

**NATIONAL COUNCIL OF PROVINCES
QUESTION FOR WRITTEN REPLY
QUESTION NUMBER: 237 [CW322E]
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237. Mr M Chetty (KwaZulu-Natal: DA) to ask the Minister of Finance:

Whether the (a) national or (b) provincial Departments of Cooperative Governance and Traditional Affairs appealed to the National Treasury to provide support to the municipalities which were identified as being in financial distress in the (i) 2012-13, (ii) 2013-14 and (iii) 2014-15 financial years; if not, what is the position in this regard; if so, (aa) what support was provided and (bb) to which municipalities in each case?

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REPLY:

- (a) (i) No, the national (DCoG) and provincial departments of Cooperative Governance and Traditional Affairs (CoGSTAs) did not appeal to the National Treasury to provide support to the municipalities which were identified as being in financial distress for the 2012-13 financial year.
- (a) (ii) and (iii) For the 2013-14 and 2014-15 financial years, and as part of the Back to Basics (B2B) consultation processes and engagements, the National DCoG did share the list of 85 municipalities which were identified as being in financial distress based on their desktop assessment with National Treasury in September 2014. A comparison was undertaken between the list submitted by DCoG and the list of municipalities identified by National Treasury as part of the annual State of Local Government Finances report. There were differences between the two lists considering the different methodologies used. In the case of the National Treasury we used nine indicators to determine the list of municipalities in distress (86) with the focus on financial management, whereas DCoG's methodology included a wider scope of responsibilities including service delivery imperatives.

Given that the names of the municipalities differ in terms of these two approaches, the two departments have agreed to work together in determining a consolidated list and what dedicated support will be required for those municipalities that have been identified as being under financial distress.

- (aa) The following key performance areas will be monitored through the Back to Basics strategy:
- Integrated development planning
 - Service delivery
 - Community engagement
 - Financial management
 - Human resource management
 - Governance

National Treasury provides support on the financial management focus area of Back to Basics. Currently support is being provided to seventeen (17) municipalities that expressed interest in the Municipal Finance Improvement Programme (MFIP II). The programme entails the placement of technical advisors who help with capacity building in the budget and treasury office on financial management and other related matters.

Support to these municipalities covers the following areas:

- Budgeting and planning
- Revenue and cash management
- Expenditure management
- Supply chain management
- Asset management
- Institutional matters

(bb) The table below shows the seventeen municipalities currently supported through the placement of Technical Advisors. Of the seventeen (17) municipalities currently supported, ten (10) were in financial distress in 2012/12 and five (5) in 2013/14. The list of municipalities identified as being under financial distress for 2014/15 will be compiled after the end of the municipal financial year.

Province	Municipality	Financial Distressed	
		2012/13	2013/14
Eastern Cape	Alfred Nzo District Municipality	Yes	Yes
	Baviaans Local Municipality	No	No
Free State	Mantsopa Local Municipality	Yes	No
	Metsimaholo Local Municipality	Yes	Yes
	Moghaka Local Municipality	Yes	No
	Mohokare Local Municipality	Yes	No
	Setsoto Local Municipality	Yes	No
Gauteng	Midvaal Local Municipality	No	No
Limpopo	Makhado Local Municipality	Yes	No
	Polokwane Local Municipality	Yes	No
	Thulamela Local Municipality	No	No
Mpumalanga	Emakhazeni Local Municipality	No	No
Northern Cape	Kamiesberg Local Municipality	Yes	Yes
	Siyancuma Local Municipality	Yes	Yes
	Umsobomvu Local Municipality	No	Yes
Western Cape	Eden District Municipality	No	No
	Overberg District Municipality	No	No