

BER – IN THE MEDIA – 9 JULY 2026

# Falling apart at the seams - behind SA's municipal collapse

Claire Bisseker

Cities and towns across South Africa are failing after years of underspending on infrastructure and maintenance. If left unchecked, the country faces a growing risk of systemic municipal failure with profound social and economic consequences

Joburg's foundations are cracking after a decade of protracted financial stress and underinvestment in critical infrastructure. It's a story that is being repeated endlessly in nearly every town across South Africa — and the situation appears to be getting worse.

Independent governance ratings agency Ratings Afrika's latest annual municipal financial sustainability index (MFSI) report, based on the financial results of the 128 largest municipalities for the financial year ended June 2025, shows that the situation has continued to deteriorate "at an alarming rate".

It estimates that the 128 municipalities' combined operating deficit increased to R39bn from R35bn in 2024, and that their aggregate liquidity shortfall rose to R129bn, from R107bn in 2024 and R55bn in 2021 — a growth of almost R20bn a year over the past four years.

"These trends are not merely indicators of financial distress; they are evidence of a systemic failure that is increasingly undermining service delivery, infrastructure sustainability and economic growth," says Ratings Afrika managing executive Leon Claassen. "If left unchecked, South Africa faces a growing risk of systemic municipal failure with profound social and economic consequences."

Finance minister Enoch Godongwana has had enough. In a dramatic move, he announced earlier this week that he is withholding the July 2026 equitable share transfers to 69 municipalities, including four metros – Johannesburg, Nelson Mandela Bay, Buffalo City and Mangaung.

This unprecedented step, which is being done in terms of Section 216(2) of the Constitution, is "a corrective rather than a punitive measure," said Godongwana. It is designed to "instil fiscal discipline and ensure public money is properly managed; that unauthorised, irregular, fruitless and wasteful expenditure is addressed; and that municipal officials and office-bearers are held accountable as required by law".

That South Africa’s municipal system labours under acute financial strain is borne out by the auditor-general’s 2024/2025 report, released in June, which flags persistent weaknesses in governance and poor financial management — on top of Moody’s fragile local government ratings and the negative trends highlighted in the Treasury’s latest local government revenue and expenditure report.

### Charting a decade of decline

Ratings Afrika estimates that local municipalities’ average MFSI score dropped from 36 out of 100 in 2021 to just 33 in 2025. But this average is pulled up by the highest-performing province, the Western Cape, with an average of 57, up from 56 the previous year.

It is the only province with an average score above 50 and whose municipalities Ratings Afrika considers financially sustainable on average. This year’s five top-scoring municipalities are all in the Western Cape (Drakenstein, Hessequa, Overstrand, Saldanha Bay and Swartland) and each scored more than 70 points.

The Eastern Cape’s average MFSI score rose by three points to 32 between 2024 and 2025, but every other province either stayed at the same low level or fell further. Gauteng shed two points to 29 (see table).

**Fig 1: The alarming deterioration in average provincial MFSI scores over the past five years**

Average Provincial MFSI scores 2021 – 2025 (128 municipalities covered)					
Province	2021	2022	2023	2024	2025
Eastern Cape	34	30	32	29	32
Free State	20	21	19	17	17
Gauteng	31	30	31	31	29
KwaZulu-Natal	41	36	36	35	33
Limpopo	41	35	38	37	37
Mpumalanga	27	25	22	22	22
Northern Cape	26	27	28	26	23
North West	21	20	24	21	18
Western Cape	54	54	54	56	57
Average Local Municipalities	36	34	34	33	33
Average Local Municipalities (Excluding Western Cape)	31	29	29	28	27
Average Metro Municipalities	42	39	41	41	40

Source: Ratings Afrika

Such low scores point to widespread weaknesses in financial management, governance and fiscal discipline, according to Ratings Afrika. “The scale of the deterioration is placing economic growth and investment at risk.”

The average score for the metros also declined, from 42 in 2021 to 40 in 2025. Joburg’s descent has been particularly steep — from 48 to just 35 over the same period. If the country’s economic engine fails, the consequences will be seismic.

In Joburg every pothole, dry tap and wrong bill is a symptom of a deeper malaise — one that starts with political instability, is exacerbated by corruption and financial mismanagement, and feeds through into a budget that is heavily skewed towards current consumption, according to a visual explainer, “**Joburg on the brink**”, by the Bureau for Economic Research (BER).

### **The first problem: a decade of mayoral churn**

Since 2016, Joburg has cycled through 11 mayors, due to elections, resignations, deaths, motions of no confidence, court reversals and coalition pressure.

“This level of political instability is not just a headline problem — it disrupts budgets, appointments, oversight and long-term planning,” says independent economist Nomvuyo Guma, who authored the BER explainer.

### **The second problem: corruption and weak financial controls**

For the past 11 consecutive years the auditor-general has given the city “unqualified with findings” audit opinions. So, while its financial statements may be accurate, there were areas where it failed to comply with procurement laws designed to stop overpricing, kickbacks and shoddy work.

The biggest red flag in the 2024/2025 audited accounts is a trebling of fruitless and wasteful expenditure from R322m to R943m, partly driven by late-payment penalties. This means the city is using scarce resources to pay interest because it can’t pay suppliers on time — a signal of cash flow collapse.

### **The third problem: weak revenue collection**

Joburg’s revenue collection rate is 75%–82%, compared with the metro average of 86% and Cape Town’s 96.6%. Joburg’s low score reflects its unwillingness or inability to collect the money owed to it, which compounds its cash flow problems. The city’s total consumer arrears now stand at R57bn.

### **The fourth problem: crowding out**

There is little room for capex, as more than two-thirds of every rand of Joburg’s budget is committed to staff costs (25%), bulk purchases of water and electricity (29%) and debt and finance charges (14%). “The issue is not necessarily workers,” explains Guma, “it’s the rigidity of the operating budget when revenue collection weakens and fixed costs rise.”

Even in a normal year, after covering other operating costs, Joburg has less than R10 in every R100 left for repairs, maintenance and capital investment. But when crisis hits, the first cuts are typically made in these areas.

By March 2026, Joburg had spent only 49% of its capex budget for 2025/2026, well below its 70% target. Any figure below 85% constitutes a clear warning sign, according to the National Treasury.

“One can trace any service delivery failure and its economic and public-health impact back to financial stress and deferred maintenance,” Guma says. “This is how underspending today becomes tomorrow’s burst pipes, failed substations and collapsing roads.”

To put it in perspective, Western Cape municipalities budgeted to spend on average R2,860 per person on capex in 2024/2025, though it is only the third-largest province in terms of contribution to GDP. In Gauteng the equivalent figure was just R1,055, despite its acknowledged infrastructure backlog for roads, stormwater, water and electricity now topping R220bn.

### **The solutions are both technical and political**

Godongwana defends his decision to withhold funding from errant municipalities, saying they have been given sufficient notice in writing, and provided with support and training – all to no avail.

Since the funds will be withheld for a short period, he does not foresee any impact on service delivery. But transfers will resume only once the affected municipalities provide hard proof that they are meeting the required prescripts of the Municipal Financial Management Act.

“The Treasury is right to resist the idea that a large city can spend badly, collect poorly, defer maintenance and then expect a bailout without consequences,” says Guma. “But it would also be reckless to pretend that Joburg’s deterioration can be contained within its municipal boundaries. A failed Joburg would weaken Gauteng, undermine national growth, erode confidence in urban governance and raise the cost of doing business in the country’s commercial heart.”

Given how widespread municipal dysfunction has become, it is tempting to see the municipal funding model as fatally flawed. But as much as refinements to the municipal architecture are welcome, the Western Cape’s outperformance suggests that the model isn’t the real problem.

According to Rise Mzansi’s Songezo Zibi, the real problem is a lack of accountability from elected councillors and their executive management teams. Last month Zibi, who heads parliament’s standing committee on public accounts, declared in a burst of frustration that South Africa’s municipalities were “fucked”.

Nearly every municipality that appeared before the committee over the past 18 months was in serious financial distress, Zibi said. Invariably, service delivery targets were not met, and municipalities were plagued with procurement and tender problems.

Everything, Zibi concluded, depends on the quality of the political leadership.

“Where they are ignorant, they will similarly employ ignorant, incapable people as a municipal manager or chief financial officer,” he said. “Where they are corrupt, they will appoint corrupt fellow travellers and remove, through violent victimisation, those who want to do the right thing.”

The DA’s mayoral candidate for Joburg, Helen Zille, says that with a return to sound financial management and governance, Joburg’s slide can be reversed — but the local government elections may be the last chance to stop the rot.

“Joburg is very badly broken, and a lot will have to be fixed,” she says. “It’s going to be difficult and risky, but that doesn’t mean we have to shy away from it, because it’s still reversible — but it won’t be for long.”

Zibi agrees that South Africa’s final chance to course-correct is on November 4.

“Things are close to a state of collapse as it is,” he warns, “and giving a fresh five-year mandate to crooks will send us over the cliff.”

*This article first appeared in the Financial Mail on July 8*

## CONTACT US

**Tel:** +27 (21) 808 9119

**Email:** [bisseker@sun.ac.za](mailto:bisseker@sun.ac.za)

More analysis at [www.ber.ac.za](http://www.ber.ac.za)

Please refer to the glossary on the **BER website** for explanations of technical terms.

### Copyright & Disclaimer

This publication is confidential and only for the use of the intended recipient. Copyright for this publication is held by Stellenbosch University.

Although reasonable professional skill, care and diligence are exercised to record and interpret all information correctly, Stellenbosch University, its division BER and the author(s)/editor do not accept any liability for any direct or indirect loss whatsoever that might result from unintentional inaccurate data and interpretations provided by the BER as well as any interpretations by third parties. Stellenbosch University further accepts no liability for the consequences of any decisions or actions taken by any third party on the basis of information provided in this publication. The views, conclusions or opinions contained in this publication are those of the BER and do not necessarily reflect those of Stellenbosch University.

