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JOHANNESBURG'S FINANCIAL REALITY: THE PRESSURES, THE PROGRESS AND THE PATH AHEAD

JOBURG JOURNAL NEWSLETTER

GCFO: TEBOGO MORAKA

A candid assessment of where the City stands, the reforms underway and what it will take to build a financially stronger Johannesburg

Johannesburg is too important to South Africa for its financial position to be understood through headlines or isolated events. As the country's economic hub, the City's financial decisions affect residents, businesses, investors and communities. It is important to be candid about where Johannesburg stands and the work required to strengthen it.

Johannesburg is financially strained, but it is not in crisis.

The City is operating under liquidity pressure and must manage its cash position, obligations and resources with discipline. These pressures are taking place against a difficult national economic environment characterised by prolonged low economic growth and financial pressures across metropolitan municipalities.

Financial pressure, however, is not the same as financial collapse. Johannesburg continues to function, deliver essential services, meet its obligations and implement measures aimed at improving its financial position.

WHAT DOES THIS MEAN?

Financial strain means resources, expenditure, cash flow and obligations must be managed deliberately. Every financial decision has implications for service delivery, infrastructure, investment and the City's long-term sustainability. Johannesburg also has a broad municipal mandate that extends beyond revenue-generating trading services. Social development and other programmes serve communities but do not necessarily generate direct revenue.

This makes the City's own financial capacity critical. Strengthening that capacity is fundamental to maintaining infrastructure, delivering services, responding to community needs and investing in Johannesburg's future.

WHY ACCESS TO CAPITAL MATTERS

A financially sustainable City needs access to capital to invest in infrastructure and maintain the systems that support economic activity and quality of life.

Despite the challenging environment, Johannesburg has secured development financing, including a KfW Development Bank loan for electricity infrastructure and an International Finance Corporation (IFC) loan for water infrastructure. These developments demonstrate continued confidence in the City's ability to secure strategic financing.

At the same time, constrained capital markets have made additional borrowing and external funding more difficult. External funders naturally focus on Johannesburg's major trading entities because these services generate revenue and have identifiable cash flows.

But the City's responsibilities extend well beyond these entities. Johannesburg's own financial strength is therefore increasingly important, providing greater flexibility to fund priorities that external lenders may not finance.

FINANCIAL RESPONSIBILITY REQUIRES ACTION

Financial sustainability requires concrete action. A significant example is the settlement of the R5.25 billion overdue electricity debt owed to Eskom. The full outstanding amount has been settled, bringing a longstanding financial obligation to a close.

The settlement demonstrates the importance of addressing financial obligations responsibly and provides a stronger foundation for the City, Eskom and City Power to focus on longer-term priorities such as infrastructure maintenance, electricity losses, system sustainability and reliability of supply. Financial discipline makes sustainable service delivery possible.

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PROGRESS IS NOT ALWAYS VISIBLE

Some of the most important work to stabilise Johannesburg's finances happens away from the headlines. The release of the equitable share is one example. There was significant public attention when the equitable share was stopped, but considerably less attention when the City successfully secured its release.

The City's financial story therefore includes challenges, but also corrective action and progress that may not always receive the same public attention.

GREATER FINANCIAL ACCOUNTABILITY

The financial relationship between the City and its trading entities is also evolving. The sweeping arrangement for Johannesburg Water has concluded, meaning the entity is operating with greater responsibility for managing its own cash flow. Similar changes are expected in relation to City Power and Pikitup.

This represents a move towards greater financial ownership and clearer accountability within the entities closest to service delivery. Those responsible for delivering water, electricity and waste management must also understand the financial consequences of operational decisions.

THE WORK AHEAD

There is no single intervention that will resolve Johannesburg's financial pressures. Financial sustainability will be built over time through stronger revenue collection, disciplined expenditure, improved liquidity, responsible debt management, better-performing municipal entities and consistent implementation of the reforms already underway.

The national economy will continue to influence the City's financial position, but there is significant work within the City's control. Johannesburg must continue strengthening revenue, protecting its cash position, managing obligations responsibly and ensuring that available resources are directed towards its most important priorities.
This will require consistency, accountability and difficult decisions. It will not happen overnight.

A STRONGER FINANCIAL FUTURE

Johannesburg's financial position should not be defined by a single difficult year or negative headline. It should be judged by whether the City is confronting its challenges honestly, taking corrective action and building a stronger institution for the future.**The pressures are real. So is the work being done to address them.**

The objective is clear: **strengthen Johannesburg's finances, build resilience and improve the City's ability to deliver for its residents, businesses and communities.**

Tebogo Moraka
Group Chief Financial Officer
City of Johannesburg Metropolitan Municipality

PROGRESS AT A GLANCE

Strategic funding secured
Development financing has been secured from KfW Development Bank for electricity infrastructure and the IFC for water infrastructure.

R5.25 billion Eskom debt settled
The City has settled the full outstanding electricity debt owed to Eskom.

Greater entity accountability
Johannesburg Water's sweeping arrangement has concluded, with similar changes expected for City Power and Pikitup.