EQUITABLE SHARE IN SOUTH AFRICA

. "Equitable Share" typically describes the **unconditional** transfers allocated to Provinces and Local governments informed by Section 214 of the Constitution.

Section 214 requires an Act of Parliament to determine the equitable division of **nationally raised revenue among the three spheres**.

The annual **Division of Revenue Act (DoRA)** is the legal instrument that outlines how funds are split between national, provincial, and local government.

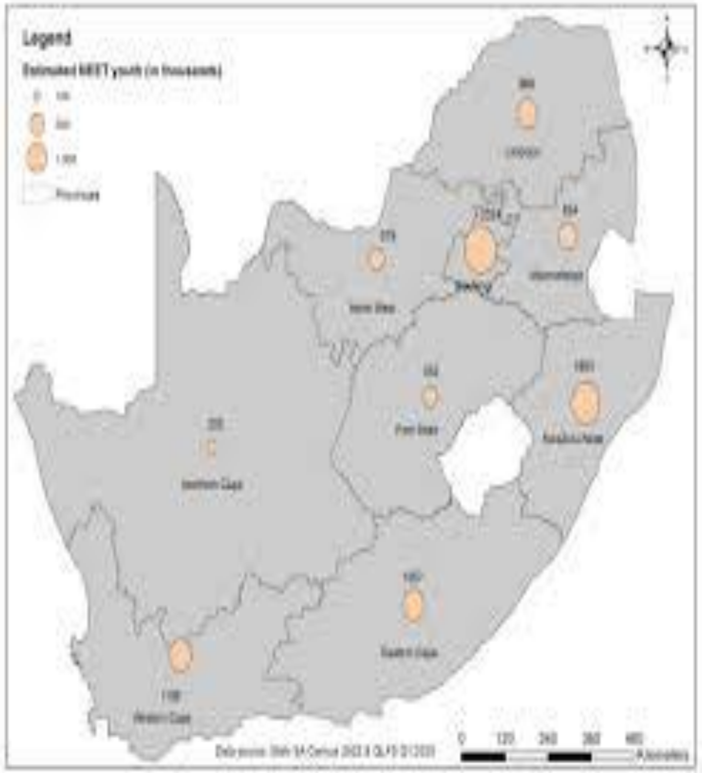
Equitable share is underpinned by the following principles:

- **Equity**: Redirecting resources to historically disadvantaged areas and populations.
  Needs-based allocation: Using objective data (population, poverty, service backlogs).
- **Predictability:** Allocations are announced three years in advance via the MTEF to aid planning.
- **Own revenue generation**: Provinces and municipalities are expected to raise some of their own revenue (e.g., rates, taxes, user charges).
- **Cooperative governance**: The system recognizes the interdependence of the three spheres.

2025/26 NATIONAL BUDGET

- The South African Budget Speech 2025/26, delivered by the Minister of Finance on 12 March 2025, outlined a financial roadmap for the country amid economic challenges and ongoing fiscal constraints.
- **a total consolidated government expenditure of R2.59 trillion is divided into three spheres of government.**

EQUITABLE SHARE FORMULA



Funds are allocated based on equitable share formula designed to objectively measure needs, costs, and developmental priorities.

Provincial Equitable Share (PES):

The largest portion of nationally raised funds goes to provinces because they deliver key services like health, education, and social development. The PES formula is driven primarily by population data and is composed of six components, weighted to reflect service needs.

· The PES formula uses weighted priorities: **For example, the following is an illustration**:

1. Education (48% weight): Based on school-age population.

2. Health (27%): Based on dependent population (with a focus on those without medical aid).

3. Basic Share (16%): Based on total population (for institutional support).

4. Poverty component (3%): Measures poverty levels to address inequality.

5. Economic activity (1%): Adjusts for revenue-raising capacity.

6. Institutional component (5%): For sparse and rural provinces with higher delivery costs.

PROVINCIAL TRANSFERS, 2025/26 (SOURCE: NATIONAL TRAESURY)

PROVINCE R million	EQUITABLE SHARE	CONDITIONAL GRANTS	TOTAL TRANSFERS
Gauteng	R 133.98	R28.92	R162.89
KwaZulu-Natal	R128.09	R26.36	R154.46
Eastern Cape	R82.45	R15.24	R 97.68
Limpopo	R74.06	R12.30	R 86.36
Western Cape	R65.37	R16.26	R 81.64
Mpumalanga	R52.48	R10.45	R 62.93
North West	R44.76	R9.61	R 54.38
Free State	R34.83	R9.80	R 44.63
Northern Cape	R17.11	R5.51	R 22.62
Unallocated	-	R 151	R 151
	R633.16	134.62	R767.79

Local Government Equitable Share (LGES):

Aimed at enabling municipalities to provide basic services (water, electricity, sanitation, refuse removal) to households, especially the poor.

The LGES formula considers:

· **Service backlogs** (access to basic services).

· **Poverty levels** (to fund free basic services for indigent households).

· **Remoteness and population density** (higher costs for rural municipalities).

It is distributed as **unconditional grants**, allowing municipalities to decide how to spend it within their functions.

CONDITIONAL GRANTS

· In addition to equitable shares, the DoRA also allocates conditional grants for specific purposes (e.g., infrastructure, HIV/AIDS programs, housing).

· These are tied to national priorities and come with reporting requirements to ensure accountability.

· They can be for provinces (e.g., Comprehensive Agricultural Support Program Grant) or municipalities (e.g., Municipal Infrastructure Grant).

SALGA acknowledges the formula's intent but highlights the following significant flaws:

- **Outdated Data**: The formula relies on census and other statistical data that become outdated, failing to reflect rapid urbanization, population growth, and changing poverty profiles in real-time. This leads to misallocation.

- **Inaccurate Poverty Measures**: SALGA argues that poverty measures (like the "Poverty Index") don't fully capture the extent of municipal service backlogs or the number of indigent households requiring free basic services.

- **The "Frontline" Argument:** Municipalities are the "face of service delivery" and the sphere closest to the people. Underfunding them directly impacts citizens' daily lives and fuels service delivery protests

SALGA

South African Local Government Association

STATISTICIAN GENERAL'S PERSPECTIVE

Source: Sunday Times, January 18, 2026

- The SG, Maluleke affirms SALGA's concern about inaccurate poverty measures.
- He illustrates this point through an African proverb "A house cannot be repaired by guessing where the roof leaks."
- He maintains that prices rise, economic landscape evolve, living standards shift and consumption patterns transform.
- He agrees that poverty lines must be periodically rebased to maintain their analytical relevance and policy usefulness.
- He further makes this important point: "People can have sufficient money, yet still face deprivation in health, education, housing and services.
- Recognizing this complexity, Stas SA will this year (2026) release updated multidimensional and poverty indicators as complementary measures to the money –metric measures.

POOR GOVERNANCE AND ETHICAL LEADERSHIP

Minister of Finance had to withhold transfers because of the following challenges:

- **Underperformance/Underspending:** Municipalities continue to fail to spend conditional grants (such as the Municipal Infrastructure Grant and Water Services Infrastructure Grant) on their intended projects.

- **Financial Mismanagement:** Many municipalities submit "unfunded budgets," meaning they plan to spend money they do not have.

- **Debt to Suppliers:** Municipalities fail to settle billions of rand in debts owed to Eskom, water boards, and pension funds.

- **Poor Governance:** Widespread corruption, irregular expenditure, and lack of consequence management for officials.

- **Impact on Services:** While designed to force compliance, the withholding of funds has worsened service delivery in already struggling areas, affecting the maintenance of infrastructure, water, and electricity.

- **Conditional Release:** Treasury has indicated that withheld funds can be released, but only on the condition that municipalities prove they are settling debts and following proper financial management.

TREASURY DECISIVE ACTION

- In 2025, National Treasury, took a significant, "unprecedented" step to withhold or **stop municipal grant funding—including the Equitable Share** and **conditional grants**—
- Impacting **75 municipalities due to severe, persistent poor performance, financial mismanagement, and failure to pay creditors.**
- This action is a, legal, and constitutional move aimed at enforcing financial discipline, as these municipalities failed to meet service delivery targets and were found in breach of the Municipal Finance Management Act (MFMA).
- **Key Details of the Withheld Grants:**
- **Scale of Action:** By late 2025, 75 municipalities were targeted for withheld funds.
- In **KwaZulu-Natal,** funding of R861.4 million was suspended for **25 municipalities in March 2025.**
- In **the Northwest**, R460 million was withheld from **nine municipalities**.

WITHHOLDING THESE FUNDS HAS A KNOCK-ON EFFECT ON COMMUNITIES

CORE ACTUARIAL SKILLS APPLICABLE TO GOVERNMENT

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Actuaries have a critical role to contribute across spheres of government in various fields, especially in National and Provincial treasuries, etc. In Equitable share, they can contribute to the following core areas:

- Long term financial modelling
- Risk assessment, identifying, quantifying and mitigating a wide range of financial, demographic and operational risks
- Data analysis and interpretation, drawing meaningful insights to inform policy.