



MINISTRY OF FINANCE
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SPEECH BY THE MINISTER OF FINANCE AT THE TEMPORARY WITHHOLDING OF EQUITABLE SHARE TRANSFERS TO SELECTED MUNICIPALITIES MEDIA BRIEFING

Fellow South Africans, members of the media, and colleagues in government,

Local government is the frontline of our democracy. It is in our municipalities, whether in bustling metros or rural towns, that citizens experience the state most directly. Municipalities are entrusted with delivering civic, social, and economic infrastructure services: water, electricity, sanitation, housing, and roads.

They are the custodians of community welfare, the engines of local economies, and the guardians of social stability, as such, the financial conduct of municipalities has far reaching socio-economic importance.

While public expectations rise, the fragility of municipal finances and services has been exposed. The mismatch between municipal revenue authority and expenditure responsibilities has become a worrying factor, and the consequences are felt daily by households and businesses, through service delivery challenges.

Importantly, this fragility is not solely the result of external socio-economic pressures such as rising bulk service costs, consumer debt, or weak local economies.

A significant portion relates to the internal organisation of municipal finance itself. Many councils continue to adopt unfunded budgets, fail to process Unauthorised, Irregular, Fruitless and Wasteful Expenditure (UIFWE) through their Municipal Public Accounts Committees, and neglect consequence management.



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These internal weaknesses, poor governance structures, lack of accountability, and ineffective financial oversight, compound external challenges and directly undermine service delivery.

Addressing municipal financial vulnerabilities therefore requires a dual approach, tackling systemic socio-economic pressures while simultaneously reforming internal financial management practices. Only by strengthening both dimensions can municipalities regain credibility, deliver services reliably, and restore public trust.

It is against this backdrop that the National Treasury has taken the extraordinary but necessary step of temporarily withholding the July 2026 equitable share transfers to sixty-nine municipalities. This decision, taken under Section 216(2) of the Constitution and the Municipal Finance Management Act (MFMA), is not punitive. It is corrective. It is designed to instill fiscal discipline, protect public money, and ensure that municipalities comply with the law.

Why this action was necessary

Despite years of support, guidance, and training, many municipalities continue to:

- Adopt unfunded budgets;
- Accumulate Unauthorised, Irregular, Fruitless and Wasteful Expenditure (UIFWE);
- Fail to meet statutory obligations to Eskom, water boards, SARS, the Auditor-General, and pension funds.

The numbers are sobering:

- Since 2021–22, municipalities have incurred R24.12 billion in fruitless and wasteful expenditure.
- They have accumulated R145.21 billion in irregular expenditure, with R40.14 billion in 2024–25 alone.
- They have disclosed R118.13 billion in unauthorised expenditure, more than half of which was on non-cash budget items.



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- Budget credibility has deteriorated: in 2024–25, 116 municipalities, nearly half, adopted unfunded budgets.
- By year-end, municipalities owed R3.40 billion in interest to Eskom and R1.21 billion to water boards, while 48 municipalities had overdue third-party deductions.

This threatens the financial sustainability of bulk suppliers, undermines statutory bodies, and disrupts service delivery. Non-payment of service providers results in penalties, interest charges, and service interruptions. Weak governance and failure to process UIFWE through Municipal Public Accounts Committees (MPACs) erode accountability and public trust.

South Africans deserve municipalities that are financially sound, accountable, and capable of delivering services. By invoking the Constitution, we are signaling seriousness about governance, fiscal responsibility, and the rule of law.

This is not new and it is not a punitive measure aimed at punishing municipalities.

We are fighting to improve governance within municipalities, and with it the quality and consistency of service delivery, as well as to deal with the pernicious culture of non-payment.

Restoring the credibility of public finance, at the local and national level, is a key part of our growth strategy and we cannot turn away from the measures that get us there.

It is about protecting the integrity of our institutions, ensuring that public money serves the public, and restoring trust in local government.

Our task is to ensure that corrective measures are understood as safeguards, not sanctions.

We must demonstrate that fiscal discipline and service delivery can coexist.

This is a moment to restore accountability, government stands firmly on the side of citizens, protecting their money, their services, and their future.



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What are we going to do as National Treasury?

Funds are being redirected in tranches directly to Eskom, water boards, and statutory bodies to safeguard electricity, water, and pensions. Municipalities that demonstrate compliance will see their transfers reinstated.

Targets include a 15% reduction in irregular expenditure balances by August and another 15% by September, alongside evidence of funded budgets, functioning disciplinary boards, and consequence management.

This approach ensures that essential services continue, while municipalities are compelled to correct their financial practices. Provincial treasuries will monitor compliance, and National Treasury will continue to provide support through circulars, engagements, and training.

The selected municipalities are: Eastern Cape - Buffalo City, Nelson Mandela Bay, Makana, Sundays River Valley, Inxuba Yethemba, Port St Johns; Free State - Mangaung, Letsemeng, Kopanong, Mohokare, Xhariep District Municipality, Masilonyana, Tokologo, Matjhabeng, Nala, Dihlabeng, Nketoana, Maluti-a-Phofung, Phumelela, Mantsopa, Ngwathe, Mafube; Gauteng - City of Johannesburg, Emfuleni, Lesedi, Sedibeng District Municipality, Merafong City, Rand West City; KwaZulu-Natal - iMpendle, uMzinyathi District Municipality, Newcastle, eMadlangeni, Amajuba District Municipality, AbaQulusi, uMkhanyakude District Municipality; Limpopo - Mopani District Municipality, Musina, Thabazimbi, Modimolle-Mookgopong, Fetakgomo Tubatse; Mpumalanga - Victor Khanye, Emakhazeni, Nkomazi; Northern Cape - Kamiesberg, Khâi-Ma, Ubuntu, Umsobomvu, Emthanjeni, Renosterberg, Thembelihle, Siyathemba, !Kai !Garib, Magareng, Phokwane; North West - Madibeng, Kgetlengrivier, Tswaing, Mafikeng, Ditsobotla, Ngaka Modiri Molema District Municipality, Naledi, Mamusa, Dr Ruth Segomotsi, Mompoti District Municipality, City of Matlosana, Maquassi Hills, JB Marks; Western Cape - Theewaterskloof, Laingsburg, and Beaufort West.

The municipalities have been given sufficient notice in writing and urged to take measures to change their financial management positions ahead of the withholding of funds. They were also given a platform to send, in writing, reasons why their funds should not be withheld.



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Prior to the withholding of funds, National Treasury has provided support to municipalities through the issuance of MFMA Circulars which guide municipalities on what they must do to ensure compliance with specific provisions of the MFMA and its regulations; through one-on-one municipal engagements; and various training interventions either directly with the municipalities or through national or provincially facilitated forums.

Despite these support interventions, many municipalities are still failing to comply with the provisions of the MFMA and its supporting regulations insofar as they relate to adopting funded budgets, addressing UIFWE and ensuring that statutory commitments are met when due.

Non-compliance with the legislation is not only a dereliction of fiduciary duties by the political and administrative leadership of municipalities, but it is also threatening the financial sustainability of bulk suppliers (water boards and Eskom).

In addition, failure to pay third parties negatively impacts on the ability of statutory bodies to continue operating optimally. The statutory bodies referred to are the Auditor-General of South Africa (AGSA), the South African Revenue Services (SARS), and the Financial Sector Conduct Authority (FSCA).

Consistently incurring UIFWE is also indicative of weak governance within municipalities and instances where it is accompanied by financial losses, negatively impact service delivery. In addition, non payment of service providers results in fruitless and wasteful expenditure due to interest and penalties charged and service delivery disruptions. Some of the affected municipalities have failed to process UIFWE as required by section 32 of the MFMA.

Section 32 of the MFMA provides that a municipal council must recover UIFWE from the persons liable therefore unless, after investigation by a council committee, the expenditure is certified as being irrecoverable and written off.

The council committee referred to in section 32 is the Municipal Public Accounts Committee (MPAC). Some of the municipalities have failed to properly deal with UIFWE as the MFMA requires municipalities to



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investigate such expenditure, determine accountability, recover losses where appropriate and take corrective action.

National Treasury has found that many municipalities have not processed UIFWE cases through their MPACs which are responsible for overseeing accountability in some municipalities.

This means MPACs are not functioning effectively. In addition, some of the affected municipalities have also failed to show that consequence management is being implemented, including on a timely basis. This includes referrals to disciplinary boards, investigations, disciplinary actions, recovery steps, and criminal referrals where required. These duties arise under Chapter 15 of the MFMA, read with the Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings, 2014.

In Conclusion

Transfers will resume once municipalities meet the required conditions and submit proof. Compliance will be monitored rigorously. Municipal councils must process UIFWE through their MPACs, recover losses, and implement consequence management. Political and administrative leaders must fulfill their fiduciary duties.

National Treasury will continue to work with municipalities, provincial treasuries, COGTA and other cooperative governance structures to strengthen sound financial management. This is not a one-off intervention. It is part of a broader effort to restore credibility, accountability, and sustainability in local government.