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The Minister of Cooperative Governance and Traditional Affairs

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RE: THE REVIEWED DRAFT WHITE PAPER ON LOCAL GOVERNMENT

1. The South African Institute of Chartered Accountants (SAICA) welcomes the opportunity to make submissions on the Reviewed Draft White Paper on Local Government (The Draft White Paper).
2. SAICA is South Africa's pre-eminent accountancy body and is widely recognised as one of the world's leading accounting institutes. The Institute provides a wide range of support services to more than 50 000 members who are chartered accountants [CAs(SA)], associate general accountants [AGAs(SA)] and accounting technicians [ATs(SA)] who hold positions as chief executive officers, managing directors, board members, entrepreneurs, chief financial officers, auditors, and leaders in their respective spheres of operation.
3. Our work in the public sector goes beyond member support but also includes a significant focus on advocacy and capacity building to support and encourage an improvement in public finance management.
4. SAICA supports the proposed reform but emphasises that any changes to the local government system must be practical, evidence-based, protected from political manipulation, and supported by sufficient and appropriate institutional capacity. The submission therefore supports structural, political and administrative reforms that strengthen accountability, professionalisation and service delivery, while cautioning against reforms that are inadequately designed, weakly governed or incapable of implementation in the current environment. It is, however, important for the department to consider the current state of local government and whether the environment can respond and adapt appropriately to the proposed reforms.
5. Our submissions are further summarised as flows:
 - a. SAICA supports replacing the current two-tier local government model with a single-tier system because district municipalities have become duplicative, financially weakened and ineffective in fulfilling their intended coordination role.
 - b. We do not support the proposed alternative or transitional two-tier model, as it risks preserving existing weaknesses, creating accountability gaps, enabling political influence over categorisation, and delaying meaningful reform.
 - c. Before any institutional reform is implemented, government should develop and pilot a fully articulated single-tier model within the revised framework, strengthen municipal capability, adopt objective legislative criteria for categorisation and functional assignment, and place the categorisation process under an independent statutory body. Alternatively, the reform must be implemented in phases, starting with municipalities that are performing and finishing with poor performing municipalities.
 - d. SAICA agrees that the crisis in local government is fundamentally a leadership, ethics and enforcement crisis, driven by political interference, patronage, blurred institutional roles, instability and weak consequence management. We therefore support stronger ethical governance through an Ethics and Disciplinary Committee of Council, implementation and monitoring of an Ethical Leadership Governance Code for Local Government,



- direct public reporting mechanisms, protection for whistleblowers and officials who expose wrongdoing, and effective sanctions for misconduct.
- e. SAICA supports the introduction of minimum competency requirements for councillors and recommends an amendment to section 158(1) of the Constitution to align eligibility for office with the scale and complexity of councillors' constitutional responsibilities.
 - f. Additional governance measures supported by SAICA include continuous councillor development, public performance contracts for mayors and MMCs, mandatory lifestyle audits for office bearers, mandatory vetting of councillors, and opposition chairing of key oversight structures.
 - g. SAICA supports the professionalisation and depoliticisation of municipal administration through merit-based appointments, independent recruitment and selection panels, longer tenure for municipal managers, and stronger protection for municipal officials who act ethically and in the public interest.
6. We wish to express our concern regarding the inadequate comment period provided, particularly given the importance of the Draft White Paper and the potential limitation this place on broader public consultation.
 7. We further note that the Draft White Paper uses the word 'should' in certain instances, which may create the impression that municipalities have discretion as to whether to implement the proposals. We therefore caution against the use of this language and recommend that the word 'must' be used instead where mandatory implementation is intended.
 8. Our detailed comments and recommendations are included below under **Annexure A: Detailed Comments on the Draft White Paper** section of this letter.
 9. We would also appreciate the opportunity to engage further, and we would be willing to discuss the comments if required. Please do not hesitate to contact Odwa Benxa (odwab@saica.co.za) in this regard.

Kind regards,



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Chairperson: National Public Sector Committee



Natashia Soopal
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ANNEXURE A: DETAILED COMMENTS ON THE DRAFT WHITE PAPER

Chapter 2: Institutional system: Revised categories and differentiated powers and functions

Background and discussion

10. The Constitution of the Republic of South Africa (the Constitution) establishes municipalities and vests municipal councils with executive and legislative authority, including the authority to make municipal by-laws. Municipalities govern the local affairs of their communities, and national and provincial governments are prohibited from impeding a municipality's right to govern its own affairs. The Constitution further sets out the objects of municipalities, including providing democratic and accountable governance, ensuring the sustainable provision of services to communities, promoting social and economic development, promoting a safe and healthy environment, and encouraging the involvement of communities and community organisations in municipal affairs. All these municipal activities must be structured, managed, budgeted for, and planned in a manner that prioritises the basic needs of the community.
11. The Constitution creates three types of municipalities, namely metropolitan, district, and local municipalities. The functions of these municipalities are listed in Parts B of Schedules 4 and 5 to the Constitution and are further elaborated on in sections 83 and 84 of the Municipal Structures Act, 1998 (MSA).
12. The functions and powers of district municipalities, as detailed in section 84(1) of the MSA, include, among other things, potable water supply systems, bulk electricity supply, domestic wastewater and sewage disposal systems, solid waste disposal sites, municipal roads, the regulation of passenger transport services, municipal airports, municipal health services, firefighting services, the promotion of local tourism, and municipal public works relating to these functions. Taxes, levies, and duties related to these functions are imposed and collected by district municipalities.
13. The powers and functions of local municipalities, on the other hand, are limited to those not allocated to the district municipalities within whose areas the local municipalities fall. However, in certain circumstances, the Minister, after consultation with the MEC for local government, can authorise a local municipality to perform the functions of a district municipality, as permitted by section 84(2) of the MSA. This has significantly curtailed the ability of certain district municipalities to generate revenue, resulting in a high dependence on grant funding. In addition, the coordinating functions of district municipalities have been significantly limited.
14. SAICA notes the alternative or transitional approach, which entails maintaining a two-tier system in rural areas with less-developed local municipalities and a single-tier system in urban areas. Proposals under this approach include removing directly elected district councillors so that district councils comprise representatives of local municipalities only, creating smaller district councils chaired by a rotating chair elected by the local municipalities, and expanding the Category A definition while introducing subcategories of district and local municipalities with predetermined municipal mandates. While this approach may be practical as an alternative or transitional arrangement, it has the following limitations:
 - a. This approach would retain district municipalities, even though that model has already been identified as having failed, which suggests that the approach has limited potential to achieve tangible reform in the local government system.
 - b. Removing directly elected district councillors would be a welcome approach. However, it is unclear how council decision-making would be insulated from political influence, which may lead to uneven service delivery within the district council as a result of an imbalanced council. Furthermore, the appointment of a rotating chair may weaken decision-making and accountability.
 - c. The proposed subcategorisation of municipalities may be susceptible to manipulation in the absence of objective criteria and an independent body to determine the relevant subcategories.



- d. In the absence of clear timelines, effective monitoring and reporting mechanisms, and proper oversight of the transition, there is a risk that the reform agenda may be unduly delayed.

Key challenges and risks

15. The Draft White Paper identifies districts as duplicative and ineffective in achieving their intended coordination role. However, the alternative approach relies on horizontal cooperation. There is currently no fully developed and tested model for replacing districts, which could result in the loss of shared services, such as water, and the misallocation of powers to municipalities that may not be able to perform them effectively.
16. Expanding the mandate of performing municipalities could increase the risk of uneven development and place additional strain on municipal capacity. Only 41 of 257 municipalities (16%) achieved clean audits in 2023–24 due to persistent issues such as poor financial management, weak institutional capability, and governance failures, as reported in the Auditor-General of South Africa (AGSA) general report. A major reform is therefore being proposed in a system that is already fragile and has limited capacity for complex reform. Based on the current evidence, structural reforms may overload already weak municipalities and worsen service delivery.
17. The proposed recategorisation process for municipalities may be susceptible to political and administrative manipulation to achieve objectives unrelated to improving the local government system. The categorisation criteria would therefore need to be insulated from possible manipulation to ensure that they achieve their stated objectives. Furthermore, the determination of the mandates of recategorised municipalities may also be vulnerable to political and administrative manipulation in pursuit of improper agendas.
18. The Draft White Paper proposes that the functions of municipalities with reduced mandates following the recategorisation process be assumed by provincial and national governments. However, there are instances where provincial and national governments fail to implement their own functions, as reported by the AGSA. For example, in the 2024–25 Consolidated Report on National and Provincial Audit Outcomes, the AGSA reported that 136 (89%) of 152 infrastructure projects selected for audit in critical areas such as health facilities, schools, higher education facilities, housing, roads, water infrastructure, and government buildings had material findings. These findings included project delays, cost issues, poor build quality, and commissioning shortcomings. This therefore requires careful consideration before functions are allocated to national and provincial government to ensure that service delivery is not negatively affected.

Recommendations

19. The Department of Cooperative Governance and Traditional Affairs (CoGTA) should develop a fully articulated model for implementing a single-tier local government system before considering its adoption, to ensure that all risks arising from the model are properly considered and that the current environment can sustain it. Furthermore, the model should be piloted before full implementation.
20. Municipal capabilities should be strengthened before their mandates are expanded. Any expansion of functions should be conditional on demonstrated performance, supported by adequate capacity and effective systems. Furthermore, municipal powers should be expanded only where governance systems are stable, and performance indicators have been met.
21. Objective criteria for categorising municipalities and assigning functions should be developed and enacted in legislation to ensure that they can be applied objectively and have a sound legal basis. These criteria should be informed by a detailed study identifying the most appropriate approach for South Africa's local government environment.

22. The categorisation process must be performed by an independent body established by an Act of Parliament. Furthermore, members of the independent body should be appointed by the President through a transparent interview process similar to that followed by the Judicial Service Commission in appointing judges.

Overall

23. Based on point 13, SAICA supports the proposal to recategorise municipalities by replacing the current two-tier local government system with a single-tier system. We, however, do not support the proposed alternative or transitional approach based on the discussion in point 14.

Chapter 4: Political system, leadership, ethics, anti-corruption and accountability

Background and discussion

24. The Draft White Paper correctly diagnoses the crisis in local government as being driven by leadership failures, abuse of the system, and weak enforcement. The Draft White Paper further states that ‘South Africa’s local government crisis is, in significant part, a crisis of political leadership and the behaviour of the political system. The evidence highlights inconsistent political leadership, interference and manipulation by political parties outside council structures, (referred to by many as the “invisible hand”), patronage appointments, blurred political-administrative boundaries, unstable coalitions and criminality and unethical behaviour as central drivers of municipal failure’. This culture often leads to the overriding of financial controls in municipalities.

Code of Conduct for Councillors and Councillor duty of care and ethical leadership governance code

25. In terms of the Code of Conduct for Councillors in schedule 7 of the MSA, Councillors are elected to represent local communities on municipal councils, to ensure that municipalities have structured mechanisms of accountability to local communities, and to meet the priority needs of communities by providing services equitably, effectively and sustainably within the means of the municipality. In fulfilling this role, Councillors must be accountable to local communities and report back at least quarterly to constituencies on council matters, including the performance of the municipality in terms of established indicators.
26. The Code of Conduct requires the following of councillors, among other things:
- Councillors must perform their functions in good faith, honestly and transparently and must act in the best interests of the municipality.
 - Councillors may not use their positions or confidential information obtained as a councillor for private gain or improperly benefit another person. Furthermore, Councillors may not be a party or beneficiary under a contract for the provision of goods or services to the municipality.
 - Councillors may not, except as provided by law, interfere with the management or administration of any department of a municipal council, give or purport to give any instruction to any employee of the council, obstruct or attempt to obstruct the implementation of any decision of the council or committee by an employee or encourage or participate in any conduct which would cause maladministration in the council.
27. Where a councillor breaches a provision of the Code of Conduct, the council may issue a formal warning, reprimand the councillor, request the MEC for local government to suspend the councillor for a specified period, fine the councillor, or request the MEC to remove the councillor.
28. However, there are instances where councillors do not comply with the Code of Conduct, with limited or no consequence management being implemented against transgressors, as noted in the AGSA 2023–24 General Report on Local Government. This highlights the endemic shortcoming of inadequate implementation of consequence management in local government, which perpetuates unethical behaviour among councillors and municipalities more

broadly. This further supports the Draft White Paper's diagnosis of a crisis characterised by leadership failures, abuse of the system, and weak enforcement.

29. SAICA therefore supports the proposal to establish an Ethics and Disciplinary Committee of Council to enforce compliance with the Code of Conduct by councillors. However, for implementation to succeed, the Ethics and Disciplinary Committee of Council must be depoliticised and, to achieve this, the committee should be chaired by an external independent individual. Alternatively, the Ethics and Disciplinary Committee of Council must be chaired by a member of the opposition to improve its objectivity. SAICA further supports the proposal for CoGTA to set minimum norms and standards for implementation of the Code, reporting, and the strengthening of disciplinary capacity. It would, however, be beneficial for CoGTA to invite public comments on these norms and standards to ensure public participation in their development and to strengthen their legitimacy.
30. Furthermore, SAICA supports the proposal to emphasise the public interest duty of care of councillors through an Ethical Leadership Governance Code for Local Government, as this will further strengthen ethical leadership in local government. Similar to the Code of Conduct, effective implementation of this Ethical Leadership Governance Code for Local Government will be critical to achieving meaningful ethical reform in local government. This will require effective implementation, monitoring, and consequence management processes that result in action where councillors transgress its provisions.
31. SAICA further agrees that ethical behaviour must be recognised and protected through safe reporting channels and safeguards against retaliation for councillors and municipal officials who act in the public interest. However, there have been instances where both councillors and municipal officials have lost their lives for reporting fraud, corruption, and unethical behaviour in their municipalities. This underscores the importance of protecting those councillors and municipal staff members who report wrongdoing, in addition to creating safe reporting channels and safeguards against retaliation. Municipalities must therefore develop mechanisms to protect the lives of councillors and municipal staff who report fraud, corruption, and unethical behaviour, and these mechanisms should be included in the White Paper.

Minimum competencies for Councillors

32. SAICA recognises that section 158(1) of the Constitution states that "Every citizen who is qualified to vote for a Municipal Council is eligible to be a member of that Council", and that minimum competencies are not currently recognised as a constitutional exception. Section 151(2) of the Constitution vests the executive and legislative authority of a municipality in its municipal council. In exercising this executive and legislative authority, councillors approve the Integrated Development Plan, the Service Delivery and Budget Implementation Plan, municipal budgets, municipal by-laws, and municipal policies; receive and review complex financial and compliance reports; review and interpret annual reports, financial statements, and accompanying audit reports; and exercise oversight over complex local government legislative requirements. This requires the ability to read, write, and interpret the information provided by the administration. However, a report by the KwaZulu-Natal Department of Cooperative Governance and Traditional Affairs found that more than 300 councillors were unable to read and write, which casts doubt on the ability of such councillors to exercise the constitutionally vested executive and legislative authority over their municipalities. This further indicates a disjuncture between the requirements of sections 158(1) and 151(2) of the Constitution, as it may be difficult to fulfil the responsibilities arising from section 151(2) where councillors are unable to read or write.
33. This further raises the question of the qualifications and competence of councillors. While SAICA acknowledges the proposal for key council leadership and oversight roles such as mayors, deputy mayors, MMCs, speakers, chief whips, chairs, and members of MPAC to possess minimum competencies, it is ultimately the council as a whole that makes municipal decisions as vested by the Constitution. This therefore requires the whole council to possess minimum qualifications and competencies to exercise this authority effectively. The requirement for minimum competencies should not be limited only to leadership positions, as all councillors participate in voting, decision-making, oversight, and governance processes that collectively determine the strategic direction, financial sustainability, and service

delivery performance of municipalities. Inadequate competency levels within councils may contribute to weak oversight, poor decision-making, governance failures, increased audit findings, financial mismanagement, and instability within municipalities.

34. There is therefore a need for section 158(1) of the Constitution to be aligned with the significant responsibility placed on councillors in exercising authority over their municipalities, which requires all councillors to possess minimum qualifications and competencies. Consideration should therefore be given for section 158(1) of the Constitution to be amended to include minimum competency requirements for members of the public who wish to stand for election as councillors. Such competency requirements should be reasonable, practical, and aligned to the governance, financial oversight, legislative, and accountability responsibilities entrusted to councillors. This may include minimum literacy and numeracy requirements, foundational governance and financial management competencies, and compulsory training programmes to ensure that councillors are adequately equipped to fulfil their constitutional obligations effectively and responsibly.
35. There should also be an allowance for council to co-opt expertise to support complex decision-making where the skills are lacking amongst the councillors. Council must ensure that the considerations and deliberation undertaken to reach the conclusion in conjunction with the co-opted expert must be clearly documented for accountability purposes.

Other proposals

36. SAICA further supports the following proposals:
- Councillor inductions & continuous development** should not be conducted only at the start of a term but should continue annually to ensure that councillors remain up to date with the requirements of their roles. This annual continuous development should include the Code of Conduct for Councillors and the Ethical Leadership Governance Code for Local Government.
 - Public performance contracts for mayors and MMCs.** However, norms and standards for oversight of the performance of mayors and MMCs should be developed by CoGTA to guide the Speaker and audit committees in exercising this oversight.
 - Mandatory lifestyle audits for council office bearers.** In addition, the vetting of councillors should be mandatory to protect municipal staff and to prevent individuals who have been found to have transgressed the Code of Conduct and the Ethical Leadership Governance Code for Local Government from serving as councillors.
 - Opposition chairing of the MPAC** as a minimum governance standard to promote objectivity and accountability within the municipality.

Recommendations

37. As correctly captured in the Draft White Paper, the lack of accountability by political leadership in local government is endemic. This therefore requires a mechanism to ensure that accountability and consequence management are implemented in respect of councillors. SAICA therefore recommends an independent oversight body or association, similar to a professional body to which professionals belong, to which councillors could belong and to which breaches of the Code of Conduct could be reported. The envisaged independent oversight body or association would then have the obligation to implement management consequences against members who have transgressed, without political influence.
38. To further strengthen the work of the Ethics and Disciplinary Committee of Council, members of the public, including municipal officials, must have direct access to the committee to report unethical behaviour by councillors.
39. The Ethics and Disciplinary Committee of Council must be depoliticised and, to achieve this, the committee should be chaired by an external independent individual. Alternatively, the Ethics and Disciplinary Committee of Council must be chaired/shared by a member of the opposition to improve its objectivity.

40. Councillors who have been found guilty of transgressing the Code of Conduct and the Ethical Leadership Governance Code for Local Government should be debarred from serving as councillors as a consequence management measure.
41. Section 158(1) of the Constitution should be amended to include minimum competency requirements for members of the public seeking election as councillors, in order to strengthen the effectiveness of municipalities in delivering on their mandate.
42. There should also be an allowance for council to co-opt expertise to support complex decision-making where the skills are lacking amongst the councillors. Council must ensure that the considerations and deliberation undertaken to reach the conclusion in conjunction with the co-opted expert must be clearly documented for accountability purposes.
43. The vetting of councillors should be mandatory to protect municipal staff and to prevent individuals who have been found to have transgressed the Code of Conduct and the Ethical Leadership Governance Code for Local Government from serving as councillors.

Overall

44. SAICA acknowledges the effort to improve political system, leadership, ethics, anti-corruption and accountability in chapter 4. However, currently there are systematic failures and without strong enforcement, political reform, and behavioural change, the proposed solutions may not materially change the environment.

Chapter 5. Administrative system: depoliticised, capable and digital

Background and discussion

45. The Municipal Systems Act, 32 of 2000 (the Act) provides for the appointment of municipal managers, managers directly accountable to the municipal manager and general staff. The Act emphasises that the person appointed as the municipal manager as well as managers directly accountable to the municipal manager must have the prescribed skills, expertise, competencies and qualifications for the position.
46. The appointment of skilled, competent and qualified professionals in positions such as the municipal manager and chief financial officer tend to lead to positive audit outcomes in municipalities. In the 2023-24 General Report on Local Government, the AGSA stated that 'the municipalities that achieved clean audits in 2023-24 [in the Western Cape] are led by municipal managers and chief financial officers with the required skills and competence.
47. SAICA supports the proposal that municipal managers and senior administrative and technical leadership should be recruited and developed within the National Framework Towards the Professionalisation of the Public Sector, in alignment with national and provincial spheres, as this will support the creation of a professionalised local government sector and improve the ability to attract more professionals into this sphere of government. Furthermore, SAICA supports the formation of independent recruitment and selection panels for the appointment of municipal managers, as this will promote the depoliticisation of the appointment process.
48. SAICA supports the proposal for the tenure of municipal managers to be extended to between 7 and 10 years as this will promote stability in the administrations and provide security of tenure for municipal managers which will promote better long-term decision-making that is beneficial to the municipality and its local community. This may further lead to better audit outcomes for the municipality. As stated in the 2023-24 General Report on Local Government, "Of the 29 municipalities that received a clean audit in both 2020-21 and 2023-24, there were 25 that had sustained their clean audit status every year since at least 2020-21. This success was underpinned by practices such as

institutionalising and monitoring key controls (including preventative controls), as well as implementing and monitoring action plans to address deficiencies. These municipalities were generally characterised by stability in key positions such as the municipal manager and chief financial officer". The longer term for municipal managers will further promote the depoliticisation of their appointment process as longer fixed terms reduce the frequency of recruitment cycles that are often vulnerable to political influence and administrative disruption. Greater tenure stability can strengthen professional administration and reinforce accountability for long-term service delivery and governance outcomes.

Recommendations

49. The use of independent recruitment and selection panels for municipal managers should be extended to the appointment of managers directly accountable to the municipal manager, to further promote the depoliticisation of recruitment processes in local government. In addition, the independent recruitment and selection panels should conduct interviews and provide the council with a list of recommended candidates for final appointment. Furthermore, it is important to make independent panel recommendations binding and not advisory and justifiable reasons should be required if there is a need for deviation. The selected individuals should be apolitical and supported by a declaration to that effect.
50. To ensure strong leadership and sustained financial controls in local government, skilled professionals are required. However, there have been instances where municipal officials have lost their lives merely for doing their jobs. This, compounded by an apparent lack of effective law enforcement when such incidents occur, deters professionals from joining local government. There is therefore a need for effective law enforcement to promote the safety of municipal officials, and this requires CoGTA to coordinate with law enforcement departments. The Draft White Paper should address this issue.
51. SAICA further recommends that the White Paper should also support the professionalisation reform by requiring municipal managers and direct reports to be affiliated with a professional body and require continuous professional development.
52. To further support depoliticisation, SAICA recommends that the performance of municipal managers be measured independently through a standardised and transparent performance management framework that is aligned to legislated service delivery objectives, financial sustainability indicators, governance outcomes, infrastructure delivery targets, and audit performance measures. Performance assessments should be conducted by an independent and appropriately qualified panel, with oversight from relevant regulatory or oversight bodies, rather than being influenced solely by changing political leadership within councils. The use of predetermined, evidence-based indicators, combined with externally validated performance reviews and public reporting of outcomes, will assist to ensure that performance evaluations are objective, fair, and focused on measurable municipal performance rather than political considerations. This approach would strengthen accountability while protecting professional municipal administration from undue political interference.

Chapter 8: Municipal Finance

Background and discussion

53. Municipalities continue to experience revenue management challenges which arise from the underbilling of residents, technical and non-technical losses being incurred due to, for example, crumbling infrastructure and theft, and non-collection of billed revenue.
54. Municipalities get allocated infrastructure-related grants but continue to struggle to spend these grants which can appropriately resolve the technical and non-technical losses. In addition, the lack of spending on the grants lead to

reduced allocations in subsequent years which further compounds the financial challenges experienced by municipalities.

55. Over the years, municipalities have struggled to collect the revenue that has been billed. This is partly due to the economic downturn which has resulted in high unemployment that has caused residents to not afford to pay for municipal services. An additional cause has been ineffective debt collection controls by municipalities and rated boycotts by residents where service delivery is lacking in specific municipalities.
56. Municipalities often prepare and approve unfunded budgets despite warnings raised by National Treasury. This occurs because municipalities overestimate their internally generated revenue while at the same time failing to align expenditure with available revenue sources. Unfunded budgets, compounded by declining revenue collection (as the budgeted revenue does not consider the recoverable amounts based on past history where debtors do not pay and the revenue is deemed not recoverable), limited equitable share allocations, and underspending of grants, leads to municipalities incurring unauthorised expenditure.
57. The Draft White Paper encourages research on a new set of instruments to address the financial challenges facing local government. The most prominent of these instruments is an origin-based share of VAT revenue, which would provide the basis for revenue increases as a local economy grows. Such an instrument, according to the paper, would reward municipalities that provide a good platform for growth by allowing them some share in the revenues generated by that growth. It would also require the development of rules to statistically assign origin. There are a number of challenges with this proposal as follows:
 - a. As a starting point, it is worth noting that with origin-based VAT revenue sharing, it is still national government that collects the tax. It merely distributes a portion of that money back to local government. The municipal ecosystem already has a system of distribution of funds to local government, albeit in the form of an allocation to municipalities via the equitable share formula.
 - b. In addition, the draft paper places a heavy emphasis on achieving spatial justice, equity, and redistributive support for poorer regions. However, an origin-based revenue instrument is inherently anti-redistributive. It naturally concentrates revenue in established and commercialised economic hubs (such as Category A metros and major secondary cities).
 - c. While the paper argues that this allows the unconditional Equitable Share grant to be reoriented toward poorer rural municipalities, the immediate effect is a policy contradiction: it expands the fiscal capacity of already wealthy nodes while offering no direct structural revenue to distressed local municipalities with inherently weak local tax bases.
58. Furthermore, the paper highlights the local government performance failures, which are driven by a culture of non-compliance, weak consequence management, and an administrative system distorted by political interference. More directly, it notes *“there is no guarantee that increased transfers would translate into improved services or better financial discipline.”* It is our contention that the exact same outcome will result with increased transfers in the form of VAT. The effect is likely to be the same since both types of transfers originate from national government.

Recommendations

59. The White Paper should include proposals for revising the equitable share formula to ensure that the equitable share is sufficient and appropriately allocated to each municipality. This revision must take into account the shortcomings of Statistics South Africa data, which is often outdated. In addition, we believe that the revision of the equitable share formula will achieve a better outcome than an origin based share of VAT revenue.
60. SAICA acknowledges that a combination of own revenue and grants is required to fund municipalities. We, however, caution that the differential application of this combination must be insulated from undue political influence. This

therefore means that objective and transparent differentiation criteria must be developed by CoGTA and National Treasury and applied consistently across all municipalities.

61. Municipalities often incur costs relating to unfunded mandates. These unfunded mandates manifest in various ways including costs incurred for implementing projects where management fees are not being recovered. The White Paper should therefore detail the core mandate of municipalities, the areas where they can be implementing agents and the funding of such arrangements.
62. Further actions that must be taken to address the revenue challenges include:
 - a. Effective revenue collection strategies by municipalities to ensure that billed revenue is collected. This may include amendments to laws and regulations to allow a municipality the option of withholding services from debtors who do not pay.
 - b. Effective investment of own revenue in infrastructure projects that create value for the municipality and take spatial planning into account, so that infrastructure development is linked directly to municipal revenue generation. This may in turn stimulate economic activity within the municipality and thereby promote employment, entrepreneurship, and revenue growth. It will also help ensure that ratepayers are encouraged to pay their debts where there is visible value for the money paid.
 - c. Consequences for mayors and municipal councils that table and approve unfunded budgets, as a measure to deter this practice.
63. There is currently persistent irregular expenditure with little consequence management. To address the issue, SAICA recommends automatic sanctions be introduced by withholding funds for non-essential services and enforcing personal liability.

Overall:

64. The chapter correctly identifies the structural and governance failures, as well as revenue challenges, however it lacks the implementation detail and political economy analysis. The current municipal financial failure is not just a technical funding issue but a system wide governance and structural design problem. It is therefore critical that the department reconsiders the fiscal model, enforce accountability and link finance to service delivery.

Chapter 9: Service Delivery and Infrastructure

Background and discussion

65. There is a causal relationship between infrastructure and service delivery in that where infrastructure lacks or is failing there will be limited to no service delivery by the municipality. As stated in the Draft White Paper, these service delivery failures constrain local economic activity and investment, weaken growth, and ultimately reduce jobs, deepening affordability pressures for households and municipalities.
66. While municipalities continue to build new infrastructure through grant funding, maintenance plans are often not developed and adequately funded for that infrastructure, which leads to rapid deterioration and expensive replacement or revitalisation costs. This issue is not only prevalent in smaller and poorer municipalities, but also exists in metros, which should have the necessary skills to plan for, fund and maintain their infrastructure. The AGSA reported in the 2023–24 General Report on Local Government that most metros did not adequately assess the condition of roads and infrastructure relating to solid waste and wastewater, and some did not have maintenance plans. Furthermore,

the report stated that the 247 municipalities audited spent R24,48 billion on repairing and maintaining assets, which equates to roughly 3% of the total value of those assets – the same percentage spent in the previous year. A total of 55 municipalities (22%) spent 1% or less. This expenditure is far below the 8% recommended by National Treasury.

67. SAICA supports the following proposal:

- a. Revision of the fiscal framework to strengthen incentives and targeting so that grants and their conditions support sustained service outcomes, asset renewal, and resilience, while recognising differences in municipal performance and local affordability.
- b. Capital grant conditions placing stronger emphasis on protecting and renewing existing assets as this will assist in ensuring adequate maintenance of existing infrastructure.
- c. Municipalities moving towards smart, data-driven infrastructure management, including digital citizen reporting, integrated asset registers, real-time monitoring to detect faults, vandalism and tampering, predictive maintenance, and data analytics to improve billing accuracy can strengthen efficiency, transparency and revenue performance.
- d. Indigent targeting moving away from an over-reliance on household-by-household means testing towards more objective and administratively feasible approaches, such as property value bands.

Recommendations

68. The capital grant conditions should include a requirement for maintenance plans to be submitted by municipalities as part of the grant application and approval process. The implementation of the maintenance plan must be monitored by the funder and be attached to future grant funding allocation where funds are withheld in instances where the maintenance plan has not been implemented by the municipality. The inclusion of maintenance planning as a mandatory condition will promote improved asset management practices, infrastructure longevity, and sustained service delivery to local communities.
69. Funding considerations must also form part of the maintenance plan to ensure that adequate financial resources are identified and made available for the ongoing maintenance, repair, rehabilitation, and replacement of infrastructure assets over their useful lives. Municipalities should be required to demonstrate the affordability and sustainability of maintenance commitments through credible operating budgets, cash flow projections, and long-term financial planning processes. This will assist in reducing infrastructure deterioration, minimising service delivery failures, and protecting the value of public assets funded through national and provincial grants.
70. The differentiation principles proposed in the Draft White Paper must be applied to allow municipalities that require more maintenance funding based on their existing needs, rather than new infrastructure, to receive funding for that maintenance. Providing flexibility for maintenance-related funding will support improved infrastructure sustainability, reduce long-term replacement costs, minimise service delivery interruptions, and protect the value of existing public assets. It will also encourage municipalities to adopt more responsible asset lifecycle management practices and ensure that infrastructure investments remain functional and beneficial to communities over the long term.
71. There is also a need to improve financial efficiency of infrastructure funding as we have noted through municipal financial statements and the Auditor-General Reports that funds are generally available but poorly used which results in irregular expenditure and project overruns. SAICA therefore recommends that funding should be linked to performance outcomes and thus performance-based infrastructure grants be introduced.
72. The current infrastructure crisis is also linked to weak consequence management and little accountability for failed projects as identified through the Auditor-Generals findings. SAICA recommends that the department, through the White Paper, should require public reporting of project delays and related costs, and enforce accountability.

73. Furthermore, infrastructure roles within municipalities should be filled with qualified professionals who have the skills and expertise who will be able to support the municipality in improving its infrastructure maintenance and service delivery.

Overall

74. Chapter 9 of the White Paper correctly diagnosis that infrastructure is a core constraint to service delivery and that service delivery is linked to governance. However, it does not adequately include the implementation detail and enforcement mechanisms to address this. The White Paper should be strengthened to include maintenance discipline, intergovernmental alignment and accountability enforcement.