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Reviewing the Fundamentals of Public Finance in a Changing World

"A Roadmap to Fiscal Sustainability and Service Delivery Excellence"
CIGFARO Conference, Durban

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CIGFARO
Chartered Institute of
Government Finance, Audit & Risk Officers

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WHAT WE KNOW

- Municipalities have a mandate to provide services to communities.
- For sustainability, they should collect revenue from the services.
- However, consumer debt is a challenge threatening the financial position of municipalities.
- Since 2004, debt owed to municipalities increased progressively (R181 - R331 bn in 2024)
- This means several municipalities continue to deliver services at huge losses (inability to recover the cost of service delivered)
  - unable to meet their credit obligation for bulk purchases….NT responds
- This raises major concerns around the long term sustainability of local government and service delivery to communities.

THE IMPERATIVE FOR A 90%+ COLLECTION RATE

Debtor Age Analysis by Province

R thousands	2024		2023		2022		2021		2020	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Eastern Cape	20 795 806	6%	31 947,764	10%	24 818,429	10%	21 822,557	9%	16 714 283	9%
Free State	37 909 666	11%	32 225,836	10%	27 640,445	11%	23 947,352	10%	20 864 015	11%
Gauteng	127 073 762	37%	117 711,938	38%	83 402,396	33%	92 115,451	40%	79 301 018	41%
Kwazulu Natal	54 279 041	16%	43 402,327	14%	35 669,932	14%	31 163,884	13%	22 660 074	12%
Limpopo	17 624 911	5%	13 242,592	4%	14 098,131	6%	11 239,241	5%	8 908 808	5%
Mpumalanga	25 933 566	8%	23 191,255	7%	19 833,002	8%	10 579,941	5%	5 615 193	3%
Northern Cape	29 566 854	9%	27 470,926	9%	28 718,672	11%	23 645,850	10%	19 169 087	10%
North West	11 304 885	3%	9 743,264	3%	8 603,058	3%	6 503,556	3%	4 918 389	3%
Western Cape	15 427 142	5%	14 247,593	5%	12 665,674	5%	11 795,884	5%	13 308 172	7%
Total Municipal Debt by Province	**339 915,633**	**100%**	**313 183,495**	**100%**	**255 449,739**	**100%**	**232 813,716**	**100%**	**191 459 039**	**100%**

THE IMPERATIVE FOR A 90%+ COLLECTION RATE

R thousands	2024	2023	2022	2021	2020
Organs of State	18 637 392	17 602 317	17 076 342 703	16 682 417 202	14 787 519
Commercial	67 800 293	59 774 927	51 055 207 767	43 157 696 915	36 770 469
Households	247 410 263	230 538 124	181 845 065 381	168 950 571 796	133 863 567
Other	6 067 687	5 268 127	5 473 124 100	4 023 032 050	6 037 482
TOTAL	**339 915 635**	**313 183 495**	**255 449 739 951**	**232 813 717 963**	**191 459 037**

A SALGA PERSPECTIVE ON CHALLENGES

SALGA undertook a study on the municipal debt situation in the country,

- Study undertook a comprehensive case study - diagnosis of debt situation in six (6) poorly and well performing municipalities
- Literature & secondary data analysis confirmed inability and unwillingness to pay as key drivers of high consumer debt
  - Breakdown of processes in revenue management value chain
  - Challenges around institutional configuration of local government system
    - Inability to cut electricity for debt owing on other services in Eskom areas & Other legal process on recourse
    - Districts do not have electricity function
    - Many rural municipalities only collect refuse or property rates
  - Capacity issues in smaller rural municipalities and the cost of collection
  - Some municipalities had a good handle on debt management (basic strategies implemented (Overstrand and Steve Tshwete)

OTHER STUBBORN / COMMON CHALLENGES IN REVENUE ADMIN..

- Inaccurate or outdated customer data
- Political pressure to avoid unpopular credit control actions.
- Refusal to pay versus Inability to pay
- Loss of trust and legitimacy
- Unrealistic municipal budgets.

PROVEN STRATEGIES FOR ACHIEVING HIGH COLLECTION RATES

- Accurate billing is non-negotiable
- Transparent & consistent policies application essential
- Political will & administrative alignment
- Skilled, technically capable workforce

PROVEN STRATEGIES FOR ACHIEVING HIGH COLLECTION RATES…..

- Easy payment methods / options
- Proactive communication & education
- Fair & accessible indigent support
- Responsive customer care – customer is king attitude

2. Customer Centric Approach

EFFECTIVE PRACTICES FOR ACHIEVING HIGH COLLECTION RATE

Data management

Accurate Meter Reading

Timely & Accurate Billing

Efficient Cash & Receipt Management

Proactive Credit Control

Continuous Monitoring & Reporting

The revenue journey is a cycle, not a single event. Each step must be optimized.

THE ROLE OF TECHNOLOGY & DATA ANALYTICS: "LAQHASHA PLAYBOOK"

SARS STRATEGY	MUNICIPAL APPLICATION
Unified Digital Platform (eFiling)	A single, user-friendly online portal for viewing bills, making payments, logging queries, and applying for indigent support.
Leveraging Third-Party Data	Using data from Deeds Office, utility companies, and credit bureaus to validate property ownership and identify new revenue opportunities.
AI & Data Analytics	Analyzing payment patterns to predict non-payment, identify fraud (e.g., electricity theft), and segment debtors for targeted interventions.
Automated Communication	Using automated SMS, email, and app notifications as payment reminders and for credit control escalations.
Risk-Based Audits	Focusing audit and enforcement resources on high-value, high-risk accounts to maximize impact.

CENTRALISED COLLECTION AGENCY?

Country	Model	Benefits
USA	– Government managed center	– In Cleveland, Michigan, Ohio, California, Colorado and Louisiana: • debt collection increased by up to 45%, standardized collection processes, (CGI, 2016)
FYR Macedonia	– Government managed center	– Up to 75% of smaller municipalities participated. – Tax collection increased by up to 60 percent (UNDP, 2011)
Peru, Ecuador and Guatemala	– Private Collection Agency Outsourcing (SARA)	– Overall performance of revenue collection improved, – Overall and per principal tax ratios improved, – Tax productivity indicators improved (Mann, 2004).
Tanzania	– Private Collection Agency Outsourcing	– Improved planning and budgeting processes, – Staff were freed up to focus on other issues, – Government periodically received specified amount of revenue from the Agency, Fjeldstad et al. (2009).
Rwanda	– Government managed center (Rwanda Revenue Authority)	– Substantial increases of local revenue collection was noted, – Efficiency improved in administration, – Reliable databases where created

OVERCOMING COMMON CHALLENGES IN REVENUE ADMIN..

- Inaccurate or outdated customer data
- Political pressure to avoid unpopular credit control actions.
- Refusal to pay versus Inability to pay
- Loss of trust and legitimacy
- Unrealistic municipal budgets.

VIRTOUS CYCLE - REVENUE EXCELLENCE SUPPORTS SERVICE DELIVERY

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High collection rates are the engine of service delivery.

Increased Revenue Inflow → Predictable Cash Flow

- Allows for realistic, better financial planning and budgeting.

Predictable Cash Flow → Ability to Pay for Bulk Services & Maintain Infrastructure

- Ensures consistent water and electricity supply.
- Funds repairs and maintenance, preventing costly breakdowns.

Reliable Services & Infrastructure → Improved Public Trust & Willingness to Pay

- Citizens see the tangible results of their payments.

Improved Public Trust → Higher Collection Rates

- This creates a self-reinforcing cycle of improvement and sustainability

CONCLUSION & KEY TAKEAWAYS

- Go Back to Basics
- Embrace a Customer-Centric Mindset
- Leverage technology (AI) - to drive decisions and improve efficiency.
- Build the Virtuous Cycle
- Lead with Courage
- Learn from local and international best practices
- A co-operative governance approach towards debt management

Achieving a 90%+ collection rate is not an administrative task; it is a core leadership function and the key to a sustainable municipal future.


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Thank you
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Dankie
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