

**NATIONAL ASSEMBLY**

**QUESTION FOR WRITTEN REPLY**

**QUESTION NUMBER 1889**

**DATE OF PUBLICATION: 03 NOVEMBER 2009**

**Mr M Swart (DA) to ask the Minister of Finance:**

How many municipalities use and apply the funds transferred to them by national and provincial government for the intended purpose and not for day-to-day operations of the municipality?

NW2451E

**REPLY:**

When considering the above question, it is important to distinguish between two different categories of funds that are transferred to municipalities by National Government and Provinces:

1. Local Government Equitable Share Funds

In terms of sections 214 and 227 of the Constitution, nationally collected revenues must be divided between national, provincial and local government according to the criteria set out in section 214(b) of the Constitution. Local government is entitled to its 'equitable share' on the basis that the funds are transferred to it for the provision of basic services and the performance of allocated functions. This implies that municipalities may use their equitable share funds to perform any of their constitutional functions, including day-to-day operations.

2. Conditional Grant Funds

In terms of section 214(1)(c) of the Constitution, National Government may allocate funds from the national share of revenue to local government for specified purposes. These conditional grant allocations are reflected in the annual Division of Revenue Act (DORA). Detailed conditional grant frameworks which set out the purposes for these funds are published in the Government Gazette.

Certain conditional grants are specifically designed and intended to fund a specific component of the operational expenditure in a Municipality. For example, the Municipal Financial Management Grant is designed to fund the salaries of interns in the Budget and Treasury Offices of municipalities. In other instances, the conditional grants provide for a percentage (usually 5 per cent) administrative charge that the municipality may use to fund operational expenditures related to its own management of the conditional grant.

Certain provinces also make transfers to municipalities, for instance to fund basic health services or community library services. Both these types of transfers generally fund the operational expenditures related to these functions.

Accordingly, the real issue that needs to be addressed is that of funds used by municipalities for purposes other than those set out in the conditional grant frameworks published in terms of DORA. The National Treasury is aware of some instances of the incorrect use of conditional grants for operational purposes. However, in terms of DORA it is the responsibility of the national department that manages the particular conditional grant to monitor the use of those funds by municipalities and ensure that expenditures are in line with the purposes of the grant.