

# **ANNEXURE D**



## national treasury

Department:  
National Treasury  
REPUBLIC OF SOUTH AFRICA

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**FROM: Mr S Mashaba, Tel: 012 315 5183, Email:** [sello.mashaba@treasury.gov.za](mailto:sello.mashaba@treasury.gov.za)

**Ref No: EKU/2**

Dr I. Mashazi  
The Municipal Manager  
Ekurhuleni Metropolitan Municipality  
Private Bag X1069  
**GERMISTON**  
1400

Dear Dr Mashazi

### **STOPPING OF FUNDS DUE TO UNDER PERFORMANCE ON INFORMAL SETTLEMENTS UPGRADING PARTNERSHIP GRANT, URBAN SETTLEMENTS DEVELOPMENT GRANT AND THE PUBLIC TRANSPORT NETWORK GRANT**

Your letter dated 31 March 2022 refers.

The stopping and reallocation process is conducted in terms of section 18 and 19 of the Division of Revenue Act, 2021 (Act No. 9 of 2021) (DoRA) as amended, where section 18 (b) states that, “Despite section 17, the National Treasury may, in its discretion or on request of a transferring officer or a receiving officer, stop the transfer of a Schedule 4 or 5 allocation, or a portion thereof, to a province or municipality and (b), if the National Treasury anticipates that a province or municipality shall substantially underspend on the allocation, or any programme, partially or fully funded by the allocation, in the 2021/22 financial year”.

Section 19 (1) further states that, “When a Schedule 4 or 5 allocation, or a portion thereof, is stopped in terms of section 18(1)(a) or (b), the National Treasury may, after consultation with the transferring officer and the relevant provincial treasury, determine the portion of the allocation to be reallocated, as the same type of allocation as it was allocated originally, to one or more provinces or municipalities, on condition that the allocation must be spent by the end of the 2021/22 financial year.

The decision to stop a portion of your Informal Settlements Upgrading Grant (ISUPG) (R15.2 million) and the Urban Settlements Development Grant (USDG) (R250 million) against the allocations of R688.1 million and R1.3 billion respectively was informed by the significant underperformance against the two grants, wherein as at 31 December 2021, both grants reported expenditure of 27.7 per cent and 26 per cent respectively.

Despite your municipality’s representations on why a portion of your conditional grant allocations should not be stopped, contending that funds are committed and will be fully spent by the end of the 2021/22 financial year, National Treasury deemed the representations as not fully satisfactory, given the amount of funds that still needed to be expended by 30 June 2021.



This decision was made in consideration of your municipality's representations and after consultation with Department of Human Settlements (DHS), from the proposed amounts of R84.4 million for ISUPG and R300 million for USDG, National Treasury only stopped R15.1 million and R250 million from both grants respectively. Both National Treasury and DHS were of the view your municipality will not be able to fully spend the two grant allocations by 30 June 2022, given as at mid-year i.e., 31 December 2022, your municipality was nowhere near 50 per cent expenditure against the two allocations, which are among the biggest infrastructure conditional grant allocations to the city.

The slow or poor expenditure against conditional grants not only delays the rollout of infrastructure, but also the delivery of basic services to poorest of the poor in the form of basic services and the upgrade of informal settlements. Following the intention to stop a portion of a municipality's conditional grants due to slow expenditure, representations on why funds should not be stopped do not guarantee that funds will not ultimately be stopped, as poor performance against conditional grants needs to and will be sanctioned as provided for in DoRA and good performance will also be rewarded as part of the incentives built into the conditional grants system.

The decision to stop a portion of your municipality's ISUPG and USDG was arrived at based on the above and unfortunately the decision stands and, at this stage the process unfortunately cannot be reopened since it has been concluded, the gazette has been approved and published, funds transferred, and the 2021/22 national financial year has also come to an end. Ekurhuleni Metropolitan Municipality is therefore advised to reprioritise the allocation against the commitments that are ready for implementation. **If the metro accelerates performance in the new year against the programmes affected by the stopping, the department and National Treasury may during the adjustment budget process consider increasing the allocations.**

The metro is urged to in future streamline planning, supply chain management and implementation processes, to timeously spend allocated conditional grants i.e., a minimum of 45 per cent of an allocation by mid-year. This is to avoid instances where the metro is furnished with a letter of intention to stop a portion of your grant allocations and funds ultimately stopped by both National Treasury and transferring departments.

Kind regards,

**MALIJENG NGQALENI**  
**DEPUTY DIRECTOR-GENERAL: INTERGOVERNMENTAL RELATIONS**  
**DATE: 9 May 2022**

CC: Office of the Auditor-General