**NATIONAL ASSEMBLY**

**QUESTION FOR WRITTEN REPLY**

**QUESTION NUMBER: 871 [NW950E]**

**DATE OF PUBLICATION: 23 MARCH 2018**

**871. Mr K J Mileham (DA) to ask the Minister of Finance:**

(1) (a) Which municipalities (i) adopted unfunded budgets and (ii) are unable to meet their financial commitments for the current financial year and (b) which of the specified municipalities have adopted financial recovery plans drafted by the Municipal Financial Recovery Service;

(2) whether he will encourage the relevant provincial executive to intervene in the specified municipalities in terms of section 139(5) of the Constitution of the Republic of South Africa, 1996; if not, why not; if so, what are the relevant details?

NW950E

**REPLY:**

1(a)The list of municipalities with unfunded budgets are summarised in Annexure A below.

1(a) (ii) The municipal financial information presented in the MFMA section 71 reports for the 2nd quarter ended 31st December 2017 was used to establish which municipalities are potentially unable to honour their financial commitments. When matching the “cash and cash equivalents” for this period against the “total creditors” for the same period, it showed that municipalities with unfunded budgets are not able to pay their total creditors within the prescribed thirty-day period.

1(b) The development and adoption of financial recovery plans is the primary responsibility of a municipality facing financial challenges as legislated in Chapter 13 of the MFMA; and this provides for the municipality to request support for the development of a financial recovery plan from Provinces and National Treasury. Where such requests are received from municipalities the financial recovery plan is developed by National Treasury in consultation with the relevant Provincial Treasury and the municipality. The list of municipalities that currently have approved financial recovery plans as well as those that have requested support is presented in Annexure A. There are 14 municipalities among the 112 that adopted unfunded budgets with approved financial recovery plans; this means that, in spite of the financial recovery plan having been adopted, the municipal budget is still unfunded. Financial recovery plans are mostly prevalent in the North West, Limpopo and Northern Cape.

2. Yes, the Minister of Finance will consult with the Minister of Cooperative Governance and Traditional Affairs for support of appropriate interventions at municipalities that continue to adopt unfunded budgets. The Minister of Finance will consider strengthening measures to ensure the adoption of funded budgets by municipalities and to provide specific intervention measures to enforce such measures.

In terms of the role of the provincial executive and the present legal framework for municipal intervention, the intervention process is addressed in terms of section 139 of the Constitution of the Republic of South Africa. This provides for a process, including the provincial executive role when performing its oversight and obligations with respect to municipalities. The Honourable member must note that the existing municipal intervention legal framework for the Province to issue a directive to the municipality in terms of section 139(1)(a), this is followed by a step by step process, including support in terms of section 154 of the Constitution. Moreover, MFMA section 136, 137 and 139 requires the provincial executive to undertake certain discretionary and mandatory actions to address the situation, failing which the National Treasury upon request from a municipality and province will develop a financial recovery plan for a municipality.

The intervention in terms of section 139(5) of the Constitution raised by the Honourable Member, is in fact the prerogative of the Provincial Executive to decide and resolve. The Minister of Finance can request a province to intervene in specific municipalities as part of the process in implementing the MFMA. In terms of section 150 of the MFMA the National Executive may intervene instead of Provincial Executive if the condition of section 139(5) are met and the province has failed to do so.





