**MINISTRY**

**COOPERATIVE GOVERNANCE AND TRADITIONAL AFFAIRS**

**REPUBLIC OF SOUTH AFRICA**

 **NATIONAL ASSEMBLY

QUESTION FOR WRITTEN REPLY

QUESTION NUMBER 2015/4201

DATE OF PUBLICATION: 30 NOVEMBER 2015

DUE TO PARLIAMENT: 11DECEMBER2015

REPLY RECOMMENDED BY MR VUSI MADONSELA

DIRECTOR-GENERAL: COOPERATIVE GOVERNANCE**

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**LEBOHANG TEKANE - PARLIAMENTARY SERVICES**

**DATE:**

**MINISTRY FOR COOPERATIVE GOVERNANCE AND TRADITIONAL AFFAIRS**

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**Mr R A Lees (DA) to ask the Minister of Cooperative Governance and Traditional Affairs:**Whether he had any form of consultation with (a) the Minister of Finance and/or (b) any other (i) person or (ii) entity regarding the contents of an intergovernmental report commissioned by the Minister of Finance on the latest round of the redeterminations of municipal boundaries to assess the financial viability and sustainability of the specified proposed amalgamations; if not, why not; if so, what were the outcomes in each case?

 **REPLY:**
No.

The report referred to by the Honourable Member was submitted to me by the Municipal Demarcation Board on 07 August 2015.

Prior to that, officials from the Department of Cooperative Governance met with their counterparts from the National Treasury to discuss similar related matters from the Minister of Finance and further addressed these matters during the Budget Forum meeting held on 8 June 2015.

It must be further noted that the Municipal Demarcation Board must consider the objectives for demarcation and the factors to be taken into account, as provided in sections 24 and 25 of the Municipal Demarcation Act, when determining or redetermining municipal boundaries.

 **1. BACKGROUND**1.1 Between December 2014 and April 2015, the Minister after consultation with all the MECs responsible for local government in the provinces, requested the Municipal Demarcation Board (MOB), in terms of section 22(2) of the Municipal Demarcation Act to determine or redetermine the boundaries of various municipalities with a view of optimising the financial viability and sustainability (Tag 1 ).

1.2 In total , 34 requests were made to the MOB, as follows:

|  |  |  |  |
| --- | --- | --- | --- |
| **PROVINCE** | **NUMBER** | **PROVINCE** | **NUMBER** |
| Kwazulu-Natal  | 11 | Limpopo  | 5 |
| Eastern Cape | 5 | Mpumalanqa | 5 |
| Free State | 2 | North West | 4 |
| Gauteng | 1 | Northern Cape | 1 |

1.3 Subsequent to that request, on 09 March 2015 the Minister of Finance wrote to the Minister of Cooperative Governance (Tag 2) pledging support to the initiative and suggesting that both Departments should work together to strengthen the proposal for further boundary changes for municipalities. The Minister of Finance proposed that the areas that could be strengthened include:

(i) The proposal should be consulted broadly;
(ii) The future role of district municipalities should be carefully considered;
(iii) The alignment of the new proposals for metros with other proposed urban reforms (including in the NOP and Department of Cooperative Governance's (DCoG's) Integrated Urban Development Framework) should be reviewed;

(iv) The implications for the local government fiscal framework must be established; and (v) Future analysis should take greater account of the structural change in allocations to municipalities that resulted from the implementation of a new local government equitable share formula.

1.4 The Minister of Finance further proposed that officials from the National Treasury (NT) and DCoG should engage further on the proposals as well as on any future proposal for the redemarcation of municipal boundaries before they are submitted to the MOB.

1.5 On 07 August 2015 the Minister received a letter from the MOB (Tag 3) notifying him of a letter from the Minister of Finance (Tag 4) objecting to the proposed municipal boundaries redetermination.

1.6 The main reason cited by the Minister of Finance for this objection was that there is no evidence to suggest that the re-determination of municipal boundaries will contribute towards or stimulate economic growth and development in the area as a whole.
 **2. DISCUSSION**2.1 On 15 April 2015 a meeting was held between the officials from DCoG and the NT to discuss the correspondence referred to in 1.3 above. It was agreed that there must be greater collaboration in this regard.

2.2 This matter was further discussed at the Budget Forum meeting held on 8 June 2015.

2.3 There have been continuous engagements with the NT, South African Local Government Association (SALGA) and the Financial and Fiscal Commission (FFC) on determining the financial implications in this regard.

2.4 Regarding the claim by the NT that the process of amalgamation is expensive, it should be noted that whilst there will be change management costs involved, the view is that in the long-term, the reduction in the number of non-viable municipalities will have a significant impact on governance issues.

2.5 The argument about the reduced transfer of equitable share allocations to municipalities once amalgamated is a policy matter. If the funds are already in Division of Revenue Act (DoRA), it is assumed that in terms of the Medium-Term Expenditure Framework the funds will be allocated to the municipalities for the next three years. Far and above, the funding formula can be reviewed to accommodate amalgamated municipalities.

2.6 It cannot be factually substantiated that when municipalities are amalgamated there will always be an increase in administrative costs. The non-viable municipalities are actually characterized by bloated organisational establishments.

2. 7 The general claim that the amalgamated municipalities will be less viable can also not be factually substantiated in terms of cost-benefit analysis. Whilst there are lessons to be learnt in the case of the Tshwane merger, it should be taken into consideration that there were many factors which also contributed to the challenges of this merger.

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Herewith a reply drafted by: Recommended

**MS B NYEMBE DR MODJADJI MALAHLELA**
Acting Executive Manager: Local Government Acting Deputy Director-General: Regional and Legislative Support and Institutional Urban Development and Legislative Support Establishment

Date: 10/12/15 Date 2015-12-11

RECOMMENDED/ ...........................................

**MR V MADONSELA
DIRECTOR GENERAL
DATE: 11/12/2015**

SUPPORTED/..........................................................

**MR A NEL, MP
DEPUTY MINISTER
DATE: 15/12/15**
 **DES VAN ROOYEN, MP
MINISTER
DATE:**

**Attached please find here:** [**Route Form**](http://pmg-assets.s3-website-eu-west-1.amazonaws.com/RNW4201routeform.pdf)