

# Budget 2026

## From a sustainability perspective



### OVERVIEW

The key sustainability-oriented and sustainable support measures highlighted in the South African 2026 National Budget Speech delivered by Finance Minister Enoch Godongwana on 25 February 2026 - focusing specifically on sustainability, green/renewable energy, climate resilience, transformative infrastructure, and long-term fiscal and social sustainability:

#### 1. ECONOMIC AND SOCIAL

##### **Sustainable social Support:**

The Budget preserves a strongly redistributive spending profile, raises social grants, extends the SRD grant in its current form. This underpins social sustainability by maintaining basic income support while supporting reforms aim to reduce inefficiencies (e.g., fraud reduction measures). Additionally, increased allocations across education and health are evident, emphasising its importance as critical components of sustainable development goals.

##### **Support for small businesses:**

The Budget makes a practical pro-growth intervention by raising the compulsory VAT registration threshold from R1m to R2.3m and by expanding capital gains tax relief thresholds for older owners disposing of qualifying small businesses. This is more than tax housekeeping; it lowers compliance pressures and improves liquidity for smaller firms in a high-cost environment.

Raising the VAT registration threshold and other tax adjustments ease burdens on small and micro businesses, strengthening economic sustainability and boosting entrepreneurial growth.

Local enterprise resilience is part of the “S” in ESG, and transition pathways that ignore SME viability tend to fail politically and economically.

#### 2. GREEN ENERGY & INFRASTRUCTURE & INVESTMENT

##### **Major infrastructure commitment:**

Government plans to spend over R1 trillion on public-sector infrastructure over the medium term. This includes large allocations for energy transmission networks, transport, water systems, roads, and logistics improvements that support economic resilience and efficiency, serving as green shoots for attracting capital.

##### **Renewable energy focus:**

The Budget highlights reforms in the energy sector that unlock private investment and encourage cleaner, reliable power generation - an important sustainability objective as South Africa shifts away from legacy energy challenges.

##### **Industry response on Solar and grid expansion:**

The South African Photovoltaic Industry Association (SAPVIA) welcomed the infrastructure focus, urging accelerated support for solar PV and grid expansion - noting that renewable energy infrastructure is critical to long-term sustainable energy and economic growth.

#### 3. FISCAL SUSTAINABILITY & GREEN-FRIENDLY REFORM INCENTIVES

##### **Energy regulatory reform:**

Continued regulatory reform in the electricity sector is designed to expand generation capacity and bring cleaner energy options to market - improving sustainability and investor confidence in the energy transition.

##### **Fiscal anchor framework:**

While not strictly environmental, the introduction of a principles-led fiscal anchor aims to entrench long-term fiscal sustainability, which is essential for predictable funding of climate and green transition programs over time.

From a sustainability perspective the most important feature of this Budget is the combination of fiscal sustainability, infrastructure execution and institutional reform.

#### 4. SUSTAINABLE SERVICE DELIVERY & MUNICIPAL REFORM

##### **Performance-linked utility reform:**

R27.7 billion over the medium term is allocated for performance-linked reforms in electricity, water and sanitation utility services, aimed at ring-fencing revenue for reinvestment, modernising systems, curbing inefficiencies, and supporting long-term sustainable service delivery at municipal level.

##### **Municipal infrastructure reform:**

A “split delivery” model for municipal infrastructure grants is introduced to boost accountability and effective delivery, ensuring that infrastructure services (including water and energy) are managed sustainably and efficiently, ensuring that transparency is central to future service delivery.

##### **The Budget also advances governance sustainability**

Treasury’s municipal reforms and the explicit push to ring-fence revenue collected for water and electricity services address a core systems problem: the erosion of infrastructure through weak revenue discipline and cross-subsidisation.

The just transition depends on whether the state can lower risk, mobilise capital and deliver infrastructure on time. Treasury’s emphasis on a competitive, reliable energy market, combined with progress on the transmission focused CGV, signals a practical shift towards enabling financeable electricity expansion rather than relying on policy intent alone. That is a meaningful sustainability development because transmission lies between decarbonisation ambition and energy security.

The key question becomes how guarantees, risk-sharing, contingent liabilities and project governance will be structured, disclosed and monitored.

“The sustainability of the 2026 Budget depends on the extent to which sustainability is embedded in the disciplines that make outcomes durable: fiscal credibility, infrastructure execution, institutional reform and targeted social support.”

#### CONCLUSION

The 2026 Budget emphasised sustainable infrastructure and fiscal foundations, with explicit backing for renewable energy deployments, energy market reforms, and performance-linked utility improvements. Integration of private investment into energy and infrastructure, along with fiscal reforms, promote a transition toward cleaner, more resilient economic and environmental outcomes complemented by social and economic support measures designed to sustain livelihoods and inclusive growth.

The Budget also reveals the real trade-offs - Treasury scales down the Public Transport Network Grant due to weak outcomes, even as it increases infrastructure ambition elsewhere. It also maintains carbon price direction only at the margins via a modest increase in the carbon fuel levy, rather than using this Budget to make a more assertive carbon pricing and financing move.