



SUBMISSION

Revised Fiscal Framework and Revenue Proposals

26 October 2026

Attention: Allan Wicomb, Nkululeko Mangweni, and Lwazikazi Ntinzi

Finance Standing Committee:

Chairperson: Mr MJ Maswanganyi (ANC)

Members: Alexander, Ms W (DA), Bateman, Mr Bateman, Mr AG (DA), Beesley, Mr AD (Action SA), Gcaleka-Mazibuko, Ms NA (ANC), Hadebe, Mr N (IFP) Lekganyane, Mr MS (ANC) Makhubela, Ms LS (ANC), Maotwe, Ms OMC (EFF), Sekoati, Mr SC (ANC), and Van Rooyen, Mr DD (MK).

Select Committee on Finance:

Chairperson: Ms Ndhlovu, S (Chairperson),

Members: Mr Britz, J.H.P, Ms Legwase, T.I., Mr Majola, J.S., Ms Nxumalo, S., Mr Radebe, B.A., Mr Ryder, D.R., Ms Siwisa, A.M., and Mr Swart, P.J.

Dear Members of the Select and Standing Committees on Finance and Committee Secretaries,

On behalf of the Institute for Economic Justice (IEJ), thank you for the opportunity to make the following written submission and participate in the public hearings on 28 October 2026 in response to the Revised Fiscal Framework and Revenue Proposals tabled by the Minister of Finance on 21 October 2026.

Given the centrality afforded to public participation in our constitutional democracy, we trust that you will give meaningful consideration to our submission and the considered and substantiated proposals.

Should you have any questions regarding this submission, please feel free to contact Liso Mduyana, the IEJ's Junior Researcher at liso.mduyana@iej.org.za, or Dr Mzwanele Ntshwanti, the IEJ's Senior Researcher at mzwanele.ntshwanti@iej.org.za.

1. Introduction

The 2026 Medium Term Budget Policy Statement (MTBPS) is a depressing continuation of a fiscal strategy that has failed by any measure of development for over a decade. Unemployment [stands at](#) 43.8%, care burdens and gender inequality remain entrenched, and economic growth is anaemic, having [averaged](#) 0.9% between 2013 and 2025. In addition, gross fixed capital formation (domestic investment) declined from 20.4% in 2013 to 13.9% in 2025, and the majority of the population, which relies on [meagre wages](#) and inadequate social grants, is left unable to cope with the rise in the cost of living.¹ The MTBPS focuses on a narrow set of fiscal metrics in a manner that obscures from sight the factors that mean the most to real people, remaining tone-deaf to South Africa's unfolding crises.

In assessing whether the current fiscal strategy is appropriate, the key question that our Members of Parliament (MPs) should ask themselves is the following: is our economy in a position where the potential benefits of reducing debt levels through spending restraint outweigh the costs? In other words, supposing that we reach our fiscal targets (reducing the debt-to-GDP ratio over the next three years, leading to “lower government borrowing costs and improved investor sentiment”), would this set South Africa up for high employment growth, greater access to quality public services, poverty reduction, and industrial-led growth even as inadequate budget allocations lead to poor outcomes in the provision of education, healthcare, social protection, and infrastructure? Our evidence suggests that this fiscal strategy is unlikely to deliver the purported stability or yield structural transformation as set out in the National Development Plan (NDP).

In light of this, the central proposition of this submission is that the current fiscal strategy is untenable for South Africa's developmental prospects. We present two arguments to justify this claim. First, elevating spending restraint, debt reduction, and primary budget surpluses, as objectives above all else, including above reducing hunger, creating decent employment, and growing the economy, in the manner that the National Treasury has done (and seeks to enshrine in law) creates perverse outcomes. The perverse outcomes are characterised by budget decisions or models of service provision that clash with other policy goals. Second, the primary tool that the National Treasury employs to reduce the debt-to-GDP ratio in the form of a higher primary surplus is not enough to sustainably reduce debt levels over the long run and, by itself, is unlikely to generate the benefits sought by the National Treasury.

The IEJ proposes that under an alternative fiscal strategy, underpinned by greater revenue mobilisation, an evidence-based disaggregated approach to budgeting, and macroeconomic policy coordination, the National Treasury and the government as a whole can simultaneously

¹ In 2026 the South African Reserve Bank (SARB) and National Treasury initially [forecast](#) 2026 annual inflation around 3.3% to 3.7%, but upward supply shocks pushed average expectations higher, with headline projected above 5.0% (2 percentage points above the 3% target) through late 2026 and early 2027.

achieve fiscal sustainability while laying a sound foundation for structural transformation and long-term sustainable growth.

Our main contention is that the size of the fiscal envelope, how much South Africa should borrow, and the role of fiscal policy in development, should not be mechanically determined by a particular debt level. That is, the debt level should not serve as the limiting agent to the role and goals of fiscal policy. Rather, the size of the fiscal envelope should be determined by a representative political process that begins with the needs and rights of South Africa's people and our developmental objectives. This should then take into account factors such as the [multiplier effects](#) of debt-financed public spending, the effective interest rate on government debt relative to the economic growth rates, the capacity utilisation rates in key economic sectors (for instance, agricultural, energy, and manufacturing), and the ability to equitably collect taxes. All of these factors are partly policy choices of government departments and agencies such as the SARB, ITAC, and the National Treasury. The role of fiscal policy should be guided by constitutional imperatives to ensure that households are able to receive quality and affordable basic services.

The rest of the submission is structured as follows. Section 2 illustrates the perverse outcomes produced by placing debt stabilisation as the supreme goal. Section 3 shows that industrial development under a coordinated macroeconomic framework can produce macroeconomic stability while supporting structural transformation and long-term sustainable growth. Section 4 lays out a summary of recommendations for consideration by the Standing and Select Committees on Finance.

2. Fiscal consolidation produces perverse outcomes

Attaining higher primary surpluses by limiting the quantum of money available for spending has become the guiding principle under which all fiscal policy decisions are made. Starting points matter. If you set out to build a boat, you're unlikely to end up with something that can fly. More concretely, given that the objective of the Minister of Finance and the National Treasury is to limit spending growth, it should not come as a surprise that social services and infrastructure are perennially underfunded. The addition of R45 billion to the spending baseline in 2026/27 and the medium term is a [drop](#) in the bucket of what is needed to overcome underdevelopment in South Africa.

Moreover, in order to keep spending within limits dictated by a set expenditure ceiling and a target primary surplus – rather than on the evidence of its effectiveness – the National Treasury devises measures (sometimes unconstitutional) to reduce the coverage of programmes, rendering them less effective. This reduced ineffectiveness is used, under the Targeted and Responsible Savings (TARS) initiative, to justify slashing and “repurposing” allocations. Since the operating logic is spending restraint rather than fulfilling a policy objective, this fiscal strategy has produced perverse outcomes where in Treasury's attempt to manage allocations, they inadvertently undermine policy goals. Two examples, the social protection system and infrastructure investment, distinctively demonstrate this point.

2.1. Empowering women vs protecting women?

The Minister of Finance and the National Treasury have weaponised legitimate public anger over the prevalence of Gender-Based Violence and Femicide (GBVF) to wage an ideologically-driven battle against the Social Relief of Distress (SRD) grant and the broader social grants system. The National Treasury touts R13 billion saved from social grants by “reducing fraud”. Some R6.8 billion of this has been [snatched](#) from the SRD grant, due to SASSA’s failure to pay approximately 1 million *approved* beneficiaries due to the imposition of biometric verification systems. Further, the National Treasury proposes to reduce the Child Support Grant by R1.7 billion, with 300,000 fewer beneficiaries [reached](#) so far in 2026/27 compared to projections when the 2026 national budget was tabled.

The MTBPS states that the R13 billion cut from social grants is due to ‘reduced fraud’. This is a flagrant misrepresentation. As explained, about half of the cuts come from underspending as a result of non-payment of the SRD grant. The remainder of the cuts come from cancellations of the longer-standing grants—the CSG, old age Grant and disability grant. SASSA has not provided any evidence that these cancellations are due to fraud (purposeful misrepresentation). In fact, 95% of the cancellations result from people being unable to complete reviews. Hundreds of thousands of people are having their grants terminated because they are unable to comply with grant review processes due to transport costs, lack of stable access to the internet and inconsistent contact details, and endless queues. The Minister of Finance labels such legitimate and deserving people as fraudsters. These would-be grant beneficiaries are the people — by definition the poorest in our society — that are being stripped of their constitutional right to social assistance they use to meet their basic needs. To drum up support for this violation of rights to social protection, the National Treasury is cynically claiming these resources are being redirected towards GBVF and child stunting interventions.

South Africa faces a scourge of GBVF which the Commission for Gender Equality [reports](#) primarily (although not exclusively) affects young black women that live in underserved townships and rural areas plagued by poverty, unemployment, and limited access to public services (such as police stations, Thuthuzela Care Centres, and courts). Thus, this repurposing of spending creates a false trade-off between protecting women from violence and protecting their economic security, both of which are and should be seen by the Minister of Finance as mutually reinforcing policy goals. It also ignores that the social protection system has been instrumental in reducing income, gender and racial inequality, alleviating poverty and hunger, activating labour market participation (especially for women) and, relative to overall spending, exhibits high multipliers (see Nzimande *et al* ([2025](#)) and Baduza *et al* (forthcoming)).

Chronic underfunding of public services is a major factor underpinning poor performance and ineffectiveness. For instance, over R1 billion dedicated for filling vacancies in the police service has been shifted to spending on machinery and equipment. According to the South African Police Service (SAPS), as of March 2026, there were 5,342 vacancies that were approved yet unfilled due to funding gaps. Human resources and capital assets are both needed in efforts to combat crime and should not be treated as competing spending items. Statistics from the [adjusted estimates of national expenditure](#) show that the detection rate for murder per year in

2026/27 so far stands at 9.30% (10 640/114 548 cases) against a target of 62.5%, set in February 2026. The percentage change in the number of reported contact crimes against children per year increased by 3.9% and the percentage change in the number of reported contact crimes against women per year increased by 3.3% in the first quarter of the year (April - June 2026). With fewer police officers on the streets and at stations to respond to violent acts, how does the Minister of Finance, and the government expect communities to be safer for women and children?

GBVF is as much a public safety issue as it is a matter of making social safety nets more accessible and empowering women through ensuring that education and healthcare facilities are nearby, affordable, and provide quality services. Such a comprehensive response requires greater and more effective spending. While the fiscus does not have infinite resources, the National Treasury's unwillingness to mobilise revenue leads to unnecessary and harmful trade-offs. Opportunities to [sustainably increase revenue](#) by taxing the net wealth of rich households, curbing illicit financial flows, and reducing tax breaks for high-income individuals have once again been ignored.

2.2. Privatisation of public goods and services

The distortion of priorities is also evident in the supposed national priority: infrastructure investment. Here, the government is systematically underinvesting – in building public housing, constructing roads, bridges, schools, hospitals, and care facilities, upgrading water infrastructure, and scaling renewable energy sources. The 2026 MTBPS makes no changes to the R1.07 trillion allocation to infrastructure over the medium term. South Africa's [investment rate](#) currently sits at under 13.2%, well below the National Development Plan (NDP) target of 30%. The Minister of Finance has false hopes that private sector-centric modes of infrastructure development will close the gap. This is despite the fact that there has been little to no evidence provided in South Africa and elsewhere in the world, to show that a private-centric model of service provision will address South Africa's need for reliable, quality, accessible, and affordable services [for all](#).

Instead, private models of service and infrastructure provision, whether public-private partnerships (PPPs) or full privatisation, have been associated with large-scale retrenchment of workers, [increased](#) fiscal risk, and profit-maximisation through increasing user costs. Improvements in efficiency and reliability of services mainly benefit well-off customers and shareholders. The social disintegration caused by privatisation, the withdrawal of the state, and rising inequality is driving far-right mobilisation globally (and in South Africa), fuelling xenophobia and hate. Privatisation also means that services and infrastructure that should be [publicly](#) and socially-owned are now private goods with limited access. This further weakens the government's balance sheet and ability to direct development.

The recent successes of state-owned enterprise (SOEs) suggests that microeconomic reforms do not need to lean heavily on a private-centric model of service provision. The logic of Operation Vulindlela is that increased private sector participation in areas previously wholly owned by the state will lead to greater competition, which should lead to lower costs and

improved operational performance. However, the steady recovery of SOEs such as [Eskom](#) and [Transnet](#) has been on the back of improvements in SOE management and oversight, enhanced maintenance, and fiscal injections ([debt relief programmes](#)). This has demonstrated that greater competition is not a necessary condition for better operational performance.

The true test for Operation Vulindlela will be its effect on the cost structure of the economy and widespread access for the public. The cost of basic services (water, electricity, and sanitation) has skyrocketed over the last decade. Ledger and Mathibela ([2025](#)) revealed that from 2010 to 2020 the average municipal tariffs for water and electricity increased above the rate of inflation in that period, at 213% and 177% respectively. The prevalence of low median monthly wages, estimated by the Department of Employment and Labour at R6,764 in 2025, and an unemployment rate in excess of 40% means the consumption of costly basic services leaves households with little income to spend, depressing domestic demand even further.

3. Industrialisation and macroeconomic coordination can sustainably reduce debt-to-GDP

Multiple measures – including the expenditure ceiling, primary surpluses, and now a proposed principles-based fiscal anchor – have been instituted (or proposed) to lower the borrowing requirement in order to halt the acceleration of the debt-to-GDP ratio. In our view, these measures place too much weight on the numerator (gross debt) and too little weight on the denominator (GDP) of that ratio. Furthermore, the causal mechanism by which lower debt-to-GDP ratio is supposed to lower government borrowing costs, that is, through credit rating upgrades that lower the sovereign risk premium, should be interrogated.

Mutize ([2020](#)) shows that investors in South Africa have high sensitivity to credit rating downgrades while reacting very little to upgrades. This suggests that significant fiscal improvements, such as attaining a primary surplus, which lead to credit rating upgrades and marginal interest rate declines can be immediately wiped out by small fiscal slippage. Investor's low sensitivity to credit rating upgrades was illustrated when despite improved scores from Standard and Poor and Fitch Ratings, on the back of consecutive primary surpluses, the real yield on long-term government debt only decreased marginally from 5% to 4.9% between 2024 and 2025. This is not a reliable or empirically reasonable way to reduce the debt-to-GDP ratio. The IEJ argues that the most sustainable way to stabilise the debt-to-GDP ratio (which is a legitimate policy goal) would be to deploy more direct measures to reduce the cost of credit (for government, corporations, and households), and spur growth through re-industrialisation and regional integration, and for better macroeconomic coordination guided by the objective of employment- and investment-led growth.

3.1. Industrialisation is needed to sustainably grow the economy

The South African government needs to actively pursue broad structural transformation, including through the use of fiscal instruments. It is critical to diversify the export structures to be less concentrated on raw commodities, increase value addition in the production of minerals and agricultural products, and ramp up reserves of key imported inputs, with a view to

expanding production of alternatives. This would enable faster GDP growth, with less sensitivity to external developments, and lower or stabilise the debt-to-GDP ratio.

Fiscal tools are essential to achieving such structural transformation. Tax-incentives, guarantees, subsidies, and preferential state procurement, accompanied by reciprocal control mechanisms, for instance, can enable export diversification and sustainable import substitution. However, these fiscal tools may be rendered ineffective in building industrial capacity if state capacity is too weak, as proved, for instance, by the Renewable Energy Independent Power Producer Procurement Programme (REIPPPP).

In the REIPPPP case the IEJ [found](#) that pervasive tariff evasion and weak enforcement of local content requirements have driven an influx of imported equipment, and have made local production less competitive, leading local manufacturers to close factories and lay-off workers. The government cannot simultaneously [underfund](#) state agencies such as SARS (even as recent increases in allocations are welcome), in the National Treasury's quest to reduce the debt-to-GDP ratio, and expect programmes like REIPPPP, whose effectiveness depends on a capable SARS (amongst other agencies), to succeed. This illustrates a policy misalignment between fiscal objectives and industrial development objectives and calls for better coordination between macroeconomic, industrial, labour, social, and environmental policies.

This is even more urgent in the current context of mounting externally-induced crises. The [macroeconomic assumptions](#) that underpinned the National Treasury's overly optimistic growth outlook over the medium-term expenditure framework (MTEF) (2026/27 - 2028/29) are now vastly changed. The Brent crude oil price is now [projected](#) at \$89 per barrel compared to \$61.6 in [January](#) 2026, and global demand from the country's major trading partners is [estimated](#) to be slightly lower as a result of the ongoing conflict in the Gulf.

The structure of the economy continues to leave economic growth highly sensitive to external factors. The economy can only start to grow sustainably once the government has appropriately dealt with these underlying structural vulnerabilities. The SARB and the National Treasury have [downgraded](#) their growth projections from 1.4% to 1.2% for 2026. Monetary policy is expected to be more restrictive in the medium term, partly suggesting that the cost of capital may remain structurally high and undermine investment, especially in food and energy resilience, and climate change response required for sustained and stable growth. External dependence means that when a global commodity price supercycle [ensues](#), such as during the early to mid-2000, GDP growth can [rise](#) considerably, and when a global oil crisis and a decline in commodity prices occurs, as we are witnessing in 2026, this can [subdue](#) the economy. The IEJ posits that reducing external vulnerabilities should be at the core of discussions around sustainable economic growth and stabilising the debt-to-GDP ratio over the medium-to-long term.

Recurrent geopolitical crises which have disrupted the supply and affordability of food and energy, from the Russia-Ukraine war to the ongoing US-Israel war of aggression on Iran, should serve as the impetus for the state to reduce its over-reliance on imported, yet economically strategic resources such as crude oil and agricultural imports. The Minister of Finance [revealed](#)

that “South Africa relies heavily on imported fuel, with approximately two-thirds of liquid fuel consumption met through imports and a significant amount sourced from the countries in the Gulf”. SARB research [shows](#) that this dependence on imported fuel can be partly explained by the closure of domestic oil refining plants since 2019. The ongoing conflict in the Gulf, and its resultant disruption of global supply chains, has already hit households through an [elevated](#) cost-of-living crisis. In this regard, the [Cabinet’s Strategic Petroleum Stocks Policy](#) must be accompanied by an immediate revival of domestic refining capacity, and a continued phasing out of fossil fuels in favour of renewable energy alternatives.

The National Treasury could also finance the purchase of reserves of oil by the Department of Mineral Resources, to replenish stocks following the [unauthorised sell-off](#) of South Africa’s fuel reserves in 2015. Similarly, the National Treasury can finance the purchase and storing of food reserves (such as grains). As IEJ research [conveys](#), a food buffer stocks policy is used by many countries in Asia, Africa, and in the past by Europe and the U.S., and if properly implemented can mitigate sharp food price rises.

Beneficiation, agro-processing, and localisation provide viable pathways to decent employment, increased value chain upgrading and export sophistication, and can potentially lead to higher, and more stable GDP growth. The state is integral to the establishment and competitiveness of firms in these industries in that it can reduce the high start-up (i.e., acquisition of land and hiring a skilled workforce), and recurring costs (i.e., wages and insurance) these firms face. The state can also foster a skilled workforce through Technical and Vocational Education and Training (TVET) colleges, reducing search and training costs for firms. Additionally, the state can release state-owned land for commercial use, provide performance-based incentives, and negotiate trade agreements, the latter would further open up the export market. All of this requires fiscal resources and other forms of support by the National Treasury as a way to expand the denominator (GDP) instead of simply seeking to lower the numerator (gross debt) without a sustainable growth plan.

3.2. Macroeconomic coordination for stability and growth

A whole-of-government approach is needed to secure the kind of macroeconomic stability that will support job-intensive economic growth. Fiscal consolidation and monetary tightening could possibly achieve a narrow form of macroeconomic stability in the form of a lower debt-to-GDP ratio and lower inflation. However, a previous [IEJ publication](#) questions this assumption. For instance, it is quite likely that the planned for stabilisation of the debt-to-GDP ratio will not materialise on the basis of lower-than-projected growth, and blamed on the external environment. Regardless, the achievement of this sort of narrow macroeconomic stability would leave the country on weaker foundations for growth to take-off as it would have been achieved on the back of underinvestment in state capacity, economic and social infrastructure, and human capital.

While this kind of macroeconomic stability has led financial speculators to [favour](#) rand-denominated assets since 2024, it has arguably not attracted the kind of long-term capital inflow needed to support fixed investment and decent job creation, with inflation-adjusted gross

capital fixed formation [contracting](#) by 2.2% in 2025. The more fundamental issue from a developmental perspective, is whether enough capital is flowing into productive industries to stimulate decent employment and sustainable growth.

An expanded, coordinated toolkit for mitigating inflation, boosting and directly investment flows, reducing the cost of capital, and managing external balance, including the exchange rate volatility, can allow monetary, fiscal, and sustainable policies to achieve a broader-based macroeconomic stability able to serve as the foundation for sustainable, durable, and inclusive growth. For instance, fiscal and monetary operations, including concessional lending and fiscal recapitalisation, can support the expansion of the lending portfolio of, and access to, low-cost credit for [development finance institutions \(DFIs\)](#). This would empower DFIs to fund long-term, green projects that boost capital formation, alleviate the climate crisis, ensure energy sustainability and food systems resilience, and create decent jobs.

To complement these measures the SARB could consider capital controls, in addition to foreign exchange buffers, open market operations, and repo rate adjustments as sustainable tools of managing the exchange rate and external balance. A [study](#) by SARB researchers found that between 1985 and 1995, the enforcement of capital controls – a dual exchange system that separated current account (‘commercial’) flows from capital account (‘financial’) flows – was successful in restricting the spillover of the more volatile ‘financial’ rand to the more stable ‘commercial’ rand, the latter of which had stronger ties with real economic activity. Collectively, this expansion of the toolkit for inflation and external balance management can aid the goal of price stability in a more sustainable manner rather than the current short-term and narrow focus while leaving adequate policy space for the SARB and the National Treasury.

A lower cost of credit for businesses and households therefore requires coordination between fiscal, monetary, and industrial authorities. But cheaper credit will only stimulate fixed investment if it is accompanied by policies that ease household and business levels of indebtedness, increase domestic demand, and direct credit to productive sectors. For instance, fixed investment may fail to grow sufficiently even in the face of lower cost of credit due to debt overhang and insufficient demand. Debt overhang occurs when economic actors cannot take on new loans to expand assets due to interest payments for old loans consuming too much cash flow. In South Africa, households have excessively high debt levels,² whose repayment reduces the income available for spending, thus constraining demand.

Together, what this illustrates is not that macroeconomic stability should be deprioritised, but rather that: a. A narrow understanding (and thereby a narrow approach) of macroeconomic stability (low debt and low inflation) does not lay the foundation for sustainable and inclusive growth; b. Achieving the sort of macroeconomic stability that we do need requires a multidimensional approach, coordinating across an expanded toolkit of policy levers.

² Household debt relative to disposable income [peaked](#) between 76% and 89% around 2008, while debt-service costs reached about 10.9% of disposable income as interest rates rose. The ratio subsequently declined, falling from 72.6% in 2010 to 62% in 2025, showing increased household financial vulnerability.

3.3. Budget reforms may entrench austerity

The Minister of Finance and the National Treasury want to make the same fiscal strategy, which encourages irrational spending trade-offs and privatisation, a permanent and legally-binding tenet of the budget. The introduction of the proposed [‘principles-based’ fiscal anchor](#) in the 2026 MTBPS was pitched in the Minister’s speech as a return to fiscal policy driven by “developmental priorities and constitutional obligations”. The ‘principles-based’ approach is argued to give flexibility to the Executive and Parliament, in contrast with the strict numerical fiscal anchor (see the [IEJ’s discussion document on fiscal rules](#)) which was initially [proposed](#) by the Minister of Finance in 2020. While better than numerical rules, it can too easily ossify into rigid restrictions, particularly if the definition of fiscal sustainability is narrowly defined as the gap between current debt levels and a so-called “debt limit” (as is currently conceived by [the National Treasury](#) and the IMF).³ By elevating this conception of debt sustainability above other priorities that fiscal policy should advance or empower, the National Treasury cements a framework that encourages perverse trade-offs.

A restricted fiscal envelope, by limiting allocations for social spending contradicts the goals of other budget reforms such as gender-responsive budgeting (GRB). Currently, GRB, which the government is actively piloting through various departments, is relegated to a simple tick-box exercise that is centred around narrow conceptions of “women empowerment”, such as simply dedicating more funding to businesses that meet a certain quota. Rather, a GRB perspective on fiscal policy can reorient spending towards the kinds of activities which women, men, children, and the elderly people spend an inordinate amount of time on but which are not compensated by the labour market, despite their importance in reproducing the labour force. This includes childcare, cooking and cleaning, household healthcare and education, and fetching water from far-off sources, among other things.

4. Summary of recommendations

The IEJ recommends that the Standing and Select Committees on Finance reject the Minister of Finances’ proposed Revised Fiscal Framework and Revenue Proposals. Instead, we implore the finance committees to table a fiscal framework that takes into consideration the following items:

- Resource mobilisation
 - National Treasury continues fiscal support aimed at capacitating SARS; the state provides relevant technical, financial, and diplomatic support to the UN Framework Convention on Tax which can curb illicit financial flows and open up policy space for greater wealth and resource taxation; The state de-links from the inadequate OECD-led Two-Pillar Solution; increase the taxation of net wealth and income derived from the holding of financial assets; reduce medical aid- and retirement fund-linked tax breaks for households earning in excess of R750,000 annually; use the Gold and Foreign Exchange Contingency Reserve (GFECRA)

³ The IMF has been an important advisor to the National Treasury on the development of a new fiscal anchor. See the IMF’s High Level Technical Summary on [‘Strengthening Fiscal Frameworks’](#) (2026) in South Africa

and consider using pension funds such as the Government Employees Pension Fund (GEPF) to finance infrastructure development; and increase the carbon tax.

- State capacity and public services
 - The standard for budget allocations to social services such as health, education, and police force should be that spending must grow at least as fast as the sum of the population growth and the inflation rate; National Treasury must conduct spending reviews for different programmes to investigate, among other things, the root causes of underperformance or failures in implementation, the multiplier effects, and where appropriate upscale or downscale allocations; the government should consider reducing outsourcing of services where it would be strategic to build internal state capacity; the National Treasury should collect more data on supplier prices to make better informed allocation decision; and there should be no privatisation of strategic state assets where this is not necessary to lower costs or improve management.
- Budget reforms
 - GRB should be integrated more fully, meaningfully, and effectively in the budget process; The proposed new fiscal anchor requires Parliament to follow a wide-spread and thorough consultation process with the public and parliamentary bodies such as the Parliamentary Budget Office (PBO) and the Financial and Fiscal Commission (FFC). The IEJ will make a submission where we warn that fiscal rules have had mixed success internationally, and risk further entrenching austerity, especially in a low-growth environment.
- Macroeconomic coordination, climate transition, and industrial development
 - The government must harness the opportunity for domestic industrialisation presented by the climate and energy transition. This will require a coordination of macroeconomic policies so as to increase state capacity, lower the cost of credit for business, expand policy space, and open up a large market for producers. Areas of focus can be the beneficiation of critical minerals, differentiated credit mechanisms for green and care infrastructure investments, and the reform of development finance institutions to support long-term, socially-beneficial, patient capital investment in the just transition and climate change response.