**MIG-NARRATIVE ON PRESENTATION**

1. **INTRODUCTION**

The MIG Programme has entered its eleventh year of implementation in 2014/15 and is aimed at providing grant funding to municipalities to implement infrastructure that would allow municipalities to provide at least a basic level of service to poor households.

**1.1 Objectives**

The objectives of the MIG Programme as indicated in the MIG Policy Framework document (February 2004) are to:

1. fully subsidise the capital costs of providing basic services to poor households: this implies that priority must be given to meeting the basic infrastructure needs of poor households, through the provision of appropriate bulk, connector and internal infrastructure in key services;
2. distribute funding for municipal infrastructure in an equitable, transparent and efficient manner which supports a coordinated approach to local development and maximises developmental outcomes;
3. assist in enhancing the developmental capacity of municipalities, through supporting multi-year planning and budgeting systems; and
4. Provide a mechanism for the coordinated pursuit of national policy priorities with regard to basic municipal infrastructure programmes, while avoiding the duplication and inefficiency associated with sectorally fragmented grants.
	1. **The MIG Formula**

The MIG allocation received by each municipality each year is determined by a formula in a three step process.

**Step 1: Dividing the national MIG allocation into components**

First, the total national MIG allocation is divided into allocations for various components, using the following formula:

**MIG(F) = C + B + P + E + N + M**

where:

* Cisaconstant which ensures an increased minimum allocation for poor municipalities (this allocation is made to all municipalities;
* B is an amount allocated for basic residential infrastructure, and comprises 75% of the total MIG allocation. This component is further divided into water and sanitation (72%), roads and storm water (23%), and “other” (namely refuse removal and street lighting) (5%);
* P is an amount allocated for public municipal facilities, and comprises 15% of the total MIG allocation. Public municipal facilities include community facilities (such as community centres and sports facilities), social services (such as childcare), emergency services, parks and open spaces, and public transport;
* E is an amount allocated for other institutions and micro-enterprises, and comprises 5% of the total MIG allocation;
* N is an amount allocated for 23 priority district municipalities and comprises 5% of the total MIG allocation; and
* M is an allocation to allow for performance related adjustments to the total MIG allocation, but has not been used to date.
	1. **Comparison of the distribution of MIG funds between the actual distribution and the distribution as per the MIG formula**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Type of service** | **Formula based Allocation** | **Budgeted Allocation** | **Variance** |  **Share formula (%)** |  **Share - Actual Exp (%)** |
| Water and Sanitation | 7 242 135 687 | 6 023 203 101 | -7 239 657 664 | 72% | 61% |
| Roads | 2 331 705 565 | 3 408 393 014 | -2 330 222 338 | 23% | 36% |
| Other | 498 388 941 | 238 891 134 | -393 849 | 5% | 3% |
| ***of which*** |   |   |   |   |   |
| Solid Waste | 249 194 470 | 106 289 516 | -179 484 |   |   |
| Street/Community lighting | 249 194 470 | 132 601 618 | -214 365 |   |   |
| **Total (B-component)** | **10 072 230 193** | **9 909 378 383** | **-9 570 667 700** | **100%** | **100%** |
|   |   |   |   |   |   |
| **P-Component** | 2 027 570 057 | 724 636 866 | 1 302 933 191 | 7% | 14% |
| **E-Component** | 675 856 686 | 225 285 562 | 450 571 124 | 5% | 4% |
| **N-Component** | 673 178 063 |  -  |  -  |   |   |
| **C-Component** | 1 235 000 000 |  -  |   |   |   |
|  **Total** | **14 683 834 999** | **10 859 300 811** | **-7 817 163 385** | **19%** | **18%** |

*Source: MIG Project Lists – June 2014.*

The table in slide 5 shows how the MIG formula allocates funding to the different categories of projects in the column labelled “Formula based Allocation”. The table compares this to what municipalities actually budget for the different projects as per their project lists. The difference between these two columns may be ascribed to municipalities not being fully committed on their allocations or not reporting accurately but is probably a combination of the two.

1. **Summary of MIG Expenditure as at end January 2015**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Province** | **Allocated (R'000)** | **Transferred to date** | **Expenditure to date** | **Expenditure as % allocation** | **Expenditure as % transferred** | **Balance Unspent** |
| Eastern Cape |  2 916 227  | 1 663 196  |  1 452 710  | 49.81% | 87.34% |  210 486  |
| Free State |  813 654  |  566 378  |  354 701  | 43.59% | 62.63% |  211 677  |
| Gauteng |  453 318  |  331 732  |  225 822  | 49.82% | 68.07% |  105 910  |
| KwaZulu Natal |  3 207 141  |  2 176 888  |  1 586 366  | 49.46% | 72.87% |  590 522  |
| Limpopo |  3 064 058  |  1 514 828  |  938 962  | 30.64% | 61.98% |  575 866  |
| Mpumalanga |  1 707 250  |  1 126 639  |  871 952  | 51.07% | 77.39% |  254 687  |
| Northern Cape |  450 944  |  332 245  |  268 564  | 59.56% | 80.83% |  63 681  |
| North West |  1 598 850  |  952 582  |  748 025  | 46.79% | 78.53% |  204 557  |
| Western Cape |  472 393  |  362 154  |  273 463  | 57.89% | 75.51% |  88 691  |
| **TOTAL** |  **4 683 835**  |  **9 026 642**  |  **6 720 566**  | **45.77%** | **74.45%** |  **2 306 076**  |

*Source: MIG DoRA Report – January 2015*

* The total MIG allocation for the 2014/15 financial year is R14, 7 billion. As at end January 2015 a total of R9 billion was transferred to municipalities according the approved payment schedule.
* By the end of January 2015, R6,7 billion of the transferred amount was reported as spent, leaving a balance of R2,3 billion still unspent.
* The total expenditure R6,7 billion represents 46 percent of the total allocation and 74 percent of the transferred funds.
* Northern Cape municipalities appear to have their projects running smoothly in the current financial year. The Province as a whole has spent 60 percent of their allocation and 80 percent of their transfers as at end January 2015.
* Western Cape is also performing well in terms of expenditure having spent 58 percent of their allocation and 76 percent of transfers.
	1. **Expenditure in last seven months of the Municipal Financial Year**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Province**  |  **Spent by Province**  |  **Spent by Province**  |  **Spent by Province**  |  **Spent by Province**  |  **Spent by Province**  |  **Spent by Province**  |  **Spent by Province**  |
|  **July**  |  **August**  |  **September**  |  **October**  |  **November**  |  **December**  |  **January**  |
| Eastern Cape | 150 999 | 117 074 | 216 107 | 243 458 | - | 617 652 | 107 420 |
| Free State | 58 919 | 50 099 | 38 238 | 44 992 | 72 072 | 44 297 | 46 084 |
| Gauteng | 7 236 | 29 172 | 43 117 | 49 588 | 28 675 | 32 118 | 35 916 |
| KwaZulu Natal | 149 570 | 256 449 | 209 669 | 266 699 | 233 256 | 238 158 | 232 565 |
| Limpopo | 43 351 | 112 673 | 171 152 | 128 760 | 168 468 | 153 222 | 161 336 |
| Mpumalanga | 56 900 | 107 588 | 120 882 | 98 412 | 179 786 | 185 025 | 123 359 |
| Northern Cape | 32 768 | 43 310 | 45 866 | 43 915 | 68 110 | 19 183 | 15 412 |
| North West | 112 831 | 183 366 | 82 997 | 79 107 | 104 695 | 78 246 | 106 783 |
| Western Cape | 18 768 | 43 861 | 49 947 | 43 544 | 55 136 | 14 267 | 47 940 |
| **TOTAL** | **631 342** | **943 592** | **977 975** | **998 475** | **910 199** | **1 382 168** | **876 815** |

*Source – MIG DoRA reports, July 2014 to January 2015*

Expenditure trends from the beginning of the financial year shows a slow start with projects in July 2014. Expenditure starts to pick up by August 2014 and reaches a maximum in the expenditure reported in December. Note that the expenditure reported in a given month is a reflection of the work done in the previous month. Thus while expenditure on MIG projects reaches its peak in December 2014, it drops again quite drastically in January 2015, reflecting the builders break and the lack of activity on the construction site during mid-December 2014 to mid-January 2015.

1. **Non-Financial Information**
	1. **MIG Expenditure per Sector as at 31 January 2015**

Slide 10, 11 and 12 on the presentation shows how much each province allocated to the different project categories, how many household were planned to benefit from that type of project and what was the actual expenditure on these projects.

Slide 10 looks at Water and Sanitation as well as roads and Storm water. Slide 11 provides a breakdown with regard to community lighting and Sport facilities and slide 12 looks at the allocation, beneficiaries and expenditure on Community lighting and Solid Waste projects. It must be noted however, there are serious challenges with regard to quality of reporting received from municipalities and Provinces. The template provided to Provinces and municipalities for reporting on non-financial information has been changed to suit the needs of each province and does not provide standardised information in all 9 provinces. Although a wealth of information is contained in each province’s project list, the spreadsheet needs to be re-standardised and “locked” so that information remains constant and reliable.

1. **Challenges and Support to Municipalities**

4.1 **Slide 13** makes reference to the general challenges that affect most municipalities receiving MIG allocations including:

* Inadequate planning in the context of Integrated Development Planning.
* Lack of Intergovernmental cooperation (Municipalities, provinces, and sector departments involvement in MIG implementation)
* Lack of capacity to manage MIG projects (Project Management Units)
* Appointing service providers or contractors who cannot deliver
* Late payment of service providers
* Council decisions take too long (approval of projects and budgets)
* Delays in Technical reports and Environmental Impact Assessment (sector departments)
* Use of MIG funds for operational budget pressures
	1. **Slide 14** provides information with regard to the type of support provided by the Teams at CoGTA focusing on the following:
* Assisting municipalities with planning
* Development of generic action plans to address specific challenges
* Provide high level interventions where projects are being delayed at a municipal level
* Interrogation of cash flows to guide realistic projected expenditure
	1. **Slide 16** highlights the Back to Basics initiative adopted by the Department to:
* Assist municipalities during the **implementation phase** of projects by supporting and guiding municipalities to meeting the objectives of the MIG Programme.
* Support municipalities by ensuring that positive spending trends are maintained as per the pre-set payment scheduled. This includes frequent engagements with municipalities on maintaining spending discipline (under expenditure) and setting remedial actions on how to overcome poor expenditure trends
* Coordinate site visits to targeted projects in which all relevant stakeholders participate to confirm that projects are implemented as approved.