

NATIONAL ASSEMBLY

QUESTION FOR WRITTEN REPLY

QUESTION NUMBER: 809 [NW895E]

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809. Mr J F Smalle (DA) to ask the Minister of Finance:

Whether National Treasury has provided any securities to any municipalities during the Medium-Term Expenditure Framework (MTEF) period including 2011 and 2012; if not, how was this conclusion reached; if so, in each case, (i) which municipalities, (ii) for what purpose and (iii) for what period?

NW895E

REPLY:

1. No. In terms of section 51 of the Municipal Finance Management Act (Act 56 of 2003), National Treasury has neither budgeted for nor provided securities to any municipality in the current Medium-Term Expenditure Framework (MTEF) including the 2011 and 2012 MTEF periods.
2. It is the view of National Treasury that by providing a security to any municipality, we will create an unsustainable precedent that is likely to:
 - a. place the national fiscus at serious risk;
 - b. cause municipalities to disregard their revenue raising responsibilities and ignore issues of efficiency, economy and effectiveness in their operating expenditures; and
 - c. take on over-ambitious capital programmes and sink themselves with unsustainable levels of borrowing.
3. However, section 8(5) of the 2011 Division of Revenue Act has provided an opportunity for municipalities to “pledge” future conditional grant allocations for purposes of securing a loan or any other form of financial support from a person or institution.
4. In order to exercise a right to pledge future conditional grant allocations, permission must first be sought from the National Treasury. However, approving

a request by any municipality to pledge future conditional grant allocations does not equate to providing a security for any loan taken by the municipality.

5. Guidelines on assisting municipalities with information required when submitting a request to pledge and the approval process, have been issued as part of MFMA Circular no. 51 and is also available on the website of the NT.
6. For the 2011/12 financial year, National Treasury has received eight requests from municipalities requesting permission to bridge their future allocation by securing a loan from their preferred financial institution. These municipalities are:
 - i. Umzinyathi District Municipality;
 - ii. Lesedi Local Municipality;
 - iii. Tsantsabane Local Municipality;
 - iv. Ngaka Modiri Molema District Municipality;
 - v. Thulamela Local Municipality;
 - vi. Tswelopele Local Municipality;
 - vii. Sol Plaatje Local Municipality; and
 - viii. uMgungundlovu District Municipality.
7. Of the eight submissions, only three have been approved by the National Treasury. These relate to the Ngaka Modiri Molema District Municipality, Tswelopele and Thulamela local municipalities. The other submissions are still in the process of being considered with additional supporting information requested from the municipalities concerned.