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PROJECT NAME: REQUEST FOR PROPOSAL FOR THE THE STATE OF CITY FINANCES 2027 CHAPTER 4: THE METRO TRADING SERVICES REFORM PROGRAMME

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DATE: 16 NOVEMBER 2026

CLOSING DATE AND TIME: 04 DECEMBER 2026 AT 17H00\

NO BRIEFING SESSION

Directors: Ms Yolisa Kani (Board Chairperson and Non-Executive), Ms Nontando Ngamlana (Non-Executive), Dr Gary Paul (Non-Executive), Ms Siobhain O'Mahony (Non-Executive), Ms Nosipho Hlatshwayo (CEO SACN) and Ms Yolisa Dambuza (Executive)

SACN Council Chairperson: Cllr. Xola Pakati

Company Registration Number: 2002/031754/08 / **Non-Profit Organisation Number:** 032-488-NPO

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About SACN

The South African Cities Network (SACN) was established in 2002 by the Minister for Provincial and Local Government, in collaboration with the mayors of South Africa's largest cities and the South African Local Government Association (SALGA), as an independent Section 21 company with the mandate to:

- Promote good governance and management in South African cities;
- Analyse strategic challenges facing South African cities, particularly in the context of global economic integration and national development challenges;
- Collect, collate, analyse, assess, disseminate, and apply the experience of large city government in a South African context; and
- Promote shared-learning partnerships between different spheres of Government to support the management of South African cities.

The work of the SACN aims to assist and guide cities to become effective drivers of local and national development within a context where the rapid growth of city populations requires increased service delivery and improved city management. Finances and the management thereof is fundamentally important in enabling the city to perform its functions effectively.

Background

SACN conducts research on the state of participating cities' finances to determine their general wellbeing and assess their ability to deliver on developmental mandates.

The State of City Finances reports on the finances of the nine largest cities in South Africa: Johannesburg, Cape Town, eThekwini, Ekurhuleni, Tshwane, Nelson Mandela Bay, Buffalo City, Mangaung and Msunduzi.

The State of City Finances report was first produced in 2007 and was published biennially between 2011 and 2022.

The objectives of the State of City Finances 2027 (SoCF 2027) are to:

- Conduct a longitudinal analysis of the state of big city finances between 2021/2 and 2025/26;
- Assess and explain the state of financial management in the cities;
- Identify key issues of concern both for cities and key stakeholders (e.g. policies and reforms) to enable them to fulfil their developmental role.

The theme for SoCF 2027 is financial sustainability, at a time when the spotlight is on the perilous finances of many municipalities and their failure to consistently deliver basic services to communities. This theme provides a golden thread linking the chapters, which will analyse financial performance and financial management, and the reforms introduced to improve trading services, viewed against the prescripts of the Municipal Finance Management Act, the primary purpose of which is to ensure sound and sustainable management of the fiscal and financial affairs of municipalities and municipal entities.

Scope of Work

City revenue has two components: own revenue, which cities collect from service charges and tariffs, and property rates levied on residents; and transfers from the national fiscus, in the form of the Local Government Equitable Share, operating grants and conditional grants (mostly for capital expenditure).

The two pillars of municipal revenue are service charges from electricity and water and contributed on average 34% of revenue in metros in 2020/21.[1] By the same token bulk purchases, i.e. the electricity and

[1] SACN. 2022. State of City Finances. Johannesburg: SACN.

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water that cities purchase from Eskom and the water boards to sell on to customers are one of the main components of operating expenditure.

The revenue model of cities is predicated on their ability to recoup the costs of providing basic services. Therefore, for the city financial model to be sustainable:

- City expenditures to provide services should not exceed their ability to recoup those costs, and
- City revenues should cover the ability of cities to provide basic services to all residents.

Electricity and water trading services historically generated the operating margins required to cross-subsidise the consumption of water and electricity by poorer households and in addition fund municipal administration and governance.[2]

For some time the city financial model has been under pressure for a number of reasons, including:

- Increases in bulk purchase costs have reduced the margin on sales of electricity by cities[3]
- Lack of bulk infrastructure maintenance and theft has led to increasing levels of non-revenue water and non-revenue electricity, respectively[4]

The basic mandate of municipalities – to deliver electricity and water – has come increasingly under threat, resulting in the National Treasury introducing a package of reforms designed to stabilise metro trading services and improve municipal finances.

The chapter should:

- Provide the narrative context for why the trading services reforms were necessary, including the fiscal impact of energy transitions on city revenue: Small-Scale Embedded Generation (SSEG), electricity wheeling, independent power procurement, and commercial customer defection.
- Provide an overview of the main components of the reforms:
    - Institutional ring-fencing and business unit governance
    - Financial ring-fencing and revenue protection
    - Incentive-based performance framework
    - Service-specific operational and technical metrics
    - Private sector and blended finance mobilisation
- Address:
    - The structural separation and ring-fencing of utility services to establish distinct, commercially viable business operations with cost-reflective tariffs and dedicated maintenance budgets.
    - The provisions for Water Services Authority (WSA) versus Water Services Provider (WSP) institutional realignments, addressing bulk water debt, non-revenue water reduction, and private sector participation (PSP) modalities.
    - The legal and operational application of basic service surcharges under the Municipal Fiscal Powers and Functions Act (MFPFA) to secure sustainable own-revenue streams.

Deliverables

The required output is a chapter of the State of City Finances report titled “The Metro Trading Services Reform Programme” consisting of:

- A narrative of between 10,000 and 12,000 words in length, written to high professional standard;

[2] Ibid.
[3] Ibid.
[4] Ibid.

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- Data and supporting documents on which the analysis is based. The raw data, the statistical analysis and data stories emerging from the analysis are all to be uploaded to SCODA;
- The chapter will be expected to comply with SACN's Standard Authors' Guide and Data Guide; and
- The chapter is expected to meet the professional standards of SACN reporting.

Prior to the commencement of work, the successful service provider will be expected to:

- Initiate a project inception meeting with the SACN project team.
- Produce an inception report, within 21 calendar days of appointment. The inception report should include the following:
    - Staff, experience, and work responsibilities
    - A refined project plan including timeframes and milestones linked to payment schedules
    - Methodology, including:
        - Research design
        - Draft instrument(s)
        - Approach to gathering and validating data
        - Approach to documenting and reporting results
        - Quality control

Methodology

The analysis and narrative should be based on credible research and reliable data. Researchers should use budget and expenditure data from the National Treasury Local Government Database and Reporting System: Municipal Finance Data (municipaldata.treasury.gov.za) and GoMuni/LG Portal (lg.treasury.gov.za).

It is expected that the research will involve primary and secondary data analysis, document analysis, case studies, modeling, key informant interviews, and consulting expert opinion. The research must be explicit in citing evidence, and identifying any assumptions, speculations or uncertainties. As some sections of the report are meant to reflect local government perspectives and point of view, it is important that as far as possible these are actively sought and obtained through ethical research methods.

Time-scale

This project is anticipated to be undertaken over a six (6) month period commencing mid-January 2022 and concluding mid-June 2022. The exact timing will be finalised upon contract signature.

Expertise Required

Applications from interested individuals must provide evidence of the technical capacity to undertake this exercise. This includes capacity to deliver the results in the timeframe provided, as well as some indication of prior experience in undertaking similar projects. Individuals' CVs must be included, as well as a description of any further resources that may be required. Required skills / qualifications include the following:

- College or University degree in Urban Economics, Urban Development/Planning, Economics, Labour Economics, Development Economics, International Development or other relevant fields;
- A minimum of five to ten years of relevant experience in the urban economics, job creation or related field is advantagous.
- Experience in project management is required
- Excellent computer literacy, including research and report writing skills;

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- Personal commitment to pro-poor development, efficiency and flexibility, teamwork spirit with the ability to work independently or under minimum supervision; and
- Excellent communication, written and verbal skills.

Criteria for Selection

Bids will be adjudicated on relative value for money gauged against the following criteria:

- Proposal and methodology quality: 30%
- Value for Money: 30%
- Qualification, track record & references of personnel that will work on the project: 20%
- Diversity & level of ownership and project involvement of Previously Disadvantaged Individuals (bidders to provide BBBEE certificates where applicable): 20%

Resources & Costing

The cost proposal submitted should include:

- An indicative costing approach (roles and cost elements) to the above brief as well as costing rates to be applied (hourly rates).
- Bidders are encouraged to be competitive in their pricing and demonstrate innovative approaches to enable value for money and affordability.
- All project meetings will either be held in Johannesburg or conducted through virtual platforms.

Submissions & Enquiries

Individuals should submit a detailed technical and financial proposal. The technical proposal is expected to be clear and concise and should be a maximum of 10 pages. It should include:

- Methodology: the approach to be implemented in conducting this exercise;
- Timeline: a detailed timeline for executing all project activities;
- Risk management: a comprehensive list of anticipated project risks and contingency plans;
- Skills and qualifications: evidence of technical capacity to undertake this study highlighting examples of similar work previously undertaken;
- Name and qualifications of individuals responsible (i) for overseeing the work; (ii) for undertaking the work (if different);
- Financial proposal: detailing costing, broken down by professional fees and expenses.

Any enquiries regarding the briefing session as well as the submission of proposals should be sent by email to Mr. Jabulani Sandleni jabulani@sacities.net.

For any technical enquiries please contact Mr. Danga Mughogho danga@sacities.net.

The deadline for the submission of proposals is by close of business on 04 December 2026 at 17H00.

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SACN reserves the right not to award this contract, or to renegotiate its terms, subject to circumstances and adequacy of submissions. The selection will be based on the strength and quality of the application, and demonstrable knowledge of municipal finance and governance. Collaboration between researchers, practitioners and/or service providers is encouraged.

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