

## **PRESS RELEASE**

**For immediate release**

**Attention: News Editor**

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### **World Bank deal negotiated to support new municipalities**

National Government is going ahead with negotiations to finalise a major budget and financial management capacity-building programme for local government. This programme will allow municipalities to tap international expertise to build their budgeting and financial management capacity.

After a series of informal negotiations, national government will be meeting with the World Bank this month to finalise how it can facilitate this programme. The South African Local Government Association (SALGA) has been invited to assist national government in this regard. The National Treasury will lead the national government delegation. The Department of Provincial and Local Government has also been invited to participate in the negotiations.

The agreement with the World Bank, which will probably take the form of a small technical assistance loan, not exceeding \$20 million over the next three years, is being carefully crafted to position municipalities to optimise their potential in implementing three year budget frameworks, improved financial reporting systems and to shape their capacity with regard to service delivery. It will assist municipalities to implement the coming Municipal Finance Management Bill when it takes effect later next year.

The core issue is not of finance, but of access to international policy and implementation expertise. The present system of municipal budgeting and financial management is outdated and a great cause for concern. This system undermines efforts to speed up service delivery, attract investment from the private sector and facilitate the overall transformation of municipalities. This technical assistance will entail access to global experience and knowledge provision of municipal budget and financial management specialists to provide long term advisory support to municipalities.

Once the technical negotiations are completed, the Minister of Finance will make a final decision on whether to proceed with the proposed arrangement.

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