



MINISTRY OF FINANCE
REPUBLIC OF SOUTH AFRICA

**MEDIA STATEMENT BY THE
MINISTER OF FINANCE TREVOR MANUEL**

**Modernising Financial Governance in Local
Government**

The Municipal Finance Management Act (MFMA) takes effect on 1 July 2004.

The Act aims to modernise budget and financial management, and to ensure greater transparency and accountability in the finances of municipalities. It does so in order to maximise service delivery to all residents, customers and users.

Together with the Municipal Systems Act, the MFMA empowers mayors and councillors to lead the municipality by approving policy and setting performance targets, and clarifies and separates their role from that of officials. The Act enables managers to manage and be responsible for implementation, but also makes them more accountable for their performance and outputs.

The MFMA is the local government version of the Public Finance Management Act (PFMA), which applies to the national and provincial spheres of government. Both are unique to South Africa, and bring uniformity to financial management in all of government. The MFMA focuses on performance, through setting and monitoring outputs, outcomes and measurable objectives.

The MFMA is required in terms of chapter 13 of the Constitution, particularly sections 215 and 216. These sections require transparency in budget and budgeting processes, as well as uniform treasury norms and standards. The Act promotes co-operative governance between the spheres of government and strengthens the link between planning and budgeting. It further deals with the borrowing powers of municipalities, and the process to be followed during a serious financial crisis. The MFMA also forms an integral part of the broader reforms outlined in the 1998 White Paper on Local Government.

One of the underlying principles of the MFMA is the important role to be played by councillors in exercising their oversight role. This is given effect through the role councils are expected to play when considering the annual report of the municipality. Given this oversight role, and the fact that one cannot be both player and referee, both the Systems Act and MFMA now require that councillors no longer serve on tender committees and boards of municipal entities.

Implementation of the Act will not occur overnight, particularly since the Act represents a break with past practices, and aims to introduce QUALITATIVE improvements in the way municipalities are governed and managed. The Act will be phased in over a number of years, depending on whether a municipality is categorised as high, medium or low capacity. Further accredited training will be introduced over the next few years once new unit standards are finalised.

To assist municipalities, Treasury officials also conducted a series of workshops across all nine provinces. More than 2000 officials and councillors participated at these workshops which provided a forum for extensive training, discussion and consultation on the reforms contained in the MFMA. Further information on the MFMA and supporting material is available from www.treasury.gov.za/mfma.

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