

NATIONAL TREASURY**NO. 3****26 FEBRUARY 2016**

I, Pravin Gordhan, in my capacity as the Minister of Finance, hereby publish, in accordance with section 19 and 20 of the Division of Revenue Act, 2015 (Act No. 1 of 2015), stopping and reallocation for municipal grants.



PRAVIN GORDHAN, MP
MINISTER OF FINANCE

Explanatory Memorandum to the Allocations set out in the attached Schedule

This Gazette is published in terms Section 26 of the Division of Revenue Act, 2015 (Act No. 1 of 2015). Section 26 provides that any transfers not listed in the Schedules may only be made in terms of Section 6(3) which provides that additional allocations to provinces or municipalities may only be made in an adjustments budget and must comply with such monitoring and reporting requirements determined by the National Treasury. Further, Section 26 also requires that the National Treasury must publish such allocations in the Gazette, prior to the transfer of any funds to a province or municipality.

Stopping of Grants

1. Section 19 of DoRA stipulates that National Treasury may in its discretion or at the request of a transferring national officer stop the transfer for schedules 4 and 5 pertaining to anticipated under-spending on programmes or allocations in the financial year by the municipality.
2. The Neighbourhood Development Partnership Grant (NDPG) is being re-allocated to other municipalities due to non-performance of the grant allocation. These funds will be re-allocated to municipalities that have fast tracked the implementation of the projects and have accelerated expenditure against the original allocation.
3. The National Department of Energy is re-allocating funds between municipalities, under the Integrated National Electrification Programme (INEP 5) due to slow spending.
4. The Infrastructure Skills Development Grant (ISDG) is being re-allocated between municipalities due to administration of the programme being inconsistent since 2012 in Ditsobotla municipality and the funds are being allocated to Govan Mbeki municipality instead.
5. The National Department of Water and Sanitation is re-allocating funds between municipalities, under the Water Services Operating Subsidy Grant (WSOS) and Municipal Infrastructure Grant (MWIG). Slow implementation of projects, non-compliance with certain provisions of DoRA and under spending are the main reasons for the decision to re-allocate between municipalities.
6. The Public Transport Network Grant (PTNG) is being re-allocated to other municipalities due to under-spending on the grant. These funds will be re-allocated to municipalities that have fast tracked the implementation of the projects and have accelerated expenditure against the original allocation.
7. The National Department of Cooperative Governance is re-allocating funds between municipalities, under the Municipal Infrastructure Grant (MIG) due to slow spending, institutional capacity challenges, non-compliance with MIG reporting requirements and cash flow challenges. MIG for Ikwezi, Makana and Thabazimbi is being re-allocated to their respective district municipalities, Sarah Baartman and Waterberg respectively.

Transfers from Schedule 6 Grants

8. Further, the departments of Water Affairs and National Treasury would like to reallocate the funds for indirect grants between municipalities. The Bucket Eradication Programme Grant (BEPG) and Regional Household Infrastructure Grant (RHIG) administered by Water and Sanitation and NPDG 6B administered by National Treasury grants are schedule 6 programmes. Accordingly, the stopping and reallocation will not affect budgeting of the relevant municipalities as funds allocated under schedule 6B are not transferred directly into their primary bank accounts.