

# Municipalities' financial management at risk says GCR

The high number of vacancies or instability at a senior management level within some of South Africa's municipalities poses a risk to the financial and operational management of those municipalities, Global Credit Ratings (GCR) head analyst for the municipal sector Marc Joffe said on Wednesday (14 November).

Joffe said he expected operational and financial challenges facing South African municipalities to persist in future despite the notable progress in the roll-out of basic services and infrastructural developments.

The challenges were worsened by increasing population levels and urbanisation, specifically in metropolitan areas and secondary cities.

Official figures showed that economic hubs such as Gauteng saw an increase in inhabitants over the past few years. Gauteng is South Africa's most populous province - home to almost a quarter (12.3m) of the 52m people living in the country.

"These challenges have been aggravated of late by ongoing concerns facing the country, particularly surrounding economic policies, a rise in the number and intensity of annual wage negotiations and a sustained high unemployment rate," Joffe said.

Joffe noted that as a result of the recent downgrade of South Africa's sovereign debt rating, the financial flexibility of government was negatively effected and likely to lead to potential ramifications for the municipal sector. This because a notable portion of local government funding is sourced from national and provincial government transfers.

"The challenging economic environment, compounded by above inflationary tariff increases being implemented across a number of municipal services (such as electricity) has placed increasing pressure on consumer affordability," Joffe said.