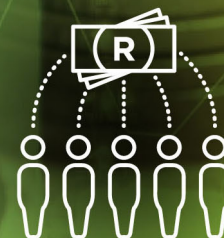


Reclassifying districts in the Western Cape

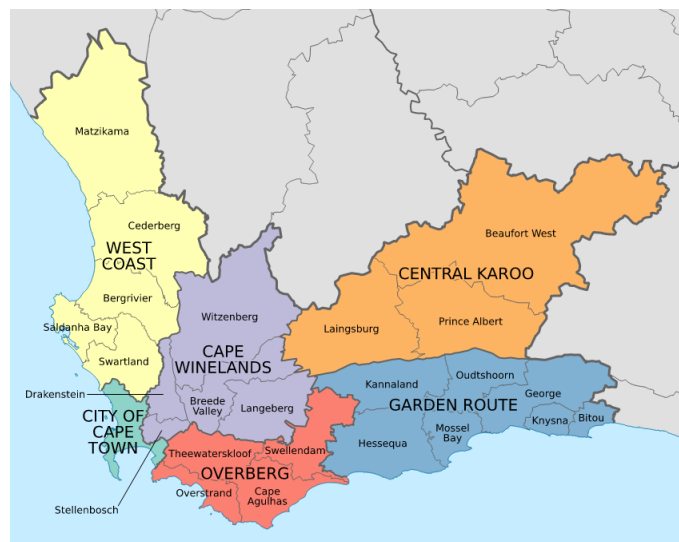


The role of district municipalities in South Africa has been the subject of much debate and research over the past decade or more, with the financial sustainability of districts being a key concern. Against this background, the Western Cape Provincial Treasury commissioned PDG to conduct research into the processes required to enable the reclassification of C1 municipalities to C2s, as well as the implications of this, and to make recommendations to the province about whether to pursue this change in authorisation.

The study applied a set of criteria to determine whether a change in authorisation from C1 to C2 should be considered for district municipalities in the Western Cape. On balance, little net benefit to a change in authorisation was found for the province. In particular, analysis found that the negative financial impact of a change in authorisation on the local municipalities would not be balanced by a positive financial impact on the districts. As a result, a change in authorisation negatively impacts the financial viability of the local government system as a whole in the province.

This finding is specific to the Western Cape and is influenced by assumptions around impacts on governance and administration expenditures and water services expenditure efficiencies in particular. On balance, little benefit to a change in authorisation was found.

The study was well received by both the province and district municipalities themselves. Together, province and the districts in the Western Cape are continuing to explore alternative mechanisms to improve the financial sustainability of districts going forward



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WCRD PROJECT:

Project Profile: Reclassifying district municipalities in the Western Cape

Client: WC: Department of Local Government

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