

# Municipal mergers costly, says FFC

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THE merging of municipalities are financially costly the Financial and Fiscal Commission (FFC) says.

The FFC has found that the state was not saving money by merging weak municipalities with financially stronger ones.

It urged the government to look into this matter before work begins for the 2016 local government elections.

FFC acting chairperson Bongani Khumalo said yesterday that the government achieved the opposite result with financially strong municipalities and lost millions of rands because of the mergers.

Khumalo told journalists at Parliament yesterday that this issue must be addressed as a matter of urgency.

"The issue of demarcation and the impending mergers following the recent re-determination of municipal boundaries are a key issue for the 2015 division of revenue as preparatory work will have to start before the 2016 election when the mergers take effect," he said.

He said mergers had a negative effect and this situation must be addressed.

The FFC study found that municipalities were mostly likely to lose out in mergers.

In a most recent case Tshwane metro was R1bn in the red after its merger with three weak municipalities.

Tshwane mayor Kgosietsi Ramakgopa said in his budget speech last week Tuesday the merger was costly for the metro.

In 2011 the government merged Tshwane with Metsweding, Kungwini and Nokeng tsa Taemane municipalities.

The merger was done after the May 2011 local government elections.

The merger has not helped the metro as it has left it R1bn in the red.

Khumalo said this has been a trend over the years.

Their assessment has shown that financially strong municipalities lose out.

This flies in the face of the stated intention that the merger would lead to a stronger municipality and quick service delivery.

Khumalo said an assessment must be done upfront to determine the cost implications on the affected municipality. "In terms of our assessment in all cases there were negative results," Khumalo said.

FFC commissioner Daniel Platjies said there were a number of reasons that lead to mergers.

He said mergers did not address the question of financial viability because there were financial problems in those municipalities.

Nicolaas Steydtler of the commission also said they look at the financial implications of these mergers.

What has emerged over time was that there has not been any savings by the affected municipality.

"The question of savings does not come in," Steydtler said.

He added that the decision to merge municipalities was premised on the idea that there should be speedy and effective service delivery.

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