

The Achilles' heel of South Africa: Local government

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We are only halfway through the year, but arguably the most important political event of 2026 will be the local government elections on 4 November, 5 months from now. Whatever metric one chooses - and there are many - local government is by far the **weakest-performing** of South Africa's 3 spheres of government. That makes these elections particularly significant.

People and institutions

Many explanations have been offered for the poor performance of local government, ranging from corruption and maladministration to inadequate resources. Ultimately, however, the problem comes down to a **combination of people and institutions**. The quality of those in office and the way institutions are structured largely determine how effectively local government functions.

Clearly, better people - committed to serving citizens honestly and diligently - must be elected. Voters will decide in November who those councillors should be.

This **note focuses on institutions**, particularly changes coming down the line that will reshape how local government operates in future.

The current landscape

South Africa has 257 municipalities covering the entire country. These comprise 8 metropolitan municipalities, 44 district municipalities and 205 local municipalities.

Metros are responsible for all local government functions within their boundaries. District municipalities provide bulk and districtwide services across several local municipalities, while local municipalities are responsible for day-to-day service delivery in towns. Effectively, it is a **2-tier system**.

The metros are the **big gorillas**. They generate about two-thirds of South Africa's gross domestic product (GDP) and are home to roughly 40% of the population. Yet most are currently severely dysfunctional.

At present, 5 metros and 66 municipalities are governed through coalitions. Experience suggests that coalition governments have generally not improved governance, and it is likely that there will be even more coalition councils after November's elections.

Constitutional protection

A unique feature of local government is its **constitutional status**. Municipalities are recognised as a distinct sphere of government rather than as implementing agents of national or provincial government. They enjoy inherent and exclusive powers, while the Constitution places limits on the extent to which provincial and national governments may intervene in municipal affairs.

As a result, reform cannot simply be imposed from above. An intricate process of moving reform along is required.

Redesigning the system

A **substantial redesign** of the local government system is underway. Government has published a draft white paper for public comment that proposes far-reaching changes.

The full range of proposals is beyond the scope of this note, but key reforms include:

- replacing the current district or local municipality structure outside the metros with a **single-tier** system;
- differentiating municipalities according to capacity, with **stronger municipalities receiving**

additional powers, including functions currently exercised by provincial or national government, such as housing and policing;

- **improving transparency** by publishing procurement and contract information through online portals; and
- perhaps most importantly, reforming municipal finance and trading services through **ring-fencing** and more flexible service delivery models, including the use of **external providers**.

These reforms will be implemented over the coming term of office of the new councils. Some, however, are already underway, particularly the ring-fencing of municipal trading services.

New rules for coalitions

The coalition experience of recent years has been deeply unsatisfactory. In response, Parliament is considering legislation aimed at improving the stability and functioning of coalition governments after the November elections.

The proposed reforms include:

- extending the period within which councils must be constituted after an election **from 14 to 30 days**, allowing more time for coalition negotiations;
- requiring **coalition agreements to be written** and to specify responsibilities and governance arrangements, thereby moving coalitions from informal political deals to more rules-based governance;
- **limiting the use of no-confidence motions** while allowing independent panels to assess whether removal motions are justified; and
- strengthening **transparency requirements** for council meetings, regulating when meetings must be held, and empowering provincial members of the Executive Council to intervene where speakers improperly block council proceedings.

Unfortunately, an earlier proposal to introduce a minimum threshold of 1% of the vote for representation in councils has not been included. Such a threshold would have reduced the number of very small parties, limiting fragmentation and potentially improving stability. However, it is not to be. We will probably end up with more coalitions after November.

Water is forcing change

Just as the electricity crisis and load-shedding forced dramatic reforms in the power sector, the country's **water crisis** is now **driving significant changes** in municipal governance.

These reforms centre on 2 concepts: **licensing** and **ring-fencing**. They are being driven jointly by the Department of Water and Sanitation and Operation Vulindlela, the Presidency-Treasury reform initiative. Indeed, local government has now been elevated to one of Operation Vulindlela's priority reform areas, reflecting the seriousness of the challenge.

Licensing: Breaking the monopoly

Amendments to the Water Services Act currently before Parliament will introduce licensing for all water service providers.

At present, municipalities perform 2 roles simultaneously. They are both water services authorities (WSAs), responsible for policy and tariffs, and water services providers (WSPs), responsible for operational functions such as maintenance, billing and revenue collection.

The reforms separate these roles. Providers will require licences and must meet minimum performance standards. If they fail to do so, licences can be revoked and transferred to alternative providers.

This effectively **breaks the municipal monopoly on water provision** and opens the door to private sector participation. It gives practical effect to the draft white paper's proposal for more flexible service delivery models.

Supporting external providers

Supporting this shift is the recently established Water Partnership Office, which assists municipalities in structuring projects **involving private sector participation**. It is playing an important role in expanding the use of external service providers.

Currently, only 2 municipalities - Ballito and Mbombela - use external water providers, and both have recorded substantial improvements in service delivery. The potential gains in the other 255 municipalities are considerable.

Ring-fencing

Under the proposed reforms, revenue generated from the 3 municipal trading services - water, electricity, and sanitation and waste removal - will be **separated from general municipal revenue**.

These funds must first be used for maintenance, infrastructure investment and the employment of qualified personnel before any surplus can flow into the municipality's general revenue pool.

This also reflects the draft white paper's proposals.

For the 8 metropolitan municipalities, National Treasury has gone even further. It has established an **R54 billion incentive programme** over 6 years. To access these funds, metros must demonstrate meaningful progress in separating trading services, operating them as stand-alone entities and appointing suitably qualified personnel. It is a carrot for making changes.

The R54 billion must be matched by metropolitan own-revenue contributions, which can now be sourced from ring-fenced revenues. The result should be a substantial increase in infrastructure investment. Significantly, all 8 metros have already signed up for the programme.

Not only carrots, but sticks as well

There are also sticks being employed.

National Treasury has increasingly **withheld equitable share allocations from municipalities** that fail to meet their obligations. By July 2025, allocations had been withheld from 34 municipalities. By December 2025, that number had increased to 75.

The equitable share is simply a portion of nationally raised taxes transferred to provincial and municipal governments in terms of the constitution. This year, municipalities will receive approximately R110 billion through this mechanism.

As widely reported, the Minister of Finance has instructed the City of Johannesburg to reverse certain salary increases or risk losing part of its equitable share allocation. Similarly, the minister has warned the Eastern Cape provincial government that part of the province's equitable share could be withheld unless it settles debts owed to municipalities.

This is particularly important because municipalities themselves face a severe debt problem. Municipalities owe approximately R161 billion, largely to Eskom and water boards. But they are owed R467 billion by households (R335 billion), businesses (R95 billion), and organs of state (R28 billion).

Simply collecting that R28 billion would already provide relief. Improved revenue collection from households and businesses would help even more.

The message is clear: Treasury's approach towards defaulting authorities is becoming increasingly tough.

Criminal prosecution

At the same time, the Department of Water and Sanitation is escalating criminal enforcement **against municipalities responsible for wastewater pollution**. In May 2024, there were 36 cases involving 26 municipalities. By April 2026, the number had risen to 88 cases involving 52 municipalities.

The penalties are substantial. Fines range from R10 million to as much as R200 million, as in the case of Govan Mbeki Local Municipality. Criminal proceedings are currently underway against the municipalities of Johannesburg, Ekurhuleni, and Mogale City for pollution affecting the Klip River system.

Most recently, the municipality of the picturesque **Knysna** was fined R10 million after pleading guilty to

various counts involving sewage spills, illegal dumping, and pollution of the Knysna Estuary. The fine was suspended on condition that the municipality spends an equivalent amount on emergency repairs within specified deadlines. In addition, the municipality must spend R630 million over 5 years on environmental rehabilitation and contribute R500 000 towards strengthening provincial environmental law enforcement.

A possible next step

Perhaps the next reform should be to hold councillors and municipal officials personally liable for fines imposed on municipalities. Why should taxpayers bear the cost of failures caused by public officials?

The principle is not novel. Company directors can already be held personally liable for damages suffered by companies they lead. In November 2025, the Auditor-General held a municipal manager in North West personally liable for failing to recover R4.6 million in overpayments for water tanker services.

Extending such accountability could dramatically improve behaviour and performance.

So What?

- Local government has become a major obstacle to job creation, growth, and development. Elections alone will not fix councils; deep reform is also needed.
- A wholesale reorganisation of local government is underway. The councils elected in November will increasingly operate in a very different environment.
- Significant reforms are being introduced in water, electricity, and waste management through licensing, ring-fencing, and support for greater private sector participation.
- South Africa is moving away from municipal monopolies towards hybrid service-delivery models involving private sector providers, mirroring developments in electricity, rail, and ports.
- New legislation aims to move coalition governments from ad hoc political bargaining towards rules-based governance built around formal agreements and shared objectives.
- Reforming institutions is important, but their success will depend heavily on political support and implementation at local level. That is why the local government elections later this year are so important.