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South African Local Government Association

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MEDIA STATEMENT

SALGA response to National Treasury withholding equitable share allocations to municipalities

Yesterday National Treasury issued a press release announcing that it is withholding transfers of equitable share funding to 60 municipalities – this, despite a commitment given by National Treasury to SALGA's National Members Assembly on 25 March 2015 that the withholding of the equitable share allocation would be "a measure of last resort".

As organised local government, we acknowledge and appreciate the strategic role played by Eskom in the national economy, as a catalyst and backbone to the country meeting its socio economic imperatives. We therefore support the current national led drive aimed at addressing the underlying structural, systemic and operational sustainability of Eskom. However, local government calls for a measured response that does not result in unintended consequences against the poor.

The equitable share is the means of ensuring that the poor continue to be cushioned against the effects meted out by the vagaries of the triple challenges of unemployment, poverty and inequality. The equitable share is an unconditional grant that enables municipalities to provide *basic services to poor households*, and to enable municipalities with limited own resources to afford basic administrative and governance capacity and perform core municipal functions. Municipalities currently provide services (water, sanitation, waste, electricity and others) to approximately 50 million people – every day, 365 days a year. Many qualify for free basic services – which are subsidised by the equitable share – the very share that is now being withheld.

Bearing this in mind, it is regrettable that National Treasury has decided to withhold equitable share from 60 municipalities – where in many cases this source of revenue is the life blood of most municipalities and their communities. This decision will have wide-ranging and long-term ramifications for both the municipalities concerned as well as the communities they serve. Withholding this funding will disproportionately punish the poor and negatively affect service delivery to those communities, with some municipalities already being unable to pay salaries and provide basic services as a result.

Moreover, it is our considered view that the withholding of the equitable share to these municipalities and local government in general is unconstitutional. Neither the

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Constitution nor legislation makes provision for withholding the equitable share, which is an unconditional grant.

It must be noted that among the 60 municipalities are those who the Minister of CoGTA has deemed to be highly dependent on government grants and or, not financially viable, which culminated in the ministerial request to the Municipal Demarcation Board for boundary redetermination in early 2015. It must also be noted that some of these municipalities are currently under section 139 intervention, being a measure imposed by provincial government to assist these municipalities on the road to recovery. This will therefore undermine the intergovernmental effort to address the challenges being experienced in these municipalities.

It is no secret that municipalities are currently owed in the region of R96 billion for services such as water, sanitation, electricity, waste management, as well as rates and taxes. Approximately R5.4 billion of this debt is owed by government departments. To isolate the debt owed by municipalities to Eskom and Water Boards is misguided and frankly misleading as it does not consider the totality of the financial challenges endured by municipalities and communities. Contrary to the National Treasury view expressed in the statement, this measure will in fact impair the ability of municipalities to meet their overall financial commitments.

National Treasury must play an active role in supporting municipalities to recover their debt by taking a similar approach with defaulting provincial and national departments. Funds owed by these departments should be channeled directly to municipalities so that they can pay their debt to Eskom as well as ensure the necessary systems and capacity to implement full credit control initiatives. In view of the Back to Basics approach aimed at building resilient and efficient local government administrations, we therefore call upon the Minister of Cooperative Governance and Traditional Affairs to assist in the resolution of this matter, particularly government debt owed to municipalities.

In view of the current situation and vast debt owed to municipalities, SALGA calls upon its member municipalities to immediately implement credit control measures to recover the debt from government departments. Defaulters must be given due notice to effect payment, failing which their services must be terminated with immediate effect. Municipalities should also consider mechanisms to shield poor households who are eligible for free basic services, and to implement every possible measure to recover the debt from all other consumers, including business.

Non-payment for any service has a knock-on effect within the service delivery value chain. Whilst municipalities have a responsibility to provide sustainable services, citizens, businesses and indeed government departments also have a responsibility to pay for the services they use.

Issued on behalf of SALGA

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