WEBINAR SUMMARY – 4 SEPTEMBER 2026

Better governance is the key to SA's municipal recovery

This is a summary of the BER's local government reform webinar of 4 September 2026, featuring BER economists Roy Havemann and Rose Murunzi, BER research fellow Nomvuyo Guma, and BER political analyst Natasha Marrian. The slides presented can be viewed here.

South Africa's municipalities face both a structural financial problem as well as a deeper governance malaise, but better governance is the condition that will make financial recovery possible. Ultimately, though, it is up to residents to reinforce accountability by exercising their right to vote.

Roy Havemann, the head of the BER's Impumelelo Growth Lab, explained at the outset that municipalities are being squeezed: weak economic growth and falling per capita incomes have made it harder for councils to collect revenue, while electricity and wage costs have risen rapidly.

To put it simply, municipalities depend chiefly on property rates, income from the provision of trading services such as electricity and water, and transfers from national government. The first and third sources ultimately draw on the same constrained tax base and so are "very difficult" to increase.

This leaves better-run trading services as the most credible route to stronger municipal finances and more efficient service delivery. But stronger administration, stable political leadership, and improved accountability must also sit at the centre of the reform effort.

BER economist, Rose Murunzi, explained that local government dysfunction has now become a constraint inhibiting national electricity and water reform given mounting municipal arrears to Eskom and the water boards.

Current official projections of the pace of improvement that can be expected in both municipal arrears to Eskom and the extent non-revenue water (billable water squandered by municipalities through leaks etc) suggest that these problems will likely persist well beyond the next five years.

Four key reforms could shift performance. These include the revised Local Government White Paper and the new local government fiscal framework (both of which should be launched this month), metro trading-services reform (which has made a good start) and legislation that will extend the Public Service Commission's oversight over local government for the first time.

However, a long list of recommendations will achieve little without clear prioritisation and sustained implementation across electoral cycles, argued Murunzi. The priorities should be to professionalise municipal administration, enforce competency requirements, protect officials from political interference and apply consequence management.

"It's one thing to have a policy, it's another thing to implement, and it's another thing to actually start seeing confidence increasing, to see the investment, to see service delivery getting better," she said. "I think if there's one thing you can take away from the reform side it's that [reform] is not going to fix everything in the next five years, but there has been some progress."

A deep dive into the City of Johannesburg

Johannesburg illustrates both the scale and the nature of the crisis. The city accounts for about 16% of South Africa's GDP so its recovery matters for national growth and confidence. In fact, said BER research fellow and former Operation Vulindlela co-head Nomvuyo Guma: "There can be no turnaround in the national trajectory without an improvement in Johannesburg."

Unfortunately, all the city's performance and budget indicators are pointing in the wrong direction.

Johannesburg has a budget of roughly R97 billion, but a widening structural deficit that currently exceeds 3.7%. The real driver of this is that although the city targets an 88% revenue collection rate, actual collections have generally ranged from 75%-82%. However, the city has repeatedly failed to adjust its annual revenue estimates or expenditure accordingly.

This is partly because so much of the budget is already committed, leaving it very little "wiggle room". About a quarter of each rand goes to salaries and roughly 30% to bulk electricity and water purchases. After operational expenditure, this leaves less than 10% for capital expenditure.

But even if Johannesburg was able to collect all the money owing to it, it still doesn't spend it efficiently. The city managed to spend only 8% of planned annual capital expenditure in the first quarter of the last financial year, compared with 13% in Cape Town and 16%. Joburg replaces only 60 to 70 kilometers of water pipes a year against the international benchmark of 125 kms. Its overall infrastructure backlog exceeds R220 billion, which is visible in leaks, burst pipes, deteriorating roads and electricity outages. (In the month of July alone, there were over 1 000 electricity outages across Johannesburg, according to Guma.)

"So, we're not able to bill correctly, not able to collect money correctly, not able to spend correctly, [and] not able to properly account for the money that then is coming into the city," she said.

These weaknesses reinforce one another: failing infrastructure undermines services and billing, poor collection worsens liquidity, and weak capex delays repairs. Audit findings on irregular, unauthorised, fruitless and wasteful expenditure deepen doubts about the budget. These concerns threaten equitable share transfers, grants and access to credit.

“There's a very real risk here that the city runs into an even deeper liquidity crisis going forward,” Guma concluded.

Johannesburg’s problem is not simply a shortage of money, added Havemann. Compared with Cape Town, it has a similar number of potentially revenue-generating households and higher average incomes, suggesting that it has considerable revenue-generating capacity if governed effectively.

The politics: a truly epic battle in store

The BER’s political editor, Natasha Marrion, warned that political fragmentation raises the risk that these pressures will intensify after the November 2026 local government elections given the large field of candidates and contesting parties.

Johannesburg is “ground zero” in the upcoming elections; the party that emerges as the largest in the metro will be seen as the ultimate winner of the election. But with 80 proportional representation contestants there is a high potential for a hung council and ongoing political instability involving small "kingmaker" parties.

Johannesburg has already had ten mayors since 2016. Repeated leadership changes have disrupted its administration, encouraged patronage and made difficult budget trade-offs easier to postpone. Coalitions involving many small parties have proved especially vulnerable to instability and recurring motions of no confidence. Unfortunately, while electoral reform that reduces extreme fragmentation may help over time, it is unlikely to be enacted before the November election.

The DA is polling as the largest party in Johannesburg, Tshwane and Cape Town; the ANC as largest in Mangaung (although falling below 50% in the Free State city for the first time); and the MKP as the largest in eThekwini. However, Marrion warned that with the ANC’s election campaign yet to shift into high gear, polling numbers were bound to change closer to the election.

A coalition agreement anchored by the largest parties (the DA and ANC) could offer greater stability in Johannesburg, although political hostility between these two historic opponents makes that outcome unlikely. Marrion thinks there is “a strong chance” of an ANC-led coalition with the EFF, MKP and ASA being formed instead.

So, the immediate policy test is whether political parties can shift away from past patterns and set aside their own narrow interests to form durable coalitions focused on delivering basic services and infrastructure rather than on distributing patronage and positions.

“We are seeing little glimmers of hope,” according to Marrion. “In Ekurhuleni, for instance, the DA has supported the ANC's budget, but it's still a big ask for our two largest political parties. If they fail to work together in this election, we’re likely to see further fractious coalitions across our metros. And we know, we have lived experience of that over the last 10 years.”

Conclusion

The route out of the crisis is clear: without stable governing coalitions, technically competent administrations and better budgeting and consequence management, simply levying additional taxes or increasing municipal grants will not alleviate municipal dysfunction. National intervention powers also require reform because past interventions have rarely produced lasting turnarounds. Better governance is the condition that makes financial recovery possible but, ultimately, it is up to residents to reinforce accountability through greater participation and by exercising their right to vote.

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