



MINISTRY OF FINANCE
REPUBLIC OF SOUTH AFRICA

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SPEECH BY MINISTER OF FINANCE

SPEECH BY MINISTER OF FINANCE, MR ENOCH GODONGWANA AT THE METRO TRADING SERVICES REFORMS ENGAGEMENT SESSION WITH METRO EXECUTIVE MAYORS

29 September 2025

Greetings, Executive Mayors and members of the mayoral committee, as well as officials present here today. I appreciate your presence in honouring the invitation to talk about this important reform in our country.

We are in a challenging era as a country with a stagnant economy and increasing unemployment. Of concern is that this is affecting our fiscal position and our ability to raise sufficient revenue to cover the growing social needs in education and health, among others.

The responsibility to address this is in our hands. Thus, we need to grow the economy as a collective by creating opportunities for firms to grow and establish themselves in our country and cities. This is highly dependent on our ability to strengthen our network industries.

In the last forty years, we have observed underinvestment in key network industries, namely water, sanitation and electricity. This has not only created a backlog, but it has also led to an inability to continue to connect more households and firms to the network. It has also created an inability to position our cities as the most efficient providers of reliable water, sanitation and electricity.

We need to work collectively to address this underinvestment, which has not only made our cities unattractive for investments, but it has also created financial challenges for some municipalities. In addition, our metros cannot approve developments in specific areas such as Lanseria (Johannesburg), Mooikloof (Tshwane) and West Coast (Cape Town), simply because there is insufficient bulk capacity. As a result, property development has not grown substantially, thus leading to the economy not benefiting from potential multiplier effects in this sector.

This means that metros cannot collect additional money in the form of property tax (rates) from potential developments and cannot add paying customers to water and electricity businesses.



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Considering the declining water and electricity margins, which we are fully aware of due to double-digit bulk purchases, municipalities are in a difficult position. This is a trend that we cannot continue to be spectators to. We need to arrest this in the interest of our country.

As the national government, we have looked at this challenge and instead of pointing fingers at metros, we have decided to take some steps to address the decline and underinvestment. This is through the conceptualisation and formulation of the Metro Trading Services Reform and the restructuring of the grant system by including a performance incentive.

Our approach is to work with you in a complementary way by creating an incentive-based grant for the trading services. This will create accountability and predictability in grant allocation to metros and the national government, respectively.

Our vision is to use the incentive to ignite investment in metros - your areas of jurisdiction. Our expectation is that through this incentive, your respective metros will invest additional money in this targeted infrastructure through borrowing and internally generated funds. In addition, we also expect the Urban Settlement Development Grant to start to be directed to invest in this critical infrastructure.

We need to be intentional to ignite our economy. We need to strengthen the network industries. At a national level, our intentions are clear. Through this reform, we have committed funds in the form of grants to you, and we will continue to allocate more resources in subsequent years. We want to partner with you through investing in infrastructure that has positive economic and spatial implications.

I was elated recently when you met in Cape Town to discuss common issues that are affecting the metros. I wish to implore you to continue with this initiative and be intentional in discussing common issues, such as the implementation of this reform. Of importance to us will be to harness key policy reforms that will enable metros to function better.

The metro trading services is one area where you can immediately learn together and collaborate. If we work collectively towards implementing this reform the way we have designed it, it will not only unlock the economy, but it will also improve your financial position and



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economies. This will be instrumental in improving the financial positions of metros and reduce dependency on national government, grants in particular.

We should reposition the fortunes of our metros and country by restoring and sustaining electricity, water, sanitation, and solid waste services in metros through institutional and financial reforms. The crux of this reform requires metros to drive and strengthen the institutional reforms. For far too long, we have managed the trading services as departments and have eroded accountability by splitting various functions across our municipality. Even in municipalities that have entities we have disintegrated those entities into departments by taking some function elsewhere in the municipality.

We need to collapse this split in responsibility and ensure that we establish fully integrated trading services that are responsive to our sophisticated economy. We also need to commit to not only hiring competent people but also to giving them full responsibility to run integrated businesses.

Councils need to ensure that a split in responsibilities to continue to hamstring municipalities to establish utilities of the future. In addition, councils also need to ensure that competent people with engineering and business acumen are hired in these positions. We should not make the mistake that Eskom made by hiring people who lack a combination of trading services and business acumen.

The reforms will assist us to address years of underinvestment that have eroded service delivery, strained municipal finances, had an impact on the quality of life for residents and reduced economic growth potential.

We wish to see thriving cities that attract investments and self-generate income. Through the metro trading service reforms, as a collective, we will position our country on a new growth path.

Thank you.

Ends.