

## **White Paper on Local Government Review Process**

Submission on the White Paper Review Discussion Document

Public Affairs Research Institute (PARI)

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### **INTRODUCTION**

The 1998 White Paper on Local Government (WPLG) has largely provided the policy vision and foundations for the local government system in South Africa, as initially envisaged in the 1996 Constitution and subsequently realised through supporting legislation. Despite the structural and operational challenges, over the first decade of democratic local government, municipalities made substantial progress in expanding access to infrastructure to previously unconnected households and improving support to the poor through the provision of free basic services, while the payment for services and wider taxation was on an upward trend. This experience of local government coincided with a generally sustained period of decent economic growth for the country.

However, over the following decade and a half, these trends have largely reversed. During this time, the country experienced two major recessions driven by the 2008 global financial crisis and 2020 COVID pandemic, a prolonged period of fiscal consolidation and a constrained tax base and a major electricity supply crisis that compromised the economy and society at large. Local government is now on its own road towards a crisis, as shown by the increasing financial stress of municipalities, declining quality of services and infrastructure and increasing voter apathy, amongst other generally declining indicators of performance.

As a result, the Department of Cooperative Governance (DCOG or the Department) has initiated an opportune review of the 1998 WPLG, which commenced around July 2024. As part of this review process, which will culminate in the publication of a revised WPLG in March 2026, the Department released a WPLG review discussion document for public comment. This discussion document aims to generate debate around the key systemic and structural challenges faced by local government and to solicit input towards addressing these challenges. This brief constitutes the Public Affairs Research Institute's (PARI) response to the discussion document.

PARI is of the view that the vision for local government outlined in the White Paper of 1998 remains relevant and appropriate, a vision which draws its inspiration from the South African Constitution and the struggle for a democratic and socially just society. Although the experience of democratic local government over the last 25 years has necessitated a review of some of the assumptions about how the system should function, such as the funding models

for municipalities, the aspirations of the White Paper – that of developmental, democratic, redistributive, cooperative government – should be reaffirmed.

PARI's comments in this submission are primarily related to addressing the underlying causes of decline: the analysis we provide does not tackle the full range of issues attending to local government. It is primarily focused on the immediate task of stabilising the administration and finances of government to enable the local state to turn its attention towards the range of developmental challenges facing our cities and towns. It also underscores the need to do this in a way that reaffirms commitment to local democracy and pro-poor service delivery.

## **KEY CHALLENGES FACING LOCAL GOVERNMENT**

**Financial Stress and Declining Revenue:** Municipalities face financial distress due to declining revenue from, predominantly, utility sales (e.g., electricity and water), exacerbated by infrastructure maintenance issues, non-revenue water losses, and poor economic growth. The local government funding model, reliant on utility sales, is outdated given structural changes in the electricity sector, growing issues of climate change and economic stagnation since the 2008 global recession and the Covid-19 pandemic. The 1998 WPLG identified the extension of property rates to rural municipalities as a key mechanism to improve revenue capacity in these areas. However, subsequent experience has shown that rural municipalities struggle with property tax collection, and revenue collection in general, due to administrative and political constraints in traditional land areas. Overall, the sustainability and buoyancy of some of the proposed revenue bases, particularly the traditional consumption-based ones (electricity and water sales), that formed the basis of the funding assumptions in the 1998 WPLG are likely not as applicable in the contemporary local government landscape. Consequently, a review of the appropriate mix of revenue instruments for local government and individual municipalities is pivotal. Further to the potential structural issues in the revenue bases of local government, the revenue management and credit control capabilities of municipalities exhibited since the 1998 WPLG is of concern. Debt owed to municipalities by its customers and communities has soared and the ability of municipalities to effectively manage the collection of revenues owed to them further contributes to the financial stress and revenue decline in local government. The assignment of tax administration powers to local government, as outlined in the 1998 WPLG, is seen as a key component of enhancing fiscal autonomy. However, it appears that the subsequent capacity to effectively implement this power has not materialised.

**Governance and Administrative Instability:** Local government is plagued by competitive clientelism, with a growing body of research showing how control over appointment processes is used to build patronage networks via dispensing of state jobs, contracts, and public goods. This has led to politicized appointments, particularly of municipal managers and senior ('Section 56') managers. In addition, once in place, managers who are part of a patronage network can undermine the attempts by incoming council members to exercise oversight over the operations of the municipality. Given the competitive nature of this clientelism, there has often been high turnover in council, leading to unstable governance in many municipalities. Coalition politics intensifies instability, with frequent leadership changes disrupting operations and long-term planning. High levels of staff in acting positions, vacancies that cannot be filled, and labour disputes contribute to the performance problems in many municipalities.

**Service Delivery and Infrastructure Decline:** The financial and governance environment above has contributed to declining infrastructure maintenance and service delivery, weak contract management (in an environment of compromised public procurement), with organised crime (e.g., cable theft, construction mafias) leading to further deteriorations in service delivery. The affordability of basic services is a significant issue, impoverishing households and undermining socio-economic development goals. It has impacts on service delivery itself: upstream inefficiencies in water and electricity supply chains increase costs for municipalities that are passed onto communities resulting in those who cannot afford to pay, electing to illegally connect to water and electricity services; and to go off the municipal grid by those who can afford the initial set-up costs. While the performance of municipalities in effectively designing affordable tariffs is a concern, an equal concern should be afforded to the considerable increases in the bulk water and electricity costs and the performance of other components of the water and electricity value chain, respectively. The final cost of water and electricity services faced by households has exhibited predominantly higher than inflation increases in most years over the past decade. A combination of increasing costs, poor financial planning, poor cost recovery and poor budget execution has resulted in a growing maintenance backlog that has compromised the integrity of key municipal infrastructure and has exacerbated service delivery failures.

**Erosion of the Fiscal Contract and Public Trust:** Rising perceptions of corruption, poor billing systems, and declining service quality have led to voter apathy, reduced payment for services, and a breakdown in the social contract between municipalities and citizens. Public participation processes are often ineffective, functioning as compliance exercises rather than meaningful engagement.

**External Economic and Environmental Pressures:** The 2008 Global Financial Crisis, the 2019 COVID-19 pandemic, and climate change have significantly impacted municipal finances and operations. Variability in weather patterns has strained water resources, while the shift to renewable energy affects electricity revenue. Local government also struggles to adopt to the innovations that arise with the fourth industrial revolution and its related digital and technological advancements to improve efficiency.

**Persistent Structural Challenges:** Apartheid-era spatial segregation, inadequate public infrastructure, high urbanisation, and a limited tax base due to poverty and unemployment persist. These structural issues, combined with declining intergovernmental monitoring capacity, exacerbate local government challenges.

**Over- (and Inappropriate-) Regulation of Local Government:** Municipalities face a very complex regulatory environment, with overregulation and potentially excessive reporting requirements without the concomitant benefits in areas key to service delivery, such revenue and finance, organisational design and in supply chain management. (While we acknowledge the significant problem of poor performance and corruption in local government, extensive regulation cannot substitute for more active *sanctioning* of unlawful behaviour). In addition, performance reporting and auditing cultures have sometimes inadvertently contributed to a narrow interpretation of legislation and programme goals. This regulatory environment has reduced innovation in contract management and delivery, skewed human resource allocation in favour of compliance reporting at the expense of sustainable service delivery, and had created challenges for smaller municipalities with limited administrative capacities. It has also contributed to an over-reliance and inappropriate use of consultants instead of building

internal capacity. In addition to general political and administrative culture of the intergovernmental relations system, the high levels of regulation by national and provincial government on local government could have also contributed to an asymmetry in local government accountability, where municipalities are relatively more obligated to national and provincial government as opposed to local communities.

## WHAT NEEDS TO CHANGE?

**Reaffirm Core Values of 1998 White Paper:** Focus on how Section 152 of the Constitution – that of local government being developmental, democratic, redistributive, and cooperative – can be achieved, emphasising its role as the primary site for democratic consolidation due to its proximity to citizens.

**Stabilise Governance and Administration:** Address the local governance multiple crises by reforming the political-administrative interface to reduce patronage and political interference. This includes independent checks on appointments and procurement, stronger sanctions for interference, and clearer rules on political-administrative interactions. Consideration should be given to how the code of conduct for municipal councillors, especially members of mayoral committees, will be enforced. This should be done in terms of Section 154 of the Constitution which obliges national and provincial governments to provide support and strengthen the capacity of local government. DCOG and the South African Local Government Association (SALGA) should be obligated to implement their codes of conduct for councillors and act against members who undermine performance in their municipalities.

**Differentiated Local Government Design:** Allow for tailored mandates based on local capacity and circumstances *while maintaining wall-to-wall local government*. Major reforms should be empirically driven, iterative and piloted to avoid service delivery paralysis. Consideration should be given to the allocation of powers and functions based on the location of municipalities in the space-economy. An option would be a spectrum of allocated powers and functions where on the one end the highly capacitated metropolitan municipalities implement all of them, to deep rural municipalities which provide basic services only, on the other end. Such an approach supports bespoke municipal support and capacity building and fits into the requirement of Section 154 of the Constitution. Such a review of the design of powers and functions across the local government spectrum should explicitly consider the role of district municipalities. Under the principle of “funds following function”, such a differentiated approach to the assignment of expenditure powers and functions across the municipal spectrum would also allow for the design of an appropriate mix of revenue instruments tailored to the different types of municipalities. Greater own revenue powers can be considered for higher capacitated municipalities with larger economic bases and a greater ability to collect own revenues, while the intergovernmental transfer system can more effectively support smaller rural municipalities with limited revenue raising capacity and capabilities.

**Enhance Public Participation:** Reaffirm and redesign public participation processes to foster genuine co-production of plans, budgets, programmes and projects, moving beyond one-way communication or wish-list exercises. A realistic allocation of powers and functions will assist in the preparation and consultation of Integrated Development Plans (IDPs). This approach informs the content of democratic participation whilst demographic changes and the technologies used within demographic categories should inform the means, forms and tools

of democratic participation. The government interface with the public should be enhanced with greater and effective intergovernmental planning between the three spheres of government. Local IDPs should effectively align with national priorities and provincial growth and development plans while provincial participation in local government public participation processes should be enhanced and further prioritised. Realistic communication to residents about the nature of the available budget for projects informed by the IDP is important, and it is important that there is real negotiation around how to prioritise the limited resources available to local government in a way that is meaningful to the community or ward. Coordination between the IDP Office, Office of the Speaker, and other departments is often lacking, leading to the IDP process not being efficient or effective. Declining attendance, especially among youth, is a significant issue across municipalities. Short notice advertising and ineffective communication methods result in poor attendance at IDP meetings. Meetings are often held at inconvenient times and locations, making it difficult for residents to attend. Meetings often turn into complaint sessions, and there is a lack of meaningful engagement and feedback by municipalities. Language is often an issue, and communities are often not being provided with useful information and data in meetings. Municipalities could experiment more with digital tools for communication and participation, but in a way that does not substitute for in-depth engagement around planning. Public meetings throughout the year to provide feedback and engage communities on key issues are important spaces of engagement and are valued by community members.

**Pro-Poor Focus:** Prioritise pro-poor programming and budgeting, ensuring affordable service provision and protecting indigent funding from being repurposed. The design of municipal tariffs should explicitly protect poorer households through effective indigent management and cross-subsidisation of the poor by larger consuming customers.

**Incorporate Environmental Sustainability:** Elevate capacities for green procurement and disaster management in response to climate change pressures. The Department of Environment and the Department of Public Works and Infrastructure should be mandated to establish the minimum requirements for climate appropriate infrastructure. (The new Public Procurement Act provides for measures to advance sustainable development in procurement). Building capacities for environmentally sustainable delivery (green procurement for example) and disaster management capacity should be elevated in the updated white paper in related to the 1998 version.

**Review Supervision Framework:** Assess the effectiveness of national and provincial oversight, including Section 139 interventions, to build capacity rather than impose prescriptive measures. Section 154 (national and provincial governments' support to local government) should be prioritised and Section 139 interventions introduced only where it can be proven that Section 154 support has failed. Reassess the balance between the monitoring and reporting requirements placed on municipalities relative to the potential benefits and impact of such in improving the performance of local government and the support provided by national and provincial governments. There should also be a critical assessment of the capacity of national departments and provincial governments to effectively undertake its monitoring and support role towards local government. One can explore alternative models of supervision in particular areas, such as building the Public Service Commission's (PSC) oversight capacity in areas related to personnel practices, governance and so on. A revised supervision framework should ideally be specific to assigned powers and functions that

appropriate to categories of municipalities rather than generic application to all municipalities regardless of their responsibilities and capacities

In more detail, we propose the following:

## **MUNICIPAL FISCAL AND FINANCIAL REFORM**

**Revise Revenue Assumptions:** Reconsider the revenue assumptions and the appropriate mix of revenue sources for local government informed by a municipality's location in the space-economy and its ability raise its own revenue. This review is necessitated by the fundamental structural changes in traditional municipal revenue bases, such as the electricity and water industries, as well as local economic challenges and local government's increasing inability to effectively management revenue collection. This increased reliance on conditional grants, which are not sustainable sources of revenue for capital expenditure, is a growing concern for the future investment in new and existing infrastructure. An assessment of and methods to improve the borrowing potential of municipalities needs to be explored as well as the sustainability of specific trading services to support future infrastructure growth and maintenance. Given this assessment, additional innovative methods of funding infrastructure, particularly in urban areas, should be explored. The principles of equity, redistribution and support for the poor and poorer municipalities needs to be re-emphasised in the review of the local government equitable share (LGES). The LGES should be explicitly informed by the revision of the fiscal assumptions in the WPLG to appropriately account for the fundamental differences in expenditure mandates and revenue capacity across local government to ensure the appropriate funding and support for poorer rural municipalities, as initially envisioned in the 1998 WPLG.

**Address Rural Taxation Challenges:** There is a need to address the administrative and political constraints in collecting property rates in traditional land areas, particularly in former homeland regions, by improving valuation rolls and administrative capacity. This should be complemented by a comprehensive review of the revenue capacity in rural municipalities towards the reassessment of the funding assumptions and revenue mix for these types of municipalities.

**Review Infrastructure Conditional Grants:** As part of the greater review of the local government funding assumptions, there is a need to reassess the role of conditional grants in supporting municipalities and, in specific, municipal infrastructure delivery. Infrastructure grants to municipalities technically forms part of the national government's share of revenues and initially were driven towards the eradication of backlogs. With substantial progress made towards backlog eradication, the need for the refurbishment and maintenance of this key social infrastructure is becoming increasingly more important to sustain service delivery. Conditional grants need to be reviewed to speak to these new realities while the design and implementation of the conditional grants frameworks needs to recognise the capacity challenges the local government level. The vacillating between conditional grant consolidation and proliferation needs to be addressed relative to a proper assessment of the actual benefits and impacts on performance. This also applies to the role of direct versus indirect grants to align with municipal needs and reduce administrative burdens.

**Incorporate Economic Resilience:** Develop clear policies and strategies to mitigate revenue shortfalls during economic downturns, as local governments cannot debt-finance operating

expenditures like national government. Consider the establishment of a Municipal Economic Resilience Fund informed by the lessons of the impact of economic crises and the COVID-19 experiences.

**An Explicit Focus on Affordability and the Economic Development of the Poor:** The 1998 WPLG was explicit in its vision for a developmental role of local government, in particularly support for previously disenfranchised and poorer household. Indeed, subsequent legislation and policies that deal with delivery of basic services contain the objective of ensuring that these are *affordable*. But there is generally very little (or nothing) in the way of concrete affordability standards against which this objective can be assessed. In the absence of a concrete position on a definition and standards of affordability, one cannot assess whether a tariff meets the affordability objective. The issue of affordability is not addressed to any meaningful degree during annual tariff setting processes, either by municipalities or by NERSA (in respect of electricity prices). Blanket statements about whether proposed tariffs are 'affordable' or 'unaffordable' are never backed up by detailed empirical analyses that compare the cost of services to household income and poverty. As a result, there needs to be clear monetary levels for affordable services, and that municipal tariffs are reviewed against these affordability standards.

**Address Upstream Inefficiencies and Subsidiarity:** Mitigate inefficiencies in water and electricity value chains (e.g., by water boards and Eskom) that increase costs for municipalities, ensuring tariffs reflect social and political realities of elected local governments. Section 153(b) of the Constitution obliges municipalities to participate in national and provincial programmes. This is often done without considering the ability of municipalities to do so. Section 156(4) places local government at the centre of service delivery and it is expected that the sphere closest to where a service can be effectively delivered should provide that service.

**Leverage Technology and Data Science:** The mid-21<sup>st</sup> century technological advances have left some technologies used in municipal governance lagging. These technologies can also enable efficient and effective municipal administration. There needs to be coherence and convergence of technology especially in the use of trusted and reliable AI, systems integration, revenue management and operational efficiency. Relevant national policy holders (and the State Information Technology Agency) needs to set the standards and criteria for municipalities to adopt so there is a national standard which also enhances municipal data generation (in procurement, data on personnel practices and so on). These developments should be explicitly considered in a revised vision and policy direction for local government.

## **GOVERNANCE REFORM, THE POLITICAL-ADMINISTRATIVE INTERFACE, AND PROFESSIONALISATION OF LOCAL GOVERNMENT**

**A developmentally orientated, impartial public administration for local government:** The WPLG update provides an opportunity to outline the vision of an impartial but developmentally directed public administration for local government. Such an administration has been outlined in the South African Constitution, especially in section 195. The drafters of early policy for post-apartheid South Africa perhaps implicitly saw local government as a necessarily more politicised government – in which the active and progressive participation of parties and ordinary residents would transform the character of the administration, the state, and then our cities and towns. This assumption needs review in light of the way in which politicisation of the

public administration has seen high levels of corruption, maladministration, and instability. The Constitution, and more recent policy documents such as the National Development Plan (Chapter 13) and the Professionalisation Framework of 2022 provide an outline of a vision for an impartial, developmentally directed administration from which the updated white paper might draw.

**The political-administrative interface and appointment reform:** Attention in the WPLG review must be placed on reforming and stabilising the political-administrative interface. The white paper should directly address the issue of inappropriate political interference in administrative functions, particularly in the appointment and dismissal of municipal managers and senior officials. Reforms that the WPLG might anticipate include the statutory elaboration of independent checks on appointment processes for senior managers, and for board appointments to municipal entities. This could include a role for the PSC or professional associations, in supporting robust selection processes for competent and ethical leadership. The WPLG could also moot more elaborate rules around the sorts of instructions and communications allowed between political and administrative office-bearers, special reporting requirements on officials who are subjected to or who become aware of interference, and stronger sanctions on those who commit it.

**Strengthen Accountability Mechanisms:** Review the reporting requirements placed on municipalities to ensure an appropriate balance between effective monitoring and support and the administrative burden of municipalities. Support and interventions should be focused on fundamental systemic capacity constraints at a municipal level through the use of a clear diagnosis of issues and constraints. In addition, there should be targeted investigations into maladministration with meaningful sanctions for non-compliance.

**Promote transparency and civic participation for enhanced governance:** Encourage civil society monitoring and activism to foster ethical governance and leadership, as outlined in the Professionalisation Framework and National Development Plan. The White Paper could, for example, encourage enhanced transparency to the public around leadership appointments: this could play a role in safeguarding the integrity of appointment processes for senior administrative leaders and municipal entity boards.

## **STABILISATION OF COALITION GOVERNMENT AND ELECTORAL REFORM**

**Stabilise Coalition Politics:** Regulation of coalition formations is much needed given the levels of instability associated with coalition politics at the local level in South Africa. In PARI's view, this should be a light touch: an overly rigid legal approach to regulating the political sphere may have little positive impact on accountability (administration is not equivalent to the political sphere in how it should be regulated and sanctioned) while reducing the room for strategic flexibility and democratic responsiveness on the part of coalition actors. The Coalition Bill contains some sensible proposals in our view (including thresholds for entering government), though the details need further discussion.

**Electoral reform:** Debates on electoral reform for local and national elections are ongoing. The WPLG could bring attention to the ideals of the Constitutional vision: the system should broadly result in proportional representation (this still has value in its concern with social stability and inclusivity in a divided and heterogeneous society), but that the Constitution also acknowledged the need for direct representation (ward) given the local state's proximity to



citizens and the opportunities this provided for more direct accountability. Possible options for reform include a possible recall function, in which the electorate has an opportunity mid-election cycle to recall a ward candidate they feel is not responsive to voters; and reviewing the formula used for the allocation of seats after elections, such that it emphasises the direct (constituency) vote more than is currently the case. Electoral reform should proceed slowly, be well grounded in research, and should enjoy broad political legitimacy.

## **POOR RELATIONSHIPS WITH CITIZENS**

**Strengthen Public Participation in the IDP Process:** The IDP public participation process should move beyond mere compliance, ensuring meaningful and inclusive participation and a genuine co-production of municipal budgets and programmes. There is a need to develop a culture of participation through more innovative engagement practices and methods. Sufficient resources and training should be allocated for public participation efforts, alongside strategies to boost youth involvement. Civic education and stakeholder engagement (with civil society, businesses, and other sectors) are also advised to improve the understanding and effectiveness of the IDP process.

**Strengthen Ward Committees:** Ward committees are often not functional and face issues like political interference, inadequate resourcing, and lack of training and capacity-building. Although important for community engagement and public participation, ward committees are often not taken seriously by the municipal administration and councillors and are underutilised, lacking effective support from municipalities. Stipends are often paid late or not at all and are very low relative to the community engagement work expected from ward committee members. This lack of support impedes their effectiveness and leads to community distrust. Councillors are often not chairing regular meetings and there is poor communication between them and their ward committees. Monthly ward committee reports are submitted to the Office of the Speaker but are often not actioned by the municipality and this causes frustration from ward committee members and communities. There is the need for ongoing training and capacity-building initiatives for ward committee members to effectively undertake their role in municipalities. Other recommendations include better defining ward committees' roles, ensuring regular public meetings and ward committee meetings, and fostering consistent feedback loops between municipalities and communities.

**Improved Communication:** Effective communication between municipalities and communities remains a significant challenge in municipalities, with few spaces for communication and engagement being created and an uneven use of Information and Communication Technologies (ICT) (due to capacity constraints). This disconnect fosters a sense of distrust, leads to poor community attendance in public meetings and limits opportunities for engagement and collaboration. Regular, transparent communication is recommended to build better relationships between municipalities and communities. Municipalities need to balance digital ("new school") and traditional ("old school") methods of communication to reach all communities and residents in their jurisdiction. There is a need for transparent communication channels with communities and regular public meetings throughout the year in municipalities (with sufficient notice provided, accessible venues, clear agenda published, and available beforehand, appropriate and useful information provided, space for questions and feedback) and sufficient and effective feedback to communities. Digital technologies can be used to enhance civil society monitoring and activism. Councils

should be encouraged to proactively place information about council meetings and oversight in the public domain in easily accessible (including online) formats.

**Leverage Civil Society:** Engage emerging civil society movements in middle-class, working-class, and poorer neighbourhoods to enhance accountability and foster collaborative governance including the delivery of basic services in decentralised forms.

## **PERSISTENT SPATIAL INEQUALITIES**

**Recommit to Redistributive Goals:** Reaffirm the 1998 White Paper's vision of addressing apartheid-era spatial segregation through pro-poor policies and equitable service delivery, though the document notes that specific solutions for spatial inequalities are not the primary focus of this submission. Concomitantly, it needs to recognise that spatial structure is the outcome of macro-economic and social policies. Spatial change needs to be located within the social and economic expectations of municipalities as described in the constitution.

## **CONCLUSION**

As part of the WPLG review process, PARI submits its inputs on the review of the WPLG discussion document. These inputs are based on key trends and findings emanating from PARI's engagements with policy makers, civil society organisations and other stakeholders in the local government arena and from completed research. We look forward to engaging with the Department and contributing further on the WPLG review process.

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### **Links to selected PARI publications with relevant for local government reform:**

On public participation:

<https://pari.org.za/report-public-participation-and-municipal-planning-in-south-africa-a-consolidated-technical-findings-report-on-action-research-at-12-local-municipalities/>

On the political-administrative interface:

<https://pari.org.za/policy-brief-stabilising-political-administrative-interface-in-local-government-where-to-from-here/>

On energy sector reform:

<https://pari.org.za/policy-brief-rapid-electricity-supply-diversification-municipalities-key-to-economic-recovery-end-to-load-shedding/>

On local government and revenue:

<https://pari.org.za/policy-brief-an-assessment-of-local-government-revenues-during-limited-economic-growth-and-a-constrained-national-fiscus/>

Further publications and multi-media available at: <https://pari.org.za/local-government/>