DRAFT BUDGET POLICY STATEMENT BY ETHEKWINI MUNICIPALITY

MAYOR, CLLR CYRIL XABA, 30 MARCH 2026

- Honorable Speaker: Cllr Thabani Nyawose
- The Deputy Mayor: Cllr Zandile Myeni,
- Members of the Executive Committee
- Chairs of the standing committees,
- Honourable Councillors,
- The City Manager: Mr Musa Mbhele
- The Chief Financial Officer: Dr Sandile Mnguni
- Executive Directors
- Leaders of Business, Labour, and Civil Society,
- Distinguished Guests,
- Members of the Media,
- Fellow residents of eThekwini,

Sanibonani

It is a distinct honour to present the draft budget of the eThekwini Municipality for the 2026/27 financial year.

We present this draft budget at a time when the Municipality is on an upward trajectory, as demonstrated by the significant rise in business confidence.

This progress can be attributed to the stability we have maintained across all levels of the city, enabling improved performance and strengthened accountability. This has undoubtedly restored confidence and public trust in the Municipality.

With the draft budget we are presenting today, we aim to build on this momentum, having declared 2026 as the Year of Accelerated Service Delivery. Accordingly, this budget prioritises the acceleration of repairs and the upgrading of bulk infrastructure to enhance service delivery and stimulate economic growth in the city.

Honourable Speaker, we table this budget at a pivotal moment in both the global and domestic economic landscape one defined by heightened

geopolitical tension, rising cost pressures, and an accelerating reform agenda within South Africa.

Globally, the economic environment has deteriorated in recent months, driven largely by escalating conflict in the Middle East. The ongoing war involving Iran has triggered one of the most significant disruptions to global energy markets in recent history. Oil prices have surged beyond $100 per barrel, with some estimates approaching $110 to $120, following supply disruptions and the effective closure of key shipping routes such as the Strait of Hormuz.

This conflict has not only constrained supply but has also introduced a sustained risk premium into global energy markets. The International Energy Agency has indicated that global oil supply has declined sharply, while analysts warn that prolonged instability could entrench higher inflation and weaken global growth prospects.

The implications of this for South Africa are immediate and material. As a net importer of fuel, the country is highly exposed to global oil price shocks. Rising oil prices translate directly into higher fuel costs, increased transport

and logistics expenses, and upward pressure on food and general consumer prices. The International Monetary Fund estimates that every sustained 10% increase in oil prices can raise global inflation and reduce economic output, highlighting the scale of the risk facing emerging economies such as ours.

Furthermore, this global energy shock is already influencing monetary policy decisions worldwide. Central banks are delaying interest rate cuts due to rising inflationary pressures linked to energy costs, tightening global financial conditions and reducing the availability of affordable capital. This has direct implications for South Africa, where borrowing costs remain elevated and fiscal space remains constrained and the Reserve Bank at its meeting last week kept interest rates unchanged.

Against this volatile global backdrop, South Africa's own economic outlook remains one of modest recovery, with growth still below the levels required to significantly reduce unemployment and inequality. According to the Minister of Finance, there are positives in the national economy as for the first time in 17 years debt will stabilize and will continue to decrease in coming years. The budget deficit has narrowed significantly, whilst debt service costs are also reducing. The world has taken notice, and South Africa

has been removed from the grey list, the country secured its first credit rating upgrade in 16 years, borrowing costs have eased and loadshedding has stopped creating space for growth and development.

These are signals of restored credibility, of renewed resilience and a nation regaining its footing. At the same time, the domestic economy is experiencing sustained cost pressures, particularly in the form of above-inflation tariff increases.

For municipalities, this creates a dual challenge. While rising bulk costs must be recovered to ensure financial viability, increasing tariffs risk undermining affordability and revenue collection. This tension sits at the heart of the current fiscal environment facing local government.

It is within this context that the National Treasury has introduced a far-reaching programme of trading services reforms, fundamentally reshaping the way municipalities manage their core utilities—electricity, water, sanitation, and solid waste.

These reforms are designed to restore the financial sustainability and operational integrity of municipal services.

Importantly, these reforms are being implemented at a time when global and domestic cost pressures are converging. Rising energy costs driven by global events are feeding directly into local tariffs, while the reform agenda requires municipalities to strengthen cost recovery and infrastructure investment.

Within this environment, KwaZulu-Natal and the eThekwini Metro occupy a uniquely strategic yet vulnerable position. As a key logistics and trade hub, the metro is particularly exposed to global supply chain disruptions and fuel price increases. Higher transport and logistics costs directly impact the Port of Durban, the cost of goods movement, and the competitiveness of local industry.

As a City, we are not immune to these economic impacts. The City's GDP growth in 2025 was 0.9% and projected to be 1.4% in 2026 before the impact of the Middle East conflict. EThekwini is the economic hub of KwaZulu-Natal contributing 60% of the provincial GDP and our port handles 60% of our

national container traffic. We have the second largest concentration of manufacturing in South Africa.

In 2025 there was a 24% increase in direct tourism spending of R2.7 billion. As I have indicated, business confidence has increased significantly from 52.12 points in the third quarter of 2025 to 63.38 points in the fourth quarter. Our economic development is being driven by R276 billion worth of catalytic projects. The City has also shown resilience in working closely with business to overcome challenges relating to the floods and logistics through constructive dialogue. These are certainly signals of a city on the rise, of renewed resilience and a city regaining its economic momentum.

At the same time, the City faces significant internal challenges of ageing infrastructure, service delivery backlogs, and growing demand driven by urbanisation and economic pressure. These challenges are further compounded by the increasing cost of delivering basic services in an environment of rising input costs and constrained revenue growth.

Yet, within these challenges lies opportunity. The same reforms that demand greater discipline also create the conditions for improved efficiency,

enhanced infrastructure investment, and stronger financial sustainability. By aligning with national reform priorities and responding proactively to global economic shifts, eThekwini can reposition itself as a more resilient and competitive metropolitan economy.

It is within this complex interplay of global shocks, national reform, and local realities that this budget is presented.

This budget must therefore do more than respond to immediate pressures, it must navigate a rapidly changing economic landscape. It must balance the need for financial sustainability with the imperative of affordability. It must strengthen trading services while protecting the most vulnerable from the impact of rising tariffs. And it must position the City to withstand external shocks while driving inclusive economic growth.

Ultimately, this budget is about resilience - ensuring that eThekwini Municipality is able not only to endure a challenging economic environment, but to emerge stronger, more sustainable, and better positioned to serve its people.

This budget addresses the "tough times" by balancing fiscal discipline with targeted revenue growth, aiming to manage high debt while supporting vulnerable households, infrastructure and job creation. It is a budget that has been based on the principles of sustainability. Most importantly, the budget is based on realistic revenue projections and projects that are ready for rollout.

BUDGET OVERVIEW

Honourable Speaker, the total proposed budget for 2026/2027 Is R74.7 billion (including the entities- Inkosi Albert Luthuli International Convention Centre and Ushaka Marine Theme Park) which is made up of an operating budget of R68.8 billion and a capital budget of R5.9 billion.

I will now present the budget per service.

ENERGY MANAGEMENT

The proposed Electricity tariff increase is 10.5% for business and residential consumers. Electricity tariffs depend on the approval of the Eskom Retail

Tariff and Structure Adjustment (ERTSA) application, due in March 2026. Eskom has submitted an average municipal increase of 9%, which is currently under consultation (Eskom tariff has been approved at 9.01%). Based on the submissions, the municipality has proposed a 10.5% increase.

The proposed total operating budget in 2026/2027 for Electricity is R23.8 billion of which R20.1 billion is for Bulk Purchases from Eskom, and 1.4bn is for Repairs and Maintenance.

The proposed total capital budget for Electricity in 2026/2027 is R746 million. This will fund the ongoing extension and reinforcement of existing networks, as well as new substations that are being commissioned.

WATER

The proposed Water tariff increase is 16% for business and 15% for residential consumers with a 13% bulk tariff increase from Umngeni Uthukela Water.

The total operating budget for Water for 2026/2027 is R11.1 billion which includes R5 bn for Bulk Water Purchases, R2.1 billion for free basic water, and R619 million for Repairs & Maintenance.

The 2026/2027 capital budget is R495 million which will be spent mainly on the water loss intervention programme, Southern Aqueduct, reservoir upgrades, system upgrade, and the replacement of water pipes, valves and meters.

SANITATION

Honourable Speaker, the proposed Sanitation tariff increase is 14% for business and 13% for residential consumers.

The total operating budget for Sanitation is R3.2 billion which is used to manage a vast infrastructure network.

The proposed total capital budget for Sanitation is R995 million which will be used to upgrade various wastewater treatment works, such as Hammarsdale, Northern Wastewater, and Umbilo, attend to trunk sewer

issues and pump stations, replacement of pipelines, and the Umlazi canal upgrade.

CLEANSING AND SOLID WASTE

The proposed tariff increase for refuse is 13% for residential consumers with varying tariffs for business customers based on the level of service.

This increase represents a measured step towards improved cost recovery and alignment with national treasury trading services reform requirements. A review of the five-year financial trend indicates that the actual cost of delivering waste management services within the Municipality has continued to escalate, while tariff increases have not kept pace with the rising cost of service provision.

The total operating budget for waste management is R2 billion. This is used to manage the transportation of domestic, commercial, and industrial waste, the management of landfill sites, transfer stations, the management of garden refuse sites, street cleaning and litter removal services.

The capital budget is R279 million and will be spent on transport assets and landfill sites, such as the Shongweni landfill.

ENGINEERING

The total operating budget for Engineering Services is R2.7 billion which funds, inter alia, Repairs & Maintenance of R653 million and the hire of plant and vehicles of R147 million.

The capital budget is R463 million and will be used to implement major capital projects such as roads, bridges and stormwater rehabilitation and reconstruction, as well as new access roads.

HUMAN SETTLEMENTS

The Human Settlements Unit is responsible for the delivery of new housing units and the management of hostels and rental stock. We have a housing backlog of an estimated 503 000 households which is growing due to rural-urban migration.

The capital budget of R647 million will be spent on the building of new low-cost houses in 2026/2027, infrastructure development, as well as the provision of interim services to prioritised informal settlement dwellings.

Let me take this opportunity to report that, by the end of April, we will begin relocating flood victims to permanent housing, with 113 houses ready for occupation in Cornubia. This project forms part of the first phase of 1,200 houses that will be completed by the end of the next financial year to provide permanent accommodation for flood victims.

Work is also progressing well at Montclair Lodge, where we are refurbishing 500 rooms to temporarily accommodate flood victims before they are relocated to permanent homes. Upon completion, the government will have its own facility to accommodate disaster victims, reducing reliance on rented temporary emergency accommodation.

COMMUNITY AND EMERGENCY SERVICE

Honorable Speaker, the total operating budget for Community & Emergency Services (CES) is R6.5 billion which funds repairs and maintenance of R124 million, and R239 million for verge maintenance.

The capital budget for CES is R429 million which will be used to reduce the community services backlogs, upgrading of sport facilities as well as renovating community halls, swimming pools and libraries.

ETHEKWINI TRANSPORT AUTHORITY (ETA)

Honourable Councilors, to provide safe, affordable and integrated public transport, the municipality has allocated the total operating budget for EThekwini Transport Authority of R2 billion. The ETA is responsible for public transport in the City.

The capital budget is R374 billion and will be spent mainly on the Go Durban! project and Cornubia Integrated Public Transport Network Phase 2 and 2A projects.

PROPERTY RATES

Honourable Speaker, the proposed property rates increase is 5%. Property rates contribute to all functions across the Council.

The budget will also fund rates rebates that will assist the indigent and encourage economic development.

Rates Rebates

- Residential Properties valued up to R 350 000 will be exempt from paying rates. All other properties valued above R 350 000, there is no rates charges on the first R 120 000.
- A further allowance will be afforded on application to all residential property owners with a total household income of R 7 000 and less and with a property value of more than R 350 000 and up to R750 000.
- Pensioners, child-headed households, disability grantees and medically boarded properties are exempt from paying rates, where their annual rates do not exceed the maximum rebate of R5 770. A maximum limit of R 2.5 million applies to the value of the property in respect of the pensioner's rebate.

- No rates will be levied on the first R 30 000 value of vacant land and outside the Urban Development Line.

SOCIAL WELFARE PACKAGE: LIFELINE TARIFFS

In addition to the rates rebates, the following package of lifeline tariffs will be funded from the budget through the Equitable Share:

- The first 6kl of water is free to households with property values under R 350 000.
- The first 65kwh of electricity is free to residents using less than 150kwh per month in eThekwini reticulated areas
- The first 50kwh of electricity is free to residents using less than 150kwh per month in Eskom reticulated areas.
- Residential property valued up to R 350 000 are exempt from domestic refuse removal tariff. In addition, a free basic refuse removal service is also available to indigent consumer units living in rural, informal settlements and non-curbside residences.
- The first 6kl of effluent disposal is exempt for all properties with values under R 350 000. In addition, a free basic service is also available to indigent consumer units with VIP's, urine diversion toilets and in

informal settlements serviced by means of a toilet/ablution block within 200 metres.

The cost of free basic services is over R 5,6bn.

TRADING SERVICES TURNAROUND STRATEGIES

As mentioned in the introduction, in 2025/2026 we have been implementing major trading services reforms, driven by National Treasury, to improve efficiency in water, sanitation, and energy. The reforms focus on restructuring, enhancing revenue collection, and upgrading aging infrastructure to boost reliability, with significant budget prioritizing service delivery.

Key aspects of the reforms include:

- Addressing aging infrastructure, water demand, and reducing service disruptions.
- Implementation of performance-based financial incentives by National Treasury to reward good governance and financial sustainability in trading services.

- Adoption of turnaround strategies for water & sanitation, waste and energy management to address structural and investment gaps.
- Strengthening the operational efficiency and financial viability of trading services in accordance with National Treasury guidelines

These reforms are part of a broader, long-term strategy designed to enhance service delivery and ensure the financial sustainability of the Municipality.

A total of R1.1 billion will be spent on Trading Service reform projects in the 2026/2027 financial year, and R3.9 billion over the MTREF. This is significant investment into our trading services operations and infrastructure.

For Electricity or energy management there are 21 projects to the value of R331 million funded in the 2026/2027 budget. Over the MTREF, there will be R1.18 billion spent on water reform projects. These projects will address cable replacement, substation security to reduce electricity loss and vandalism, as well as streetlighting.

For water reforms, there are 19 projects to the value of R227 million funded in the 2026/2027 budget. Over the MTREF, there will be R924 million spent

on water reform projects. These projects are addressing mainly the water loss through pipe replacements and metering.

For sanitation reforms, there are 33 projects to the value of R434 million funded by the 2026/2027 budget. Over the MTREF, there will be R1.4 billion spent on Sanitation or sewerage reform projects. These projects will address sewer reticulation and upgrade of wastewater treatment works.

For waste management reforms, there are two projects to the value of R110 million funded in the 2026/2027 budget. Over the MTREF, there will be R387 million spent on waste management reform projects. These projects relate mainly to the upgrading of landfill sites and additional fleet for improved service delivery.

MAJOR CAPITAL PROGRAMMES OVER MTREF

The capital budget continues to address backlogs in basic services and the renewal of the infrastructure of existing network services, especially water and sanitation. The capital budget of the municipality projects a spending plan of approximately R 18.6 billion over the next three-year period. The

capital budget for the 2026/27 financial year amounts to approximately R 5.9 billion and thereafter at R 6.1 bn in 2027/28. A provision of R 6.6 bn has been made for the 2028/29 financial year.

The major capital projects over the 2026/2027 MTREF are:

- R3 billion for upgrade and expansion of wastewater treatment works
- R1.7 billion for water loss prevention and replacement of water pipes
- R2.4 billion for electricity infrastructure
- R2.3 billion for low-cost housing infrastructure
- R1.1 billion for public transport
- R204 million for the replacement of bus fleet
- R2.4 billion to address community services backlogs
- R1.4 billion for road rehabilitation, construction and new access roads
- R999 million for zonal planning
- R503 million for catalytic projects

As you can see from this list, the key focus is clearly on improving service delivery, rehabilitation of infrastructure and building an environment conducive for economic development.

ECONOMIC DEVELOPMENT & JOB CREATION

Honourable Speaker, the increased investment in infrastructure will help build a conducive environment for new investment and economic growth. There is also a focus on strategic township development, town centre renewals, industrial renewals, upgrading of tourism nodes and corridors.

A budget of over R180 million will fund economic development programmes, support small businesses, and promote the city as a preferred tourism destination.

In the next financial year, the municipality will also support 2,586 skills development programmes, particularly for young people, and create 15,700 job opportunities.

We are pleased to report that in the fourth quarter of 2025, eThekwini Municipality created 62,000 jobs. Unemployment declined to 24.1%, while labour absorption improved to 46.4%. These gains reflect renewed economic momentum.

We are also working hard on attracting new investment to the City and growing our rates base. Some of the initiatives include:

- "Investor Fridays" & Project Facilitation: the City leadership meets directly with investors to eliminate bottlenecks, fast-track approvals for catalytic projects, and solve infrastructure bottlenecks.
- Proactive Land Release Strategy: The city has released 17 prime sites, with a market value exceeding R360 million, covering industrial, commercial, and hospitality sectors to attract investment.
- Major Infrastructure Development: Focus on upgrading infrastructure to support large-scale projects like the R23 billion Sibaya Coastal Precinct and the R10 billion Insimbi Ridge Development.
- Economic Incentives: Implementation of an Economic Development Incentive Policy, offering property rates rebates that have attracted R18 billion in investment to the City.
- Sector-Specific Growth: Focus on promoting manufacturing, logistics, retail, and digital economy sectors, particularly in the outer west and northern corridors.

- Rebranding and Security: Rebranding the city to attract investment and enhance security through increased Metro Police deployment to protect investments and enforce bylaws.

These initiatives show that the Municipality is fostering a stable, attractive climate for both local and international investors, as well as job creation.

YOUTH DEVELOPMENT

The Municipality's Youth Development Office recognises that the youth are a diverse and dynamic segment of society, requiring responsive and context-specific approaches. Addressing the skills gap remains a critical priority, as an under-skilled workforce poses a direct threat to inclusive development and economic sustainability.

Through strategic planning, partnership-building, and programme implementation, the Office supports youth empowerment initiatives that promote sustainable livelihoods, social cohesion, and inclusive economic growth.

Key interventions include:

- Skills Development and Training: Technology and artificial intelligence (AI) training, digital literacy initiatives, workplace readiness support, and career guidance.
- Educational Support: Support programmes such as bursaries, Matric Awards, and the Student Relief Fund.
- Arts, Culture, and Sports Development: Various events such as the annual eThekwini Talent Show, sports development initiatives, and annual cultural festivals.
- Entrepreneurship and Economic Empowerment: Entrepreneurship forums and business breakfast briefings targeted support for emerging youth-owned enterprises, particularly those offering solutions to social and economic challenges within communities.

In the previous financial year, 2024/2025 we awarded 92 tenders to the value of R362 million to youth-owned businesses. In the current, 2025/2026, financial year we have awarded 71 contracts to the value of R148 million to youth-owned businesses as at the end of February 2026. The Municipality is clearly committed to supporting and developing our youth, with a focus on reducing youth unemployment.

CLEAN GOVERNANCE

Honourable Speaker, the political governance of eThekwini has been firmly glued in fulfilling the Constitutional mandate with a view to improving the quality of life of the residents and promoting sustainable development thus maintaining a viable City.

The Municipality received an unqualified audit opinion for the previous financial year, however, as part of our efforts to promote transparency and accountability, we continue to engage with the office of the Auditor-General (AG) to further improve audit outcomes.

We also developed an audit action plan and resolved that both Internal and External Audit findings should be reported to the relevant Portfolio Committees in order to keep them abreast of the progress and challenges encountered in the implementation of the action plans.

To improve service delivery, we have resolved to strengthen oversight on performance and accountability. A great deal has been done in aligning the

Integrated Development Plan (IDP), the Budget and the Service Delivery and Budget Implementation Plan. This will help provide oversight, monitor the performance in the Municipality, and apply effective consequence management, where necessary.

Collaborative governance has been bolstered through the Presidential eThekwini Working Group. A draft Development and Service Delivery Policy Framework was also formulated to institutionalise transparent and sustainable public-private partnerships. This was developed with input from national and provincial governments, civil society, and the business sector.

The framework sets a new benchmark for coordinated development. It centres residents in the delivery model and supports our long-term goal of making eThekwini the most livable City in the country - driven by action, accountability, and collective impact. The municipality continues to implement measures to ensure there is good governance and remains committed to these measures.

SAFER CITY

To create a safe and peaceful environment in the city, the Metro Police Directorate has finalised the procurement of a Smart Policing System, which will be implemented over the 2025/26 and 2026/27 financial years. Over recent years, the Metro Police has successfully recruited an additional 1 000 members to strengthen capacity in crime prevention, by-law enforcement, and traffic regulation across the municipal area.

One of the Municipality ‘s primary strategic objective is to ensure that all necessary and reasonable measures are taken to protect and safeguard Council-owned land and assets.

To achieve this, the Municipality adopts a multi-dimensional and proactive approach, rather than relying on reactive interventions after unlawful occupation has already occurred. Land invasion challenges continue to escalate due to rapid urbanisation, population growth and increasing demands for housing.

In response, the Municipality has developed and implemented a Land Invasion Operational Integrated Strategy, which provides a coordinated, structured and sustainable method for addressing these issues holistically.

The strategy is rooted in a community-based and stakeholder-driven model that recognises the importance of collaboration between the Municipality, Traditional Leadership, communities, sector departments and other relevant stakeholders. Its purpose is to promote information-sharing, joint problem solving and the development of proactive measures to curb the rapid spread of unlawful land occupation, which has historically undermined service delivery planning, infrastructure development and spatial transformation efforts across the City. This budget funds the implementation of this Strategy.

CLIMATE CHANGE RESILIENCE

As a coastal city, we are faced with recurring floods and heatwaves and as part of the strategy we have developed a resilience plan that will assist us to mitigate and adapt to these catastrophic weather events. Our message as the leadership is clear that the City must not be reactive to disasters.

To achieve this shift from being reactive to being proactive, we have adopted the "Build Back Better" approach to flooding following the recent severe rainfall events. The City is focusing on infrastructure resilience, community-

based risk reduction, and improved planning to manage climate change impacts.

We will be incrementally rebuilding roads, bridges, and stormwater systems to higher engineering standards to withstand future washaways, focusing on key routes like the M4 and M19. We will also be upgrading and expanding stormwater capacity to handle heavy rainfall and revising flood lines to include a projected 15% increase in rainfall intensity. We will also be strengthening the uMlazi Canals and fortifying other flood-prone areas to protect nearby homes and businesses.

In addition, we will be proactively identifying and moving residents from flood-prone areas to safer locations to reduce potential loss of life.

Furthermore, we are rolling community-based early warning systems, particularly in vulnerable locations like the Quarry Road informal settlement, which has a specialized local disaster response plan developed with community input.

CONCLUSION

I wish to thank everyone who was involved in finalizing this draft budget. In particular, I want to thank my Budget Steering Committee, the Executive Committee, all Standing Committees, the City Manager and the CFO for their support.

You will undoubtedly agree that these are very challenging times, and this was a tough budget to balance whilst ensuring the affordability of services to our residents and the financial viability and sustainability of the Municipality.

To this end Honourable Speaker, I hereby table the proposed annual budget for the 2026/2027 Medium-Term Revenue and Expenditure Framework of the Ethekwini Municipality for noting.

Thank you / Ngiyabonga.