PAPER 3

HOW SOUND ARE THE MUNICIPAL FOUNDATIONS LAID IN 1998, AND WHY IS THIS IMPORTANT TO LOCAL SERVICE DELIVERY?

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ABSTRACT

The Constitution of 1996 states that the purpose of local government is inter-alia "to ensure the provision of services to communities in a sustainable manner". Of the several steps that the government of the time took to put the Constitution's intentions into effect, one of the most important was to commission the drafting of a White Paper on the form and function of local government.

This White Paper, which appeared in 1998, based its recommendations on a number of assumptions, many of which must even at the time have been questionable. For example that attracting skilled staff would not be a challenge, municipalities would be "able to cover the costs of service delivery", and levels of trust would be high.

Despite steadily accumulating evidence of the questionable nature of many of the 1998 assumptions, government has made no changes of significance to the basic structure shared by all municipalities. However it has recently noted that "Many of the challenges in municipalities arise from the design of our local government system", and thus the President has promised that government will "develop an updated White Paper on Local Government to outline a modern and fit-for-purpose local government system". (Ramaphosa, 2025.) That this realisation has taken such a long time suggests government might still not understand where wrong directions were taken in 1998 and thus what will now be required for functioning local service delivery throughout the country.

Initial steps to develop the updated White Paper have been taken. IMESA has been invited to participate.

Keywords: Auditor General, dysfunction; local government; service delivery, South Africa; White Paper.

1. INTRODUCTION

The new government in 1994 assessed the then existing local government system, with its multitude of local authorities often divided along racial lines, and concluded that "delivery on new municipal mandates cannot be achieved within the existing institutional framework" (i.e. that inherited in 1994) (Department of Provincial Affairs and Constitutional Development (DPACD),1998: 14[i]).

In 1996, the new Constitution allocated to municipalities the responsibility "to ensure the provision of services to communities in a sustainable manner;" (South Africa, 1996: Clause 152 (b)).

The White Paper on Local Government of 1998 spelled out the framework in terms of which the local government system would be transformed, and described the characteristics of these new municipalities and how service delivery would then flow smoothly. However the descriptions included a large number of assumptions, many of which have proved to be questionable. For example that attracting skilled staff (presumably even to the most remote of municipalities) would not be a challenge, municipalities would be "able to cover the costs of service delivery", users of municipal services would pay for them, and levels of citizen trust of the municipalities would be high.

Despite ample evidence of the shakiness of the 1998 assumptions, government has in 25 years made no changes of significance to the basic structure shared by all municipalities. However it has recently noted that "Many of the challenges in municipalities arise from the design of our local government system", and thus the President has promised that government will "develop an updated White Paper on Local Government to outline a modern and fit-for-purpose local government system". (Ramaphosa, 2025.)

That this realisation has taken such a long time suggests government might still not understand where wrong directions were taken in 1998 and thus what will now be required for functioning local service delivery throughout the country.

2. THE CURRENT SITUATION

In his State of the Nation speech earlier this year, President Ramaphosa correctly stated:

> *"A capable state must start where people live and work.*
> *In many cities and towns across the country, roads are not maintained, water and electricity supply is often disrupted, refuse is not collected and sewage runs in the streets.*
> *In part this has happened because many municipalities lack the technical skills and resources required to meet people's needs." (Ramaphosa 2025)*

While many municipalities have, by and large, performed well at delivering the services expected of them in terms of the Constitution, a sizeable number have not.

Government is aware that where there is municipal service delivery failure it is rooted in the "dysfunctional or in distress" nature of the institutions responsible. For example:

> *The Department of Cooperative Governance and Traditional Affairs (COGTA) says "all is not well" with several municipalities despite its interventions. The department was briefing the COGTA committee on its implementation of the municipal turnaround programme for dysfunctional councils across the country, which struggle to provide even the most basic of services like water and sanitation. Members of Parliament (MPs) have also raised the alarm about the level of dysfunction saying things have become worse in some cases.*
>
> *The 10 most dysfunctional municipalities in the country were again the focus of discussion in parliament on Tuesday. These include Emfuleni municipality in Gauteng, Kopanong municipality in the Free State as well as Thabazimbi in Limpopo. Eastern Cape metros Buffalo City and Nelson Mandela Bay also find themselves on the list of 30 "priority distressed municipalities"." (EWN 2025, online)*

The COGTA Minister has in the current year particularly drawn attention to widespread financial mismanagement at municipalities, manifest inter alia

in inability to collect revenue and to pay outstanding debts. By the end of last year, municipalities owed Eskom R108 billion and water boards R24 billion. But, said the Minister, this situation is not entirely the fault of the municipalities:

> *"You can't expect municipalities to clean our towns, to ensure they provide running water, but you don't pay for the services. Municipalities are owed by departments at a provincial level and departments at a national level. And they are owed by business people and the citizens to whom they render services." (Payne, 2025, online.)*

None of this is a surprise. Some of the same municipalities have for a decade or more been identified as problematic. Media reports or court judgements name the same issues year after year. Each year, too, promises are made at national, provincial and local level as to how improvements will be effected – very seldom can this improvement be observed.

In addition to major fiscal transfers from national government (some conditional, some discretionary) in recognition of the income base of municipalities being too low to allow them to be financially self-sufficient, there have been many specific interventions. Some of these include amalgamation of municipalities, the (thus far limited) introduction of the District Development Model, the introduction of systems such as the Infrastructure Development Management System (IDMS) model designed to assist municipalities with project planning and management, among others.) The effort over many years put into the "capacity building" of officials and councillors has been massive, although, as Treasury concedes: "Many capacity building initiatives appear to not have materially impacted local government's capability to deliver services and fulfil its mandate".[ii]

Despite all these measures to support the existing municipal model, the service delivery performance of municipalities, on average, does not seem to improve – at least as evidenced by (i) the condition of infrastructure and (ii) the reports of the Auditor General. Notwithstanding the assistance noted above and many other interventions over more than two decades, the majority of municipalities have not shown any signs of the step change improvement in service delivery performance that is needed.

Data that unambiguously compares governance with service delivery, municipality by municipality, is difficult if not impossible to come by. But some confirmation of the influence of good governance on service delivery performance can be inferred from two ever-reliable indicators of service delivery, viz:

- The Green Drop, Blue Drop and No Drop certifications of the Department of Water and Sanitation (DWS), most recently in 2023.
- Arguably, though, the most comprehensive annual assessments of the state of South Africa's local government, and the consequences for service delivery, are the Auditor General's annual reports on municipalities in terms of the Municipal Finance Management Act (MFMA), the most recent of which covered the financial year 2023-2024. (Auditor General, 2025.)

Twenty-two municipal wastewater systems (of 850 systems) were awarded Green Drops[iii] at the conclusion of the most recent round of assessments of "comparative analyses and diagnostics to assist Water Services Institutions to focus on specific areas for improvement and restoring functionality of wastewater infrastructure" – "a wastewater system that [equals or achieves] 90% Green Drop score, is regarded as excellent and is then allocated the prestigious Green Drop status." (DWS 2022: x)

41 (of 257) municipalities received clean audits[iv] from the Auditor General's assessment of the 2023/2024 financial year (Auditor General 2025:4, 100) – admittedly not the same period as the DWS study "The audit period under review was 1 July 2020 to 30 June 2021." (DWS 2022: x)

The 22 Green Drop wastewater systems were owned by only ten municipalities. It may be asked if all of these ten were among those 41 which received clean audits.

There is not an exact match, but certainly there is high correlation. Of the ten, six received clean audits and the remaining four came close. (For the list of Green Drop municipalities, DWS 2022: x.)

The Auditor General does not "review the performance of local government", nonetheless "our work provides insight into weaknesses that could prevent service delivery goals from being achieved if they are not decisively addressed by the administration and the council." Her 2025 report highlights four weaknesses:

- "Weaknesses in delivery of quality infrastructure and lack of maintenance.
- Inadequate procurement and contract management.
- Poor financial management.
- Widespread lack of consequences". (Auditor General, 2025:62)

3. THE 1998 WHITE PAPER: BRAVE BUT FLAWED

It is surely obvious by now that some or all of the assumptions in the 1999 White Paper – the founding document of today's municipalities[v] – were highly optimistic. In other words, the foundation of local governance is not strong enough to support the service delivery responsibilities that the Constitution states are among "the objects of local government".

It has long been apparent that government has needed to take a fresh look at the 1998 White Paper, review the assumptions it made, and come up with a radically improved model. There would arguably be little prospect of significant service delivery improvement at many municipalities until this is done.

Any such review must take into account that a sizeable number of municipalities seem to manage pretty well under the circumstances, flawed model or not. Which suggests:

- a one size fits all solution would be inappropriate; and
- it would appear that it might not be the institutional model which is necessarily always at fault, but the way in which it is often managed.[vi]

Some years ago, Wall (2022a) argued that the institutional structure of local government is a fundamental obstacle to effective delivery of its mandated services and called for a comprehensive overhaul of the system through which these services are delivered. Now, more than 25 years after the adoption of the *White Paper on Local Government*, government appears to have come to a similar conclusion, recognising that piecemeal reforms and frequent minor adjustments, together with generous helpings of assistance to specific municipalities, have failed to address the system's core deficiencies. (COGTA, 2025)

As stated in the relevant Government Gazette:

"The process of local government reform in South Africa faces two interrelated challenges:

- The persistent and deepening weaknesses of the local government system itself, and
- Policy implementation failure, evidenced by marginal improvements over the past 20 years despite four local government reviews, scores of recommendations, and many campaigns and interventions" (COGTA, 2025: 48).

It is useful to note a number of the reasons given by government as long ago as 2009 as to why an overhaul is needed. The first of the "four local government reviews" described in the Government Gazette is the most useful in this regard. This particular review "highlighted critical concerns,

including shortcomings in the following areas":

- Accountability and participation.
- Instability in municipal administration (including "declining experience, poor relations between elected officials and administrators, and high vacancy rates").
- Instability and inefficiency as a result of the two-tier system (district and local municipalities).
- "Underinvestment in infrastructure" and "a preference for new projects over maintenance".
- "High outstanding debts and poor fiscal management".
- "Capacity issues" (COGTA 2009, quoted in "Annex One" of COGTA, 2025: 55).

4. THE CURRENT WHITE PAPER REVIEW PROCESS

rrent review process is at the time of writing (June 2025) very much still at the stage of being set up[vii]. Of particular interest is the intention to have five "focus areas" of investigation, which, as currently envisaged, are:

- Finance and Infrastructure.
- Governance.
- Intergovernmental relations.
- Traditional affairs.
- Local economic development.

The size of the task facing those who will be responsible for these focus areas can be illustrated by reference to the assumptions made by the drafters of the 1998 White Paper. The distance in many cases between, on the one hand, the assumptions and, on the other, the reality of local government in 2025 South Africa (i) illustrates the well-meaning naïveté of the 1998 drafting team, and (ii) considerably helps to explain why so many municipalities have not been fully functional. In short, given the way the municipal powers and functions were defined in 1998, and bearing in mind the challenges so many of the then newly established municipalities had to face (for example, high unemployment, low rates base, and distance from major centres), they never had more than a limited chance of being functional.

There is not the space in this paper to consider all of the assumptions made in 1998. Hence only those assumptions in regard to one of the focus areas, one no doubt of fundamental importance and of great interest to IMESA members, viz "finance", is selected, so that the "distance in many cases" referred to above can be illustrated.

For convenience of analysis, the broad topic of finance is divided[viii] below into:

- adequate funding, for capital and operational purposes, and
- prudent budgeting – and effective spending.

4.1 Adequate funding, for capital and operational purposes

The 1998 White Paper assumption evidently was that that municipalities would be able to raise substantial sums of the revenue they needed, mainly through service charges and property assessment rates. Moreover,

> *"The emphasis was on delivering services and promoting development at local level. … The main municipal services, namely electricity, water, sanitation and waste removal, were a tool to assist in reducing poverty and racial and income inequality, raise living standard and facilitate economic opportunities. …… The 1998 White Paper further assumed that service tariffs would be set at levels that will be affordable for all households and that sufficient revenue would be generated to ensure financially sustainable municipalities." (ANC 2021, page 1)*

That is, there would be adequate funding, for capital and operational purposes, for financial viability while delivering on the municipality's Constitution-given mandate. These funds would come from the municipality's own resources, transfers from national and provincial government other governments, and from private sources – in the form of revenue, grants, loans etc. Not forgetting the importance of credit control to help ensure the payment of revenues due.

Coupled with this, wasteful expenditure would be drastically reduced if not eliminated.

This assumption is evident from the following statements, each of which is immediately followed by the comment of the present author:

- Noting that "an important source of local own revenue are charges which are directly related to the provision of public services" (DPACD 1998a, page 89), the White Paper (i) referred to a "new system of intergovernmental transfers aimed at subsidising the operating costs of basic services to indigent and low-income households"[ix] and (ii) listed "a set of principles to guide tariff policy", adding that the tariff policy must "ensure that indigent households have access to basic services".
  - Comment: All basic common sense, but the extent of indigence, the limited capacity to cross-subsidise from those able to pay for services, resistance to and avoidance of charges, and other complicating factors, do not seem to have been anticipated. (Also see the paragraph on credit control, immediately below.)
- The White Paper (DPACD 1998a, p89) presented a, with hindsight, wildly optimistic view of the credit control measures that would be possible, including that municipalities will "need to take strong measures to deal with those households who can afford to pay for services but are not doing so" … "Such action can include cutting off services or court action to recover debts".
  - Comment: It would seem that little thought was given by the drafters to the fierce resistance that cutting services might, and has, encountered, nor to the protracted and often inconclusive results of court action.
- The White Paper discussed the ability of "municipalities in rural areas" to raise from property taxes some of the revenue they would need, concluding that

  "a combination of revenue-generating options, including betterment taxes, will need to be explored further to secure the financial viability of rural local government. [And] consideration should be given to adding to the revenue-raising powers of local government." (DPACD 1998a, page 90 of 120)
  - Comment: The prospects of raising significant revenue from rural areas have proven to be grossly overoptimistic.
- The White Paper described, in the briefest terms, possible grants to support the operating budgets of municipalities and to subsidise the capital costs of investment in municipal infrastructure. Of particular interest, the concept of the "equitable share" is introduced, the purpose of which would be to "only" "fund the operating costs of municipalities", and it is further noted that "it should enable all municipalities to provide a basic level of services to low-income households in their areas of jurisdiction at affordable cost", whereas

  "a secondary principle will be effective administration infrastructure: the system should ensure that even the most resource-poor municipality is able to build a basic level of administrative infrastructure to allow it to govern its area effectively." (DPACD 1998a, pages 90-92 of 120)
  - Comment: With hindsight, the extent of operating budget assistance that many municipalities have proven to need was clearly not anticipated by the drafters of the White Paper. Nor was the widely-alleged propensity of many municipalities to use the Equitable Share for purposes other than providing a basic level of service to low-income households.[x]

Whereas an evident assumption was that that municipalities would be able to raise substantial sums of the revenue they needed, mainly through service charges and property assessment rates, the White Paper should have more clearly foreseen, and if possible, compensated for:

- The very large numbers of desperately indigent residents, for many of whom even a token payment towards service charges would be unaffordable.
- The very large numbers of people who might be able to afford the charges, but would be unwilling to pay, and would try to avoid doing so by one or more of a myriad of means, including doctoring or bypassing meters (if they had meters) – or simply ignoring the bills and hoping for yet another amnesty for those in arrears (e.g ENCA 2022).
- That the ANC had, before 1994, been encouraging non-payment – e.g. the "Soweto rent boycott" and the boycott of Eskom charges. So for the party, on the basis that they now formed the government, to expect users to begin paying for services, was certainly optimistic. (Mufson, 2013)

As a result, from the time they were established, almost all if not all municipalities have experienced great difficulty in collecting the revenues due to them. This has been so both for the municipalities established post-White Paper that cover large rural areas and those in the urban areas, not least in those parts of urban areas which had previously fallen under the jurisdiction of the Black Local Authorities Act. Evidence of widespread deprivation due to people being unable to pay for services rapidly emerged. In respect of water services, accounts have taken readers through issues such as the pre-1994 struggle-inspired resistance to paying services charges, affordability of households as opposed to unwillingness to pay (for political or any other reasons), attempts to use alternative technologies such as prepayment or flow restrictors (as opposed to flat rate charges or conventional meters), legal battles (e.g. Phiri in Soweto (Kotze 2010)) and protest actions.

The White Paper did not foresee, or did not foresee the extent of:

- irregular, and fruitless and wasteful expenditure – as reported year after year by the Auditor General, but with little apparent improvement;
- ineffective expenditure, where value for the expenditure is sub-optimum;
- poor revenue management;
- not paying contractors and suppliers on time[xi];
- expenditure on consultants or contractors where the optimum would have been to rather employ competent staff (note: not by any means always possible);
- funds leaked away thanks to corruption, including nepotism and interference in contract awards;
- the extent to which municipalities mismanage infrastructure (e.g. water leaks not attended to) and thus, apart from the infrastructure not delivering the services for which it was intended, potential revenue not being realised (e.g. revenue from the sale of the water which has leaked) while costs are incurred nonetheless (e.g. the bulk water supplier, such as Rand Water, still has to be paid, even though the water it supplied to the municipality has been wasted);
- the many instances of community resistance to issues around service charges – e.g. protests against tariff increases, and protests (and sometimes physical opposition) against introduction of or change in type of meters – some of which have resulted in the damage, sabotage or theft of infrastructure.

As a consequence, the White Paper did not foresee the generally parlous financial state to which a large number of municipalities have been reduced.

4.2 Prudent budgeting – and effective spending

The White Paper abounded in references to budgets, including issues such as the need for community participation in their preparation, that budgets which should be structured in a manner which ensures and allows for the budgets of "service units" to be "ring fenced"[xii] (DPACD 1998a, page 76), and that good budgeting and accounting practices must be followed.

Importantly, a number of principles for a "new" "system of municipal finance" were set out. These included:

- "Sustainability: Financial sustainability requires that municipalities ensure that the budgets are balanced (income should cover expenditure). Given revenue constraints, this involves ensuring that services are provided at levels which are affordable, and that municipalities are able to recover the costs of service delivery."
- Moreover: "No bailout will be provided to a municipality that overspends its budget and/or fails to put in place proper financial management controls." (DPACD 1998a, page 25 of 120)

With hindsight, the White Paper overestimated the skills levels that most of the newly-demarcated municipalities would have available to apply to the task of drawing up budgets and thereafter managing the budgets and the spending thereof. The White Paper did not foresee, or did not foresee the extent of, the following:

- Budget allocations for capital works (irrespective of the source of the funding) being made without sufficient provision for operation and maintenance;
- Related to the above – budget decisions, and decisions on the receipt of grants (especially for capital works), being made on an ad hoc basis, not looking at the total financial picture of the entity and its long-term budget obligations[xiii xiv];
- The often gross under-budgeting for infrastructure maintenance, ignoring that this will inevitably result in higher costs (and service delivery interruptions) in the future (Wall 2022b);
- The inability of many service delivery institutions to spend their budgets, particularly their capital budgets (for a number of reasons, not least among them lack of skills and protracted supply chain management processes);
- The sometimes inordinate proportion of the operating budgets spent on staff, leaving too little budget available for operation and maintenance, for instance.

4.3 Responses on funding, budgeting and spending

Between the statements of the President and the Minister, it would seem that government is more or less aware of the shortcomings of the 1998 White Paper. For example:

- The President has promised:
  - "We will review the funding model for municipalities as many of them do not have a viable and sustainable revenue base." (Ramaphosa, 2025)
- The Minister has been quoted as saying that:
  - It is time to address "financial mismanagement and poor governance which are at the heart of municipal challenges."
  - COGTA and the Treasury are working together on scenarios to ensure that funding – grants to municipalities – is adequate. "A new funding model" will review municipal grant formulas and take into account situations such as previously disadvantaged municipalities. (Payne, 2025)

Rightly, though, comments such as those by Allan of Municipal IQ are timely. While a review of the funding model of local government is necessary,

"We need to understand the difference between an inadequate local revenue base and a municipality's failure to collect revenue and run its financial affairs properly. ….. Providing more money to poorly run municipalities, or for that matter bailing them out and paying off their enormous debts to Eskom and the water boards, without addressing underlying issues of poor decision-making, incompetence and poor capacity, may well result in a waste of national funds", he said. (Payne, 2025)

On a similar theme: the Auditor General year after year describes many areas where the funding available to municipalities can be spent to better effect. Her reports on each municipality outline recommended improvements which would sometimes save tens of millions of Rand. Much of this saving is related to more appropriate purchasing or hiring choices, and also to supply chain management to obtain better value for money, and taking life-cycle costing into account when making capital purchases. But much of it is also related to money wasted in various other ways, particularly wasteful or even corrupt spending.

Finally for now: the Auditor General reminds us that an institutional review, however good, will not of itself improve service delivery of local government, if governance does not greatly improve.

"Three years into the administrative term, municipal finances are severely troubled and, even though funds are constrained, mayors, councils and municipalities are often displaying little fiscal discipline. Money paid by residents and funded from the national purse is often wasted through poor financial and procurement decisions and project failures. …. There is a lacklustre approach in dealing with recoveries and consequences in local government, which creates a culture that lacks responsiveness, consequences and accountability. Without confronting and rectifying this behaviour, progress will not be made." (Auditor General, 2025: 4-5)

Moreover:

"Despite continued advocacy for intergovernmental support and collaboration, the opposite is evident in the lack of partnership among the three spheres of government at most municipalities and in the weak oversight by provincial legislatures and Parliament – particularly at metros. Where the political leadership of municipalities respond well to the support and guidance provided by national and provincial government, improved governance follows." (Ibid)

5. COMMENTARY

The South African municipal model of today is different in its execution – but not all that different in concept – to that of, say, 100 years ago.

The two major differences are:

- the democratisation of municipalities: the abolition of gender and racial barriers and the removal of requirements such as the need to own property, both barriers of the past to being eligible to vote; and
- the changes in number of municipalities, and the expansion of the municipal model to the whole country – i.e. that all areas of South Africa[xv] would be covered by municipalities.

On the latter: "The founding 1995/6 local government elections [had] ushered in 843 transitional local authorities from a fragmented 1262 apartheid era municipalities. … The first democratic local elections in 2000 resulted in wall-to-wall democratic local government structures with 284 municipalities, and after some amalgamations today there are 257 municipalities." (ANC 2021, page 1)

What did not change much, if at all, was the then existing and familiar municipal model – its overall governance structure, its range of responsibilities, its sources of revenue. Neither the 1998 White Paper nor the Demarcation Act specifically addressed this – reading them today, it is apparent that they imply it is the then existing model that would be expanded to cover the country.

It is the author's perception that, this time round, major changes will be coming to the municipal model itself.

For one thing: whereas it is evident that, usually because of the socio-economic circumstances of the areas they serve (read "poverty"), or because of their remoteness, or both, "many municipalities lack the technical skills[xvi] and resources required to meet people's needs", they can no longer be expected to provide a full range of services as mandated by the Constitution. A municipality in remote Mpumalanga cannot be expected to provide the same services as one of the bigger metropolitan municipalities. Yet, for the last quarter of a century, it has been expected to perform, despite all its shortcomings.

The South African municipal model is to a great extent a colonial importation from the UK, where it was developed in a time and set of circumstances very different to 21st-century South Africa. The author suggests that the opportunity should now be grasped to begin by notionally separating (i) the current set of local government services from (ii) the concept of municipalities. Then, following the precept of "form follows function", consider afresh what form of institution is best suited to delivering each of the services in one of a number of conceivable circumstances ("circumstances" particularly including socio-economic context, and location (especially rural/urban)).

Where a municipality is unable to or does not wish to be responsible for specific services, it could, with the approval of the provincial MEC and national Treasury, consider alternative delivery vehicles. These could include other local municipalities, district or regional municipalities, regional bodies responsible for single functions (e.g. regional water utilities, a concept proposed by DWS from time to time; or something akin to the regional electricity distributors (REDs) proposed in the past); private sector (big companies through to micro level, as best suited) or public-private partnerships; or community-based bodies. There are many possibilities. Another possibility would be to separate the "responsibility" from the "provider" function, as is currently the case with water services authorities and water services providers.

At present, an alarming number of municipalities require the assistance of external parties to perform their basic functions. For examples: secondments from the Municipal Infrastructure Support Agent (MISA), the District Development Model, Section 139 interventions, and the City of Johannesburg's "Bomb Squad". That a large and increasing number of institutions, adequately (supposedly) designed to provide a specific range of services, are unable to do their work without considerable assistance, is surely sufficient proof that radical redesign is needed.

The author hopes that from the recently commenced local government review process will emerge a model (or models) for the delivery of services currently regarded as the responsibility of municipalities, that is sufficiently robust to not require any of the current (or similar) "Band Aid" interventions.[xvii]

It is trusted that those responsible for the current local government review will consider these and related matters.

6. CONCLUSIONS

It is at least highly possible, if not probable, that municipalities in South Africa will be radically transformed in both form and function. The impact of these changes on municipalities – and on councillors and municipal staff – will very likely considerably exceed the impact of all the changes between 1994 and 2025.

It is therefore good to know that IMESA is participating in the review.[xviii] IMESA must seek to play a prominent part in determining the future of

local-level public sector service delivery in South Africa, and, along with this, the future of its members and the future of IMESA itself.

A thick skin will be needed. Tens of thousands of municipal employees, office-bearers and the like, many IMESA members among them – also contractors to municipalities – will, rightly or wrongly, perceive that threats to their livelihood will lurk in any restructuring proposals.

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i The pages have no numbers. References in this paper to "page numbers" in DPACD 1998 are to the sequence of the page within its 120 pages.

ii Treasury, PARI and GTAC. 2022. "System of capacity building for local government – diagnostic review". Pg iii.

iii *Choosing Green Drop over the more recent Blue Drop, which is the assessment of water systems because much of the credit for those belongs to the water boards which abstract raw water, treat it, and supply it to municipalities – whereas wastewater systems are solely the responsibility of municipalities, water boards not being involved (with few exceptions).*

iv *A "clean audit" means "unqualified with no findings".*

v *The Minister (of Provincial Affairs and Constitutional Development) of the time referred to the White Paper as "almost [being] regarded as a mini-constitution for local government". (DPACD 1998: 6)*

vi *The differential performance of municipalities as measured by the Auditor General each year provides many illustrations of this – how one municipality is capable of certain functions, whereas another fails hopelessly. But there are many other suitable illustrations. One that the author has previously documented (Wall, Watermeyer and Pirie, 2013) was a survey of the efficiency of capital goods procurement by municipalities. It turned out that the average time elapsed between advertising and issuance of a letter of intention to appoint ranged between seven months and seven weeks!*

The same regulations applied. But the competence of the one municipality far surpassed that of the other.

vii *The Minister has stated that he wants to see rapid progress, because:*
"By April 2026, we want to present before Cabinet a revised and updated White Paper that will be responsive to the needs and challenges to fix our municipalities". (Payne 2025, online.)

Thus, it is certain that, by the time of IMESA's 2025 conference, considerably more will be known about government intentions and the direction the reform is likely to take.

viii *These two bulletpoints are surely two sides of the same coin!*

ix *What would become the Equitable Share.*

x *"However the Equitable Share is an unconditional grant and in practice this is not seen by local government as funding that has to be spent on operation and maintenance of basic services, and a significant portion is used simply to cover the overhead costs of municipal management and administration." (Still et al 2009, p vi)*

xi *Creating cash flow problems for those not paid – to the extent that many firms, even some with annual turnovers in the R100-millions, have been forced into liquidation.*

xii *A sentiment reiterated by President Ramaphosa this year. (Ramaphosa, 2025)*

xiii *It is not as if suitable modelling techniques to do scenario planning on the basis of alternative financial and infrastructure investment decisions have not been available for many years. For example the Combined Services Model developed for the DBSA of the order of two decades ago, but which did not gain the anticipated acceptance reportedly because its recommendations were not liked by politicians with (using the phrasing of COGTA 2009, as quoted in COGTA 2025) "a preference for new projects over maintenance".*

xiv *Exacerbated by these grants sometimes having been spent on assets which are not core to the municipal function – e.g. food processing plants, taxi ranks, and shopping centres – where the municipality, without the expertise to do so, has taken up the role of driver of local economic development as opposed to the enabling role that is envisaged for it in policy.*

xv *The phrase "wall-to-wall", which has since come into common currency, did not appear in either the 1998 White Paper on Local Government or the Demarcation Act which followed.*

xvi *"During one of our interviews a rural municipal manager remarked that "it is impossible to even get an engineer in this area. … They do not want to live here. I don't blame them", he sighed." (Koeble and LiPuma", 2010:589 (footnote))*

xvii *This is a point of view which appears to be contrary to that of President Ramaphosa, who promised government "would expand our support to municipalities that require assistance". (Ramaphosa 2025.)*

Would it not be preferable to rather design models that will be fully functional, rather than even be considering models which will require external help from the word go?

xviii *IMESA representatives attended a COGTA-hosted LGWP review session in June 2025 which focused on aspects of Governance, Infrastructure, Economic Development, Traditional Leadership and Financial Management. The feedback will be shared with EXCO members at the next meeting in July 2025." (Botton, personal communication.)*