CDE

JOHANNESBURG MATTERS

FIXING SOUTH AFRICA'S GROWTH ENGINE

2

# Joburg's Broken Budget

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**Johannesburg Matters: Fixing South Africa's Growth Engine**
Series editor: Ann Bernstein

Reports in the **Johannesburg Matters** series are based on commissioned research, intensive internal research and wide-ranging consultations with experts and stakeholders. This document and the other reports in the series are available from CDE and can be downloaded from **www.cde.org.za**.

**Report Two: Joburg's Broken Budget** has been written by a CDE team under the leadership of executive director, Ann Bernstein, and research director, Stefan Schirmer. CDE acknowledges with gratitude the assistance and support of a wide range of experts and business leaders who commented on versions of this report.

The report draws extensively on a specially commissioned report: *Johannesburg's Finances*, by Antony Altbeker, independent researcher and public finance specialist.

## About CDE

The Centre for Development and Enterprise (CDE) is an independent policy research and advocacy organisation. It is South Africa's leading development think tank, focusing on critical development issues and their relationship to economic growth and democratic consolidation. Through examining South African realities and international experience, coupled with high-level forums, workshops and roundtables, CDE formulates practical policy proposals outlining ways in which South Africa can tackle major social and economic challenges. CDE has a special focus on the role of business and markets in development.

Photo credit: Mark Lewis

**August 2026**

CDE

JOHANNESBURG MATTERS FIXING SOUTH AFRICA'S GROWTH ENGINE

**Johannesburg Matters: Fixing South Africa's growth engine** is a new series of reports from CDE, based on a large research programme into the major challenges confronting the city.

Johannesburg's future depends on the forthcoming local government election delivering a metro government committed to rebuilding a city crippled by maladministration, corruption and a fiscal crisis. After nine mayors in ten years, the city needs effective leadership and stable management.

South Africa needs Johannesburg to once more become an inviting place in which to live and do business and expand opportunities for a growing population. A national economic, social and political recovery needs a prosperous Johannesburg powering growth, investment and employment in the country and on the continent.

The **Johannesburg Matters** series will provide analysis and recommendations that a new City political leadership and reformed administration could implement after the elections as they commence the difficult job of rebuilding South Africa's most important urban centre. They cannot do this alone – success will require partnerships within and beyond the city.

CDE is an independent think tank; we are not involved in party politics. We are a national resource, committed to building a prosperous democracy with expanding opportunities for everyone. Our research and recommendations are public and available to all. Our interest is in the city's future and its contribution to national economic growth and development.

This is the **second report** in the series.

# Joburg's Broken Budget

## Johannesburg is living off a fiscal fiction

Johannesburg is South Africa's most important city, the country's commercial heart and its largest local economy. Its success or failure will shape the prospects of millions of people far beyond its municipal boundaries. Yet the City is now caught in a chronic financial crisis that is deeper than a budget shortfall and more dangerous than an annual deficit. Johannesburg is living off a fiscal fiction.

That fiction is simple: the City sends out bills, books them as revenue, adopts budgets premised on the assumption that the money will be received, and then spends as if those invoices were cash in the bank. But a large and growing share of the money never arrives because residents, businesses and even government agencies are not paying what they owe. The consequences are greatly magnified by the fact that, when the City plans its expenditure, it pays insufficient heed to costs. Over the past five years, average remuneration for City employees has risen by 10 per cent a year, an astonishing pace given the cash constraints it faces.

The result is that the City's cashflows are increasingly disconnected from its income statement. It remains technically solvent, but it is cash starved. It owns roads, pipes, power infrastructure and municipal assets that look valuable on a balance sheet, but it does not have enough reliable cash to maintain them, expand them or pay all its obligations in full and on time.

This is the core of Johannesburg's financial crisis: it is not just short of money - it is increasingly disconnected from financial reality.

Over the last three financial years for which audited figures are available, the City has booked R218 billion as revenues from all sources and projected a cumulative surplus of just under R750 million. The cashflow statement tells a different story. Over the same period, it has seen cash receipts of R205 billion (over R13 billion less than expected), and essentially balanced cash inflows and outflows. This exaggerates the City's performance in cash terms: but for the fact that it secured a loan of R2.5 billion from the African Finance and Development Bank on the very last day of 2024/25, the aggregate cash deficit over the preceding three years would have been over R2.5 billion.

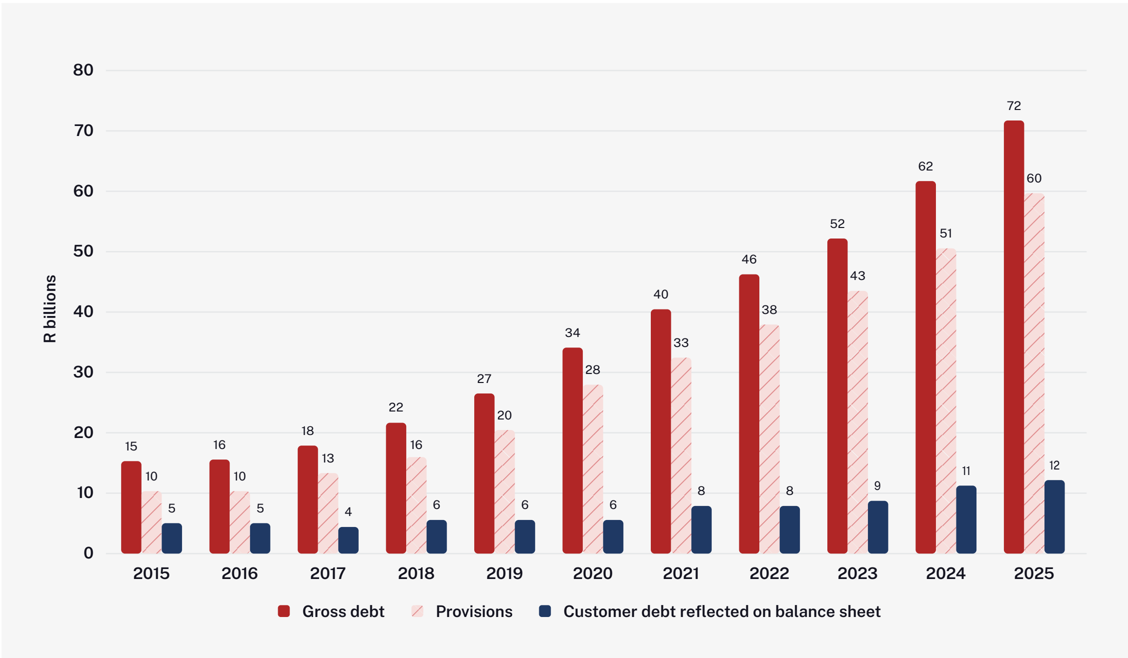
The difference between booked revenues and actual cash receipts matters: a municipality can't repair roads, much less build new ones, with accounting revenue. It cannot pay Eskom with invoices it has issued to households. It cannot refurbish substations, fix water leaks or replace broken traffic lights with money it has not collected.

> This is the core of Johannesburg's financial crisis: it is not just short of money - it is increasingly disconnected from financial reality.

## Exploding debt doom loop

The problem has been years in the making, and Johannesburg is now owed an extraordinary amount of money. The figure for debts owed to the municipality by its customers (R12.2 billion at the end of 2024/25) is bad enough. But this reflects debts after provisions for bad debt have been subtracted, making the problem look serious but not catastrophic. The gross amount of unpaid debt reveals the real scale of the disaster: unpaid bills rose from about R15 billion in 2014/15 to nearly R72 billion in 2024/25. In other words, the value of unpaid bills has increased by almost 17 per cent a year for over a decade. That is not normal. It is a structural governance failure that constitutes a fundamental obstacle to delivering municipal services, infrastructure and a productive, competitive business environment.

### GROSS DEBT, PROVISIONS AND NET DEBT




Source: Altbeker (2026)

By 2024/25, around one rand in every six that the City billed was not being paid. No organisation can operate on that basis. A municipality certainly cannot do so.

This constitutes the first great doom loop in Johannesburg's finances: as more and more customers fail to pay their accounts, the City must raise the rates and tariffs of those customers who do pay, which, in turn, means that more and more households and businesses struggle to pay, or choose not to pay.[1] Cashflows weaken. Maintenance must be postponed. Services deteriorate. Residents are even less willing and able to pay. The City responds by raising tariffs again on those who still do pay. The burden on compliant households and firms rises further. The cycle tightens.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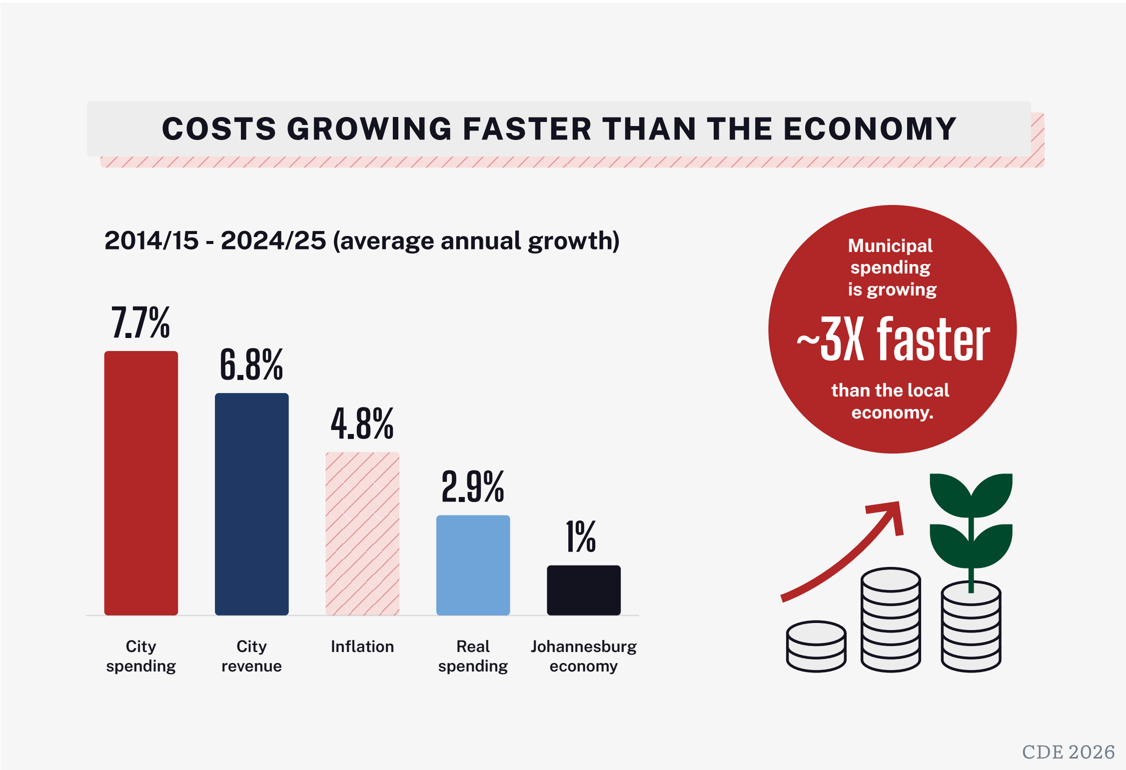
The payment burden is not rising in a city with a booming economy but one going backwards. Between 2014/15 and 2024/25, the City's revenue and expenditure grew faster than the local economy. Revenue has grown at about 6.8 per cent a year and spending at about 7.7 per cent a year, which is considerably faster than inflation, which has averaged 4.8 per cent a year over that period. Johannesburg's economy, meanwhile, has grown by about 1 per cent a year in real inflation-adjusted terms for the past eleven years. Employment rates have done even worse: the working-age population has grown by over 767 000 between 2015 and 2025 to 4.2 million people, but the number of people with jobs has barely changed, rising by just 30 000 to 1.98 million employed people.[2]

The stagnation of the economy is a critical problem for the City because municipal finances rest on the capacity of residents and firms to pay: the tax base is the ultimate constraint on public spending. If a municipality's spending grows faster than its economy, then it must follow one or more of the following strategies: (i) extract a rising share of income from those who pay, (ii) become more dependent on national transfers, (iii) borrow more, or (iv) stop paying some of its own bills.

Johannesburg has pursued each of these strategies.




## The rising burden

Johannesburg's economy has grown by about 1 per cent a year over the past decade, but employment in the city has grown at less than 0.5 per cent a year over the same period.[3]

It is in this context that we need to understand the rising burden of the costs the City imposes on its residents. Consider, for example, that between 2017/18 and 2024/25, the City's revenues, when divided by the number of people who have jobs, have risen by 3 per cent a year in real terms, rising from the equivalent of about R33 000 to about R41 000 per person.

Relative to the number of people with jobs, in other words, Johannesburg's municipal machine is becoming more and more expensive and the people and firms still inside the formal payment net are being asked to carry a larger and larger burden. This is not sustainable economically. Nor, one would think, is it sustainable politically. A city cannot indefinitely raise the price of poor and declining services.

Nowhere is this clearer than in electricity.

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## The utilities doom loop

For years, electricity was one of the City's most important revenue engines. Johannesburg bought power in bulk, sold it to residents and businesses, and relied on the margin to help sustain municipal finances. That model is weakening.

Electricity's share of total revenue has fallen sharply - from 34 per cent in 2014/15 to 28 per cent in 2024/25. City Power has fewer conventional customers than it once did, and the number of megawatt hours bought and sold each year has declined. In 2014/15, the City purchased 12.4 trillion kWh and sold 8.7 trillion kWh. In 2024/25, the corresponding figures were 10.1 trillion kWh and 7.1 trillion kWh.[4] There are a lot of reasons for this: load-shedding, weak economic growth, higher prices and perhaps, more illegal connections and non-technical losses. But an important factor is that customers who can leave the grid, partially or fully, are doing so.

This is a profound shift. The City is losing some of the electricity customers it most needs: those who can pay and consume large and predictable volumes. Unfortunately, they are exactly the people who have the resources to invest in alternatives. The more expensive and unreliable the grid becomes, the more affluent households and firms opt out, with the burden of maintaining the network increasingly falling on a smaller, weaker customer base. The network then becomes even harder to sustain, and even less attractive to those who can leave. This is not merely an electricity problem. It is a fiscal problem.

Water may be even more alarming. Unpaid water bills have grown faster than unpaid electricity bills. Between 2014/15 and 2024/25, unpaid water bills grew by 20 per cent a year, while outstanding electricity debts grew by 17 per cent a year.[5] This is occurring in a city where water failures – dry taps, burst pipes, leaking infrastructure and failing reservoirs – are already part of daily life. The same doom loop applies to electricity. The City needs revenue to maintain and upgrade water infrastructure. But the more unreliable the infrastructure becomes, the harder it is to bill accurately, collect consistently and persuade residents that payment is justified by the quality of the service they receive. Water losses, billing failures and non-payment reinforce one another.

A city can survive potholes for a time. It can muddle through erratic refuse collection and congested roads. But a city that cannot reliably provide water faces a perilous situation. Johannesburg's water finances should be treated not as a fiscal concern but as an existential threat to the city's viability.

## More and more of the City's cashflow is being used to pay employees

While these revenue pressures intensify, the composition of spending has become increasingly troubling. The City is spending more, but not in ways that obviously secure its future.

Employee-related costs rose by over 9 per cent a year between 2014/15 and 2024/25, from about R8.6 billion to R20.7 billion. They have grown faster than revenue and much faster than customer generated cashflows. The result is that more and more of the money that is paid by the City's customers is absorbed by salary costs: in 2014/15, these costs accounted for a third of cash paid to the City, now they account for 40 per cent, squeezing out spending on everything else. Since 2020, average remuneration has increased by over 10 per cent a year, an astonishingly rapid rise.

This is not an argument that municipal employees are the only problem, or that all wage growth is always unjustified. Cities need engineers, electricians, planners, accountants, call centre staff, refuse collection workers, metro police and many other employees. But when employee costs absorb a rising share of the cash collected from customers, something else must give. In Johannesburg, the effect has been felt in declining spending on maintenance and infrastructure investment.

> Employee-related costs have grown faster than revenue and much faster than customer generated cashflows.

The agreement with the South African Municipal Workers' Union (SAMWU) adds another layer of risk to this increasingly precarious situation. It is estimated that it will cost the City more than R10 billion over three years, with large payments falling this year and next. Most of this is probably backpay, but the scale is enormous compared to the City's existing wage bill of about R25 billion this year. A city already struggling to pay suppliers, collect revenue, retain its lenders and maintain infrastructure cannot casually absorb obligations of that magnitude.
If the agreement is unaffordable, it should never have been made. If it is legally unavoidable, then the City must explain what will be cut, deferred or abandoned to pay for it. There is no magic drawer from which R10 billion can be produced.

Nor is the problem limited to direct employees. Spending on contracted services has grown at over 10 per cent a year (for the past eleven years), which is even faster than employee costs. Johannesburg appears to have the worst of both worlds: a rising payroll combined with rising contractor costs. Residents are entitled to ask what they are receiving in return. If the City employs more people and spends more on contractors, why are roads collapsing, substations failing, billing systems mistrusted, water services deteriorating and public spaces decaying?

This question is especially sharp in a City with a long record of procurement failures, corruption allegations and weak contract management.[6] Contracted services are not inherently bad. Outsourcing can be efficient where it brings expertise, flexibility and performance.
But in a weak administration, contracting can become a machine for corruption and leakage: politically connected suppliers, inflated prices, poor oversight and payments that do not generate public value.

## Spending on infrastructure has collapsed

The most damaging result of these pressures is the squeeze on infrastructure. Investment spending has fallen from around R10 billion in 2014/15 to between R6 billion and R8.5 billion in subsequent years. If we adjust for inflation, however, the fall is significantly greater, with investment spending in 2014/15, when measured in 2024 rands, being the equivalent of nearly R16 billion in 2024/25.[7] This means that investment spending has roughly halved in inflation-adjusted terms over the past decade. In per capita terms, investment spending has fallen by close to 70 per cent. The City is spending less than a third of what it used to spend on infrastructure for every person who lives within its boundaries. This is perhaps the most damning fact about the sorry state of the City's finances.

Johannesburg is a growing, infrastructure-hungry city. It needs more and better roads, substations, water and wastewater systems, public transport assets and waste facilities. Instead, real investment has all but collapsed. The City is not merely failing to build for the future. By allowing its stock of infrastructure to deteriorate, it is, in effect, consuming the future to fund the present.

This is what municipal decline looks like in financial form. The City looks after its own employees first, so salaries are paid. Beyond that, it struggles to do what it is supposed to: look after the key infrastructure that makes the City work. Over the past decade, the infrastructure platform on which the whole city depends has deteriorated. The result is visible everywhere: potholes, power outages, water leaks, traffic lights that do not work, substations that fail, and public spaces that look abandoned.

And, when all else has failed, Johannesburg has adopted perhaps the least sustainable strategy of all: it is increasingly using its suppliers as unwilling lenders.

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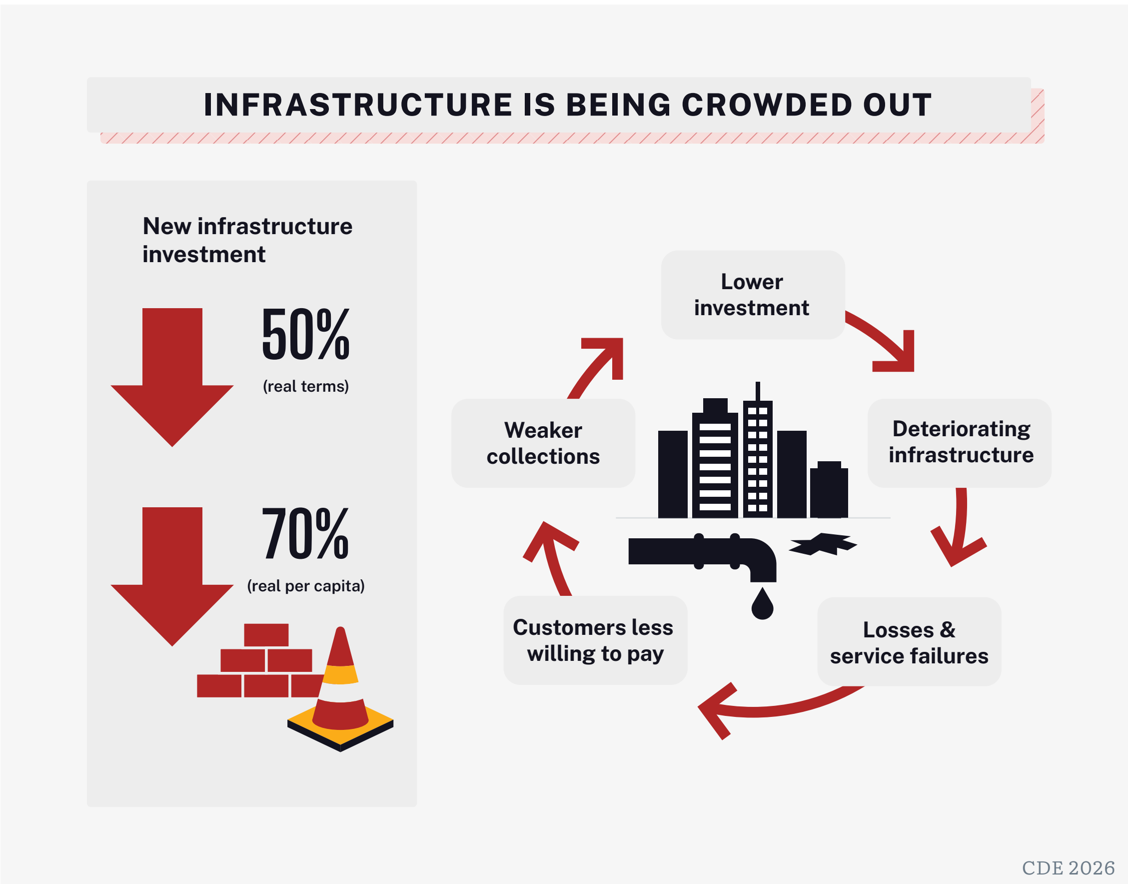

## How the City really funds itself: Squeezing its suppliers

Unpaid debts to suppliers (trade payables in the accounts) have risen sharply, reaching more than R28 billion in 2024/25 compared to R12 billion in 2014/15. Much of this outstanding debt is owed to major suppliers such as Eskom and Rand Water. Failing to pay these debts makes it possible to pay employees, but is no solution to the crisis. Indeed, by destroying its reputation among suppliers, this approach will make it harder to rebuild. And, of course, transferring financial stress to other institutions, some of which are themselves financially fragile, is no more than a displacement of the cash crisis.

This has national consequences. Johannesburg is not a small town whose failure can be contained. If the City falls behind on payments to Eskom or Rand Water, the effects ripple outward. The municipality's weaknesses are so large that they burden state-owned entities, and, through them, strain the finances of national government and the economy as a whole.

Johannesburg's fiscal crisis is therefore not just a local governance issue. It is a national economic risk.

One of the most worrying signs is that the City may already be losing access to easy borrowing. Until very recently, Johannesburg generally borrowed more than it repaid each year. In the last few years, however, it has generally repaid more than it borrowed.

In a healthy municipality, that might be evidence of fiscal discipline. In Johannesburg's case, it coincides with rapid increases in unpaid supplier bills, which rose by more than a third, from R18 billion to R25 billion, between 2022/23 and 2023/24 alone. That suggests that the City has not become financially stronger, but that its lenders are less willing to fund gaps in its finances. Indeed, in 2026, French development agency, Agence Française de Développement (AFD), declined to extend its R2.5 billion loan to the City, citing governance concerns with insiders reporting that the City had failed to meet its obligations regarding an August 2024 loan.[8] If formal creditors step back and suppliers become the lenders of last resort, the City's financial position is more fragile than the headline debt numbers imply.

> The municipality's weaknesses are so large that they burden state-owned entities, and, through them, strain the finances of national government and the economy as a whole.

## The City's latest budgets are not credible

The lack of credibility of the City's budgets compounds all of these problems. Recent medium-term budgets have relied on projections that assume a dramatic improvement in financial performance.

The most telling example is the 2024/25 financial year. Near the end of that year, the City's adjustment budget projected a surplus of about R2.2 billion. Twelve months later, pre-audit figures showed a deficit of about R1.9 billion. That is a swing of roughly R4.1 billion for a financial year that was almost over when the first projection was made. If the City can be that wrong about the financial year it is already living through, why should residents, lenders and suppliers believe its three-year forecasts?

A budget is supposed to be a plan. Johannesburg's budgets increasingly look like acts of hope or, perhaps, deception. They assume away the hard choices. They project implausible improvements that are not convincingly justified. They project future surpluses without a credible account of how collections will improve, expenditure will be contained, infrastructure will be restored and supplier arrears will be reduced.

In the latest budget passed this year, for example, projected receipts on the cashflow statement grew at about 5 per cent a year over the medium term, substantially lower than the previous three years (9 per cent), but not wildly implausible. Projected payments, on the other hand, are projected to grow at less than 2 per cent a year, barely a sixth of the growth rate of the previous three years. The result is that the City projects a massive build-up in cash reserves. How is this possible? Salaries are rising. Bulk electricity and water costs are rising. There is no way that the City can freeze the growth of payments unless it simply stops paying its creditors, which it can't be planning to do because the budget also projects that trade payables (debts owed to suppliers, i.e., the City's unpaid bills) will fall by about 40 per cent over the same period. The budget is quite simply a mathematical impossibility.

There are other warning lights in the details. A striking anomaly in the latest financials concerns repairs and maintenance spending on machinery and equipment in one year. This is vastly out of line with historical trends and future budgets, while, at the same time, repairs to core infrastructure appear squeezed.[9] This may be an accounting error as the figures are not yet audited. But in a city where corruption is endemic and infrastructure is collapsing; unexplained anomalies should not be waved away as technical curiosities. They should be investigated.

## Johannesburg needs a reckoning – November is the place to start

Johannesburg's financial crisis is one of the most concrete manifestations of its collapsing governance. A weak, unstable, crisis-prone administration without clear leadership affects billing. A swelling wage bill is incongruous in a bureaucracy that fails to perform even its most elementary functions. Corruption undermines procurement and maintenance. Lack of maintenance affects service delivery, which leads people to withhold payments. Non-payment affects cashflow. Weak cashflow affects suppliers and infrastructure. The cycle then repeats and deepens.

**There is no painless way out of this mess.**
Johannesburg's municipal model needs a structural adjustment:

- It must collect more of what it bills.
- It must protect indigent households, but it cannot allow the general culture of non-payment to continue.
- It must restrain employee and contractor costs, but without destroying essential capacity.
- It must prioritise infrastructure even if it means cutting or slowing other spending.

Critically, it must rebuild trust. But trust will not be rebuilt by slogans. It will be rebuilt by reliable power supply, working traffic lights, safe and dependable water, accurate billing, visible maintenance and, most importantly, by holding the corrupt to account.

**External financial support is almost certainly necessary.**
A city as important as Johannesburg cannot simply be allowed to spiral downward without imposing massive costs on the rest of the economy. However, any bailout that preserves the existing political economy would be worse than useless.

National or provincial assistance should come with hard conditions: credible budgeting, enforceable collection plans, protection of infrastructure spending, tighter controls on personnel costs, aggressive action on arrears, and independent scrutiny of major contracts.

**Johannesburg does not need another budget speech promising a turnaround. It needs a reckoning.**

The City has spent years pretending that billed revenue is the same as collected cash. It has acted as if rising costs can be carried by a stagnant economy and that infrastructure maintenance can be deferred without consequences. The only question is whether Johannesburg's leaders will abandon this fiction before the city's residents are forced to live with the full cost of its collapse.

The 2026 local government elections in November are a critical opportunity for the voters to choose a stable, competent, honest government that can lead Johannesburg out of this escalating disaster.

# APPENDIX

## THE BUDGET (2024/25)

R81.1 billion revenues - R79.9 billion expenditures = R1.2 billion accounting surplus

| | |
|---|---|
| **REVENUE** | |
| Electricity | R21.3 billion |
| Water | R9.8 billion |
| Wastewater management | R7.3 billion |
| Solid waste management | R2.9 billion |
| **EXPENDITURE** | |
| Employee-related costs | R20.7 billion |
| Bulk electricity purchases | R19.2 billion |
| Unpaid debts written off | R9.5 billion |
| Contracted services | R6.9 billion |
| Interest charges | R3.4 billion |
| **EMPLOYEES** | |

- 34 453 employees
- Average remuneration (+R600 000)
- 20% higher than the national and provincial government average

## Endnotes

1 On 1 July 2026, municipal tariffs increased by 8.63 per cent for electricity, 12.5 per cent for water, 11 per cent for sanitation, 6.2 per cent for refuse, and overall rates by 3.6 per cent.
2 Statistics South Africa, 'Quarterly Labour Force Survey, Quarter 4: 2025', Pretoria: Statistics South Africa, (12 February 2026).
3 See forthcoming CDE research in the **Johannesburg Matters** series.
4 Antony Altbeker, 'Johannesburg Finances', CDE, (25 August 2026).
5 Ibid.
6 See forthcoming CDE research in the **Johannesburg Matters** series.
7 Altbeker, 'Johannesburg Finances'.
8 Antony Sguazzin, 'Johannesburg Woes Deepen as Key Funder Rejects Loan Request', Bloomberg, (22 April 2026).
9 Altbeker, 'Johannesburg Finances'.

## CDE's work on cities (1996 to 2023)

- South Africa's future will be decided in our cities, 2023
- Building Better Cities: A new approach to housing and urban development, 2020
- Urban management in the 21st century: Ten insights from Professor Ed Glaeser, 2019
- Agenda 2019: Creating cities of hope, 2019
- The Growth Agenda: Cities, 2016
- Cities: Pathways to prosperity, 2015
- Cities of Hope: Young people and opportunity in South Africa's cities, 2014
- The new urban paradigm: A radical departure in city management, 2003
- Johannesburg: Africa's World City: A challenge to action, 2002
- Pretoria: From apartheid's model city to an African rising star? 1998
- Atlanta, USA: Racial transition, business and economic growth, 1997
- The East Rand: Can South Africa's workshop be revived? 1997
- Durban: South Africa's global competitor? 1996
- Cities and the global economy: New challenges for South Africa, 1996

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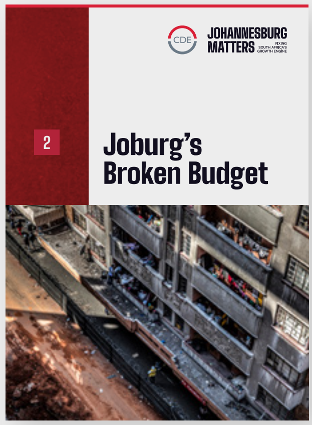


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**The Centre for Development and Enterprise**

5 Eton Road, Parktown, Johannesburg 2193, South Africa | PO Box 72445, Parkview, 2122

Tel +27 11 482 5140 | info@cde.org.za | www.cde.org.za