


# From Budget to Benefit: What the 2026 Medium Term Budget Policy Statement Means for South Africa's Special Economic Zones and the People They Serve

The 2026 Medium Term Budget Policy Statement (MTBPS), tabled on 21 October, arrives at a delicate moment. Government has stabilised debt for the first time since 2008 (National Treasury, 2026), yet growth remains far too low to create jobs at the scale the country needs (National Treasury, 2026). For South Africa's Special Economic Zones (SEZs), the statement is more than a fiscal scorecard. It maps where the next wave of industrial opportunity, infrastructure investment, and reform-driven competitiveness will come from and, just as importantly, signals what it will take to translate that opportunity into better lives for ordinary South Africans. Zones have long been promoted as growth engines in national policy (Masete, 2024) and this budget shows both the promise and the discipline that promise now demands.

The fiscal backdrop demands honesty. The debt-to-GDP ratio has been stabilised and is projected to decline over the medium term, though along a higher path than previously forecast because nominal GDP is lower (National Treasury, 2026). Debt-service costs remain the fastest-growing spending line, reaching R509.3 billion by 2029/30 (National Treasury, 2026). Direct industrial support reflects this squeeze: the industrialisation and exports function is essentially flat in real planning terms, with allocations hovering around R47.6 billion by 2029/30 (National Treasury, 2026).

The lesson for zones is strategic rather than discouraging. In a constrained fiscal era, SEZs cannot rely on new baseline allocations. They must position themselves around reprioritised funds, infrastructure delivery instruments and private capital.

## The R1 billion that should headline every SEZ conversation

The most direct SEZ commitment in the statement is easy to miss. The Department of Trade, Industry and Competition will reprioritise R1 billion to strengthen regional value chains and links between special economic zones, while expanding pharmaceutical and vaccine manufacturing (National Treasury, 2026). Economic development expenditure, the function that houses this work, is projected to grow by 4.4 per cent over the medium term, driven largely by transport infrastructure investment (National Treasury, 2026).

This reprioritisation validates a lesson international experience has taught South Africa before: that SEZs succeed when they are integrated into regional and national economies rather than operating in isolation, and when multi-modal logistics hubs, where all transport modes are synergised, let tenants choose the best routing for their goods (Osuigwe, Gumbo and Aigbavboa, 2022). Zones that can demonstrate credible regional value-chain linkages are best placed to compete for national comparative advantage and used to drive value addition rather than assembly alone (Danja and Wang, 2024). South African planning has drawn the same conclusion at provincial level: the Gauteng masterplan recommends prioritising automotive, machinery and beneficiation industries where the region enjoys comparative advantage, leveraging assets such as O.R. Tambo International Airport and its logistics corridor (Hartley and Morrow, 2021). The R1 billion SEZ

these resources. The budget's industrial signals also affirm a growing body of evidence that zones perform best when matched to reprioritisation should be read in this light: value chains, not isolated factories, are the unit of competition.

## Transport and energy reform: dates that tenants can plan around

Two reform timelines give the statement its practical teeth. In logistics, Cabinet has approved separating the Transnet National Ports Authority as an independent entity, the Transport Economic Regulator is building towards full functionality in April 2027, and the Transnet Rail Infrastructure Manager has published revised rules for private rail operators as new train operating companies prepare for operations from 2027 (National Treasury, 2026). The underlying logic is competition: separating the National Ports Authority and Rail Infrastructure Manager from Transet will open the rail network to new train operators and enable competition in port terminals (National Treasury, 2026).

In electricity, the energy regulator has published draft rules for trading and tariff reform ahead of a competitive market launch in April 2027, alongside progress towards a fully independent transmission system operator (National Treasury, 2026). For tenants, especially energy-intensive manufacturers, this means the arrival of non-discriminatory grid access and, in time, genuine supplier choice (National Treasury, 2026).

Treasury quantifies what staying the course is worth: full implementation of Operation Vulindlela Phase II reforms would lift real GDP growth to 2.3 percent by the end of the medium term and raise the GDP level 3.1 percent above baseline by 2034, with rail, port

and electricity improvements explicitly part of that upside (National Treasury, 2026). Investment projections tell the same story: fixed investment growth is expected to strengthen from 0.7 percent in 2026 to 3.8 percent by 2029 as private investors respond to opened electricity markets and concluded port and rail concessions (National Treasury, 2026). Comparative evidence underlines why logistics reform pays: in a study of SEZs and regional supply chains, infrastructure quality and logistics improvements were the strongest statistical predictors of supply-chain efficiency (Islam, 2025). The payoff from South Africa's freight reforms should therefore be tangible for zone tenants, with lower logistics costs and faster export turnaround.

# New money, new instruments

A constrained budget has forced innovation in financing, and zones should learn the new toolkit. The Budget Facility for Infrastructure has approved 41 projects worth R96.1 billion in direct fiscal allocations since 2021 (National Treasury, 2026). A revised public-private partnership framework, in effect from June 2025, is delivering major projects, with the Gautrain expansion and the redevelopment of six ports of entry expected to reach financial close in 2026/27 (National Treasury, 2026). An infrastructure bond programme raised R11.8 billion at its inaugural issue and now runs quarterly auctions to give investors predictable access (National Treasury, 2026). A newly registered Credit Guarantee Vehicle, backed by US$553 million in development-partner commitments, will de-risk private lending for electricity transmission (National Treasury, 2026). Regionally, SACU has approved a R5 billion Fund of Funds for cross-border infrastructure and industrial projects (National Treasury, 2026).

**Zones that master these instruments, preparing bankable projects and partnering with private capital, will outpace those waiting for fiscal allocations.**

# What this means for ordinary South Africans

Unemployment rose to 33.6 percent in the second quarter of 2026, leaving 1.8 million more people unemployed than before the pandemic (National Treasury, 2026). The statement is frank that growth remains too low for large-scale job creation and that its four-pillar strategy- macroeconomic stability, structural reform, state capability and infrastructure investment- is the response (National Treasury, 2026). For workers, the practical meaning is that reforms to freight rail and ports, which revive labour-intensive logistics and manufacturing value chains, are not abstract policy. They are the difference between factories running at capacity or standing idle.

### Getting to work, more affordably

Passenger rail journeys rose from about 39 million in 2023/24 to 101 million in 2025/26 as signals were modernised and rolling stock replaced, with the Passenger Rail Agency targeting 232 million journeys by 2028/29 (National Treasury, 2026). For commuters spending a large share of income on transport, a functioning rail system is a direct wage increase.

### Services that fund themselves

The metro trading services reform, backed by R27.7 billion, including R8.6 billion in performance incentives, aims to ensure revenue equitable share to compensate municipalities for the rising cost of free basic services (National Treasury, 2026).

### Safety and dignity

The government has allocated R5.1 billion to respond to gender-based violence, mainly to employ additional social workers in provinces (National Treasury, 2026). Economic zones and employers also have a stake: economies flourish where people feel safe, and workplace dignity is part of that foundation.

collected for water, electricity, and waste is reinvested in the infrastructure that delivers those services, and the smart meters programme has already installed 247 206 meters in 28 municipalities while creating an estimated 3 734 local jobs (National Treasury, 2026). Over the medium term, R21.8 billion is added to the local government

### Cheaper, more reliable power and freight over time

Competitive electricity markets and open rail access are designed to lower the cost of doing business. Those cost reductions flow down the chain to the price of goods, the viability of small suppliers, and the fiscal space government can devote to social spending.

## The zone as a promise to keep

The 2026 MTBPS asks for SEZs to be more than tenants of incentives. It asks them to be delivery vehicles where four national pillars meet in one geography: stable macroeconomics, structural reform, state capability and infrastructure investment (National Treasury, 2026). The R1 billion reprioritisation, the 2027 transport and electricity reform dates, and the new financing instruments together define the agenda. For ordinary South Africans, the measure of success is simple: a train that arrives, a factory that hires, a municipality that fixes the pipes, and a community where safety and opportunity are everyday realities. Zones that connect their industrial mandate to those daily outcomes will turn a budget statement into a lived improvement.

# References


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