

Assessment of the Viability of Municipalities in Gauteng and North West Provinces

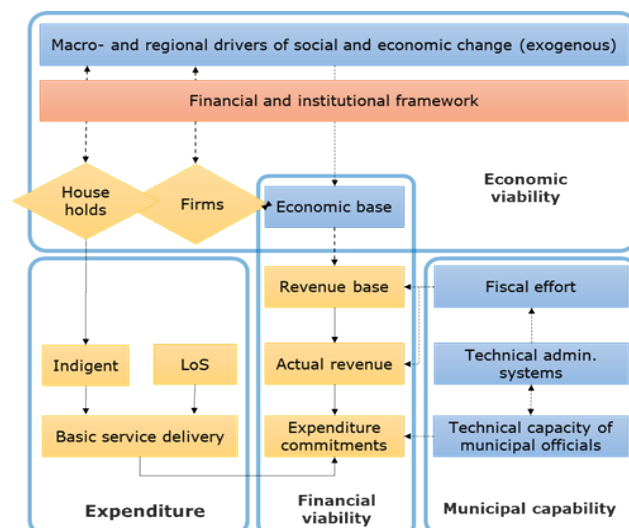


The question of municipal viability is presently at the centre of the policy debate about local government performance failures. Many South African municipalities are failing to deliver on their constitutional mandate within the parameters established by the current fiscal framework, as evidenced by poor service delivery, accumulating bad debt, unrealistic and unfunded budgets, financial distress and weak fiscal effort. National Treasury wants to expand the debate on viability beyond grant allocations and municipal boundaries, to include all factors relevant to a determination as to whether a municipality could sustain itself given its locational assets and capability.

PDG was commissioned by National Treasury (and funded by the African Development Bank) to develop a diagnostic tool to profile municipalities and assess municipal viability, and to apply this tool to all local municipalities in the North West and Gauteng province.

The diagnostic tool drew from a broad range of readily available municipal and open source data to analyse each municipality's economic viability, expenditure demands, financial viability and municipal viability. These include, inter alia, municipal budget data, valuation rolls, Deeds Office data, StatsSA, SARS, Global Insight, AGSA, DEA-EGIS, CSIR Geospatial Analysis Platform, and specialist land capability studies.

Areas of innovation included (a) an inferential model which estimates potential property rates revenue on the basis of statistical correlations between observed property revenues with a range of economic and geographic variables, (b) an indicator dashboard which deconstructs performance into composite indicators for financial performance, economic



viability and municipal capability, respectively, and (c) a scenario-based financial viability model which, by calculating the sensitivity of the municipal operating position to respective financial interventions, establishes whether the municipality is (1) viable, (2) viable but underspending, (3) viable with efficiencies and (4) not viable.

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NVIA PROJECT:

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