstanding labour-tenant caseload and the growing dependence on litigation for programme delivery. The Department reported that approximately 8,000 labour tenant cases remain outstanding, and that close to 90-95 per cent of cases were expected to proceed through court adjudication. At the time of the briefing, a total of 318 cases were in the active litigation pipeline.

The Committee noted that a performance indicator has been introduced in the AOP measuring the “number of labour tenant applications referred to the Land Court”, reflecting the

Department's strategic recognition that litigation management has become a core implementation function. The Special Master cautioned that the absence of strong jurisprudential consistency continues to undermine settlement processes and mediation efforts. Weak precedent, coupled with sustained landowner resistance, has entrenched reliance on lengthy court proceedings. The Committee endorsed the need for continued engagement among the judiciary, the Minister responsible for Justice, and the Minister responsible for Land Reform to address constraints on the legal system, particularly the litigation budget.

4.5 Data integrity and monitoring deficiencies

A major concern raised during the briefing related to the absence of an integrated and credible labour tenant claims management system. The Committee was informed that existing programme data remains fragmented and, in some instances, spreadsheet-based; estimates of outstanding claims vary considerably. The Special Master indicated that a Labour Tenant Claims Resolution System has been developed and approved but has not yet been fully implemented. The Committee stressed that operationalising this system is critical for real-time tracking of claims; improved data integrity and reporting; credible performance monitoring; and evidence-based oversight and planning.

4.6 Institutional capacity constraints

The Committee identified institutional capacity as one of the most significant threats to the successful implementation of the Labour Tenants Programme. The Department reported severe human resource constraints characterised by the absence of a dedicated institutional structure comparable to the Commission on Restitution of Land Rights; dependence on short-term contract staff; limited provincial implementation capacity; and a single national programme manager coordinating implementation across all nine provinces. The Committee was informed that some provincial offices operate with as few as 41 officials responsible for multiple land reform programmes simultaneously. The Special Master further emphasised that the capacity challenge extends beyond staffing shortages and includes weak national-provincial coordination; inconsistent delegation of authority; poor supervision systems; and the absence of standardised operational competency frameworks.

4.7 Land acquisition and settlement targets

For the 2026/27 financial year, the Department has set targets to acquire approximately 17,000 hectares of land and settle 215 labour-tenant cases nationally. However, the Committee noted that labour-tenant settlements frequently involve multiple categories of occupiers residing on the same farms, including labour tenants, occupiers, and beneficiaries of redistribution. The Department therefore indicated that settlement models are increasingly adopting an inclusive, farm-level approach that accommodates all affected households. The Committee was concerned about possible tensions and conflicts that might arise after the settlement. Further, the Committee expressed concern that current settlement targets remain modest relative to the size of the backlog and may not materially alter the programme trajectory unless implementation capacity and adjudication processes improve significantly.

4.8 Budget allocations and resource adequacy

The Committee noted that approximately R80 million has been allocated to the Labour Tenants Programme and associated tenure interventions during the current financial year. In addition, the Office of the Special Master has been allocated approximately R10.7 million in 2026/27. This allocation is projected to increase to approximately R12.1 million over the Medium Term. While these allocations are intended to support litigation management, coordination systems, operational oversight, and implementation support, the Committee expressed concern regarding whether current funding levels are sufficient given the scale of litigation, high surveying and technical costs, capacity shortages, expanding court processes, and the magnitude of the outstanding claims backlog.

4.9 Historical claims narrative and constitutional compliance

The Committee noted with concern the clarification provided by the Special Master regarding the historically reported figure of approximately 11,000 “resolved” labour tenant claims. Many of these claims were not resolved through the legislative framework governing labour tenants but were instead addressed through alternative land reform instruments such as redistribution and restitution programmes. The Committee therefore stressed the importance of ensuring that future programme reporting clearly distinguishes between claims lawfully finalised under labour tenant legislation, and beneficiaries supported through other land reform mechanisms.

5. Trading Entities

5.1 Agricultural Landholdings Account (ALHA)

The ALHA was established in terms of the Provision of Land and Assistance Act (No.126 of 1993) for the proactive acquisition of land, where the Minister may, from funds appropriated by Parliament, acquire land for the purposes of this Act. The entity is further mandated to provide comprehensive support for farm development to land reform beneficiaries. Over the medium term, ALHA will acquire 200,000 hectares of land at an estimated cost of R4.6 billion, as shown in Table 8 below. The entity's expenditure is projected to increase at an average annual rate of 4.4 per cent, from R1.1 billion in 2025/26 to R1.3 billion in 2028/29, mainly driven by increased spending on land development support. Despite projected growth in expenditure, AHLA's revenue outlook reflects notable pressures. Total revenue is expected to decrease from R1.22 billion in 2025/26 to R1.16 billion in 2026/27, but there will be a moderate recovery over the medium term. The transfers from the Department to ALHA decline from R946.2 million in 2025/26 to R894.5 million in 2026/27. The transfers account for about 76.9 per cent of the entity's total revenue in 2026/27, with the remainder from lease income and other sources. The decrease will constrain the entity's capacity to accelerate land acquisition and redistribution at the expected scale.

Table 8: Budget Allocation for ALHA

Statement of Financial Performance	**Budget** *(R Million)*			
	2025/26	**2026/27**	**2027/28**	**2028/29**
Revenue				
Non-tax Revenue	274.3	268.3	258.5	249.5
Transfer received	946.2	894.5	993.8	1 055.6
Total Revenue	**1 220.5**	**1 162.8**	**1 252.3**	**1 305.1**
Expenses				
Current Expenses	763.4	781.8	866.8	921.1
Transfers & Subsidies	378.9	376.3	380.3	378.6
Total Expenses	**1 142.3**	**1 158.1**	**1 247.1**	**1 299.7**
Surplus/Deficit	**78.2**	**4.7**	**5.2**	**5.4**

Expenditure trends further indicate increasing operational pressures. Current expenditure rises from R763.4 million in 2025/26 to R781.8 million in 2026/27 and continues increasing over the medium term, while transfers and subsidies remain relatively stagnant. Consequently, the entity's surplus declines from R78.2 million in 2025/26 to R4.7 million in 2026/27, reflecting a significant deterioration in financial flexibility.

The Committee made the following observations concerning AHLA:

- The available budget of R4.6 billion to acquire 200 000 hectares over the medium term falls considerably short of the estimated funding requirement needed to meet the government's broader land redistribution targets as per the NDP.
- The reduction in transfers to ALHA may negatively affect the government's ability to accelerate equitable land redistribution and provide adequate post-settlement support.
- The Inter-Ministerial Committee on Agriculture and Land Reform (IMC) resolution to direct the transfer of PLAS farms to lessees to allow for freehold ownership has stalled. Of the 219 properties approved for transfer, only 22 properties had reportedly been transferred by March 2025. There were no clear annual targets for the transfer of PLAS farms.

5.2 Registration of Deeds Trading Account

The Registration of Deeds Trading Account (RDTA), established in terms of the Public Finance Management Act, 1999 (Act No. 1 of 1999), administers a secure and efficient deeds registration system, maintains public registers of land ownership, and supports improved land administration and spatial planning. The RDTA generates revenue primarily through the sale of deed information and the collection of fees for property registrations in accordance with prescribed regulations. Over the medium term, the RDTA will prioritise the implementation of an electronic deeds registration system to modernise and improve the efficiency of the property registration process. This initiative is expected to accelerate the registration and delivery of title deeds and improve service delivery to citizens and stakeholders.

The registration and delivery of title deeds is projected to cost R127.7 million over the medium term. The entity will continue investing in system enhancements and maintenance to ensure that the electronic platform remains functional, secure, and responsive to evolving user needs.

Expenditure is projected to increase at an average annual rate of 5.6 per cent, rising from R1.1 billion in 2025/26 to R1.3 billion in 2028/29.

Compensation of employees constitutes the largest share of expenditure, accounting for an estimated 66.4 per cent or R2.5 billion of total spending over the medium term. This reflects the labour-intensive nature of the entity's operations. The entity is expected to generate approximately 92 per cent (R3.5 billion) of its revenue through deeds registrations and the sale of deeds information over the MTEF period, with revenue projected to increase steadily.

The Committee's response can be summarised as follows:

- The planned implementation of the electronic deeds registration system was welcome. It has a potential to modernise land administration and improve turnaround times in the registration process. However, the eDRS has been a priority for many years.
- The Committee expressed concern regarding the entity's high vacancy rate and ageing workforce, which may negatively affect institutional capacity, efficiency, and succession planning. Given the specialised technical nature of deeds registration functions, the Committee emphasised the importance of attracting, training, and retaining skilled personnel.

6. Public Entities

6.1 Commission on Restitution of Land Rights

6.1.1 The Mandate of the Commission on Restitution of Land Rights

Section 25(7) of the Constitution and the Restitution of Land Rights Act (Act No. 22 of 1994) form the legal foundations of the CRLR's mandate. Act No. 22 of 1994 provides for the restitution of land rights or equitable redress for individuals and communities dispossessed of land as a result of racially discriminatory laws and practices after 19 June 1913 (mirroring the Constitutional time limits). The Commission is responsible for processing restitution claims up to settlement, either through negotiated agreements or court orders, while the Department of Land Reform and Rural Development implements settlements, including land acquisition and post-settlement support. Despite being legislated as a public entity, the CRLR continues to operate as a component of the Department. The long-standing process to establish the Commission as an autonomous Schedule 3A entity remains unresolved, pending feedback from National Treasury and legislative amendments.

6.1.2 Performance Overview

The Commission continues to focus on the settlement and finalisation of "old order" claims (lodged before 31 December 1998), following the Constitutional Court's ruling that these claims must be prioritised over new claims. By the end of the third quarter of 2025/26, the Commission had settled 144 of its targeted 281 claims (51 per cent achievement) and finalised 268 of 277 claims (97 per cent achievement). Cumulatively, about 83 721 claims have been settled since inception, 3.9 million hectares have been restored at a cost of about R27 billion, and approximately 2.4 million beneficiaries have been reached. However, a backlog of approximately 5 245 outstanding old order claims remains. (the cost of settlement)

6.1.3 Budget overview and targets

For the 2026/27 financial year, the restitution programme is allocated R3.8 billion, representing a decrease of 15.7 per cent from the 2025/26 adjusted allocation of R4.6 billion. This reduction occurs in the context of increasing complexity and cost of outstanding claims, and a significantly large backlog requiring an estimated R70 billion to resolve fully. At the current funding levels of approximately R3 to 4 billion per annum, it is estimated that settling all outstanding claims could take up to 30 years, raising serious concerns about the adequacy and sustainability of the current budget allocation.

Over the medium term, the Commission has set itself up to settle 307 claims in 2026/27, increasing to 346 by 2028/29, and to finalise 284 claims in 2026/27, increasing to 296 by 2028/29. While these targets reflect incremental growth, they remain insufficient relative to the scale of the backlog. At the planned pace of approximately 985 claims over the medium term.

6.1.4 Operational challenges and mitigation plans

The CRLR continues to face several systemic challenges that constrain its performance:

- Slow pace in processing, settlement and finalisation of claims;

- Overreliance on financial compensation rather than land restoration;
- Inadequate institutional capacity and funding constraints;
- Delays caused by legal disputes and complex claims;
- Weak integration of restitution with post-settlement support;
- Persistent capacity challenges in research and valuation processes.

The Commission has implemented the Comprehensive Backlog Reduction Strategy (Project Kuyasa), to counter some of the challenges. The strategy aims to accelerate settlement of land claims through improved systems, processes, and organisational redesign. While progress has been reported in areas such as policy development, business process re-engineering, the development of settlement models, and the strengthening of monitoring tools for backlog management, key elements remain incomplete or slow-moving, particularly the establishment of the Commission as an autonomous entity, the full implementation of redesigned systems, and measurable improvements in turnaround times.

6.2 Ingonyama Trust Board (ITB)

The mandate of the Trust, as clarified by legislation and judicial precedent, is to administer land for the material benefit, welfare, and social well-being of its beneficiaries. It operates as a corporate public entity, not merely a traditional trust, with the capacity to sue and be sued and to manage succession. Therefore, the ITB has reframed its strategic intent as being an effective land administrator that fosters thriving, empowered beneficiary communities. The framing marks a shift from passive land administration to development-oriented stewardship. The ITB operates through two interconnected structures: the Board (as a public entity) and the Ingonyama Trust (which manages revenue-generating activities).

6.2.1 Budget Overview

For the 2026/27 financial year, the ITB has an operational budget of approximately R29.8 million, funded mainly through a transfer from the Department of Land Reform and Rural Development (approximately R23.8 million), supplemented by transfers from the Ingonyama Trust, as will be shown below.

Table 9: Ingonyama Trust Board (ITB): Expenses with % of Total Allocation (2026/27)

Expense Item	Amount (R)	% of Total ITB Budget
Board-related expenses	2 327 366,44	7,80%
Board meetings and board accommodation	540 831,08	1,81%
Board members' insurance	1 279 681,83	4,29%
Bank charges	21 470,62	0,07%
Salaries	19 633 529,75	65,82%
External audit fees	2 164 259,42	7,26%
Internal audit fees	1 147 729,78	3,85%
Audit committee members' fees	122 494,90	0,41%
Staff training and development	1 399 000,00	4,69%
Bursaries	576 000,00	1,93%
Board training and development	316 007,35	1,06%
TOTAL EXPENDITURE	**29 828 371,16**	**100,00%**

A key concern relates to the funding model, as the Trust is now funding up to 61 per cent of administrative costs; funds intended for beneficiaries are increasingly being used to sustain core operations; and statutory provisions requiring departmental funding for administration are not being fully met. This situation raises sustainability concerns and suggests the need for urgent re-baselining of the ITB funding framework. The Ingonyama Trust itself has a broader expenditure envelope of approximately R116.1 million, increasing to R176.1 million when disbursements of R60 million are included.

Table 10: Ingonyama Trust Estimates of Expenditure 2026/27 financial year

Expense Item (as per APP)	Amount (R)	% of Total Expenditure
Administrative fees – Sanlam	550 642,52	0,47%
Bank charges	33 473,29	0,03%
Advertising	800 000,00	0,69%
Audit costs: External	3 057 816,71	2,64%
Catering: Internal activities	246 000,00	0,21%
Communication	3 500 000,00	3,02%
Events and event organising	13 200 000,00	11,37%
Intangible assets: Computer licences	1 593 340,00	1,37%
Insurance	880 182,60	0,76%
Insurance executive management	100 000,00	0,09%
Consultants: Business and advisory services	1 700 000,00	1,47%
Legal fees	9 170 000,00	7,90%
Professional membership fees	108 318,00	0,09%
Maintenance & repairs; other fixed structures	500 000,00	0,43%
Maintenance & repairs: equipment	544 892,61	0,47%
Cleaning	908 736,13	0,78%

Legislation subscriptions	108 318,00	0,09%
Protective clothing	160 000,00	0,14%
Relocation cost	800 000,00	0,69%
Provision for doubtful debts	9 812 250,00	8,45%
Rates provision	4 709 980,37	4,06%
Consumables: stationery, printing, supplies	483 500,00	0,42%
Property payments – electricity & water	1 494 350,00	1,29%
Security expenses	693 524,60	0,60%
Motor vehicle expenses	211 612,50	0,18%
Travel, accommodation, meetings: venues	3 353 125,00	2,89%
Telephone	1 516 846,36	1,31%
Operating payments/lease charges	289 465,00	0,25%
Depreciation	4 471 812,43	3,85%
Salaries and wages	30 661 928,20	26,42%
Vehicles	3 000 000,00	2,59%
Capital expenditure: furniture and equipment	640 000,00	0,55%
Capital expenditure – computer hardware	715 000,00	0,62%
Capital expenditure – computer software	8 000 000,00	6,89%
Accounting services	1 000 000,00	0,86%
Donations and honorarium	300 000,00	0,26%
Maintenance & repairs – heritage buildings	1 000 000,00	0,86%
Board transfer – FR 10(2)	5 744 128,65	4,95%
Total Expenditure	**116 059 242,96**	**100,00%**
Disbursements (not in Total Expenditure)	**60 000 000,00**	–
Total incl. Disbursements	**176 059 242,96**	–

The ITB expenditure profile reflects a strong concentration of resources in administrative and governance-related functions. Salaries alone account for approximately 65.8 per cent of the ITB budget, indicating a high fixed cost structure. Across the broader Trust expenditure, salaries and wages amount to R30.7 million (26.4%); legal fees total R9.17 million (7.9 per cent); events and event organising account for R13.2 million (11.37%); and communication expenditure totals R3.5 million (3.02 per cent). When combined, spending on events, communication, and stakeholder engagement exceeds R20 million, representing a substantial allocation towards administrative visibility rather than direct developmental outcomes. In addition, provisions for doubtful debts amount to R9.81 million (8.45 per cent), indicating systemic challenges in revenue collection and raising questions about the sustainability of the Trust's income model.

6.2.2 Strategic Objectives and 2026/27 performance targets

The ITB Annual Performance Plan is structured around three programmes: namely, Administration and Governance, Land Management Services, and Community Development Support. There is, however, a significant misalignment between these programme objectives and actual expenditure patterns. The ITB has established a comprehensive set of programme outputs and targets to guide the implementation of its strategic objectives over the medium term.

- **Programme 1 - Administration**: With the budget from departmental transfers, it focuses on strengthening institutional capacity and ensuring sound governance practices. In this regard, it seeks to implement a reviewed organisational structure to enhance operational efficiency and responsiveness. The targets set over the medium term suggest a phased approach, from 50 per cent to 100 per cent. In parallel, the organisation seeks to maintain consistently improved audit outcomes, with the goal of achieving and sustaining unqualified audit opinions for both the ITB and the Ingonyama Trust. This demonstrates a strong commitment to accountability, transparency, and effective financial management. Furthermore, revenue management remains a priority, with targets aimed at maintaining a high collection rate of lease income, i.e. 90 per cent of invoices.

- **Programme 2 - Land Management Services: C**entral to the mandate of the ITB, it focuses on securing land tenure rights and improving land administration processes. The programme aims to ensure that land tenure applications are processed efficiently and in compliance with established standards (i.e. 100 per cent compliance with standards and 100% signing on lease within 30 days of receipt of payment. These targets highlights a transition from moderate baseline performance to full compliance within specified turnaround times. Similarly, it demonstrates prioritisation in the improvement of lease administration. Collectively, these outputs seek to enhance service delivery, provide certainty of tenure to beneficiaries, and promote investor confidence in trust land.

- **Programme 3 - Community Development Support:** This programme emphasises enhancing human capital and strengthening the capacity of traditional governance structures. One of the key outputs is financial assistance for students from beneficiary communities, aimed at expanding access to education and contributing to long-term socio-economic upliftment. A total of 150 students will be supported in 2026/27, with a medium-term target of 450. In addition, the programme seeks to capacitate Traditional Councils through structured support initiatives. About 50 Traditional Councils would be trained annually until 2028/29. By equipping these institutions with the necessary skills and knowledge, the ITB aims to improve local governance, land administration, and community participation in development processes.

6.2.3 Disbursements and accountability concerns

One of the structural concerns is the allocation of R60 million in disbursements, which falls outside the main expenditure framework and is not linked to specific performance indicators. This creates a parallel stream of spending that is not programme-based, not performance-tracked, and not clearly linked to defined outcomes or beneficiary impact. This represents a significant weakness in the ITB's financial and performance architecture, limiting effective oversight and accountability

6.3 Office of the Valuer-General

6.3.1 Mandate and legislative framework

The OVG is a Schedule 3A public entity established in terms of the Property Valuation Act (Act 17 of 2014). Section 12 of the Property Valuation Act empowers the OVG it to conduct property valuations for land reform purposes, provide valuation services to organs of state and ensure that valuations are undertaken in line with constitutional requirements, particularly Section 25(3), which sets out the principles for equitable property valuation. The Office advances fairness, equity, and transparency in property valuation processes across the public sector. It ensures that compensation is just and equitable.

6.3.2 Programmes and Budget Allocation

The OVG carries out its mandate through three programmes: namely, Administration, Valuations, and Operations in line with the organisation's strategic outcomes, including improving public trust in property valuations, ensuring just and equitable valuations, and achieving organisational excellence.

- **Programme 1 - Administration:** This programme provides governance and support services to ensure the efficient functioning of the OVG. Its primary purpose is to enable optimal operational performance through sound governance, risk management, and compliance. Key sub-programmes under this programme are Governance, Risk and Compliance and Internal Audit. For the 2026/27 financial year, this programme focuses on strengthening internal controls and implementing fraud-prevention measures, with a target of achieving 100% implementation of corruption and fraud-prevention measures.

- **Programme - Valuations:** The Valuations programme is central to the OVG's core mandate of determining credible property values in line with the Property Valuations Act. The programme prioritises the timely completion of valuation requests, improves efficiency in issuing valuation certificates, and ensures that all valuation requests (including backlogs and unanticipated requests) are finalised within set timelines. For 2026/27, the programme targets: 100% completion of valuation requests within specified timelines and maintaining an average turnaround time of 50 working days for issuing valuation certificates.

- **Programme 3 - Operations:** The Operations programme provides business and institutional support services across the organisation. It includes functions such as human capital management, financial management, ICT services, and supply chain management. Key priorities for 2026/27 include: retaining critical skills (target: 80% retention rate), achieving an unqualified audit opinion, and fully implementing (100%) the digital transformation roadmap.

6.3.3 Budget Allocation

The OVG's total budget shows a steady increase over the Medium-Term Expenditure Framework (MTEF) period, growing from R149.171 million in 2025/26 to R156.006 million in 2026/27, and projected to reach R170.398 million by 2028/29.

Table 11: Budget by Programme (R'000)

Programme	2025/26	2026/27	2027/28	2028/29
Administration	21,960	22,750	24,202	26,462
Valuations	61,771	37,457	39,092	40,847
Operations	65,440	95,799	99,767	103,089
Total	**149,171**	**156,006**	**163,061**	**170,398**

Historical expenditure indicates a growing budget baseline, increasing from R107.172 million in 2022/23 to R149.171 million in 2025/26, with continued growth projected over the MTEF period. Actual spending has also increased significantly, rising from R82.852 million in 2022/23 to R139.750 million in 2025/26, reflecting expanding operational demands and service delivery requirements.

6.3.4 Human Resource Capacity

The entity is operating under an interim organisational structure, pending finalisation of a comprehensive structure. Critical vacancies remain, including the Valuer-General (vacant since 2019) and the Chief Operations Officer (vacant since 2016). The Committee raised concern about prolonged acting positions and the impact on leadership stability and accountability.

7 Overview of key observations and findings

7.1 Land redistribution

- Despite over three decades of democratic governance, approximately 11 per cent of commercial agricultural land has been redistributed, which is considerably below the target of 30 per cent set for 2030. The Committee noted that, in some quarters, there are reports indicating that South Africa has attained 30 per cent. This arises from the use of various methodologies to measure progress, with some considering all land acquisitions by previously disadvantaged groups post-1994, while others restrict the evaluation to government-led land redistribution.
- The pace of land redistribution remains insufficient relative to constitutional obligations and policy commitments, particularly regarding access to land by farm dwellers and labour tenants. Delays in land acquisition persist due to disputes over valuation processes

and unwilling sellers; approximately 95 per cent of claims by labour tenants are expected to be resolved through court adjudication, which could further delay the process.

- Declining allocations to the ALHA and restitution programmes will adversely affect the State's capacity to expedite land redistribution and address historical claims. The proposed allocation of R4.6 billion over the medium term for the acquisition of 144,000 hectares is inadequate to substantially alter current land ownership patterns.
- Insufficient post-settlement support from the government significantly contributes to the failures of land reform initiatives. Although institutional arrangements are in place for intergovernmental coordination, these plans do not delineate cross-coordination efforts between the Department of Agriculture and the Department of Land Reform and Rural Development to enhance post-settlement support and development for land reform beneficiaries.

7.2 Restitution

- While the Commission aims to finalise 869 restitution claims in the medium term, its reduced budget from R4.6 billion to R3.9 billion raises concerns about the capacity to handle the remaining claims. The 2025/26 third quarter's poor performance shows challenges go beyond budget issues, including delays in the bulk payment system, unresolved claims, weak capacity, and limited beneficiary support. All these are compounded by budget reprioritisation.
- Weak institutional capacity of the Commission continues to affect its effectiveness. For instance, the current staff capacity is lower than envisaged. There is a need to implement the legislation as originally intended: for example, the autonomy of the Commission, the appointment of commissioners in terms of Section 4 of the Restitution of Land Rights Act, and the appointment of as many Regional Land Claims Commissioners as necessary.

7.3 Communal Property Associations

- Reports from oversight visits reveal ongoing governance failures and institutional weaknesses among Communal Property Associations (CPAs). However, the CPA Act has not been fully implemented, particularly regarding the CPA Office and its capacity-building. Capacity limitations at the provincial level and delays in establishing the proposed independent CPA Office continue to hinder efforts to stabilise CPAs nationwide.

- The focus on training of CPAs executive committees assumes that CPAs struggle because office bearers lack governance, financial, and legal skills; yet the challenge is much more complex. Some conflicts and tensions arise from the clash between modern forms of land ownership and traditional and customary systems of land custodianship by institutions of traditional leadership. Governance and fiduciary training alone are not adequate to address these issues.
- An incapacitated CPA office means weak oversight and compliance, and it allows maladministration, elite capture, and prolonged disputes. There is a need for capacity envisaged in the Act, to improve compliance monitoring systems for constitutions, elections, leases, and financial reporting, including the use of technology to monitor CPAs and produce early warning and intervention systems (government interventions are often very late). When there is no enforcement of consequences for corruption, misuse of communal assets, and non-compliance, CPAs are unlikely to stabilise.

7.4 **Tenure reform (including labour tenants' applications)**

- There are notable gaps between the Department's constitutional duties regarding tenure security, the Court-approved Implementation Plan, and the Department's measurable performance indicators. The Court order led to multiple planning tools, such as the APP, AOP, and the Implementation Plan, but these are poorly aligned. They do not effectively capture the complexity of labour tenant claims processing in clear, measurable, outcome-oriented goals. Additionally, relying on the AOP for operational details reduces transparency and hampers parliamentary oversight, as key implementation indicators and related budgets are not properly included in the APP or Annual Reports.
- Processing of labour tenants' applications continues under an unprecedented court-supervised governance framework arising from the Constitutional Court judgment in Mwelase v Director-General for the Department of Rural Development and Land Reform. There is a need for urgent capacity building within provincial offices to support implementation of the plans to settle the labour tenant claims, improve coordination between national and provincial offices as well as the courts through the Special Master.
- There is growing dependence on litigation as the primary mechanism for resolving labour tenant claims; approximately 90 to 95 per cent of cases are expected to be processed

through court adjudication. The increasing resistance from landowners, weak jurisprudential consistency, and significant court backlogs have contributed to delays, escalating costs, and prolonged insecurity for claimant labour tenants.

- The current settlement targets remain modest when compared to the scale of the approximately 8,000 outstanding claims.
- Institutional weaknesses remain one of the greatest risks to successful labour tenants programme implementation; these include inadequate staffing, dependence on short-term contracts, weak national-provincial coordination, inconsistent delegations of authority, and the absence of a dedicated institutional structure comparable to the Commission on Restitution of Land Rights.

7.5 Rural Development

- The Committee acknowledges the increase in funding for NARYSEC and welcomes the emphasis on youth skills development in rural communities. However, the Committee notes with concern the decline in rural infrastructure allocations; the reduction in targets relating to jobs created and districts supported; weak intergovernmental coordination in rural development implementation; the absence of a coherent impact assessment framework for rural interventions. The Committee further observes that the declining number of completed infrastructure projects undermines efforts to improve rural livelihoods and economic inclusion.
- The increased allocation to the National Rural Youth Service Corps (NARYSEC), particularly its strengthened focus on youth skills development within rural communities, was welcome as it is a step toward addressing youth unemployment. However, there are concerns with the decline in allocations for rural infrastructure, which is essential for supporting economic activity and improving living conditions in rural areas; a reduction in performance targets related to job creation and the number of districts supported, raising questions about the overall scale and impact of planned interventions.
- While the prioritisation of youth development through NARYSEC, the overall effectiveness of rural development efforts is constrained by inadequate infrastructure investment, reduced performance ambition, and systemic implementation challenges. To achieve meaningful and sustainable improvements in rural livelihoods, the Committee emphasises the urgent need for strengthened coordination across spheres of government,

restoration and expansion of infrastructure investments, and the development of a robust monitoring and impact evaluation framework

7.6 Land Administration and Spatial Planning

- The Department's initiatives to modernise the deeds registration system and improve cadastral and geospatial services are a positive step. However, the Committee continues to be concerned about ongoing institutional and implementation issues, such as high vacancy rates in the National Geomatics Management Services and Registration of Deeds branches, insufficient succession planning, delays in deploying the Electronic Deeds Registration System, and the lack of strong, measurable performance indicators for the National Spatial Development Framework.

7.7 Institutional Capacity and Governance

- The Committee notes that the Department continues to experience organisational instability, delays in filling critical vacancies and overreliance on acting personnel. The Committee is concerned about slow development and implementation of the fit-for-purpose organisational structure; delays in appointing senior management personnel; increased reliance on consultants; and persistent vacancy rates, particularly within technical and professional units.
- The National Macro Organisation of Government (NMOG) realignment resulted in the transfer of CED officials to the Department of Agriculture. However, there has been no operational direction since the restructuring, as they have not been given clear responsibilities, operational plans, or deliverables. If this matter is not addressed urgently, it will adversely affect service delivery, particularly support for cooperatives, agriparks, and rural enterprises.

7.8 Ingonyama Trust Board

- The strategic focus of the ITB, towards a development-oriented entity, is a welcome development, especially in light of the fact that the ITB exist for the material wellbeing of specific deserving communities. It would require a review of the entity, operational environment, and funding model to ensure not only compliance with statutory obligations but also to address questions of sustainability and the benefits to communities.

- The R60 million allocated for disbursements and not fully integrated into the formal performance and reporting framework of the ITB raises concerns about transparency. Therefore, any form of disbursements should be linked to clearly defined programme objectives, measurable indicators, beneficiary criteria, and reporting requirements to strengthen transparency, accountability, and parliamentary oversight.
- There is a new focus on developmental outcomes and beneficiary impact. This strategic focus should be reinforced by strengthening the ITB's performance indicators to focus not only on administrative outputs but also on measurable developmental outcomes and beneficiary impact. For example, indicators concerning tenure security, local economic development, livelihood improvement, land use and land use productivity, and Traditional Councils' support.
- The Moerane investigation is considered to be a step in the direction of independent review of governance and institutional architecture. Given the existing challenges, it is anticipated that the investigation will clarify lines of accountability, operational responsibilities, and the separation among governance, revenue administration, and developmental functions.
- Many of the challenges experienced by the ITB call for enhanced Executive oversight over the entity and to support the entity to advance the material benefit and welfare of beneficiaries.

7.9 Office of the Valuer-General

- The OVG continues to operate under an interim organisational structure while attempting to meet ambitious performance targets, including the completion of 100 per cent of valuation requests within prescribed timelines and maintaining an average turnaround time of 50 working days. The unresolved organisational and human resource constraints may negatively affect the entity's ability to sustain quality, efficiency, and responsiveness.
- The prolonged vacancies in critical leadership positions, including the Valuer-General position, which has remained vacant since 2019, and the Chief Operations Officer position, vacant since 2016, can undermine institutional stability, weaken accountability, affects strategic continuity, and may compromise the credibility and effectiveness of the Office of the Valuer-General (OVG) in executing its statutory mandate.

8 Committee Recommendations

The Committee recommends that the Minister of Land Reform and Rural Development ensure that the Department:

8.1 Land Redistribution

- Develop a strategy and plans to ramp up land redistribution, despite the existing budget decline, and to arrest the trend of reprioritising funds away from land redistribution. The plan should also set out, with clear timelines, how and when the target of redistributing 30 per cent of agricultural land will be met. To this end, further submit to Parliament a comprehensive and standardised framework for measuring progress in land redistribution (define how targets are measured), including clear distinctions between state-led redistribution, private market transfers for previously disadvantaged groups, and other forms of land acquisition by historically disadvantaged persons.
- Together with the National Treasury, reconsider the declining allocations to the Agricultural Land Holding Account (ALHA) and to restitution programmes to ensure that funding levels align with constitutional obligations and national land reform targets.
- Collaborating with the Minister of Agriculture and other relevant departments and/or ministries to develop and implement an integrated, comprehensive post-settlement support framework that ensures land reform beneficiaries receive coordinated support across production, infrastructure, finance, market access, extension services, and enterprise development.
- In view of the separation of the Department and the Department of Agriculture, the Minister should provide the Committee with an implementation plan outlining measures to improve coordination between national and provincial structures in the delivery of post-settlement support and development services.

8.2 Restitution

- Strengthen the institutional capacity of the Commission by filling vacant posts, improving technical capacity, and ensuring adequate operational support at both national and regional levels.

- Consider the implementation of Section 4 of the Restitution of Land Rights Act through the appointment of additional Regional Land Claims Commissioners (1 per region/province) with clear delegations of power to add to the capacity required in the RLCCs across the country
- The Department and the Commission should improve coordination with the National Treasury to minimise the negative effects of budget reprioritisation on restitution outcomes.
- The Commission should provide quarterly reports to Parliament on the status of outstanding claims, expenditure patterns, settlement timelines, and challenges affecting implementation and how the challenges are being addressed.

8.3 Communal Property Associations

- Expedite the establishment and operationalisation of the independent CPA Office as envisaged in the CPA Amendment Act, including adequate staffing at both national and provincial offices, and financial resources. Further, strengthen oversight, compliance monitoring, and dispute-resolution mechanisms for CPAs, including the development of early-warning systems and digital monitoring tools to identify governance failures and conflicts at an early stage.
- Consider developing a comprehensive intervention framework to address maladministration, corruption, elite capture, and prolonged disputes within CPAs, including clear consequence management measures for non-compliance.
- Ensure that the support programmes are broadened beyond governance training to include mediation, conflict resolution, customary law expertise, and institutional support that addresses tensions between communal ownership models and traditional leadership structures.

8.4 Tenure Reform (Including Labour Tenants’ Applications)

- Align the Annual Performance Plan (APP), Annual Operational Plan (AOP), and Court-approved Implementation Plan to ensure consistency, transparency, and measurable outcome-based indicators for labour tenant claims processing.

- The Department should strengthen provincial capacity through the appointment of permanent staff, technical specialists, and legal support personnel dedicated to labour tenant matters.
- Improve coordination between national and provincial offices, the Special Master, and the courts to ensure efficient implementation of the Constitutional Court order in Mwelase v Director-General for the Department of Rural Development and Land Reform.
- Consider reviewing the current settlement targets and develop a more ambitious implementation plan to address the backlog of approximately 8,000 outstanding labour tenant claims.
- Investigate the feasibility of establishing a dedicated institutional structure for labour tenant matters, comparable to the Commission on Restitution of Land Rights, to improve governance, accountability, and programme implementation.
- Submit on a quarterly basis progress reports to Parliament on labour tenant claims settled, claims referred to court, budget expenditure, staffing levels, and implementation challenges.

8.5 Rural Development

- The Department should strengthen intergovernmental coordination mechanisms to improve the planning, implementation, and monitoring of rural development programmes across all spheres of government.
- The National Treasury and the Department should prioritise the restoration and expansion of funding for rural infrastructure development to support economic inclusion, service delivery, and sustainable rural livelihoods.
- The Department should develop a comprehensive rural development impact assessment framework with measurable indicators relating to job creation, infrastructure outcomes, economic participation, and community wellbeing.
- The Department should ensure that the expansion of NARYSEC is accompanied by clear pathways for skills utilisation, entrepreneurship support, and sustainable employment opportunities for rural youth.

8.6 Land Administration and Spatial Planning

- Accelerate the implementation of the Electronic Deeds Registration System and provide Parliament with regular progress reports on system deployment, functionality, and challenges.
- Urgently address high vacancy rates in the National Geomatics Management Services and Registration of Deeds branches by implementing succession planning and skills retention strategies.

8.7 Institutional Capacity and Governance

- Urgently finalise and implement a fit-for-purpose organisational structure aligned to its constitutional and legislative mandate. Further, prioritise the filling of all critical senior management and technical vacancies within prescribed timeframes to reduce overreliance on acting appointments and consultants.
- Submit a report, with operational clarity, regarding officials transferred to the Department of Agriculture through the National Macro Organisation of Government (NMOG) realignment, including clear responsibilities, work plans, and performance targets.
- Submit a detailed report to Parliament on measures undertaken to improve organisational stability, institutional capacity, and operational efficiency.

8.8 Ingonyama Trust Board

- Ensure that the ITB review its operational model and funding framework to align its activities with developmental outcomes and the material well-being of beneficiary communities.
- Ensure that all Ingonyama Trust disbursements, the R60 million, are linked to clearly defined programme objectives, measurable performance indicators, beneficiary criteria, and transparent reporting requirements.
- In line with the legislative mandate of the ITB, i.e. material benefits and social well-being, the minister should ensure that the ITB strengthens its performance framework to include measurable developmental indicators relating to tenure security, local economic

development, land productivity, livelihood improvement, and support to Traditional Councils.

- Further, the findings and recommendations of the Moerane investigation, once concluded, should be submitted to Parliament and implemented within defined timeframes to strengthen governance, accountability, and institutional clarity within the ITB.
- Strengthen Executive oversight over the ITB to ensure improved governance, compliance, and the advancement of the material interests of beneficiary communities.

8.9 Office of the Valuer-General

- The Department should urgently finalise and approve a permanent organisational structure for the Office of the Valuer-General (OVG) to improve institutional stability and operational efficiency. The Minister should prioritise appointing the Valuer-General and Chief Operations Officer to ensure strategic leadership, accountability, and continuity within the OVG.

Unless otherwise stated, responses to this report and recommendations should be submitted within three months after the adoption of this report by the National Assembly.

Report to be considered

6. REPORT OF THE PORTFOLIO COMMITTEE ON HUMAN SETTLEMENTS ON BUDGET VOTE 33 OF THE DEPARTMENT OF HUMAN SETTLEMENTS AND ITS ENTITIES FOR THE 2026/27 FINANCIAL YEAR, DATED 11 MAY 2026

The Portfolio Committee on Human Settlements (the Committee) considered Budget Vote 33, as well as the Strategic Plan and Annual Performance Plan of the Department of Human Settlements (the Department) and its entities, as tabled, and reports as follows:

1. Introduction

The Money Bills Amendment Procedure and Related Matters Act, 2009 (Act No. 9 of 2009) empowers the National Assembly, through its committees, to assess and report on departmental budget votes, including those of their respective entities, in relation to approved strategic plans and annual performance plans. In fulfilling this mandate, the Portfolio Committee on Human Settlements (the Committee) undertook a detailed scrutiny of Budget Vote 33 for the Department of Human Settlements (the Department) and its entities. The purpose of this process was to determine whether the proposed allocations are aligned with national priorities and policy objectives, and whether they support effective and efficient service delivery.

In conducting this assessment, the Committee considered the alignment of the proposed budget with the Department's Strategic Plan and Annual Performance Plan, as well as the extent to which allocated resources support the achievement of key performance indicators and service delivery targets for the 2026/27 financial year. The Committee further sought to evaluate whether the budget is structured in a manner that promotes efficiency, accountability, and optimal utilisation of public resources. Accordingly, this Budget Vote Report serves as a primary accountability mechanism through which the Department and its entities report to the Committee, and ultimately Parliament, on their financial planning and projected expenditure over the medium term.

The Committee considered Budget Vote 33 together with the Department's Annual Performance Plan for the 2026/27 to 2028/29 period and the associated medium-term financial

estimates. Budget Vote 33 outlines the appropriations for the Department and its entities, including the National Home Builders Registration Council, the National Housing Finance Corporation, the Community Schemes Ombud Service, the Social Housing Regulatory Authority, and the Housing Development Agency.
The Committee notes that the Department's budget over the Medium-Term Expenditure Framework (MTEF) reflects a period of fiscal constraint, with a reduction in the baseline allocation compared to the previous financial year. This decline is largely attributable to the reconfiguration of infrastructure funding arrangements, including the reallocation of resources previously administered through sector-specific grants. While these adjustments form part of broader fiscal consolidation efforts, they have significant implications for the human settlements sector.

The reduction in the budget occurs in the context of increasing demand for housing, rising urbanisation pressures, and persistent backlogs in informal settlements upgrading and housing delivery. As a result, the Committee is of the view that the constrained fiscal environment will require the Department to prioritise high-impact interventions, improve expenditure efficiency, and strengthen coordination across spheres of government to ensure that available resources are utilised effectively.

In this regard, the Committee emphasises that the alignment between policy priorities and available funding will be critical to achieving the objectives of spatial transformation, improved access to housing, and the development of sustainable human settlements over the medium term.

2. Policy Priorities and Alignment

An assessment of the Department of Human Settlements' strategic plan and annual performance plan indicates a clear alignment with key national policy frameworks, including the Constitution of the Republic of South Africa (1996), the National Development Plan (NDP) Vision 2030, the Medium-Term Development Plan (MTDP) 2024–2029, and the priorities articulated in the State of the Nation Address (SONA) 2026.

The Constitution affirms the right of access to adequate housing and places an obligation on the state to take reasonable legislative and other measures, within available resources, to progressively realise this right. In this context, the Department's mandate is directly aligned with constitutional imperatives, with a particular focus on facilitating access to housing, promoting spatial transformation, and ensuring the development of sustainable human settlements.

The National Development Plan (NDP) provides the overarching long-term vision for the sector, which is centred on the transformation of human settlements and the national space economy. The NDP envisages a South Africa where, by 2030, spatial patterns inherited from apartheid are significantly transformed, with citizens residing closer to economic opportunities and having access to essential services and infrastructure. In pursuit of this vision, the Department's policies emphasise the development of integrated and inclusive communities, balancing spatial equity, economic efficiency, and environmental sustainability.

The Medium-Term Development Plan (MTDP) 2024–2029 translates the long-term vision of the NDP into implementable medium-term priorities. Within this framework, the Department is expected to contribute to several key outcomes, including the development of well-located social housing, the upgrading of informal settlements, the release of land for human settlements development, and the improvement of access to adequate housing through a range of delivery instruments. The MTDP further emphasises the need to address the backlog in title deeds, to support the transformation of housing into economic assets, and to promote the development of liveable neighbourhoods in both urban and rural areas.

In alignment with these priorities, the Department has identified a set of strategic focus areas for the 2026/27 financial year. These include improving integration in human settlements planning and implementation, strengthening coordination across the three spheres of government, enhancing governance and accountability, and reducing the impact of disasters on vulnerable communities. These priorities are intended to address systemic challenges in the sector while advancing the broader objectives of spatial transformation and inclusive development.

The State of the Nation Address (SONA) 2026 further reinforces the importance of human settlements within the broader national development agenda. Human settlements are positioned as a central component of infrastructure development, with government committing to a large-scale infrastructure programme aimed at stimulating economic growth and improving service delivery. In this regard, housing is recognised as a key driver of economic activity and social development, particularly through its linkages with infrastructure, land development, and urban planning.

A significant policy shift highlighted in SONA 2026 is the transition from a state-led housing delivery model to a subsidy-led approach that enables beneficiaries to access a wider range of housing options. This shift is intended to enhance consumer choice, promote home ownership, and support the development of rental housing markets in well-located urban areas. The Department's programmes and funding instruments are increasingly aligned with this approach, with a growing emphasis on financial subsidies, blended financing, and partnerships with the private sector.

In addition to these policy frameworks, the Department has also prioritised key legislative and policy developments aimed at strengthening governance and improving implementation. These include the development of a Human Settlements Code to standardise policies and operational processes, as well as legislative reforms such as the Prevention of Illegal Eviction from and Unlawful Occupation of Land Amendment Bill. These initiatives are intended to address challenges related to illegal land occupation, clarify roles and responsibilities across government, and enhance the overall effectiveness of the human settlements programme.

Overall, the Committee is satisfied that the Department's policy priorities are broadly aligned with national development frameworks and that they address the key challenges facing the sector. However, the effective translation of these policies into tangible delivery outcomes will depend on the Department's ability to strengthen implementation capacity, improve intergovernmental coordination, and ensure that available resources are utilised efficiently to achieve the intended results.

3. Overview of the 2026/27–2028/29 Medium-Term Expenditure Framework

The Department of Human Settlements' budget over the Medium-Term Expenditure Framework (MTEF) reflects a continued focus on the development of integrated human settlements, the expansion of access to housing opportunities, and the upgrading of informal settlements. Over the three-year MTEF period, total expenditure is projected at approximately R81.36 billion, with allocations of R26.972 billion in 2026/27, R27.180 billion in 2027/28, and R27.212 billion in 2028/29.

The Committee notes that the Department’s budget is largely driven by transfers and subsidies to provinces, municipalities, and public entities, which remain the primary mechanism for housing delivery. These transfers account for most of the Department’s expenditure, reflecting its role as a coordinating and funding institution rather than a direct implementing agent.

A significant feature of the 2026/27 budget is the overall reduction in allocation compared to the previous financial year, largely attributable to the reconfiguration of infrastructure financing arrangements. In particular, the reallocation of funds previously channelled through the Urban Settlements Development Grant has resulted in a nominal decrease in the Department’s baseline allocation, despite continued demand pressures within the sector.

Notwithstanding this reduction, the Department’s budget remains strongly aligned with its core strategic priorities. The largest share of the allocation is directed towards Programme 2: Integrated Human Settlements Planning and Development, which receives approximately R17.8 billion in 2026/27. This programme focuses on the delivery of housing subsidies, land development, and the provision of bulk infrastructure through grants to provinces and municipalities. Over the MTEF period, it continues to dominate departmental spending, reflecting the centrality of housing delivery and spatial integration within the Department’s mandate.

Programme 3: Informal Settlements is the second-largest component of the budget, with an allocation of R7.0 billion in 2026/27, increasing over the medium term. This growth reflects government’s prioritisation of informal settlements upgrading as a key intervention in addressing urbanisation pressures and improving living conditions for vulnerable communities. The programme supports the provision of tenure security, basic services, and incremental housing improvements through targeted grant funding. Programme 4: Rental and Social Housing receives R981.2 million in 2026/27, with steady increases over the MTEF period. This allocation supports the expansion of affordable rental housing, particularly in urban areas, and reflects a growing policy emphasis on diversifying housing delivery instruments to include rental and social housing options. The programme also facilitates oversight of the Social Housing Regulatory Authority and promotes investment in the rental housing sector.

4. Analysis of Budget Allocations per Programme

The Department's budget is structured across five programmes, with the Integrated Human Settlements Planning and Development programme receiving the largest share of the allocation.

The Informal Settlements programme shows measurable growth over the medium term, reflecting government's prioritisation of upgrading initiatives in response to rapid urbanisation. The Rental and Social Housing and Affordable Housing programmes are modest in size but remain critical for expanding access to housing opportunities, particularly for the gap market and urban households.

Table 1: Budget Allocation by Programme (2026/27 – 2028/29 MTEF)

- Administration: R552.1 million (2026/27)
- Integrated Human Settlements: R17.8 billion (2026/27)
- Informal Settlements: R7.0 billion (2026/27)
- Rental and Social Housing: R981.2 million (2026/27)
- Affordable Housing: R596.7 million (2026/27)

Total: R26.97 billion

The Integrated Human Settlements programme accounts for the largest share of the budget (approximately 64% of MTEF allocation), while Informal Settlements is the fastest-growing programme.

Programme 1: Administration

Programme 1 provides strategic leadership, management and support services. It is allocated R552.1 million in 2026/27, reflecting a nominal decrease from the previous financial year.

Programme 2: Integrated Human Settlements Planning and Development

This programme promotes spatial integration and coordinates implementation across spheres of government. It is allocated R17.8 billion in 2026/27.

Key functions include:

- Transfer of the Human Settlements Development Grant (HSDG);
- Policy development and research; and
- Intergovernmental coordination.

Programme 3: Informal Settlements

Programme 3 is allocated R7.0 billion in 2026/27 and supports informal settlements upgrading. Key interventions include:

- Upgrading 4,075 informal settlements over the MTDP period;
- Provision of tenure security and basic services; and
- Implementation of the Informal Settlements Upgrading Partnership Grant (ISUPG).

Programme 4: Rental and Social Housing

This programme promotes affordable rental housing and monitors the Social Housing Regulatory Authority. It receives R981.2 million in 2026/27 and shows steady growth over the MTEF.

Programme 5: Affordable Housing

Programme 5 focuses on housing finance for the gap market and oversight of housing finance institutions. It is allocated R596.7 million in 2026/27. Transfers to the National Housing Finance Corporation aim to support access to finance for households that fall outside traditional subsidy programmes.

5. Overview of Departmental Entities and Budged Allocations

Alongside the Department's primary budget, the Committee reviewed the 2026/27 Annual Performance Plans (APPs) of the Department's entities, which play a critical role in supporting the delivery of housing, facilitating access to finance, regulating the housing market, and ensuring quality assurance in construction. These entities contribute to the achievement of national housing priorities and complement the Department's mandate through specialised functions.

Over the Medium-Term Expenditure Framework (MTEF), allocations to entities are primarily channelled through transfers from Programme 5: Affordable Housing and other programme-specific transfers, with a focus on expanding access to housing opportunities, strengthening regulatory oversight, and improving sector performance.

5.1.Social Housing Regulatory Authority (SHRA)

The Social Housing Regulatory Authority plays a central role in developing and regulating the social housing sector, with a focus on expanding affordable rental housing in well-located urban areas. For the 2026/27 financial year, SHRA is allocated approximately R938.6 million. This allocation is directed towards supporting accredited social housing projects and increasing the supply of affordable rental units. Over the medium term, the Authority plans to deliver approximately 9,935 social housing units, contributing to spatial transformation and improved access to rental accommodation.

The Committee noted that the growth in allocations to SHRA reflects government's emphasis on rental housing as a key intervention in addressing housing demand in urban areas. However, concerns remain regarding delivery capacity, governance stability, and delays in project implementation.

5.2.National Housing Finance Corporation (NHFC)

The National Housing Finance Corporation is responsible for expanding access to housing finance, particularly for households in the "gap market" that fall outside the scope of fully subsidised housing programmes.

The NHFC receives a transfer of approximately R483.5 million in 2026/27 under the Public Entity Oversight component of Programme 5. Over the MTEF, total allocations to the NHFC amount to approximately R1.356 billion, reflecting government's commitment to addressing financing constraints in the housing sector. The Corporation aims to deliver 18,214 finance-linked individual subsidies over the medium term, thereby facilitating access to home ownership and improving affordability. The Committee noted that while the NHFC plays a critical role in bridging the housing finance gap, challenges remain in scaling up its operations and ensuring broader market participation.

5.3.Community Schemes Ombud Service (CSOS)

The Community Schemes Ombud Service provides dispute resolution and regulatory oversight for community schemes, including sectional title developments and homeowners' associations.

For the 2026/27 financial year, CSOS has a projected expenditure of approximately R474.1 million. Unlike other entities, CSOS derives much of its revenue (approximately 86.8%) from levies collected from community schemes, with diminishing reliance on transfers from the fiscus.

The Committee noted that CSOS is moving towards financial self-sustainability; however, operational challenges persist, including adjudication delays, capacity constraints, and compliance issues. The effective functioning of CSOS is critical in ensuring stability and accountability within community housing schemes.

5.4.Property Practitioners Regulatory Authority (PPRA)

The Property Practitioners Regulatory Authority is responsible for regulating the real estate sector, including property practitioners, and ensuring compliance with legislative requirements.

The PPRA is allocated approximately R247.6 million for the 2026/27 financial year, funded primarily through fees collected from property practitioners. The Authority plays an important role in ensuring transparency, consumer protection, and transformation within the property market.

The Committee noted progress in strengthening regulatory oversight; however, challenges such as system inefficiencies, data management limitations, and slow processing of registrations continue to affect performance. The implementation of automated systems is expected to improve service delivery and compliance.

5.5.National Home Builders Registration Council (NHBRC)

The National Home Builders Registration Council is responsible for regulating the home building industry and ensuring quality assurance in housing construction.
While the NHBRC operates largely on a self-funding model through enrolment fees and levies, its oversight role remains critical in protecting housing consumers and ensuring compliance with building standards. The Council's activities include the inspection of housing projects, enforcement of standards, and management of the warranty fund.

The Committee noted that the NHBRC continues to face operational challenges related to inspection capacity and system inefficiencies. However, its role is expected to expand with the implementation of strengthened legislative frameworks aimed at improving consumer protection.

5.6. Housing Development Agency (HDA)

The Housing Development Agency is tasked with land acquisition, project management, and facilitating the development of integrated human settlements.

For the 2026/27 period, the HDA is responsible for managing key projects, including the development of serviced sites and support for priority interventions such as asbestos roof replacement. The Agency's role in unlocking well-located land is central to achieving spatial transformation objectives.

The Committee observed that while the HDA has demonstrated strong governance performance, concerns remain regarding its funding model, sustainability, and declining delivery targets in certain areas. The Agency is exploring alternative funding mechanisms, including partnerships and special purpose vehicles, to enhance its long-term viability.

6. Overall Assessment of Entities

The Committee noted that the Department's entities are operating within a complex and evolving environment characterised by increasing demand for housing, fiscal constraints, and rising operational challenges.

Key cross-cutting issues identified across entities include:

- Capacity constraints and governance instability in certain institutions;
- Slow progress in digital transformation and modernisation;
- Financial sustainability pressures, particularly for entities transitioning away from fiscal transfers; and
- External risks such as illegal land occupation, construction disruptions, and economic volatility.

Despite these challenges, the Committee recognised that the entities remain central to the delivery of housing outcomes and the achievement of national development priorities. Strengthening governance, enhancing operational efficiency, and improving coordination across the portfolio will be critical to ensuring that entities contribute effectively to the delivery of sustainable human settlements.

7. Committee Observations and Findings

Having considered the presentations by the Department of Human Settlements (DHS) and its entities, the Committee raised several observations and questions relating to budget adequacy, service delivery performance, governance, and sector-wide challenges. The Committee's engagement focused on identifying systemic risks affecting housing delivery, while also noting the Department's responses and proposed interventions.

7.1. Budget Reductions and Impact on Service Delivery

The Committee noted with concern that the Department's budget has declined significantly compared to the previous financial year, despite increasing demand for housing and growing pressures from rapid urbanisation. Members expressed the view that the reduction in allocations is not aligned with the scale of the housing backlog and may negatively affect the Department's ability to meet its delivery targets.

The Department acknowledged that the reduction is largely due to fiscal consolidation measures and the reconfiguration of infrastructure funding, particularly the reallocation of the Urban Settlements Development Grant. While recognising the constrained fiscal environment, the Department indicated that it would prioritise high-impact programmes and improve expenditure efficiency to mitigate the effects of reduced funding.

7.2.Informal Settlements Upgrading and Urbanisation Pressures

The Committee expressed serious concern regarding the continued expansion of informal settlements, particularly in metropolitan areas, driven by migration and economic pressures. Members noted that the pace of upgrading remains slow relative to the growing demand, and that inadequate access to basic services continues to affect the living conditions of residents.

The Department indicated that it aims to accelerate informal settlements upgrading through targeted interventions under the Informal Settlements Upgrading Partnership Grant. It further highlighted that constraints such as land availability, bulk infrastructure requirements, and coordination challenges continue to affect implementation. The Department committed to strengthening partnerships with municipalities to improve delivery.

7.3.Delays in Housing Projects and Blocked Developments

The Committee observed that several housing projects remain stalled or incomplete, resulting in delays in the delivery of housing opportunities and the inefficient use of allocated funds. Members raised concerns about projects that have been delayed for extended periods, citing the negative impact on beneficiaries and public confidence.

In response, the Department acknowledged the existence of “blocked projects” and indicated that these are being addressed through targeted recovery plans, including technical assessments, funding realignment, and improved project management oversight. The Department further stated that lessons learned from delayed projects are being incorporated into future planning processes.

7.4.Intergovernmental Coordination and Implementation Capacity

The Committee highlighted persistent challenges in coordination between national, provincial, and municipal spheres of government. Members noted that weak alignment of planning frameworks and limited capacity at implementing levels continue to undermine the effectiveness of human settlements programmes.

The Department indicated that efforts are underway to improve intergovernmental coordination through integrated planning instruments and structured engagement platforms. It further acknowledged that capacity constraints at provincial and municipal level remain a key challenge and that additional support mechanisms are being explored to address these gaps.

7.5. Illegal Land Occupation and Misuse of Subsidised Housing

The Committee raised concerns regarding the increasing incidence of illegal land occupation and the misuse of subsidised housing, including the unlawful sale and rental of RDP houses. Members emphasised that these practices undermine housing policy objectives and limit access for qualifying beneficiaries.

The Department reiterated that legislation prohibits such practices and confirmed that enforcement measures are being strengthened in collaboration with law enforcement agencies. It further indicated that awareness campaigns and monitoring systems are being enhanced to discourage non-compliance and protect the integrity of housing programmes.

7.6. Governance and Capacity Challenges within Entities

The Committee expressed concern about governance and operational challenges within some of the Department's entities, particularly in relation to vacancies in critical positions, limited technical capacity, and reliance on outdated systems. Members emphasised that these weaknesses have a direct impact on service delivery and regulatory effectiveness.

Entities acknowledged these challenges and indicated that steps are being taken to improve governance through organisational restructuring, recruitment processes, and the adoption of digital systems. However, the Committee emphasised the need for urgent action to stabilise leadership and enhance institutional capacity.

7.7. Housing Finance and the "Gap Market"

The Committee noted that access to housing for households in the "gap market" remains limited. Members highlighted that this segment, which does not qualify for fully subsidised housing yet struggles to access formal finance, continues to face significant barriers.

The Department indicated that interventions are being implemented through housing finance institutions to expand access to financing options. It further noted that policy work is underway to develop alternative housing delivery models, including rental and rent-to-own options, to better address the needs of this segment.

7.8. Transition to Alternative Housing Delivery Models

The Committee observed that while the Department has signalled a policy shift towards subsidy-led and alternative housing delivery models, implementation remains at an early stage. Members raised concerns about delays in finalising policy frameworks and the potential impact on delivery.

The Department confirmed that work is ongoing to develop and refine policies related to rent-to-own models and diversified housing options. It indicated that consultations are being undertaken and that the implementation of these models will require legislative and regulatory adjustments.

7.9. Digitalisation and Degitisation Operational Efficiency

The Committee noted that digital transformation remains uneven across the Department and its entities, with several processes still reliant on manual systems. Members highlighted that modernisation is critical for improving efficiency, transparency, and accountability.

In response, the Department and entities indicated that digitalisation initiatives are being prioritised, including the development of integrated systems for monitoring, reporting, and service delivery. However, progress has been slow due to resource constraints and legacy systems.

7.10. Financial Management and Value for Money

The Committee raised concerns regarding the effective use of allocated funds, particularly in relation to stalled projects and underperformance. Members emphasised the need to ensure that expenditure translates into tangible delivery outcomes and that public resources are utilised efficiently.

The Department indicated that measures are being implemented to strengthen financial management, including improved monitoring, stricter performance controls, and enhanced accountability mechanisms. It further committed to ensuring that funds are redirected where necessary to maximise impact.

7.11. Transformation and Sector Development

The Committee emphasised the importance of transformation within the housing and construction sectors, particularly in relation to the participation of women, youth, and historically disadvantaged groups. Members noted that progress remains uneven and requires targeted interventions.

The Department and entities indicated that initiatives are in place to promote inclusivity, including support for emerging contractors and measures to improve access to opportunities. The Committee, however, underscored the need for measurable outcomes and improved monitoring of transformation targets.

8. Recommendations to the Minister of Human Settlements

Having considered Budget Vote 33 and the Annual Performance Plans of the Department and its entities, the Committee makes the following recommendations to the Minister:

8.1. The Department should submit, within 30 days, a detailed report on the impact of budget reductions on housing delivery targets, including mitigation measures to ensure that priority programmes are not adversely affected.

8.2. The Department should, within 60 days, present a comprehensive plan to accelerate the upgrading of informal settlements, including clear timelines, funding allocations, and mechanisms to address implementation constraints.

8.3. The Department should, within 30 days, provide a status report on all stalled or “blocked” housing projects, outlining the causes of delays, financial implications, and corrective measures to ensure completion.

8.4. The Department should strengthen intergovernmental coordination and submit, within 90 days, a framework outlining measures to improve alignment between national, provincial, and municipal planning and implementation processes.

8.5. The Department should, within 60 days, outline concrete interventions to address illegal land occupation and the misuse of subsidised houses, including strengthened monitoring and enforcement mechanisms.

8.6. The Department should, within 90 days, finalise and present policy proposals on alternative housing models, including rent-to-own schemes, to improve access to housing for the gap market.

8.7. The Department should ensure that all entities fill critical vacancies and report to the Committee within 60 days on progress made in stabilising governance and improving operational capacity.

8.8. The Department and its entities should, within 90 days, submit progress reports on digital transformation initiatives aimed at improving efficiency, transparency, and service delivery.

8.9. The Department should develop and implement a strengthened monitoring framework to detect and prevent fronting in construction and report progress to the Committee within 60 days.

8.10. The Department should submit, within 60 days, a report on measures to improve financial management and ensure value for money, particularly in relation to stalled projects and underperforming programmes.

8.11. The Department should, within 90 days, provide a detailed report on transformation initiatives within the housing sector, including measurable targets and progress in supporting women, youth, and historically disadvantaged groups.

Report to be considered.

7. Report of the Portfolio Committee on Human Settlements on the Third Quarter Report of 2025/26 Financial and Non-Financial Performance of the Department of Human Settlements, Dated 6 May 2026

The Portfolio Committee on Human Settlements (the Committee), having considered the third quarter report of 2025/26 on the expenditure and performance of the Department of Human Settlements (hereinafter referred to as the Department), reports as follows:

1. Introduction

The Committee considered the third quarter report for the Department on the 25 March 2026. This report provides a reflection on the expenditure and non-financial performance of the Department by the end of the second and third quarters of 2025/26 financial year. It also provides the Committee's key deliberations, observations, and recommendations. The sources of this report include documents presented to the Portfolio Committee by the Department, the Adjusted Estimates of National Expenditure (AENE) and section 32 report published by the National Treasury.

2. An overview of the overall expenditure: Second (July to September) and Third quarter (October to December 2026)

Over the medium term, the department reported that over the MTEF period it will focus on developing integrated human settlements, mainly through providing housing subsidies and funding bulk infrastructure projects; providing serviced sites and upgrading informal settlements; increasing access to housing and improving security of tenure; and providing emergency housing in response to disasters.

Funding for these measures is primarily sourced from several key grants: the Human Settlements Development Grant (HSDG), the Urban Settlements Development Grant (USDG), and the Informal Settlements Upgrading Partnership Grants for both provinces and municipalities. To improve efficiency and resolve delivery bottlenecks, the department plans to review and reconfigure its core instruments, specifically the HSDG and USDG. Over the medium term, the department will monitor the quarterly performance of its public entities, conduct an in-depth evaluation of the broader human settlements programme, and develop financial interventions to boost affordable rental housing delivery.

The department's mandate is largely funded through transfers and subsidies to provinces, municipalities, and entities, accounting for approximately 94% (R76.9 billion) of the budget over the MTEF period. However, total expenditure is projected to decrease at an average annual rate of 8%, falling from R34.9 billion in 2025/26 to R27.2 billion by 2028/29. This decline is driven mainly by a R19.5 billion reduction in the USDG, which funds bulk infrastructure in metros. As part of broader infrastructure investment reforms, these funds are being redirected to the Urban Development Financing Grant under National Treasury.

The department will also continue to support and facilitate capacity-building initiatives in provinces and municipalities to implement human settlements programmes and ensure that housing opportunities are delivered effectively.

2.1 Developing integrated human settlements

Over the medium term, the department expects to deliver 160,572 fully subsidised houses. These projects are funded through provincial allocations of R41.4 billion via the Human Settlements Development Grant (HSDG), situated within the Integrated Human Settlements Planning and Development programme. Additionally, R9.1 billion is allocated to the Urban Settlements Development Grant (USDG) to fund essential bulk infrastructure in metropolitan municipalities.

To strengthen provincial capacity and resolve registration bottlenecks, R121.4 million has been set aside for the Title Deeds Support Programme to deliver a targeted 43,944 deeds. Despite these goals, spending within the broader Integrated Human Settlements programme is projected to decline at an average annual rate of 10.8%. This is primarily due to the reallocation of funds from the USDG to the National Treasury's Urban Development Financing Grant.

2.2 Providing serviced sites and upgrading informal settlements

Over the medium term, the department aims to develop 214,271 stands with municipal bulk infrastructure and upgrade 2,974 informal settlements. These upgrades will provide permanent infrastructure for water, sewage disposal, access roads, stormwater drainage, and electricity. Funding is provided through the Informal Settlements Upgrading Partnership Grant (ISUPG), which includes dedicated allocations for provinces and municipalities.

Municipal allocations are projected at R14.8 billion over the period, growing at an average annual rate of 3.7% from R4.7 billion in 2025/26 to R5.3 billion by 2028/29. Conversely, provincial allocations will decrease by 10.4% annually from R2.8 billion to R2 billion, this is following Cabinet-approved reductions in the 2024 Budget. To mitigate this shortfall, R3 billion will be transferred from the Human Settlements Development Grant (HSDG) to the provincial ISUPG, ensuring provinces can meet their informal settlement upgrading targets.

Increasing access to housing and improving security of tenure

Affordable housing finance is a critical lever for households that are ineligible for full subsidies but cannot qualify for formal mortgage loans. To support this "gap market," the First Home Finance policy—funded through the Finance-Linked Individual Subsidy Programme (FLISP)aims to approve 95,781 subsidies over the medium term. These funds transferred from the Affordable Housing programme to the National Housing Finance Corporation (NHFC) for implementation, assist applicants with mortgage costs, deposit savings, and self-build projects. Of the total target, the NHFC aims to approve 10,568 applications and disburse 8,454 subsidies, while provinces are expected to manage the remaining 85,213 subsidies through their Human Settlements Development Grant (HSDG) allocations. The NHFC is allocated R1.4 billion over the next three years, with programme spending projected to grow at an average annual rate of 4.7%, rising from R560 million in 2025/26 to R641.6 million by 2028/29.

To address the needs of low-to-middle-income households, the department also plans to deliver 7,300 affordable rental units over the next three years. These are managed by the Social Housing Regulatory Authority (SHRA), which funds capital costs for units implemented by regulated social housing institutions. This delivery is financed through SHRA's Consolidated Capital Grant, which has a medium-term allocation of R2.6 billion. Spending on the Rental and Social Housing programme is expected to increase by 3.8% annually, growing from R939.3 million in 2025/26 to R1.1 billion by 2028/29.

3. Quarterly Expenditure

3.1. Financial Expenditure as of 30 September 2025 (Second Quarter)

Programmes R`000	Total Allocation	Commitments	Expenditure	Variance	% Spent
1: Administration	R 532,915	R 31,541	R 201,293	R 331,622	38%
2: Integrated human settlements planning and development	R 23,884,628	R 48,265	R 11,643,975	R 12,240,653	49%
3: Informal settlements	R 8,126,334	R 318,657	R 3,339,212	R 4,787,122	41%
4: Rental and social housing	R 939,255	R 203	R 430,495	R 508,760	46%
5: Affordable housing	R 559,665	R 424	R 250,988	R 308,677	45%
Total	R 34,042,797	R 399,090	R 15,865,963	R 18,176,834	47%

3.2. Financial Expenditure as of 31 December 2025 (Third Quarter)

Programmes R`000	Total Allocation	Commitments	Expenditure	Variance	% Spent
1: Administration	R 581,815	R 18,866	R 331,811	R 250,004	57%
2: Integrated human settlements planning and development	R 23,883,765	R 40,113	R 17,320,953	R 6,562,812	73%
3: Informal settlements	R 8,950,825	R 232,064	R 5,935,138	R 3,015,687	66%
4: Rental and social housing	R 939,255	R 112	R 913,467	R 25,788	97%
5: Affordable housing	R 559,665	R 907	R 485,838	R 73,827	87%
Total	R 34,915,325	R 292,063	R 24,987,207	R 9,928,118	72%

3.3. The Summary of the spending pattern from the Second quarter to Third quarter

Programme	Quarter 2 (July to September) Expenditure (%)	Quarter 3 (October to December) Expenditure (%)	Progress (%)
Administration	38	57	+19
Integrated Planning	49	73	+24
Informal Settlements	41	66	+25
Rental & Social	46	97	+ 51
Affordable Housing	45	87	+ 42

This comparison illustrates the department's significant progress from the second to the third quarter. While the Rental and Social Housing programme is effectively 'closed out' for the financial year, the priority for the final quarter must now shift to addressing the R6.5 billion variance remaining in the Integrated Planning and Development programme.

This comparison further demonstrates that the department has significantly ramped up its activity toward the end of the year. Total expenditure rose from 47% in the second quarter to a more robust 73.5% by December 2025, reflecting an average increase across all programmes.

EXPENDITURE PER PROGRAMME

4.1 Programme 1

Programme 1: Administration underspent its budget in both quarter 2 (R47.3 million, 19% low) and quarter 3 (R53.7 million, 13.9% low), with persistent delays in travel, consulting, and CoE expenditures driving the variance. While the total expenditure increased by quarter three , challenges in finalizing the organizational structure and processing vendor invoices for travel and advertising (SABC) resulted in continued underperformance against the projected spending.

4.2 Programme 2

Programme 2: Integrated Human Settlements Planning and Development

The financial performance of this programme shifted from an overspend in Quarter 2 to an underspend in Quarter 3, primarily driven by changes in grant transfers and internal procurement delays.

- Grant Management: In Quarter 2, the variance was a simple administrative mismatch between early estimates and approved payment schedules. By Quarter 3, the variance became punitive, with National Treasury withholding funds because the City of Johannesburg failed to report accurately on previous spending.
- Goods & Services: While Q2 was dominated by grant transfers, Q3 highlights internal bottlenecks. Spending on consultants is lagging because the department was late in finalising its procurement plan.
- IT Spending Strategy: Q3 shows a deliberate delay in computer services spending, as the large Microsoft license payment is specifically reserved for the final quarter.

4.3 Programme 3

Programme 3: Informal Settlements Upgrading Programme)

The Department of Human Settlements overspent projections in both quarter two (R133 million) and quarter three (R186.7 million), primarily driven by Informal Settlements Upgrading Partnership Grant (ISUPG) transfers exceeding estimates due to payment schedule misalignments. While Emergency Housing Fund spending rose to a cumulative R349.1 million by Q3, with a focus on Temporary Residential Units (TRUs), expenditure remains reactive to disaster occurrences, with further increases expected due to disasters in Limpopo and Mpumalanga.

4.4 Programme 4

Programme 4: Rental and Social Housing

Between Quarter 2 and Quarter 3, the programme showed a strong financial recovery, narrowing its spending gap from a 10.5% deficit (R50.3m) to just 1.1% (R10m) below projection. While budget utilisation surged from 45.8% to nearly 100% of the total R968 million, the root cause of delays shifted from general "protracted processes" in quarter 2 to a specific failure to finalise the procurement plan by quarter 3.

5.5 Programme 5

Programme 5: Affordable Housing

The program's spending increased from R251 million (44.8%) in quarter 2 to R485.8 million in quarter 3. Despite this growth, it remained underspent in both quarters. By quarter 3, the department began reallocating funds (virement) to other priorities because of the slow pace of spending. For instance, unlike quarter 2, the quarter 3 report mentions a virement where funds were moved to Programme 2 to fund the IBT Presidential Summit in February. This indicates the department has accepted that certain funds will not be spent within this programme as originally planned.

4. Personnel

By the end of the **second quarter**, the department had spent **R192.4 million** on Compensation of Employees (COE) against a projected **R228 million**. This **R35.6 million (16%)** underspend was primarily due to headcount reductions from resignations, expired contracts, and delays in filling vacancies. At that stage, the department had **454 staff members** out of **616 funded posts**, resulting in a **26% vacancy rate** (162 positions).

By the end of the **third quarter**, expenditure rose to **R289 million** against a projection of **R324.9 million**. While this remains **R35.9 million (11%)** below projections, the department has made progress by hiring a net total of **27 additional employees**. The current staff complement stands at **484 employees**, reducing the vacancy rate to **21.4%** (132 vacant positions).

4.1. Non-financial Performance per programme

4.2. Programme 1 (Administration)

Targets Achieved

Performance Summary

The department showed consistent progress across both quarters, particularly in the assessment of Informal Settlements Upgrading Partnership Grants (ISUPG) and allocated set-asides for designated groups.

- **Third Quarter:** Notable for the drafting of the 2026/27 Human Settlements Grants Frameworks and reaching 66% implementation of the ICT plan. However, compliance with statutory prescripts was only partially achieved.
- **Second Quarter:** Highlighted by a clean unqualified audit opinion for the 2024/25 period with no material findings.

Performance Area	Second Quarter Achievement	Third Quarter Achievement
Statutory Compliance	Not Specified	Partially Achieved (Target: 100%)
ICT Plan	Implementation initiated/ongoing	66% Implementation achieved
Audit Status	Unqualified audit opinion (2024/25)	Not Specified
Grants Frameworks	Not Specified	Draft of 2026/27 Frameworks completed
ISUPG - Province	Assessment conducted (Q1 2025/26)	Assessment conducted (Q2 2025/26)
ISUPG - Metros	Assessment conducted (Q4 2024/25)	Assessment conducted (Q1 2025/26)
Designated Groups	Assessment of HSDG & USDG allocations	Assessment of HSDG & USDG allocations

4.3. Programme 2 (Integrated Human Settlements Planning and Development)

The programme managed to achieve all seven planned targets:

Performance Summary

The performance across both quarters remained largely consistent in terms of monitoring core reports and entities.

- **Core Achievements**: In both quarters, the department successfully monitored 6 entities and produced three key reports: HSDG performance, USDG performance, and sectoral performance.
- **Key Deficits:** Each quarter faced a specific setback in its reporting milestones. The second quarter failed to complete the inception report, while the third quarter did not complete the literature review report.

Performance Area	Second Quarter Status	Third Quarter Status
Entity Monitoring	Achieved: 6 entities monitored	Achieved: 6 entities monitored
HSDG Performance	Achieved: 1 monitoring report	Achieved: 1 monitoring report
USDG Performance	Achieved: 1 monitoring report	Achieved: 1 monitoring report
Sectoral Performance	Achieved: 1 monitoring report	Achieved: 1 monitoring report
Inception Report	Not Achieved	Not specified for this period
Literature Review	Not specified for this period	Not Achieved

4.4. Programme 3 (Informal Settlements Upgrading and Emergency Housing)

Performance Summary

The department's performance remained static across both quarters, with a consistent success rate of **25%** (1 out of 4 targets achieved).

- **Successes:** The department successfully supported **9 provinces and 8 metros** in upgrading **Phase 3** of informal settlements during both periods.
- **Challenges:** Significant issues persisted regarding **Phase 1 and 2** upgrades due to a lack of sufficient evidence of performance.
- **Operational Failures:** The planned **disaster awareness sessions** could not be conducted in either quarter because service providers failed to comply with **National Treasury Central System Database (CSD)** requirements.

Performance Area	Second Quarter Status	Third Quarter Status
Upgrade Phase 3 (9 Prov & 8 Metros)	**Achieved**	**Achieved**
Complete Phase 1 (9 Prov & 8 Metros)	Partially Achieved	Partially Achieved
Complete Phase 2 (9 Prov & 8 Metros)	Partially Achieved	Partially Achieved
Disaster Awareness Session (1x)	Not Achieved	Not Achieved
Evidence of Performance (Phases 1 & 2)	Insufficient evidence provided	Insufficient evidence provided
Primary Reason for Failure (Awareness)	Non-compliance with National Treasury CSD	Non-compliance with National Treasury CSD

4.5 Programme 4 (Rental and Social Housing)

The programme managed to achieve all four planned targets. The following was programme performance:

Performance Summary

- **Second Quarter:** The Rental Housing Programme received full support (100%). However, the CRU Programme was only partially achieved because planned support for the KwaZulu-Natal (KZN) province via the CRU Reference Group did not take place.
- **Third Quarter:** The program successfully met 100% of its targets. Both the Rental Housing and the CRU Programmes (including all 5 provinces) received the planned implementation support.

Performance Area	Second Quarter Status	Third Quarter Status
Rental Housing Programme	Achieved (100% support)	Achieved (100% support)
CRU Programme (5 Provinces)	Partially Achieved	Achieved (100% support)
KZN CRU Support	Not Provided (Reference Group issue)	Achieved
Overall Achievement Rate	50% (1 of 2 targets)	100% (2 of 2 targets)
Performance Area	Second Quarter Status	Third Quarter Status

4.6 Programme 5 (Affordable Housing)

The programme managed to achieve all five planned targets

Programme 5 has maintained a perfect performance record across both the second and third quarters, achieving a **100% success rate** for all planned targets.

Performance Summary

The programme successfully delivered comprehensive support to provinces and metros across four critical housing delivery areas.

- **Administrative Support:** Ensured 100% backing for **title deed registrations**, which is essential for formalising property ownership.
- **Infrastructure & Delivery:** Maintained full support for the physical completion of **housing units** and **serviced sites** (land with basic municipal connections).

Financial Assistance: Successfully oversaw the 100% disbursement of subsidies under the **First Home Finance (FHF)** programme (formerly known as FLISP), facilitating access to the property

Performance Area	Second Quarter Status	Third Quarter Status
Title Deed Registration (Provincial Support)	Achieved (100%)	Achieved (100%)
Completion of Housing Units (Provinces)	Achieved (100%)	Achieved (100%)
Completion of Serviced Sites (Prov & Metros)	Achieved (100%)	Achieved (100%)

Disbursement of Subsidies (FHF)	Achieved (100%)	Achieved (100%)

5. Committee observations and recommendations

The Portfolio Committee raised the following observations and recommendation with the Department in respect of the third quarterly report for 2025/26:

5.1. Observation:

- **Emergency Housing Fund:** Members expressed concern over the fund's management, requesting the date of the last audit and an update on corrective measures. Specifically, they highlighted allegations of payments made for services and materials that were never delivered.
- **Leadership Status**: An update was sought regarding the Deputy Director-General for Informal Settlements, specifically whether the official remains in the position and, if not, the reasons for their departure.
- **Entity Oversight:** Members requested clarification on the roles and responsibilities of the official tasked with entity oversight, including the specific reporting methods and accountability mechanisms to the Committee.
- **Compliance vs. Impact:** Concern was raised that departmental reports prioritize administrative compliance over tangible service delivery. Members questioned how compliance reporting translates into actual housing units, particularly given the significant national backlog.
- **Performance Verification:** Further clarity was sought on how the Department ensures performance reporting reflects genuine improvements in housing delivery, especially within metropolitan areas.
- **Data Tracking:** Members inquired whether the Department tracks the specific number of individuals moved from informal settlements into formal housing and if such data is available to demonstrate measurable progress.
- **CRU Programme Responsibility:** Regarding the Community Residential Units (CRU) programme, members questioned whether the primary responsibility for delivery lies with the National Department or individual municipalities.
- **Capacity Constraints:** Members noted that the Informal Settlements Programme continues to underperform due to capacity constraints, including staff suspensions. They inquired about measures implemented to address these challenges and mitigate further negative impacts on delivery.
- **Municipal Under-expenditure:** Highlighting that several metros spent only 27% to 39% of their allocated budgets, members sought clarity on the consequences for persistent under-expenditure and the specific interventions planned to rectify this.

- **Restructuring of Metropolitan Grant Funding:** The Committee deliberated on concerns regarding the reform and restructuring of metropolitan grant funding arrangements, particularly the transfer and ring-fencing of trading services under the administration of the National Treasury. Members emphasized that the reform should not be misconstrued as a fiscal austerity measure. As clarified by the Chief Financial Officer during the briefing, the reform aims to strengthen the ring-fencing of revenue generated from trading services such as electricity, water, and sanitation in metropolitan municipalities. The objective is to ensure that revenue collected from these services is directed toward operations, maintenance, and the long-term sustainability of infrastructure.

5.2. Recommendations:

- **Entity Oversight:** The Department will provide **quarterly briefings** to the Committee on the effectiveness and functioning of its oversight mechanisms.
- **Reporting Standards:** In response to concerns that departmental reports are compliance-driven rather than impact-focused, the Department will provide detailed, issue-specific briefings upon request. These will include updated **quarterly reports** on informal settlement upgrades across various implementation phases.
- **Informal Settlements:** To improve performance, the Committee recommended that the Department continue targeted engagements with provinces and metros while refining financing mechanisms and reporting on a **quarterly basis**.
- **Community Residential Units (CRU):** The Department is expected to strengthen its oversight and support by revising funding frameworks, introducing minimum allocation thresholds, and deploying technical teams to assist provinces and municipalities with implementation challenges; progress on these interventions must be **reported on a quarterly basis**.
- **Emergency Housing Fund:** The Department should implement stricter controls, including enhanced verification processes prior to payment, physical inspections of Temporary Residential Units (TRUs), and the establishment of a detailed asset register to track beneficiary and location data, with **reporting to be provided on a quarterly basis**.
- **Restructuring of Metropolitan Grant Funding:** The Committee further noted that the reform process includes deploying technical support teams to assist provinces and municipalities with implementation challenges. Progress on the reform will be reported to the Committee quarterly through departmental briefings.

Report to be considered.

8. REPORT ON THE STUDY TOUR UNDERTAKEN BY PORTFOLIO COMMITTEE ON HUMAN SETTLEMENTS TO BRAZIL ON 02 TO 06 MARCH 2026, Dated 6 May 2026

1. Introduction

A delegation of the Portfolio Committee on Human Settlements embarked on a study tour to the Federal Republic of Brazil (28 February – 06 March 2026). This initiative aligns with the Committee's strategic goal of identifying global best practices to enhance human settlements in South Africa.

1.1. Strategic Alignment and Legislative Mandate

The international study tour is anchored in the Strategic Plan of the 7th Parliament (2024–2029) and the Portfolio Committee's Strategic Plan. It directly supports the Annual Performance Plan (2024/25) and South Africa's commitment to Sustainable Development Goal 11, which aims to make cities inclusive, safe, resilient, and sustainable.

1.2. Policy Framework

The visit aligns with the Department of Human Settlements Strategic Plan (2025–2030), which guides the final phase of the National Development Plan (NDP) 2030 and the Medium-Term Development Plan (2024–2029). This strategy marks a shift from mere housing delivery to holistic spatial transformation, prioritising:

- **Informal Settlement Upgrading:** Upgrading 400,000 households through the National Upgrading Support Programme (NUSP).
- **Affordable Housing:** Expanding rental stock and social housing for the "missing middle."
- **Tenure Security:** Accelerating the issuance of title deeds.
- **Climate Resilience:** Implementing green building practices and disaster preparedness for a "just transition."

2. Oversight Mandate

In accordance with the Parliamentary Oversight and Accountability Model, it was essential for the Portfolio Committee to undertake this mission. Engaging with Brazilian legislators and stakeholders allowed the Committee to benchmark South Africa's progress against international best practices, ensuring more effective governance and resource allocation across all spheres of government.

3. Objective of the Study Tour

The study tour sought to engage with key state entities and stakeholders involved in Brazil's housing sector. The primary objectives included:

- Evaluating **housing policy coordination** and strategic planning frameworks.
- Benchmarking **international best practices** in sustainable human settlements; and
- Identifying **adaptable policy approaches** to accelerate the delivery of sustainable housing in South Africa.

4. Multi-party delegation

The delegation consisted of Mr AM Seabi, (ANC) as leader of the delegation, Mr SL Dithebe, (ANC), Ms BM Kegakilwe (ANC), Mr L Mphithi, (DA), Mr TI Gamede, (MKP), Ms M Dlamini (EFF), and Ms S Frenchman (NCC).

The delegation was accompanied by Committee Support Staff: Ms K Pasiya-Mndende, (Committee Secretary) and Mr T Makhanye, (Acting Content Advisor)

The delegation was also accompanied by the officials from the national Department of Human Settlements: Mr VJ Mnyembane, Parliamentary Liaison Officer, Ministry's Office; Ms NL Nevondo, Deputy Director – Director-General's office (Parliamentary Liaison Officer); Ms B Thage, Liaison Officer from the Deputy Minister's Office and Ms M Mamatela, Executive: Corporate Strategy, National Housing Finance Corporation (NHFC).

4.1. Overview of the Brazilian housing landscape and human settlement trends

As fellow BRICS members, Brazil and South Africa share similar economic trajectories and urban challenges. In Brazil, addressing the 6-million-unit housing deficit remains a priority, specifically through the regularisation of favelas and the expansion of the Minha Casa, Minha Vida (MCMV) program. Since its inception, MCMV has been a primary driver of social housing, with more than 2 million units contracted by 2025. Moving into 2026, the government has committed $39.8 billion to the program, targeting the delivery of over 100,000 new units to improve conditions in vulnerable urban peripheries.

4.2. Briefing with the South African High Commission to Brazil, Mr VW Mavimbela

Mr V Mavimbela, the South African Ambassador to Brazil, warmly welcomed the Portfolio Committee on Human Settlements to the Embassy in Brasília. The Ambassador expressed appreciation for the delegation's visit and provided an overview of Brazil, covering its history, political development, and socio-economic context.

Mr Mavimbela highlighted similarities between South Africa and Brazil, including colonialism's ongoing impact on governance and economy, land inequality, land disposal, lack of decolonization, multi-ethnicity with dominant colonial languages, high Gini Coefficients, unequal wealth distribution, unemployment, violent crime, and coalition governments. Both countries struggle with legacies of colonialism and inequality

Regarding Trade relations between South Africa and Brazil, he indicated that starting from HE Fernando Henrique Cardoso presidency and into HE Luiz Inacio Lula da Silva’s presidency, strong and solid relations were built between the two countries. President Lula da Silva strongly believes on the South-South co-operation; thus, Brazil and South Africa have been integral members of the IBSA (India-Brazil-South Africa) dialogue forum, which was formalized in 2023, which aims to strengthen the forum’s pillars of political coordination; trilateral cooperation and assistance to other developing countries through the IBSA fund. Eventually both countries were integral members of BRICS which seek to serve as a political and diplomatic coordination forum for countries from the Global South and for coordination in the most diverse areas, politically, economically and socially.

4.3. Presentation by United Nations Office for Project Service (UNOPS)

The delegation was led by Mr N. Paulo , Head of Programmes, who was accompanied by Mr P. Estoura (Partnerships), Ms M. De Oliveira Santos (Project Manager: Public-Private Partnerships), and Ms S. Souza (Project Manager). Mr Paulo noted that UNOPS has operated in Brazil since 2012, supporting federal, state, and municipal governments alongside UN agencies and international partners. Their work aligns with national priorities and the Sustainable Development Goals (SDGs), focusing on delivering sustainable projects in housing, infrastructure, health, and climate resilience. Key points included:

- **Sustainable Infrastructure:** Supporting the planning and delivery of resilient public works.

- **Technical Expertise:** Providing specialized assistance in project management and procurement to ensure efficiency.
- **Governance & Integrity:** Promoting transparency and accountability across all government partnerships.
- **Green Housing:** Developing environmentally sustainable housing solutions to address the national deficit.
- **Capacity Building:** Strengthening government capacity at federal, state, and local levels to manage complex projects.

The briefing provided the Portfolio Committee with critical insights into improving project implementation, reducing delays, and enhancing governance to ensure value for money. It underscored the vital role of robust project management, transparent procurement processes, and strengthened institutional capacity in successfully delivering large-scale housing and infrastructure programmes.

The Committee learned the importance of:

- **Strong Project Management:** Implementing advanced systems to streamline execution and reduce delays.
- **Transparent Procurement:** Establishing open and competitive bidding processes to ensure value for money and mitigate corruption.
- **Institutional Capacity Building:** Strengthening the skills and resources of government entities to manage complex programs effectively.
- **Sustainable Integration:** Embedding environmental and social sustainability principles into every phase of the project lifecycle.
- **Accountability Mechanisms:** Enhancing governance structures to ensure strict oversight and ethical conduct. These can help improve project implementation, reduce delays, and ensure value for money in housing and infrastructure programmes.

5. Joint presentation by the Ministry of Cities

5.1 Presentation by Minha Casa Minha Vida (My Home- My Life)

Mr A da Costa E Silva, Chief International Advisor – Office of the Minister led the delegation. Ms Amanda presented on behalf of Minha Casa Mina Vida. The **Minha Casa, Minha Vida** program is mandated to bridge Brazil's housing gap by delivering affordable homes to low-income households. Its core objectives include driving social inclusion and reducing economic inequality through the implementation of sustainable housing solutions.

The Minha Casa Mina Vida programme, launched in 2009 and relaunched in 2023, addresses Brazil's housing and human settlements inequalities through investments in health, housing, and sustainability, aligned with international agendas. The federally funded programme focuses on low-income families, aiming to tackle a 6 million housing backlog and 24 million inequalities. It delivers 7.7 million houses, with 1.8 million to lower-income households, and offers rental initiatives and government subsidies. Beneficiaries earn up to $6,000/month, and the programme uses a guarantee fund (FGTS) to secure employment and housing. With 90% urban population, Brazil's challenge lies in managing small cities. The database, managed by municipalities and regulated federally, allows transparency, with cities reaching beneficiaries through housing banks.

Brazil has 5,571 municipalities and 27 states, with 90% urbanization. Municipalities select beneficiary families based on criteria like having children who are vaccinated and in school. Brazil Government is not giving free houses, but all the house delivered are subsidies and the subsidy depends on the family income. The more the family earns the less the government subsidies.

5.2 Presentation by public policy (SNP) Periferia Viva

Periferia Viva is a Brazilian government program improving living conditions in urban peripheries through integrated public policies, community participation, and technical support. The program focuses on urbanization, social inclusion, and housing regularization, with initiatives like infrastructure development and social services. Key objectives include improving access to basic services, promoting community engagement, and supporting informal settlement regularization. The program collaborates with local governments, NGOs, and communities, aiming to enhance the quality of life for millions of Brazilians in low-income communities and informal settlements

5.3. Site visit to Periferia Viva at Chegou

The delegation visited a periferia, a formerly occupied farm that had been illegally settled. Despite government attempts to evict, residents successfully advocated for their rights, leading to growth and challenges, including security concerns and criminal activity. Residents emphasised the need for land regularisation, with housing and registration often linked to women, who play key roles in household caregiving. Brazil has over 12,000 informal settlements, with local building materials used in construction.

6. Meeting with the Board for Urban Planning and Development (DPHU) Urban and Housing Development Company (CDHU) and the Advisory Office for Strategic Planning of the Secretariat for Urban and Housing Development

The delegation met with Mr. Caca Vianna and Ms. Tinyiko Khumalo, South Africa's Consult General in Brazil. Ms. Khumalo outlined the study tour's purpose. Mr. Vianna presented the municipality's initiatives, including a housing program offering affordable options with payments of $60 per month. The delegation was informed that DPDU was a governmental body responsible for coordinating urban planning policies and development strategies in Brazil's cities and metropolitan regions. DPDU's core functions include:

- Developing urban planning frameworks and land-use policies
- Guiding sustainable urban growth and spatial development
- Coordinating infrastructure planning (housing, transport, public facilities)
- Aligning urban expansion with national and municipal priorities
- Supporting implementation of the New Urban Agenda and sustainable cities initiatives

DPDU ensures structured, inclusive, and environmentally sustainable urban development. The Advisory Office for Strategic Planning, part of DPDU, provides policy coordination and long-term planning, advising on urban and housing policy, monitoring programme implementation, and facilitating inter-governmental coordination on urban development priorities.

7. Meeting with the Secretary on Housing, DR S Cruz, City of Sao Paulo

The delegation met with São Paulo's Housing Secretary, Dr. Sidney Cruz, and his team, receiving an overview of the city's housing and urban development priorities. Discussions centred on São Paulo's institutional framework for urban planning and housing delivery, including the roles of the Board for Urban Planning and Development (DPDU) and the Advisory Office for Strategic Planning.

Dr. Cruz outlined the city's approach to addressing housing challenges through integrated planning, partnerships, and affordable housing initiatives. The meeting covered efforts to regularise informal settlements, promote inclusive development, and enhance intergovernmental coordination.

This meeting provided insights into São Paulo's urban development strategies and housing demand management approaches, facilitating knowledge exchange on policy solutions for housing backlogs, informal settlements, and sustainable growth.

7.1. Key Lessons Learned:

The meeting with Dr. Sidney Cruz, São Paulo's Housing Secretary, highlighted effective urban housing management strategies in large metropolitan cities:

- **Integrated Urban Development:** Linking housing with transport, infrastructure, and social amenities to create functional, well-connected urban spaces.
- **Strengthened Institutional Coordination:** Leveraging specialised bodies, such as the **Board for Urban Planning and Development (DPDU)**, to enhance planning and project delivery.
- **Prioritised Informal Settlement Upgrading:** Focusing on the regularisation of settlements through the provision of essential services, infrastructure, and tenure security.
- **Long-Term Strategic Planning:** Utilising data-driven decision-making to ensure housing development remains responsive to shifting needs.
- **Strategic Partnerships for Delivery:** Collaborating with the private sector and key stakeholders to mobilise resources and scale housing development.

8. Meeting with Instituto Paulo Freire

The delegation visited the **Instituto Paulo Freire**, meeting with representatives to explore the organisation's mission of advancing critical pedagogy. Founded on the philosophy of the renowned Brazilian educator Paulo Freire—author of *Pedagogy of the Oppressed*—the institute focuses on empowering marginalised communities through education, social justice, and democratic participation. During the visit, the institute shared programmes designed to strengthen social inclusion and sustainable development, underscoring education's vital role in addressing urban challenges. They also discussed their resilience in the face of past political opposition and ongoing funding constraints, noting that they currently maintain independence through self-funding without government support.

9. Visit to Paraisopolis Favella

The delegation conducted a site visit to Paraisópolis Favela, one of São Paulo's largest informal settlements. This visit provided insight into the social and spatial dynamics of informal settlements in a major metropolitan area. Paraisópolis is a densely populated community with diverse economic and social activities, showcasing both challenges and resilience.

The delegation learned about community development initiatives led by the municipal government and local organisations, focusing on infrastructure upgrades, access to basic services, community facilities, and social development programmes. The visit highlighted the importance of community-driven solutions, government-community partnerships, and incremental upgrading approaches to addressing informal settlement challenges.

10. Meeting with G10 Favelas – Social Innovation and opportunities for collaboration

The delegation met the leadership of G10. The G10 Favelas is a collective of leaders and social entrepreneurs from Brazil's ten largest favelas, inspired by global cooperation models like the G10 and G20. They connect community leaders to drive economic development, social innovation, and entrepreneurship in underserved urban areas. With over 17 million residents and an estimated annual consumption potential of US$30 billion, favelas are a powerful social and economic ecosystem. They focus on initiatives in entrepreneurship, food security, education, communication, technology, and sustainable development, aligning with UN Sustainable Development Goals. Our goal is to shift the global narrative, showcasing favelas as hubs of resilience, creativity, and economic potential, rather than scarcity.

10. 1. Meeting with Homeless Workers’ Movement (Movimento dos Trabalhasores Sem Teto) MTST at Solidarity Kitchen, Leila Gonzales and visit social housing complex

Ms R Boulos and M Ottormann, Sector Project and International Relations as well as Mr Edson Luiz Bazilio dos Santos, as Sao Paulo State Coordinator welcomed the delegation to the kitchen. The delegation visited three sites associated with the *Movimento dos Trabalhadores Sem Teto* (MTST), a Brazilian social movement advocating for low-income and homeless communities' housing rights. The visit included the Solidarity Kitchen, Leila Gonzales community site, and a social housing complex, showcasing community-led initiatives supporting vulnerable populations and promoting access to adequate housing.

At the Solidarity Kitchen, the delegation saw community-driven programmes addressing food insecurity and social solidarity. MTST representatives at the Leila Gonzales site and social housing complex outlined their work on housing rights, community organising, and government engagement on housing policy and land use.

The delegation discussed housing policy, land and housing rights legal frameworks, and social movements' role in advancing housing access. The engagement highlighted community mobilisation, social advocacy, and legal awareness in addressing housing inequality and promoting inclusive urban development.

The delegation visited an MTST complex, a 10-story building housing 1,000 members, including a beneficiary who shared her experience. She, a hairdresser, paid for her two-bedroom apartment over five years and received her title deed upon completion. She expressed gratitude for MTST's support, pleased to call the apartment her own.

The delegation's visit to Ocupação Lélia Gonzalez in Santo André was cancelled due to adverse weather conditions, which made the roads inaccessible by car.

10.2. Key Lessons Learned:

- **Social movements**, notably the **MTST**, serve as critical catalysts for community mobilisation and the advancement of housing rights.
- **Community-led initiatives**, exemplified by the **Solidarity Kitchen**, provide essential social buffers and promote collective resilience.
- **Technical knowledge** of rights-based frameworks is a prerequisite for effective community engagement with government stakeholders.
- **Collaborative governance** between civil society and the state is necessary to produce inclusive urban policy.
- **Integrated development** models must align housing provision with broader social welfare and food security strategies.

11. Overall lesson learnt by the delegation

The delegation gained insights into Brazil's innovative approaches to addressing urban poverty and housing challenges. Key lessons include:

- **Integrated Urban Planning:** Prioritising social inclusion and community participation is essential for achieving **sustainable urban development**.
- **Tenure Security:** Land regularisation and secure tenure empower residents and serve as a catalyst for **improved living conditions**.

- **Multi-Stakeholder Partnerships:** Collaborative frameworks between government, NGOs, and communities are vital for **effective policy implementation**.
- **Innovative Financing:** Diversified and creative financing mechanisms are required to **scale housing solutions** effectively.
- **Targeted Support:** Prioritising vulnerable groups, specifically **women and low-income households**, ensures more equitable development outcomes.

Effective Border Control Measures

- Strict control measures are enforced at all entry areas.
- These controls prevent significant challenges with undocumented migration.
- Uncontrolled border entry points are effectively eliminated.

As a result, all foreign nationals are required to be properly documented immediately upon entry.

Conclusion

The delegation concluded that Brazil's approach to human settlements provides a robust model for integrating social inclusion, community participation, and innovative urban planning. **Key strategic takeaways include**:

- **Holistic Intervention:** Successfully addressing housing challenges requires a multidimensional strategy that aligns land regularisation and infrastructure development with comprehensive social support.
- **Sustainable Empowerment:** Enhancing community agency and securing land tenure are fundamental prerequisites for achieving long-term, sustainable urban growth.
- **Collaborative Governance:** Strengthening multi-stakeholder partnerships between government authorities, NGOs, and residents is essential for the delivery of high-impact housing initiatives.

Report to be considered.

9. Report of the Portfolio Committee on Small Business Development on the 2026/27 Annual Performance Plans and the Budget Vote 36 of the Department of Small Business Development for the 2026/27 financial year, dated 15 May 2026

1. INTRODUCTION

The Portfolio Committee on Small Business Development (the Portfolio Committee), having considered the directive of the National Assembly (NA) to consider and report on the Annual Performance Plans (APP) and budget allocations of the Department of Small Business Development (the Department) and its entity, the Small Enterprise Development and Finance Agency (Sedfa), hereinafter reports as follows:

1.1 Background

The design and operation of government departments, public agencies and entities, as well as Chapter 9 and 10 institutions, are all subject to significant oversight by Parliament. Section 27 of the Public Finance Management Act (No 1 of 1999) mandates Ministers to table annual budgets to the National Assembly prior to the commencement of the financial year. That process should be done according to the directives of section 10 (1) (c) of the Money Bills Amendment Procedures and Related Matters Act, No. 9 of 2009, which clearly states that relevant Cabinet members must table an updated strategic plan and annual performance plan for each department, public entity or institution—and these must be referred to relevant Committees for consideration and reporting. Accordingly, on 30 March 2026, the Portfolio Committee received a directive from the Speaker of Parliament to review departmental plans to ensure alignment between spending and service delivery targets—and thereafter compile a report for submission to the House for adoption. In considering the strategic and annual performance plans, the Committee ensured that the plans and budget allocations of the Department and Sedfa are consistent with the Medium-Term Development Plan 2025/29.

The 2026/27 annual performance plans for both the Department and Sedfa were presented to the Portfolio Committee, highlighting a strategic shift toward integrated, efficient service delivery to boost micro, small and medium-sized enterprises (MSMEs) and cooperatives support, improve access to capital, scale up access to market access through leveraging public procurement, tackle red tape and drive economic growth through a consolidated approach. For

Sedfa, the current financial year represents a pivotal year in the operationalisation of the agency following a merger of Seda, Sefa, and the Co-operative Banks Development Agency (CBDA) into a single agency, Sedfa. It marks the evolution of a fully functional entity, with the APP setting key performance measures for implementing the new structure and enhancing assistance for MSMEs and cooperatives. The Portfolio Committee will continue to monitor the implementation of the Strategic and Annual Performance Plans as well as the efficient use of the Department's and Sedfa's budgetary resources.

The Department’s Budget (Vote No. 36) was referred to the Portfolio Committee for consideration and reporting on 01 April 2026. On 6 May 2026, the Portfolio Committee met to receive and consider presentations on the 2026/27 Annual Performance Plans and Strategic Plans from the Department and Sedfa. As a matter of process, the Committee reviewed DSBD and Sedfa's annual performance plans and prior performance, acknowledging the difficult economic climate facing the small enterprise sector. Discussions highlighted, among others, the need for strengthening institutional coordination, increasing support for township/rural enterprises, reducing red tape, and sustaining gender representation in management. The Department assured the Committee that the plans and budget reflect and support the government’s key policy objectives and priorities as outlined in the State of the Nation Address (SONA), Medium Term Development Plan, and National Development Plan (NDP). It was confident that there was a clear alignment between the strategy and the budget. It formally requested the Portfolio Committee to adopt the proposed plans and budget. Ultimately, the Committee will vote on the budget, deciding whether to approve, reject, or further amend it.

2. OVERVIEW OF THE DEPARTMENT OF SMALL BUSINESS DEVELOPMENT

The primary objective of the Department is to inculcate a culture of entrepreneurship and foster an entrepreneurial traits and characteristics across South Africa, particularly among youth, to drive economic growth and job creation. This involves nurturing a mindset that embraces innovation, risk-taking, and the pursuit of opportunities, ultimately driving economic growth and societal development. This responsibility is about moving beyond the traditional view of entrepreneurship as simply starting a business and instead promoting an entrepreneurial mindset that encourages proactive problem-solving, adaptability, and a willingness to take calculated risks. The Department of Small Business Development is one of a relatively new department established at the start of the fifth Administration in 2014.

Its formation is broadly seen as a significant shift and one of the most concrete manifestations of the NDP aspirations. It is mandated to lead and coordinate an integrated approach to the promotion and development of entrepreneurship, small businesses and cooperatives, and ensure an enabling legislative and policy environment to support their growth and sustainability. The establishment of a department within the context of the NDP would thus involve mechanisms for accountability and monitoring progress towards the NDP's goals. This could involve reporting on key performance indicators and regularly assessing the department's contribution to the overall development plan. Hence, since its establishment in 2014, the Department has recorded notable headway in a number of areas, most importantly, helping small business escape the shadow of big business. To maintain momentum, the Department should prioritise strategies that leverage technology to improve efficiency, foster strong partnerships, and develop a robust business strategy.

2.1 Aim and Purpose of the Department

The mandate of the Department is to lead and coordinate an integrated approach to the promotion and development of entrepreneurship, Micro, Small and Medium Enterprises (MSMEs) and Co-operatives, and to ensure an enabling legislative and policy environment to support their growth and sustainability.

2.2 Mandate of the Department

The Department of Small Business Development is responsible for leading and coordinating an integrated approach to the promotion and development of entrepreneurship, small businesses, and co-operatives, and ensuring an enabling legislative and policy environment to support their growth and sustainability. The accomplishment of this mission will change the economy, boost employment, and lessen inequality and poverty. The Department's mission is governed by the following policy and legislative framework-:

- National Small Enterprise Amendment Act (2024).
- Business Act (1991).
- Co-operatives Amendment Act (2013).
- Co-operative Banks Act (2007).
- Co-operatives development policy.
- National Development Plan.
- Medium Term Development Plan.

2.3 Vision of the Department

A transformed and inclusive economy led by sustainable and competitive MSMEs contributing to broad-based economic growth.

2.4 Mission of the Department

- To lead, coordinate the integration and mobilisation of resources in the ecosystem.
- To create an enabling environment for the growth, development and sustainability of MSMEs.

2.5 Values

- Caring organisation.
- Innovation.
- Integrity.
- Professionalism.
- Customer-centric.
- Commitment.

2.6 Strategic Priorities

The National Integrated Small Enterprise Development (NISED) is a guiding blueprint for the Department during the Seventh Administration (2024-2029). It focuses on developing an ecosystem that supports micro, small, medium-sized and cooperative enterprises. Guided by the overarching goals of the Government of National Unity (GNU) for 2026—including inclusive growth, job creation, and poverty reduction—the NISED framework pivots on four key pillars that drive five policy priorities. The Department's 2025–2030 strategic plan and 2026–2027 annual performance plan are informed by these important themes.

2.6.1 Policy, Legal and Regulatory Reforms

The Department is accelerating efforts to reduce red tape and reform laws to foster a more enabling environment for MSMEs and cooperatives, including Cooperative Banking Institutions (CBIs). Key initiatives focus on simplifying compliance, digitizing processes, 28 laws recommended for reforms, payment of legitimate invoices within 30 days and tabling of the Business Licensing Bill and so on. Furthermore, the Department will roll out the Red Tape Reduction Framework targeting five major regulatory reforms in an incremental and phased manner during the current financial year to improve the business environment.

2.6.2 Improved Market Access and Business Ecosystem

Improving market access and building a strong business ecosystem entails developing an interconnected environment in which small, medium, and micro-sized enterprises may thrive, such as through better infrastructure, regulatory reforms, and digital adoption. The APP is proposing a cocktail of interventions such as using public procurement opportunities, leveraging private sector enterprise and supplier development, supporting small enterprises through export value chains while strengthening local industry linkages.

2.6.3 Enhanced Access to Financial and Non-Financial Support

The Department aims to prioritise the delivery of better-targeted financial support through Sedfa. Through capacity building of micro-finance institutions (MFIs), retail finance institutions (RFIs), CBIs and ordinary small enterprises, the Department will boost digitalization and fintech by promoting digital financial services, including mobile payments, to reduce reliance on cash and improve efficiency, especially among underserved communities. Already, cooperatives banking platform like myCBI are already being piloted. These initiatives will be executed alongside non-financial support with much more focus on capacity building, training, and technical assistance to name a few.

2.6.4 Equip Entrepreneurs and MSMEs with the Necessary Business Acumen and Skills

Equipping MSMEs with business skills is crucial for transitioning from survival to long-term growth, notably through financial literacy, bookkeeping and digital transformation. During the MTDP period, the Department and Sedfa will expand efforts to boost entrepreneurial capability, improve enterprise management practices, and increase the sustainability of start-ups and growing enterprises. For example, 50 000 start-up MSMEs will be supported financially and non-financially through targeted enterprise development initiatives.

2.6.5 Build the Capacity and Capabilities of the DSBD to Lead the Small Enterprise Support Ecosystem

A sound structure provides stability and clarity. Building the capabilities and competencies of the Department and Sedfa to lead the small enterprise support ecosystem will require a move from a simply administrative position to one that is strategic, data-driven, and collaborative. The appointment of experts to serve on the ancillary structures like the Small Enterprise Ombuds and Business Advisory as envisaged in the acts governing the Department are crucial. These individuals will hopefully serve as a sounding board for the Minister and the Department.

2.7 Programme Structure (2026/27)

To successfully accomplish the priorities outlined in a strategy—the Department has adopted its high-level strategic goals and divided them into smaller, more manageable objectives, likely to facilitate planning and execution. These objectives are specific, measurable, achievable, relevant, and time-bound (SMART). The Committee is satisfied that the Department has an annual performance plan (2026/27) in a way that aligns with the stated goals in its five-year strategy, Medium-Term Development Plan and National Development Plan. The annual Performance Plan is designed to respond intended to the current economic situation by recognising the issues that small enterprises and cooperatives confront in order to provide suitable support, particularly in rural and township areas. To effectively support the small business ecosystem and fulfil its mandate, the Department developed four key programmes shown in table1 below. They include Administration, Sector Policy and Research, Integrated Co-operatives and Micro Enterprise Development as well as Enterprise Development, Innovation and Entrepreneurship. They all have corresponding sub-programmes (sub-directorates) to manage the day-to-day operations and for specific performance tracking.

Table 1: Programme Structure

NO.	PROGRAMME NAME	SUB-PROGRAMMES
Programme 1	ADMINISTRATION	o Ministry. o Departmental Management. o Corporate Management Services. o Financial Management.
Programme 2	Sector Policy and Research	o Business Intelligence and Sector Wide Monitoring and Evaluation. o Intergovernmental Relations and Business Efficiency. o Sector Specific Support.
Programme 3	Integrated Co-operatives and Micro Enterprise Development	o Integrated Co-operatives and Micro Enterprise Development. o Economic Transformation Initiatives. o Value Chain and Market Access Support.
Programme 4	Enterprise Development, Innovation and Entrepreneurship	o Enterprise Development, Innovation and Entrepreneurship. o Entrepreneurship and Enterprise Development. o Funding Support and Coordination.

Source: DSBD Annual Performance Plan (2026/27)

3. LEGISLATIVE AND POLICY PRIORITIES FOR 2026/27

The policy and legislative objects of the Department are aligned with national government priorities—with a laser focus on speeding inclusive growth, increasing job creation, reducing poverty, and establishing a capable and ethical state through the National Development Plan. The following is a summary of the policy and strategy mandates that guide the Small Business Development Portfolio's strategic posture and objectives.

3.1 National Development Plan

The implementation of the National Development Plan remains the leading government imperative under the current administration and is aligned with the Africa Agenda. Furthermore, it is consistent with the global Sustainable Development Goals (SDGs). The NDP envisions a future where South Africa has a more inclusive economy that absorbs more labour, provides more entrepreneurial opportunities, and reduces inequality. The plan has an ambitious target of creating 11 million new jobs by 2030, with an aim of reducing unemployment rate to 6%. This goal is a key component of the NDP's strategy to reduce poverty and inequality and is linked to achieving a 5.4% annual economic growth rate. The Department and its entity play a critical role in coordinating and influencing the implementation of chapters three (3) and six (6) that cover the economy, employment, and inclusive growth in rural areas. While progress has been made in some areas, such as education, health, and social protection, overall progress towards the NDP's goals has been slow, particularly in economic growth, investment, inequality and employment. The economy remains in a low-growth trap, with unemployment increasing and poverty remaining entrenched.

3.2 The Medium-Term Development Plan

The MTDP 2024-2029 provides a comprehensive roadmap for South Africa's development over the next five years, aligning with the NDP 2030. It is a five-year strategic framework that guides the country's development priorities. It aims to drive inclusive growth, improve service delivery, and enhance living conditions for all citizens. One of its key strengths is that it adopts a whole-of-government approach, ensuring that national, provincial, and local governments are aligned in their priorities, budgets, and delivery mechanisms. Over the years, the Committees has often expressed concern and lamented the lack of collaboration and coordination between the national, provincial, and local spheres of government under the auspices of Intergovernmental Relations Framework Act (2005). The MTDP has three strategic priorities, namely, inclusive growth and job creation, reduce poverty and tackle the high cost of living and a capable, ethical and developmental state. The Department is anticipated to play a lead in relation to the implementation of strategic priority one, which is inclusive growth and job creation, and its related outcomes and strategic interventions. This is the overarching or apex priority that emphasise the need to improve living standards, incomes, and material conditions for all citizens. The Committee is thus expected to not only monitor the degree to which aspects of the MTDP are factored into the plans of the Department but are also implemented.

3.3 Legislative and Policy Mandate

In South Africa, government departments derive their mandates from a combination of the Constitution, specific acts of parliament, and other relevant legislation. These mandates outline the department's responsibilities, powers, and functions within the broader framework of public administration. Each department also has a specific act or acts that detail its mandate. For example, the Department and Sedfa were created in accordance with National Small Enterprise Act (1996), the primary legislation that has recently been amended in 2024. Other relevant legislations and policies where the Department draws its mandate from, include but not limited to, Cooperatives Amendment Act (2013), Cooperative Banks Act (2007) and Business Act (1991). During the fifth Administration, the Department successfully concluded the review of the Cooperatives Act (2005). The National Small Enterprise Act (1996) was reviewed during the sixth Administration, leading to the enactment of the National Small Enterprise Amendment Act (2024). This amendment established the Small Enterprise Development Finance Agency, the Office of the Small Enterprise Ombud Service and the redefinition of a small enterprise. The redefinition categorises businesses into micro, small, and medium enterprises (MSME), with different thresholds for each category.

3.4 State of the Nation Address

In South Africa, the State of the Nation Address (SoNA) delivered by the President serves as a foundational document for government policy and direction for the year ahead. While not immediately binding legislation, the SONA outlines the government's key policy objectives, priorities, and planned interventions, effectively setting the agenda for the year. In his 2026 State of the Nation Address, President Ramaphosa prioritised small business development by promising to reduce red tape, finalising the Business Licensing Bill, and launching a R10-billion growth fund to support over 180 000 small and medium enterprises, and extend a further R1 billion in guarantees. The funding will be directed primarily to women-and youth-led businesses to in order to foster their empowerment and as part of economic transformation.

4. OVERVIEW OF THE BUDGET ALLOCATIONS AND PROGRAMME PERFORMANCE PLANS (2026 – 20267)

Over the medium term, the Department is focusing on providing enhanced financial and non-financial support to MSMEs, cooperatives, and informal businesses, with R6.9 billion allocated for these initiatives. Key priorities include expanding access to funding through blended finance, improving market access, reducing red tape, and strengthening the township and rural economy. Funding and financial Support will take the form of blended finance models (mixing grants and loans) to lower the cost of capital for businesses and credit guarantees. The Department will build infrastructure for MSMEs and cooperatives with a view to improving competitiveness, especially in rural and township areas. Total expenditure is expected to rise at an annual rate of 3.7%, from R2.9 billion in 2025/26 to R3.3 billion in 2028/29, with an estimated 71.7 percent (R6.8 billion) dedicated for MSME support. An estimated 63.3 percent (R6 billion) of the Department's budget will be transferred to Sedfa to fund its operations and implement the technology, capacity building, blended finance, township and rural entrepreneurship programmes on behalf of the Department.

4.1 Programme 1: Administration

The primary aim of Programme 1: Administration, in various governmental and organisational contexts, is to provide effective and efficient support services to ensure the overall functioning of the organisation. This includes strategic management, administrative support, and sound financial management. Specific objectives often involve supporting the executive, managing risks, and ensuring compliance with relevant policies and regulations. Notable key targets include attainment of clean audit outcomes, payment of creditors within 30 days, 95 percent expenditure on annual budget, reduction in the vacancy rate below 5 percent, exceed the target of 50 percent female representation in the SMS level and 4 percent representation of PWDs. The programme has four sub-programmes that perform the following functions -

- Ministry - Manage the office and render a support service to the Executive Authority (EA) and Deputy Minister.
- Departmental Management - Manage the provision of Strategic and Governance related services.
- Corporate Management Services - Oversee the provision of Corporate Management services.
- Financial Management - Manage and facilitate the provision of financial management services.

Table 2: Programme 1 - Administration

PROGRAMME 1: ADMINISTRATION	2026/27	2027/28	2028/29	TOTAL MTEF
	R'000	R'000	R'000	R'000
Ministry	37 422	39 246	41 317	117 985
Departmental Management	28 779	30 218	31 524	90 521
Corporate Management Services	117	122 122	127 910	367 227
Financial Management	33 695	34 752	34 351	102 798
Total	**217 091**	**226 338**	**235 102**	**678 531**

Source: DSBD Annual Performance Plan 2026/27

The Administration programme focuses on enhancing governance and compliance, as well as streamlining and integrating business processes and system outcomes to support the Department's numerous activities. In the medium-term Programme 1 will be allocated R678.5 million, while during the current financial year, the Programme is apportioned R217.1 million. Programme 1 delivers its mandate of strategic leadership, management and support services through a set of core sub-programmes and their allocations are as follows, Ministry (R37.4 million), Departmental Management (R28.8 million), Corporate Management Services (R117.2 million) and Financial Management (R33.7 million).

4.2 Programme 2: Sector Policy and Research

The purpose of Programme 2 is to oversee transversal support within the ecosystem to provide a conducive environment for MSMEs. The notable areas of delivery for a programme would encompass red tape reduction and ease of doing business as complex regulations hinder business development and job creation. This involves reducing the number of permits, licenses, and other requirements businesses need to operate. Also, success of the programme will be judged on the Cabinet approval of the Business Amendment Bill. The programme is composed of the following sub-programmes designed to perform a specific action or task -

- Business Intelligence and Sector Wide Monitoring and Evaluation - Manage provision of evidence-based business information and sector-wide Monitoring and Evaluation.
- Intergovernmental Relations and Business Efficiency - Manage and facilitate intergovernmental relations to reduce administrative and regulatory burdens for MSMEs.
- Sector Specific Support - Manage initiatives to increase the development, participation and sustainability of small-scale manufacturers in key industries.

Table 3: Programme 2 - Sector Policy and Research

PROGRAMME TWO: SUB-PROGRAMME	2026/27	2027/28	2028/29	TOTAL MTEF
	R'000	R'000	R'000	R'000
Business Intelligence & Sector-Wide M&E	35 065	35 706	37 478	108 249
Intergovernmental Relations and Business Efficiency	22 002	23 044	23 596	68 642
Sector Specific Support	26 552	27 800	29 045	83 397
TOTAL	**83 619**	**86 550**	**90 119**	**260 288**

Source: DSBD Annual Performance Plan 2026/27

Programme 2 will receive R260.3 million over the medium term and R83.6 million in 2026/27 financial year. To oversee the delivery of evidence-based business information and sector-wide monitoring and evaluation, the Business Intelligence and Sector Wide Monitoring and Evaluation sub-programme is allotted R35 million in 2026/27 and R108.2 million over the medium term. The Intergovernmental Relations and Business Efficiency sub-programme is assigned R22 million in 2026/27 and R68.6 million over the medium term. Whereas Sector Specific Support sub-programme is allocated R26.6 million in 2026/27 and R83.4 million over the MTEF to drive activities aimed at increasing the development, participation and sustainability of small-scale manufacturers in key industries.

4.3 Programme 3: Integrated Co-operatives and Micro Enterprise Development

The purpose of the Programme 3 is to drive economic transformation through integrated informal business, Co-operatives and Micro Enterprise Development and Support. Cooperative enterprises are vital to the solidarity economy because they offer a practical agenda for economic participation and social development, prioritising member needs and community well-being over profits. Whereas informal sector, is a major source of employment, particularly in poorer communities. Programme three is separated into three sub-programmes namely –

- Integrated Co-operatives and Micro Enterprise Development – the purpose of which is to provide leadership to the branch and coordinate provision of business infrastructure services to small businesses, co-operatives and the informal sector.
- Economic Transformation Initiatives - Manage economic transformation through Informal Business, Co-operatives and Micro Enterprise Development and Support.
- Value Chain and Market Access Support - Manage the provision of market access support that grows value market chains.

Table 4: Programme 3 - Integrated Co-operatives and Micro Enterprise Development

PROGRAMME THREE: SUB-PROGRAMME	2026/27	2027/28	2028/29	TOTAL MTEF
	R'000	R'000	R'000	R'000
Integrated Co-operatives and Micro Enterprise Development	326 592	339 814	351 822	1 018 228
Economic Transformation Initiatives	139 892	127 080	131 161	398 133
Value Chain and Market Access Support	65 736	53 146	55 066	173 948
TOTAL	**532 220**	**520 040**	**538 049**	**1 590 309**

Source: DSBD Annual Performance Plan 2026/27

The budget allocation for Integrated Co-operatives and Micro Enterprise Development programme is R1.590 billion over the medium term period and R532 million in 2026/27 financial year. The Integrated Co-operatives and Micro Enterprise Development sub-programme is projected R1.018 billion over the medium term and R326.6 million in 2026/27 to coordinate the provision of business infrastructure services to small businesses, cooperatives and informal sector. A portion of that budget, R314 million in 2026/27 and R979 million over the medium term, will go towards the Business Infrastructure Support. The second subprogramme, Economic Transformation Initiatives, is allocated R140 million in 2026/27 and R398.1 million over the medium term to manage economic transformation through Informal Business, Co-operatives and Micro Enterprise Development and Support. Whereas third and final subprogramme, Value Chain and Market Access Support, is allocated R65.7 million in 2026/27 and R173.9 million over the MTEF to manage the provision of market access support that grows value market chain.

4.4 Programme 4: Enterprise Development, Innovation and Entrepreneurship

The purpose of programme four is to administer the promotion of an ecosystem that enhances entrepreneurship and innovation during the establishment, growth and sustainability of SMMEs. The programme four has the following sub-programmes –

- Enterprise Development, Innovation and Entrepreneurship – the aim of the subprogramme is to provide leadership to the branch and manage provision of innovative solutions that support transversal applications management and digital business support.

- Entrepreneurship and Enterprise Development - Manage the formulation of policy instruments and advocacy work aimed at the inclusion of SMMEs in the mainstream economy.
- Funding Support and Coordination - Oversee expansion of access to finance for SMMEs, Co-operatives and the Informal Sector through an integrated approach.

Table 5: Programme 4 - Enterprise Development, Innovation and Entrepreneurship

PROGRAMME FOUR: SUB-PROGRAMME	2026/27	2027/28	2028/29	TOTAL MTEF
	R'000	R'000	R'000	R'000
Enterprise Development, Innovation and Entrepreneurship	20 425	13 531	14 156	48 112
Entrepreneurship and Enterprise Development	1 198 645	1 286 358	1 321 721	3 806 724
Funding Support and Coordination	984 485	1 025 451	1 057 278	3 067 214
TOTAL	**2 203 555**	**2 325 340**	**2 393 155**	**6 922 050**

Source: DSBD Annual Performance Plan 2026/27

A substantial portion of the Department's budget, totalling R2.203 billion in 2026/27 and R6.922 billion over the medium term, is channelled through Programme 4, with over 70% of that budget destined to Sedfa—through an approved DSBD service delivery model. Programme 4 has three integrated components that oversee the promotion of an ecosystem to enhance entrepreneurship and innovation during the establishment, growth, and sustainability of MSMEs. During the period under review, the Enterprise Development, Innovation and Entrepreneurship sub-programme is allocated R20.4 million and R48 million over the medium term to oversee the branch and manage provision of innovative solutions that support transversal applications management and digital business support.

The second subprogramme, Entrepreneurship and Enterprise Development, is allocated R1.199 billion in 2026/27 and R3.807 billion over the MTEF to manage the formulation of policy instruments and advocacy work aimed at the inclusion of MSMEs and cooperatives in the mainstream economy. Of this allocation, R1.186 billion in 2026/27 and R3.808 billion over the medium will be transferred Sedfa. The third component of the programme, Funding Support and Coordination, is allocated R984 million in 2026/27 and R3.067 billion over the medium-term to oversee expansion of access to finance for MSMEs, cooperatives and informal sector.

5. OVERVIEW OF THE STRATEGIC FOCUS OF THE DEPARTMENTAL ENTITY

The Department of Small Business Development has one entity reporting to it, the Small Enterprise Development and Finance Agency, established through consolidation of the three entities, namely, Small Enterprise Development Agency (SEDA), Small Enterprise Finance Agency (SEFA) and the Cooperative Banks Development Agency (CBDA). Sedfa was established in terms of the National Small Enterprise Amendment Act 21 of 2024. Sedfa is also a State-Owned Company (SOC) in terms of the Companies Act 71 of 2008 (as amended). In terms of the Public Finance Management Act (PFMA), it is listed as a Schedule 3B Government Business Enterprise (GBE), with the Minister of Small Business Development as the Executive Authority. In accordance with Section 49 of the PFMA, the Sedfa Board is the accounting authority, responsible for, inter-alia, providing strategic direction and oversight to enhance shareholder value and ensure long-term sustainable development; the safeguarding of assets; and the management of revenue, expenditure, and liabilities. All prescripts and regulations arising from the PFMA are applicable to Sedfa's governance and operations.

Sedfa provides a unified pathway for entrepreneurs, offering both business development services (non-financial) and financial solutions, reducing the need to navigate multiple government agencies. The primary goal of a one-stop shop for small businesses is to provide a centralised location or platform where they can access all the necessary resources and services to start, operate, and grow their business, reducing the complexities and administrative burden often associated with running a small enterprise. By providing access to multiple resources in one place, small businesses can save time and resources, allowing them to focus on core business activities. Certain sections of the National Small Enterprise Amendment Act (2024) were brought into operation in October 2024, effectively marking the birth of a new entity. The entity tabled its second annual performance plan on 01 April 2026 and appeared before the Committee alongside the Department on 06 May 2026 to present it.

5.1 Sedfa Budget Consideration

Sedfa remains the sole entity of the Department, notwithstanding two subsidiaries, Khula Credit Guarantee and Khula Business Premises, which fall under the oversight and control of the Sedfa Group. The entity receives its allocation through the Department, with transfers from the Department accounting for an estimated 73.6 per cent (R6 billion) of total revenue over the period ahead, with the remainder set to be generated from investment income, fees and interest earned from loan programmes, and rental income from properties. The agency's expenditure is projected to decrease from R2.9 billion in 2025/26 to R2.8 billion in 2028/29, at an average annual rate of two (2) per cent, as a result of the reprioritisation of funds to the Department for initiatives such as the small business exporters development scheme, the informal micro enterprise development programme and the Office of the Small Enterprise Ombud Service.

An estimated R5.4 billion would be spent on business development services, lending and investment programmes to support a target of 596 806 MSMEs. Whereas spending on goods and services, mainly for operating payments, property payments, operating leases and computer services, is expected to account for 49.7 per cent (R4 billion) of total expenditure. Compensation of employees is estimated to accounts for 40.7 per cent (R3.2 billion). The table 6 below shows a summarised version of the programmes and projected expenditure over the MTEF period. Sedfa is predicted to receive a total allocation of R8.6 billion over the three-year period covering 2026/27, 2027/28 and 2028/29. During the appearance before the Committee, Sedfa noted that a reduction in allocation or financial constraints directly threatens its ability to scale operations, expand reach, and provide crucial support to small enterprises. It urged the Committee to take note of the risks associated or stemming from budget cuts.

Table 6: SEDFA Programmes Budget Allocation

Name of Programme	**MTEF BUDGET**			
	2026/27	**2027/28**	**2028/29**	**Total MTEF**
	R'000	**R'000**	**R'000**	**R'000**
Programme 1: Ecosystem Development and Management	94 941	99 194	103 250	297 384
Programme 2: Business Development Services	929 491	988 003	1 021 860	2 939 362
Programme 3: Lending and Investment	1 153 436	1 014 978	1 018 319	3 186 733
Programme 4: Capital Management	2 000	2 080	2 080	6 160
Programme 5: Corporate Support Services	690 234	777 693	737 062	2 204 989
TOTAL	**2 870 100**	**2 881 947**	**2 882 580**	**8 634 627**

Source: Sedfa Annual Report (2026/27)

5.1 Sedfa Programme Structure

Sedfa is tasked with enhancing financial inclusion and providing support to micro, small, medium, cooperatives, township and rural enterprises. This includes financial support (loans, grants, guarantees) and non-financial support (business advice, training, mentorship). Sedfa endeavours to deliver its mandate through key five programmes that are aligned to its five-year strategic plan and the approved Sedfa functional structure, namely, Ecosystem Development and Management, Business Development Services, Lending and Investment Management, Capital Management and Corporate Support Services or Administration.

5.1.1 Programme 1: Ecosystem Development and Management

The purpose of the programme is to position Sedfa as the industry leader and the primary coordinating institution within the small enterprise development ecosystem. The agency aims to drive improved accessibility, efficiency, and impact by forging strategic partnerships, facilitating ecosystem integration, and promoting co-creation among key stakeholders in line with national government priorities. The organisation aims to decentralize support by focusing on 44 districts and 8 metros, ensuring that initiatives are tailored to local needs rather than a "one-size-fits-all" national approach. The programme includes a variety of activities aimed at boosting intermediary institutions, incubators, accelerators, and financial institutions, as well as promoting women in entrepreneurship. The overarching goal is to enhance the effectiveness and responsiveness of South Africa's small enterprise support ecosystem, ensuring that small enterprises can access financial and non-financial assistance with greater ease and efficiency.

5.1.2 Programme 2: Business Development Services

The programme two will carry out a collection of initiatives, including but not limited to incubation support, quality and standards improvement, cooperative enterprise development, targeted business training and so on. Through this programme, the agency will intensify customised solutions, provide marketing material and business plans to meet the specific demands of small businesses. By supporting digitisation, capacity building, and regulatory compliance of Cooperative Banking Institutions (CBIs), Sedfa aims to strengthen these institutions as accessible, community-focused financial service providers and key intermediaries in small enterprise development. The BDS aims to leverage e-commerce by introducing online enterprise support modules and training. The programme is responsible for the efficient and effective delivery of non-financial business development and support services at both pre-investment and post-investment stages of the investment management lifecycle.

5.1.3 Programme 3: Lending and Investment

The Lending and Investment Programme aims to increase financial access for small businesses via both direct and indirect finance channels. This integrated approach addresses funding demands for small enterprises while ensuring the agency's financial sustainability. Furthermore, credit guarantee instruments are essential in helping MSMEs and cooperatives overcome the "collateral gap" that often prevents them from securing bank loans. In order to encourage increased access to capital, Sedfa is restructuring its credit guarantee system (KCG) to allow small businesses to obtain loans through a wider range of financing providers. By leveraging resources through the credit guarantee mechanism, KCG will play a key role in luring co-investment from both public and private financial institutions.

5.1.4 Programme 4: Capital Management

The purpose of the Capital Management programme is to secure and retain a sustainable supply of capital to drive small enterprise growth and development. This involves implementing a comprehensive investment and capital-raising strategy that addresses fiscal constraints and leverages diverse funding sources. Sedfa will optimise its internal funding streams—including government subsidies, income from financing activities, property rentals, and equity dividends—to support capital retention, growth, and the developmental risk premium. Through this programme, the agency aims to embark on several recruitment drives to mobilise external resources through forging strategic partnerships with other likeminded Development Finance Institutions (DFIs), private financial institutions, pension funds, Unemployment Insurance Fund (UIF), venture capitalists, as well as leveraging Enterprise and Supplier Development (ESD) initiatives that support the growth of small enterprises, particularly those owned by black individuals, and developing their capacity to participate in supply chains.

5.1.5 Programme 5: Corporate Service Management

The purpose of the programme is to provide strategic leadership and support to core delivery, ensuring the successful implementation of the organisation's strategy. Corporate management services encompass a broad range of administrative, strategic, and operational support functions aimed at ensuring the efficient and effective functioning of a company. These services can include strategic planning, risk management, financial management, human resources, and more. The focal area for the programme includes People Management, Systems and Processes as Governance, Risk and Compliance. From the inception date of 1 October to date, Sedfa has shown significant signs of institutional stabilisation and operational progress.

6. OBSERVATIONS

Having reflected on the strategic plans, annual performance plans and budgets of the Department and Sedfa for 2026/27 financial year, the Portfolio Committee hereby register the following observations—

6.1 The Portfolio Committee welcomes the 2026/27 annual performance plans and budgets of the Department and agency. The annual plans are in line with the strategic plans, budget allocations and government policy priorities. The Department and agency's programmes and planned initiatives are constructed in such a manner that particular obstacles that MSMEs and cooperatives frequently encounter at different phases of their development are addressed. Accordingly, most targets are designed to meet SMART requirements. The Committee will continue to exercise stringent scrutiny over the Department and Sedfa's implementation of the annual plans and budgets.

6.2 Similarly, the Committee as well as the Auditor General, note some gaps in the SMART framework—with certain Technical Indicator Description (TID) found to be lacking the necessary detail to enable data to be collected consistently or verified objectively. Members of the Committee observed, for example, that few indicators need further work or refinement in order to be actionable, trackable and measurable. Some of the key concerns raised are that some indicators focus on quantity (how many people are reached) rather than depth of impact (how well they are supported or whether outcomes are sustained). For example, training of 25000 clients is measurable, but there is limited evidence on whether this training leads to business survival beyond 12–24 months, if it translates into revenue growth beyond the 5% threshold and/or long-term employment creation. The effects or impacts of the intervention is unmeasurable.

6.3 During the course of discussions with the Department and Sedfa, the Committee observed and went further to identify a select few performance targets that lacked detail, clarity, and measurability—all of which corrective action must be taken to align with best practices:

6.3.1 Firstly, the output indicator, "number of red tape reduction indicators monitored (Phase 1: focusing on government)", is ill-defined. It is unclear or not specified what the Department will be monitoring. It is difficult for the Committee to monitor red tape reduction metrics without specifying what those indicators are. Effective monitoring requires tracking specific metrics that quantify the reduction of administrative burdens on businesses. For instance, time-based indicators would include time taken by the Department and Sedfa to approve funding applications (e.g. reduction from a high of 90 to 14 days), time taken to process licenses, permits, registrations and so on. Whereas cost-based indicators may include compliance cost calculation such as the total cost incurred by businesses annually to comply with regulations e.g. cost burden due to payment of CIPC annual returns, purchase of tender documents and/or bank charges.

6.3.2 Secondly, the Committee notes that the indicator on "percentage of valid creditors paid within 30 days" under programme one is still inward focused. This suggest that the Department still treats payment as a purely administrative, internal, or "back-office" function rather than a government-wide service delivery outcome. The Committee believes that simply paying a creditor on time (which is required by law) does not adequately reflect how well the programme is achieving its broader developmental or strategic objectives.

6.3.3 Thirdly, the absence of a distinct and measurable indicator concerning how the Department will leverage Public Procurement Act 28 of 2024 to accelerate public procurement opportunities—represents a significant oversight. The Act introduces Chapter 4, which mandates preferential procurement, specific set-asides for black-owned businesses, women, youth, persons with disabilities, and small enterprises. Market access, as a critical delivery area for the Department focusing on integrating MSMEs and cooperatives into mainstream supply chains, requires a clear and verifiable performance target.

6.4 The Committee continues to observe that despite the establishment of the Department in 2014, small business support services, functions and budgets are still dispersed throughout different national departments, agencies, and local, provincial, and municipal governments. Some directorates/sub-directorates within other departments are managing fairly sizeable budgets for enterprise development. This makes it cumbersome for the Department to act as a primary entry point for small businesses seeking non-financial and financial support. It is the view of the Committee that scattered support services lead to duplication of efforts and a waste of financial resources. It should be corrected by centralising small business functions and budgets into a single and appropriate Department of Small Business Development.

6.5 The Committee is not pleased about the scarcity of programmes within the portfolio—that are specifically designed to support cooperatives of all kinds. Based on recent CIPC registry data reported in early 2025, there are approximately 125,658 registered co-operatives in South Africa. However, through the Cooperative Development Support Programme (CDSP), the Department is planning to support only 50 cooperatives during the current financial year. The Committee submits that setting an exceedingly low target on cooperatives, does not only erode confidence, but it indicates a lack of genuine commitment to supporting and growing the cooperative movement. It also suggests a weak link between the target and the intended outcome.

6.6 The Committee observes that on Programme two (2), in contrast to the programme's name or description, "Integrated Co-operatives and Micro Enterprise Development", a substantial amount of the budget during the current financial year, R314 million, is ringfenced for infrastructure spending. This Committee is mandated, on behalf of Parliament, to monitor the implementation of the High-Level Panel report most notably, a directive that Parliament must "ensure that the next budget appropriations include resources for supporting informal traders and upgrade their trading places such as creating low-cost kiosks, cubicles and stalls with suitable infrastructure and storage space". However, the Committee is equally of the opinion that a balance must be struck between supporting hard (industrial parks, trade stalls, physical networks and energy grids) and soft infrastructure (institutions, human capital, incentives and so on).

6.6.1 The Committee notes that during the previous reporting cycle (DSBD Annual Report: 2025), the Department could not achieve all of its targets—with only one business infrastructure refurbished instead of the projected four.

6.7 Having gone through Sedfa annual performance plan, the Committee observed that the grouping of cooperative banking functions under programme three (3), from a standalone government institution with a distinct mandate to a subprogramme, diminishes the government's resolve to scale up financial inclusion and transformation efforts. In fact, it illustrates the Department and Sedfa's disposition towards the cooperative sector in general and the cooperative banking sector in particular. There is a persistent treatment of cooperatives as poverty alleviation mechanisms rather than as robust business entities requiring tailored and market-oriented support.

6.8 The Committee is further noting that the amalgamation of the Co-operative Banks Development Agency into Sedfa as effected through the amendment of the National Small Enterprise Amendment Act 21 of 2024, is causing significant transitional uncertainty regarding the regulatory and legislative framework for cooperative banks. The status of the Cooperative Banks Act 40 of 2007 concerning who should assume custody of the legislation between the Department and National Treasury remains unclear. Other legislations such as the Business Act (1991), National Small Enterprise Act as amended (1996) and Cooperatives Act as amended (2005) were all transferred successfully from the Department of Trade, Industry and Competition to the Department of Small Business Development. There is no indication of what is likely to transpire with the Cooperative Banks Act.

6.9 The Committee optimistically yet cautiously welcomes the long-awaited Start-up policy, which is presently being prepared for submission and approval by Cabinet. A massive gap exists in funding for early-stage and medium-sized enterprises that are too big for micro-loans but too small to meet traditional bank lending criteria. The Committee has noted the rapidity with which other nations are legislating start-up activities, which are frequently plagued with a slew of challenges. Key examples being Italy way back in 2012, Tunisia in 2018, Senegal in 2019 and Nigeria (2022), with many other African countries now establishing comparable frameworks to enhance their economies. The Portfolio Committee will continue to support and advocate for this course of action including the prospect of creating a distinct legislation.

6.10 A significant portion of the Portfolio Committee declarations and recommendations are not reflected in the Department's and Sedfa's annual plans. For example, the Committee has raised concerns regarding the ambiguity of certain indicators within the Red Tape Reduction Framework as not quantifiable and lacking binding effect—making its implementation voluntary across government departments—which limits its ability to enforce compliance. Furthermore, programme guidelines are not being reviewed regularly as they should to effect the Committee recommendations e.g. that all applications for funding to be responded to within a reasonable timeframe of 30 days or less, that all applicants should supply GPS coordinates to enable the municipalities to track all projects funded by the Department and Sedfa, as well as the classification of cooperatives according to their stage of development, size, and operational turnover to determine funding eligibility and minimum thresholds.

7. RECOMMENDATIONS

The following recommendations are to be taken into consideration by the Minister of Small Business Development, who is requested to take steps to implement, and they are as follows –

7.1 The Committee holds the view that the strategic plan and annual performance plans are living documents, they are not static or one-time creations but rather dynamic frameworks that should continuously be revisited, updated, and aligned to changing circumstances and emerging priorities. Based on recommendations from the Auditor-General and the Portfolio Committee, the Departments and Sedfa are directed to rescript/improve their annual performance plans to ensure all performance indicators and targets are compliant with SMART principle.

7.2 The consolidation of scattered small business functions across various government departments is a critical priority to eliminating fragmentation and improving efficiency. The Department of Small Business Development, in collaboration with other Departments Public Service and Administration, National Treasury as well as Planning, Monitoring and Evaluation, should champion this initiative to reorient the mandate of the Department. This exercise should not be conducted in isolation from reviewing the foundational mandate of 'coordinating'. A review should be a state-led process, conducted through inclusive negotiations, and based on clear, factual information regarding the implementation of the original mandate.

7.3 To balance spending between economic and other priorities, the Committee believes that the Department should form strategic partnership with the Department of Public Works and Infrastructure (DPWI). The DPWI is implementing various programmes to support enabling infrastructure development by integrating small businesses into public construction, maintenance, and property management projects. In his State of the Nation Address, President Ramaphosa announced a massive, record-setting infrastructure investment plan, pledging over R1 trillion in infrastructure spending over the next three years. The Department should therefore collaborate with DPWI to dip into this fund without depleting its limited resources.

7.4 The Department of Small Business Development should, in line with its mandate of cooperatives development, take custody of all cooperative legislation, regulations and policies. The ambiguity of dual responsibility created by the National Small Enterprise Amendment Act (2024) should be cured. The act ensured that while developmental support moves to the DSBD, the regulatory, registration, and supervision duties remain with the Prudential Authority (within the National Treasury) to ensure financial stability. This is untenable in the long-term. The cooperative banking sector is facing significant challenges, with industry stakeholders who have appeared before the Committee several times, indicating that excessive and misaligned regulation is a major impediment to its growth. The Department must thus lead initiatives aimed at reviewing the Cooperative Banks Act (2007).

7.5 The cooperative sector, widely regarded as underperforming and in a "dire state", with a high failure rate, low public popularity, and a reliance on government support despite significant potential to drive economic growth and job creation, should not be allowed to decline further—particularly with a dedicated Department formed to nurture the sector. It is high time a dedicated programme or directorate or unit within Sedfa structure is created to promote the development of the cooperative sector. The unit will be responsible for the development of all types of cooperatives from financial, housing, consumer, workers, social, producer to multistakeholder cooperatives.

7.6 The opportunities presented by the Public Procurement Act (2024) are at risk if the Department of Small Business Development does not take charge or own the public procurement space for the benefit of MSMEs and cooperatives. It may lead to a collapse of structured support, resulting in high failure rates for small businesses, reduced economic transformation, and entrenched market monopolies

7.6.1 The Department must actively facilitate "market readiness" by linking small enterprises to procurement opportunities. As a custodian of the small business sector in the country, development of small-scale industries through procurement should be a shared responsibility between the Department and National Treasury.

7.6.2 To address this gap, the Committee recommends as above that the Department should update its APP to include measurable indicators, including but not limited to, the percentage of total procurement spend allocated to designated groups through set-asides, number of tenders advertised using pre-qualification criteria for preferential procurement, percentage of contracts awarded that include subcontracting conditions for designated small enterprises and/or percentage of bids awarded that comply with the new designation of sectors for local production and content.

7.6.3 For example, Cooperative Governance and Traditional Affairs (CoGTA) has set itself a target of 40% procurement from enterprises owned by women and 30% from youth. These targets are part of a broader government policy announced by President requiring 40% of public procurement to go to women and youth-owned businesses. Tracking performance of these indicators across the government is a responsibility of the Department of Small Business Development. It should, as a result, find expression in the annual performance plan of the Department.

7.7 To effectively reduce red tape, the Department should utilise a multi-faceted approach to measure the impact of the intervention(s), such as incorporating the Standard Cost Model alongside other quantitative and qualitative indicators. The goal is to track the reduction of unnecessary compliance burdens, decrease the cost of doing business, and improve administrative efficiency for MSMEs and cooperatives. Standard Cost Model is a highly effective, internationally recognised methodology for measuring and reducing the administrative burdens imposed by legislation on businesses.

7.8 The extensive delays by municipalities in issuing licenses and permits to small businesses is creating a significant hindrance to economic growth, especially for spaza shops and informal traders. As of March 2026, only approximately 18,722 of the almost 81,000 registered spaza establishments were fully licensed. This backlog directly prohibits legitimate business owners from getting crucial financial assistance such as the Spaza Shop Support Fund. The Committee believes that a multipronged strategy should be adopted such as shifting the authority to issue business licenses away from struggling municipalities—which often lack the capacity and administrative efficiencies to handle applications—to a more centralised Departmental level as envisaged in the Business Licensing Bill. Alternatively, the Department must investigate how the standard bylaws (legally binding and model regulations) produced by provincial governments to assist municipalities in areas such as zoning, public health, and safety might be strategically used to increase licensing of small businesses.

7.9 The Department and Sedfa should review their application guidelines particularly on cooperatives. The application process is overly bureaucratic and difficult to navigate for rural or small-scale cooperatives. The necessity for three comparable and CSD registered supplier quotations, three-year cash flow predictions, and twelve-month financial statements or management accounts might be difficult for early-stage cooperatives. The CDSP targets small-scale cooperatives, but the requirement for a minimum bank balance or established turnover can exclude many rural and township entities operating on a “hand-to-mouth” basis.

7.10 Given the tight timeframe for reviewing the Department's and Sedfa's annual performance plans and budgets, the Committee believes that an additional session to fully acquaint itself with the plans, budgets, and key performance indicators should be scheduled by the committee secretariat in the next quarter.

Report to be considered.