NATIONAL ASSEMBLY

QUESTION FOR ORAL REPLY

QUESTION NUMBER 21

DATE OF PUBLICATION: 15 MAY 2006

DUE TO PARLIAMENT: 23 MAY 2006

MR T D LEE (DA) TO ASK THE MINISTER OF FINANCE:

(1) Whether, in order for municipalities to meet the obligations contained in city agreements signed with Fifa regarding the hosting of the 2010 Soccer World Cup tournament, any provisions of the Local Government: Municipal Finance Management Act, Act 56 of 2003, will be waived with regard to (a) entering into contracts with longer term expenditure implications and (b) approving tenders outside of the normal supply chain management policy of the municipality; if not, how will municipalities be able to meet the Fifa requirements; if so, what are the relevant details;

(2) whether any municipalities have approached him seeking clarity on such matters; if not, in respect of which date is this information given; if so, (a) which municipalities and (b) what was his response;

(3) whether he has held discussions with any of his provincial counterparts in this regard; if not, why not; if so, what are the relevant details? ***N513E***

REPLY:

(1) (a) Each Host City has entered into, what is referred to as a Host City Agreement, with the Local Organising Committee (LOC). The Host City shall ensure that it co-operates with FIFA, the LOC and the relevant stadium authorities, and has to provide all requested assistance and support in matters which relate to the conduct of the competition, and the operation and running of the stadia and training grounds, with particular emphasis on match days.

To ensure that Host Cities meet their obligations they may have to enter into contracts with longer-term expenditure implications. The current Municipal Finance Management Act, 2003 and Municipal Supply Chain Management Regulations (Gazette No 27636), procurement procedures will apply. At this stage, the National Treasury's position is not to give exemptions to any particular organization. Should there be any amendments required to legislative prescripts for 2010, Host Cities will be notified.

(b) The municipality should be in a position to meet the FIFA requirements using the current Municipal Supply Chain Management Regulations.
Therefore, the municipality should not approve tenders outside the normal supply chain management policy of the municipality.

The Municipal Supply Chain Management Regulations require that a supply chain management policy specify that goods or services above a transaction value of R 200 000 (VAT included) and long term contracts may be procured by the municipality or municipal entity only through a competitive bidding process and that no requirement for goods and services above an estimated transaction value of R 200 000 (VAT included), may deliberately be split into parts or items of lesser value merely for the sake of procuring the goods or services otherwise than through a competitive bidding process.

The municipal supply chain management policy may allow a two stage bidding process for:

- Large complex projects;
- Projects where it may be undesirable to prepare complete detailed technical specifications; or
- Long-term projects with a duration exceeding three years.

There are two stages that should be followed. Firstly, technical proposals on conceptual design or performance specifications should be invited, subject to technical as well as commercial clarifications and adjustments. Secondly, final technical proposals and priced bids should be invited.

(2) To date no requests from municipalities have been received to waive Municipal Supply Chain Management Regulations. The City of Cape Town, on 24 April 2006, approached me seeking clarity on such matters. In accordance to the current Municipal Finance Management Act, 2003, and Municipal Supply Chain Management Regulations procurement procedures will apply.

(3) The National Treasury delivered a presentation on the 2010 World Cup to the Technical Committee on Finance on 6 April 2006. The presentation outlined the delivery model for the 2010 FIFA World Cup and how the Provincial Departments of Transport, Health and Tourism should interact with their respective National Departments to ensure that the guarantees signed by the National Departments in favour of FIFA will be implemented.

NATIONAL ASSEMBLY

QUESTION FOR WRITTEN REPLY

QUESTIONS NUMBER 474

DATE OF PUBLICATION: 19 MAY 2006

DUE TO PARLIAMENT: 1 JUNE 2006

MR I O DAVIDSON (DA) TO ASK THE MINISTER OF FINANCE:

Whether any municipalities did not receive their portion of the equitable share timeously due to the late or non-submission of their financial statements; if so, (a) which municipalities, (b) what was the reason for the late or non-submission and (c) what was the total amount withheld? ***N558E***

REPLY:

(a) The honourable member's question is a bit vague as it does not specify a reference period. One therefore has to assume that he is referring to the equitable share installments for the 2005/06 financial year.

To date, no municipality's equitable share has been delayed or withheld.

May I draw the honourable member's attention to the fact the local government equitable share is administered by the Department of Provincial and Local Government (dplg). Therefore that Department is best placed to answer questions in this regard.

In light of the above response (b) and (c) fall away.

NATIONAL ASSEMBLY

QUESTION FOR WRITTEN REPLY

QUESTION NUMBER 476

DATE OF PUBLICATION: 19 MAY 2006

DUE TO PARLIAMENT: 1 JUNE 2006

MR I O DAVIDSON (DA) TO ASK THE MINISTER OF FINANCE:

Whether the National Treasury has received any provincial tax proposals to review in terms of the Provincial Tax Regulation Process Act, Act 53 of 2001, if so, (a) from which provinces and (b) what is the nature of the proposals? ***N560E***

REPLY:

(a) Yes, to date the National Treasury has received one tax proposal in terms of the Provincial Tax Regulation Process Act, Act 53 of 2001 from the Western Cape provincial government.

(b) The province proposes the introduction of a provincial fuel levy on diesel and petrol. This proposal is now subject to the process outlined in the Act, before any final decision can be made.

NATIONAL ASSEMBLY

QUESTION FOR WRITTEN REPLY

QUESTION NUMBER 569

DATE OF PUBLICATION: 2 JUNE 2006

DUE TO PARLIAMENT: 15 JUNE 2006

DR S M VAN DYK (DA) TO ASK THE MINISTER OF FINANCE:

(1) With reference to National Treasury's strategic plan for 2005-08 to take steps in creating capacity in order to enable municipalities to recover revenue, what does "creating capacity" entail;

(2) whether National Treasury is planning to introduce better recovery programmes for the recovery of service fees owed to municipalities; if so, what will such programmes entail;

(3) whether National Treasury is of the opinion that supplementary payments to local government's legitimate income alone will straighten out the service delivery of municipalities that do not function properly; if not, how long does National Treasury envisage supporting such municipalities financially; if so,

(4) whether this means that effective municipal management will be disregarded; if not, what is the position in this regard; if so, what are the relevant details? ***N702E***

REPLY:

(1) The capacity support that National Treasury has provided to municipalities thus far encompasses the following:

a. Providing guidance and information in the form of circulars and guideline documents.
b. Allocating funds under the umbrella of the Financial Management Grant administered by the Treasury.
c. The funds referred to in (b) are used to fund building of technical capacity in the area of finance and financial management which

includes hiring of finance, accounting and economics graduates as interns. So far about 500 interns have been employed under this programme.

d. Further Treasury has mobilized and deployed 22 international advisors to selected municipalities. These advisors are experts in the fields of finance and financial management.

The Honourable member would notice that the National Treasury takes a holistic approach to financial management rather than a single component such as revenue recovery.

(2) This should be best addressed to and answered by the mayors, councils and officials of municipalities, as envisaged by sections 63 and 66 of the MFMA. However, for national government's the MFMA provides an enabling legal framework in this regard.

Furthermore, national government is in the process of implementing Project Consolidate in 136 targeted municipalities to assist and support them to, amongst others:-

- improve their administrations,
- build institutional capacity,
- implement revenue enhancement strategies,
- improve their systems so that they can function effectively and provide required basic municipal services. Again, the scope of this programme goes beyond only recovery of service fees.

(3) The Honourable member should note that through the policy and budget reforms introduced nationally, since 2001, we have allocated equitable shares and conditional grants to municipalities to support implementation of programmes. These reforms also entail a detailed explanation of policy reforms, shifts, changes etc, and are implemented through the Division of Revenue Act. The gazetting of three-year allocations to national and provincial departments and municipalities ensure that municipalities' share of nationally raised revenues is predictable and certain. As part of the reform initiatives, provincial departments and district municipalities transfer funds to local municipalities and are required to also publish medium term allocations.

On the basis of this, there are no other supplementary payments that are made to local government.

(4) In keeping with our strategy to build capacity over the medium term, the reforms contained in the MFMA have been introduced in a phased manner and will be implemented over the next 5 to 10 years. It is envisaged that the focus will shift from awareness raising to implementation of critical aspects of the legislation, followed by full implementation and compliance monitoring over this period.

NATIONAL ASSEMBLY

QUESTION FOR WRITTEN REPLY

QUESTION NUMBER 714

DATE OF PUBLICATION: 19 JUNE 2006

DUE TO PARLIAMENT: 30 JUNE 2006

MR I O DAVIDSON (DA) TO ASK THE MINISTER OF FINANCE:

Whether, in light of the stated intention to revise the equitable share formula as a result of the abolishment of the regional services council levies (Estimates of the National Expenditure, Vote 8, page 3), the National Treasury will no longer seek to replace the RSC levy with another form of taxation; if not, why not; if so, what are the relevant details? ***N886E***

REPLY:

No, a decision in this regard has not yet been finalised. The National Treasury is in the process of exploring different options to replace RSC levies. A discussion document released in December 2005 elaborates in detail the various options that could be explored as replacement options for the RSC levies.

Funds have been made available in the 2006 Budget (for the 2006/07 to 2008/09 financial years) as part of the local government equitable share to compensate municipalities for lost revenue as a result of the scrapping of the RSC levy, whilst options to replace the levy with an alternative tax or revenue sharing mechanism are being considered. Given the complexity of the issue at hand we should allow for proper debate and consultation.

The review of the local government equitable share formula will be conducted within the broader review of the local government fiscal framework (which includes the abolishment of RSC levies) which seeks to ensure the optimal funding of the local government sphere.

NATIONAL ASSEMBLY

QUESTION FOR WRITTEN REPLY

QUESTION NUMBER 727

DATE OF PUBLICATION: 23 JUNE 2006

MR I O DAVIDSON (DA) TO ASK THE MINISTER OF FINANCE:

Whether, with reference to the Intergovernmental Relations subprogramme in Programme 2 of Vote 8 of the Estimates of Expenditure 2006, the National Treasury have provided all provinces with guidelines with regard to provincial infrastructure plans; if not, why not; if so, (a) how does the National Treasury monitor the implementation of these guidelines, (b) to what extent have such guidelines been implemented, (c) how many technical assistants have been appointed to assist provincial departments to prepare such plans, (d) which provinces have received such assistants and (e) what is the timeline for the appointment of the remaining assistants? ***N900E***

REPLY:

(a) National Treasury receives plans from provinces that have to be prepared in accordance with the guidelines that it prescribes. If the plans do not meet the standards and are not in accordance with the formats and other prescripts contained in the guidelines the National Treasury would be able to determine this from the plans. Further, provinces have to submit reports on a quarterly basis on spending on infrastructure projects; this presents the second opportunity to test plans more concretely.

(b) The guidelines are being implemented in their entirety, with priority placed on compliance by education departments. Subsequent phases will focus on public works and health departments in the provinces. Departments get furnished with simplified templates which make it easy for them to implement the guidelines. While in a number of cases it has proved difficult for some provincial departments to comply with the guidelines and the reporting requirements pertaining to infrastructure, with the support initiatives that are under way most provincial departments are making progress with improving the quality of their plans and reports.

(c) & (d)

For the first (pilot) phase 13 technical assistants were appointed; nine in all provincial education departments (July 2004 to Jan 2006); two in provincial health departments of Limpopo and Free State (July 2004 to Oct 2005) and two in the provincial roads department of KZN and Eastern Cape (July 2004 to Oct 2005). The second phase with duration of 3 years starting from July 2006 will cover all education and public works departments (that is, 18 TAs). There will also be additional short term TAs with specialist organisational design skill sets who will be available on a 50% basis in each province.

(e) The full roll-out into the provincial departments of health will commence in 2006 and it is anticipated that TAs will be appointed to all the provincial departments of health by April 2007.

NATIONAL ASSEMBLY

QUESTION FOR WRITTEN REPLY

QUESTION NUMBER 728

DATE OF PUBLICATION: 23 JUNE 2006

MR I O DAVIDSON (DA) TO ASK THE MINISTER OF FINANCE:

With reference to the Intergovernmental Relations subprogramme in Programme 2 of Vote 8 of the Estimates of Expenditure 2006, (a)(i) how many and (ii) which provinces have received support from the National Treasury in order to implement the Local Government: Municipal Finance Management Act (MFMA), Act 56 of 2003, (b) what is the nature of the support, (c)(i) how many and (ii) which high- and medium-capacity municipalities have received such support to date, (d) what are the outcomes and (e) what is the timeline for the rollout of such support in respect of the rest of the 157 high- and medium-capacity municipalities? ***N901E***

REPLY:

(a) (i) & (ii)

All provinces are provided with assistance in various forms.

Specific support is being provided through the deployment of roving technical advisors employed locally, in provinces of Free State, North West, Eastern Cape, Limpopo and Mpumalanga. These advisors are attached to and support the provincial treasuries in the roll-out of the MFMA in municipalities in the respective provinces.

Direct support has also been provided by National Treasury to a number of municipalities in all provinces through the deployment of international technical advisors.

(b)

In addition to allocating funds via the financial management grant and, direct technical support, National Treasury has since 2004, in terms of its awareness raising drive, conducted frequent meetings with the provincial treasuries and local government departments, Salga, and other stakeholders, to assist in the understanding of the prescripts and requirements of the and support to municipalities. For example, over 2000 councillors and officials attended the two day launch of the Act hosted in every province. Specific training was provided in budgeting and supply chain management reforms to all municipalities with over 1700 officials participating. High and medium capacity municipalities were introduced to the new formats on in-year reporting. A further two day workshop for all municipalities were held on internal auditing and Treasury is currently rolling out further training on preparation of financial statements. Other support measures entail visits to municipalities to address broader issues on financial management reforms.

In addition, National Treasury provides training materials, circulars and guidelines supporting the financial management reforms through its email and web-site. A repository of information and supporting materials on local government finance management including frequently asked questions and answers on the application of the MFMA is made freely available to all.

In 2006 municipalities and provincial treasuries will be provided with an interactive learning system consisting of six modules on major aspects of the MFMA reforms to be offered to all officials and councillors. This is close to finalisation and planned to be launched around August this year.

(c) (i) & (ii)

The detailed allocations to municipalities in terms of the financial management grant is available in the annual Division of Revenue Act which is tabled with the National Budget documentation. Besides the generic training mentioned above, specific technical assistance through international advisors has been provided since 2003 to selected municipalities. These municipalities cover the length and breadth of the country, across all provinces ranging from large metropolitan to small rural municipalities, consistent with the phase-in strategy.

Advisors were placed in municipalities in:
Limpopo – BaPhalaborwa(M), Tzaneen(M), Greater Sekhukhune(H) and Polokwane(H);
North West – Rustenburg(H), Klerksdorp(H), Mafikeng(L);
KwaZulu Natal – Emnambithi(H), eThekwini(H), Msunduzi(H), Ilembe(L), Newcastle(H), Uthungulu(H);
Eastern Cape – Amatole(H), Buffalo City(H), Cacadu(M), Nelson Mandela(H), O. R. Tambo(H), King Sabata(M), Lukhanji(M);
Free State – Mangaung(H), Matjhabeng(H), Maluti a Phofung(H);
Mpumalanga – Mbombela(H), Govan Mbeki(H), Steve Tshwete(H);
Western Cape – George(H), Knysna(M), Overstrand(H), Drakenstein(H);
Gauteng – Johannesburg(H), Ekurhuleni(H), Tshwane(H), Mogale City(H), Randfontein(H), Emfuleni(H);
Northern Cape – Sol Plaatje(H) and Frances Baard(M)

The priority given to high capacity municipalities reflects the size of the municipalities, their impact nationally, the earlier timelines for implementation as set out in the regulations of the MFMA and their capacity to share skills and knowledge to neighbouring municipalities.

The National Treasury also supports through funding and appropriate guidance, the employment of recently graduated finance interns to build the capacity in qualified finance related professionals in local government. Over 500 interns are currently part of this programme.

(d)

Although it maybe too early to gauge outcomes, the notable achievement has been the deeper understanding and awareness of the principles and procedures required in terms of the MFMA. For example, primary outcomes have been marked improvements in budgetary process, community consultation processes, production of budgets on time and with major improvements in their quality.
The improvement in internal processes and procedures can also be cited. A number of interns recruited since 2003 have now been appointed to vacant positions permanently in municipalities.

The foundation for enhanced finance management has been laid in many municipalities through the implementation of updated processes and procedures, including the identification of entities and long term commitments.

Long-term improvements will be further generated through the application of new standard qualification and training standards being developed by National Treasury for local government finance officials.

(e)

The timeline for continued rollout of the reforms is dependent on plans and timetables adopted by specific municipalities. The law is now applicable to these municipalities with implementation plans already developed by these high and medium capacity municipalities. Going forward, they need to gear up with additional capacity where required. The National Treasury has also spent considerable time in building the capacity of provincial treasuries to assume a more direct role in municipalities that have been delegated to them. Implementation of a reform of this magnitude in a skills constrained environment can only be phased over a period of time, and this what we are doing.

NATIONAL ASSEMBLY

QUESTION FOR WRITTEN REPLY

QUESTION NUMBER 1029

DATE OF PUBLICATION: 25 AUGUST 2006

MR E W TRENT (DA) TO ASK THE MINISTER OF FINANCE:

(1) Whether he has been informed that conditional grants were used by the Eastern Cape provincial government for purposes other than those for which they were designated in the 2004-05 and 2005-06 financial years (details furnished); if not, what is the position in this regard; if so,

(2) whether such action conforms to the requirements of the Division of Revenue Act (Dora), Act 2 of 2006, and the Public Finance Management Act, Act 1 of 1999; if not,

(3) whether he intends taking any action against those responsible; if not, why not; if so, what action;

(4) whether he intends introducing any measures aimed at ensuring that conditional grants are used only for the purposes for which they were designated; if not, why not; if so, what measures;

(5) whether any other provinces have used conditional grants for purposes other than those for which they were allocated; if so, (a) which provinces and (b) for what purposes were they used? ***N1310E***

REPLY:

(1) No. I was not informed about the decision as the Eastern Cape did not use their conditional grant fund for purposes for which they were not intended or in the manner in which the Honourable Member seems to imply.

(2) Up to the end of the 2004/05 financial year neither the DoRA nor the PFMA made explicit provision for the rollovers of unspent conditional grant funds. Therefore the supposed breach could not have occurred.

(3) No, because no violation of the law occurred.

(4) No, as this is adequately catered for in both the DoRA (See Section 24 (3) of the DoRA), 2006 and the PFMA.

(5) Not to the knowledge of the Treasury. If we were to come to the conclusion that this matter is becoming a common occurrence we would consider approaching parliament to legislate against it.