

Municipalities will have to start pulling their weight

LYNDA LOXTON

PARLIAMENTARY CORRESPONDENT

Cape Town – The moral hazards lurking in increasingly chaotic municipal finances came under the spotlight in parliament this week.

In its annual submission on the possible division of national, provincial and local government revenue in the next financial year, the Financial and Fiscal Commission (FFC) said it was particularly concerned that the government's aim to deliver more services to more people was being jeopardised by haphazard municipal finances that saw more municipalities falling into debt, becoming uncreditworthy and unable to attract private sector funding.

Parliament's two powerful finance committees have heard evidence that municipalities are not keeping proper financial records, are not paying audit fees to have their books checked by the auditor-general and are generally giving treasury staff nightmares.

Murphy Morobe, the chairman of the FFC, told MPs that the transformation undergone by many municipalities over the past two to three years had pro-

found implications for many of them but had also created scope for financial failures that might require state bailouts, which should be avoided at all costs.

The finance committees heard further evidence of the dangers ahead as they considered the Municipal Finance Management Bill, which aims to instill the same kind of fiscal discipline already in place in national and provincial governments through

the Public Finance Management Act.

Ismail Momoniat, the treasury's director in charge of local government issues, told the committees that he had to write "some nasty letters" to some councils about their financial inadequacies.

Barbara Hogan, the chairman of the portfolio committee on finance, said it was vital that the municipal finance bill made it very clear "who will take the rap" for any financial irregularities in municipalities.

The FFC said that while outstanding municipal debt had fallen, this was mainly because of their perceived uncreditworthiness than their real potential, with knock-on effects on their ability to deliver services.

As market forces were unlikely to attract the funding needed by municipalities, attention should be paid to instituting a rules-based approach to municipal financing that would set clear limits on borrowing and strict accounting procedures.

However, it was vital to make it crystal clear that there would be no national government bailouts for municipalities that could not repay their debts.