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Contents

<i>No.</i>		<i>Gazette No.</i>	<i>Page No.</i>
GOVERNMENT NOTICES • GOEWERMENTSKENNISGEWINGS			
National Treasury/ Nasionale Tesourie			
1127	Division of Revenue Act (3/2017): Publication of allocations in terms of Section 19 and 20 of the 2017 DoRA	41197	4

GOVERNMENT NOTICES • GOEWERMENTSKENNISGEWINGS

NATIONAL TREASURY

NO. 1127

25 OCTOBER 2017

STOPPING AND RE-ALLOCATION OF MUNICIPAL INFRASTRUCTURE GRANT ALLOCATION AND TRANSFER FOR DISASTER IN TERMS OF DIVISION OF REVENUE ACT, 2017

I, MKN Gigaba, Minister of Finance, hereby in terms of-

- (a) section 19 of the Division of Revenue Act, 2017 (Act No. 3 of 2017 - "the Act") give notice of the stopping of allocations as set out in Annexure A and the explanatory memorandum;
- (b) section 20 of the Act give notice of the reallocations as set out in Annexure B and the explanatory memorandum;
- (c) section 26 of the Act publish the transfer of a Schedule 7 allocation made for a disaster as set out in Annexure C and the explanatory memorandum.



Mr MKN GIGABA
MINISTER OF FINANCE

Explanatory Memorandum to the Notice

This Notice is published in terms of the Division of Revenue Act, 2017 (Act No. 3 of 2017) (DoRA), and provides information regarding the stopping, reallocation of allocations and transfer of allocation for disaster.

This is necessitated by the need for the stopping and re-allocation of funds and the transfer of disaster relief funding in terms of Sections 19, 20 and 26 respectively of the 2017 DoRA.

PROVINCIAL GOVERNMENT

Immediate disaster relief funds for provinces

1. DoRA provides that funds be released immediately to provinces and municipalities where they have declared disasters and successfully applied through the National Disaster Management Centre (NDMC) for funding. The period for the release of funds ranges between 3 days and 3 months.
2. According to section 26 of the 2017 DoRA, the transferring national officer, which is DCoG, must notify National Treasury and the relevant provincial treasury within 14 days of the transfer of an allocation to a province for disaster.
3. National Treasury must subsequently publish the allocation by notice in a gazette within 21 days of being notified.
4. On 02 August 2017, National Treasury approved the transfer of funds amounting to R40 million from the unallocated Provincial Disaster allocation to the Western Cape province following drought experienced by the province. The funds for disaster relief have already been transferred. This Notice formalises the process as per the requirement of section 26(3) of the 2017 DoRA.

LOCAL GOVERNMENT

Stopping and re-allocation of funds between municipalities

5. Section 19 of DoRA stipulates that National Treasury may, in its discretion or at the request of a transferring national officer stop the transfer listed in Schedules 5 pertaining to anticipated under-spending on programmes or allocations of the municipality.
6. Section 20 of DoRA states that when a Schedule 4 or 5 allocation or a portion thereof is stopped in terms of section 19, the National Treasury may, after consultation with the transferring authority and the relevant provincial treasury, determine the portion of the allocation to be reallocated to one or more provinces or municipalities, on condition that the allocation must be spend before the end of the 2017/2018 financial year.
7. A joint decision was taken between National Treasury and DCoG to stop and re-allocate the 2017/18 MIG allocation in terms of section 19 of the 2017 DoRA from three municipalities from the following provinces: Eastern Cape, Free State and Limpopo respectively. The funds will be re-allocated in terms of section 20 of the 2017 DoRA to their districts because of the current challenges that affect their local municipalities. The municipalities that will be affected by the stopping are Makana Local Municipality (LM), Mafube Local Municipality (LM) and Thabazimbi Local Municipality (LM).
8. Sarah Baartman District Municipality (DM) has been implementing MIG projects on behalf of Makana LM because LM has been experiencing institutional challenges that hindered the implementation of infrastructure projects. DCoG as the department responsible for administering the grant indicated that a similar arrangement should be

instituted again in the 2017/18 financial year because the municipality has not yet resolved their challenges.

9. Mafube LM also had serious cash flow management challenges that affected the implementation of infrastructure projects.
10. In a quest to assist the Mafube LM, Fezile Dabi DM agreed to enter into an agreement and implement the 2017/18 infrastructure projects on behalf of Mafube LM because the municipality has not yet resolved their challenges.
11. Therefore the 2017/18 MIG allocation for Mafube LM will be stopped and re-allocated to Fezile Dabi DM and allow the district to manage the existing infrastructure projects on behalf of the municipality.
12. During the 2015/16 and 2016/17 financial years, MIG funds were stopped and re-allocated in terms of Division of Revenue Act (DoRA) from Thabazimbi LM to Waterberg DM in order to complete Thabazimbi's water treatment plant which the municipality failed to complete in prior years. The decision made was to ensure that funds remain in the same province and within the same district area.
13. National Treasury in consultation with DCoG intends to take the same action for 2017/18 financial year as they did in the previous financial year to re-gazette the allocated funds from Thabazimbi LM to Waterberg DM because the municipality has not yet resolved its governance problems.
14. Lastly, Mamusa LM requested that a portion of 2017/18 MIG allocation be transferred to Dr Ruth Segomosti Mompoti DM because the municipality is currently experiencing financial challenges and is not able to meet their financial obligations, as the result it hindered the implementation of infrastructure projects. Therefore the district agreed to assist the LM by implementing the MIG projects on their behalf.

Immediate disaster relief funds for municipalities

15. According to section 26 of the 2017 DoRA, the transferring national officer must notify National Treasury and the relevant provincial treasury within 14 days of the transfer of an allocation to a municipality for disaster.
16. The Western Cape Province is currently experiencing severe drought as a result of less than expected rainfall. To mitigate the effects of less than required rainfall, the affected municipalities have implemented water restrictions ranging from level one to level four. Further, municipalities have requested funding to invest in boreholes and refurbishment of other infrastructure that will allow saving of water.
17. The severity of the drought conditions in the Western Cape resulted in the Provincial Government declaring a provincial disaster in terms of section 41 of the Disaster Management Act, 2002 (Act No.57 of 2002). The NDMC conducted damage assessment and also classified the disaster as a provincial disaster. Three municipalities were identified to be the ones in need of the emergency disaster relief, and they are Theewaterskloof Local Municipality, Bitou Local Municipality and City of Cape Metropolitan Municipality. The cost of providing emergency disaster relief to the affected municipalities is R34.9 million.

ANNEXURE A
INFRASTRUCTURE GRANT ALLOCATIONS TO MUNICIPALITIES
(Municipal Financial Years)

Schedule 5B
INFRASTRUCTURE GRANT ALLOCATIONS TO MUNICIPALITIES

Department Cooperative Governance and Traditional Affairs			Municipal Infrastructure Grant			
			Column A	Column B		Column C
Municipality			2017/18 Main allocation	Roll-overs	Adjustments	2017/18 Adjusted allocation
EASTERN CAPE						
B	EC101	Dr Beyers Naude	20,902			20,902
B	EC102	Blue Crane Route	14,496			14,496
B	EC104	Makana	24,764		(24 764)	
B	EC105	Ndlambe	27,715			27,715
B	EC106	Sundays River Valley	26,000			26,000
B	EC108	Kouga	32,274			32,274
B	EC109	Kou-Kamma	15,592			15,592
C	DC10	Cacadu District Municipality			24,764	24,764
Total: Cacadu Municipalities			161,743			161,743
Total: Eastern Cape Municipalities			3,109,796			3,109,796
FREE STATE						
B	FS201	Moqhaka	40,840			40,840
B	FS203	Ngwathe	50,078			50,078
B	FS204	Metsimaholo	45,398			45,398
B	FS205	Mafube	27,080		(27 080)	
C	DC20	Fezile Dabi District Municipality			27,080	27,080
Total: Fezile Dabi Municipalities			163,396			163,396
Total: Free State Municipalities			771,954			771,954
LIMPOPO						
B	LIM361	Thabazimbi	33,759		(10,400)	23,359
B	LIM362	Lephalale	44,370			44,370
B	LIM366	Bela-Bela	26,304			26,304
B	LIM367	Mogalakwena	159,266			159,266
B	LIM368	LIM 368	39,190			39,190
C	DC36	Waterberg District Municipality			10,400	10,400
Total: Waterberg Municipalities			302,889			302,889
Total: Limpopo Municipalities			3,342,883			3,342,883
NORTH WEST						
B	NW392	Naledi	17,205			17,205
B	NW393	Mamusa	15,897		(8,322)	7,575
B	NW394	Greater Taung	63,406			63,406
B	NW396	Lekwa-Teemane	14,977			14,977
B	NW397	Kagisano-Molopo	30,539			30,539
C	DC39	Dr Ruth Segomotsi Mompati District Municipality	140,903		8,322	149,225
Total: Dr Ruth Segomotsi Mompati Municipalities			282,927			282,927
Total: North West Municipalities			1,814,487			1,814,487
National Total			15,891,252			15,891,252

ANNEXURE B

**ALLOCATIONS OF UNALLOCATED PROVISIONS FOR MUNICIPALITIES FOR DISASTER RESPONSE
(Municipal Financial Year)**

Schedule 7B
ALLOCATIONS OF UNALLOCATED PROVISIONS FOR MUNICIPALITIES FOR DISASTER RESPONSE

Cooperative Governance and Traditional Affairs (Vote 4)	Municipal Disaster Grant			
	Column A	Column B		Column C
	2016/17 Main allocation	Roll-overs	Adjustments	2016/17 Adjusted allocation
	R'000	R'000	R'000	R'000
WESTERN CAPE				
A CPT City of Cape Town			20 812	20 812
B WC031 Theewaterskloof			3 134	3 134
B WC032 Overstrand				
B WC033 Cape Agulhas				
B WC034 Swellendam				
C DC3 Overberg District Municipality				
Total: Overberg Municipalities			3 134	3 134
B WC041 Kannaland				
B WC042 Hessequa				
B WC043 Mossel Bay				
B WC044 George				
B WC045 Oudtshoorn				
B WC047 Bitou			10 920	10 920
B WC048 Knysna				
C DC4 Eden District Municipality				
Total: Eden Municipalities			10 920	10 920
Unallocated	300 281		(34,866)	335 147
National Total	300 281			300 281

ANNEXURE C
SPECIFIC PURPOSE ALLOCATION TO PROVINCE
(National Financial Years)

SCHEDULE 7, PART A
TRANSFERS FROM THE PROVINCIAL DISASTER GRANT

Vote	Name of allocation	Purpose	Province	2017/18
Cooperative Governance and Traditional (Vote 4)	Provincial Disaster Grant	To provide for the immediate release of funds for disaster response.	Eastern Cape Free State Gauteng KwaZulu-Natal Limpopo Mpumalanga Northern Cape North West Western Cape	R'000 - - - - - - - 40 000 40 000
			TOTAL	40 000

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Anna-Marie du Toit (012) 748-6292 (Anna-Marie.DuToit@gpw.gov.za) and

Siraj Rizvi (012) 748-6380 (Siraj.Rizvi@gpw.gov.za)

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