

**SOME REMARKS ON BANKRUPT MUNICIPALITIES****AL Stander\*****SUMMARY**

The insolvency of municipalities is no longer a rare incident; it is a reality. It is interesting to note that even in the United States of America the insolvency of municipalities is currently an equally serious concern. In South Africa there is much speculation regarding the causes of the insolvency of municipalities, and possible solutions are often discussed. This investigation is an attempt to provide answers. Importantly, however, constructive contributions are needed to begin to address the problem of insolvent municipalities. But to address a problem accurately, necessarily means that one should also refer to the possible causes. The working method applied in the USA with regard to the reorganization of bankrupt municipalities and the requirements set, are explained because it is important to establish what the effect and consequences are of this type of "sequestration" in the American law of insolvency and what the role of the insolvency courts is in managing the whole procedure. In the American law the purpose of the Chapter 9 reorganisation is to provide for a plan acceptable to the majority of creditors and binding on the dissenting minority. Consequently the purpose of this article is to indicate how Chapter 9 functions in practice and which solutions may possibly be applied in South Africa to ensure an effective procedure.

**KEYWORDS:** insolvency; insolvent municipalities; sequestration; reorganisation; Chapter 9 reorganisations.

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