**MEDIA STATEMENT**

**SELECT COMMITTEE ON APPROPRIATIONS HEARS THAT RESPONSES TO COVID-19 EXPOSE FLAWS IN THE LOCAL GOVERNMENT FISCAL FRAMEWORK**

**Parliament, Wednesday, 13 May 2020 –**The Select Committee on Appropriations today heard that the required responses to the Covid-19 pandemic have exposed flaws that are within the Local Government Fiscal Framework, and consideration should be made for the direct transference of provincial grants to the municipalities.

Briefing the committee on the 2020 Division of Revenue Bill, the South African Local Government Association (Salga) told the committee that the local sphere of government bears significant costs for the delivery of unfunded and underfunded mandates. All these were attributed to the delayed transfers from the provincial government.

According to Salga’s Chief Officer: Municipal Finance, Fiscal Policy and Economic Growth, Ms Khomotso Letsatsi, allocations from the provinces are not transferred on time as per the agreed payment schedule, and in many instances, service level agreements have not been signed by the provincial departments.

As Salga argues for the consideration of direct transfers to the municipalities, the National Treasury’s Director for Local Government and Budget Framework, Mr Steven Kenyon, told the committee that the direct transfer will be a violation of budget flows between the spheres of government, and that budget flow principle is legally binding. He said it can be changed only through a constitutional process.

The committee has heard that the Local Government Equitable Share (LGES) Formula needs to be revised as the current formula does not differentiate between costs across the municipalities. While Salga identified issues such as distances, topography and settlement that have a significant impact on the cost of service delivery, the committee highlighted the non-performance of municipalities, the high number of the municipalities that have been placed under administration, and said allocating more resources to such municipalities is unjustifiable.

Some members of the committee suggested that LGES be administered based on the performance of the municipality, but Mr Kenyon highlighted the limitations of that as Section 214 of the Constitution which clearly stipulates what must be done. Furthermore, Mr Kenyon told the committee that, that principle can be applied for the allocation of conditional grants.

The committee heard that the current disaster risk management directives to the local government have worsened the financial burden on the municipalities, that the disaster relief funding allocated to the local government is insufficient and is not released on time to respond to the additional costs that include frequent services in the informal settlements, provision of water to the communities that do not access to water and the cleaning of public facilities.

The committee was briefed on the written submissions received following the committee’s call for public comments on the Bill. Also, the committee received a submission from the Equal Education organisation which requested, amongst other things, that the committee must ensure that the increase for education for the basic education sector must keep up with inflation and that the R1.9 billion cut for the Education Infrastructure Grant and the R123 billion for the School Infrastructure Backlog Grant over the Medium Term Expenditure Framework(MTEF) be reversed.

While several submissions received from the public are not relevant or specific to the 2020 Division of Revenue Bill, the committee said they will also be processed.

**ISSUED BY PARLIAMENTARY COMMUNICATION SERVICES ON BEHALF OF THE CHAIRPERSON OF THE SELECT COMMITTEE ON APPROPRIATIONS, MS DIKELEDI MAHLANGU**