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ANNUAL PERFORMANCE PLAN AND BUDGET ANALYSIS: MUNICIPAL INFRASTRUCTURE SUPPORT AGENT 2020/21

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1. OVERVIEW OF THE 2019/20 FINANCIAL YEAR

Over the 2019/20 financial year, the work of the Municipal Infrastructure Support Agent (MISA) focused on:

- Developing and implementing municipal infrastructure support plans towards improving infrastructure planning, delivery, operations and maintenance.
- Deploying District Support Teams to improve spending on the Municipal Infrastructure Grant (MIG).
- Deploying the MISA Inspectorate to assess functionality of water and sanitation infrastructure in district municipalities.
- Enrolling learners in MISA's Apprenticeship, Experiential Learnership, and Young Graduate Programmes.
- Conducting feasibility studies to address misalignment of bulk water and reticulation in Water Services Authorities.

The Cabinet Lekgotla of July 2019 also stressed the need to strengthen MISA's role and capacity. This is to enable the entity to respond faster in respect of municipalities struggling to implement municipal infrastructure projects or experiencing severe disruption of services due to dysfunctional infrastructure assets. MISA may need to provide an update to the Committee regarding what the expanded role will entail in practical terms.

2. POLICY PRIORITIES FOR 2020/21

Informing the policy mandates of the Municipal Infrastructure Support Agent (MISA) for the 2020/21 financial year are the following policy instruments:



- **The National Development Plan (NDP).** MISA responds to the NDP's call on government to adopt a long-term approach that focuses on skills development strategies for technical specialist. In this regard, MISA will continue to support distressed municipalities to create sufficient internal capacity for the optimal delivery of basic services infrastructure
- **Sustainable Development Goals (SDGs).** The work of MISA in 2020/21 aligns to five of the 17 SDGs, namely clean water and sanitation; affordable clean energy; industry, innovation and infrastructure; sustainable cities and communities; and climate action.
- **District Development Model (DDM).** MISA will undertake the coordination of municipal infrastructure programmes within the ambit of the DDM. Its work in 2020/21 aligns to some key elements of the DDM, including integrated service provisioning, infrastructure engineering, spatial restructuring and economic positioning for each district and metropolitan municipality.
- **National Spatial Development Framework (NSDF).** The Spatial Planning and Land Use Management Act, Act 16 of 2013 (SPLUMA) guides the NSDF, and in this context, MISA will continue supporting municipalities to develop and implement spatial development plans that are SPLUMA compliant.
- **Medium Term Strategic Framework 2019-2024 (MTSF).** MISA's activities for the 2020/21 period respond, both directly and indirectly, to the MTSF's priority 1 (Economic Transformation and Job Creation), priority 2 (Education, Skills and Health), priority 4 (Spatial Integration, Human Settlements and Local Government) and priority 6 (A Capable Ethical and Developmental State).

3. BUDGET ANALYSIS

As illustrated in Table below, overall allocation to MISA increases by 0.1 percent in real terms, from R343.9 million in 2019/20 to R359.7 million in 2020/21. The Administration Programme accounts for the bulk of this increase, in line with MISA's increased recruitment drive, which is commensurate with its expanded mandate in respect of coordinating the municipal infrastructure component of the District-based Development Model.

| Programme | Budget | | Nominal Rand change | Real Rand change | Nominal % change | Real % change |
|---------------------------------------------------|--------------|--------------|---------------------|------------------|----------------------|----------------------|
| R million | 2019/20 | 2020/21 | 2019/20-2020/21 | | 2019/20-2020/21 | |
| Administration | 87,7 | 94,1 | 6,4 | 2,4 | 7,30 per cent | 2,78 per cent |
| Technical Support | 232,4 | 240,9 | 8,5 | - 1,7 | 3,66 per cent | -0,71 per cent |
| Infrastructure Delivery Management Support | 23,9 | 24,7 | 0,8 | - 0,2 | 3,35 per cent | -1,01 per cent |
| TOTAL | 344,0 | 359,7 | 15,7 | 0,5 | 4,56 per cent | 0,16 per cent |



The Technical Support Services Programme, on the other hand, accounts for the bulk of the envisaged expenditure, which totals R240.9 million. Technical Support Services is at the heart of MISA's mandate of enhancing the capabilities of municipalities for improved infrastructure planning, delivery, operations, and maintenance.

3.1. Programme 1: Administration

Programme 1 seeks to ensure effective leadership, strategic management and administrative support to MISA, in line with applicable legislation and best practice. The Programme consists of three sub-programmes, with a total budget allocation of R94.1 million in 2020/21. This represents a real increase of 2.7 percent compared to the R87.7 million allocated in the previous financial year.

As noted previously, the Programme accounts for the bulk of the 0.1 percent increase in the entities' 2020/21 budget, in line with MISA's increased recruitment drive. This is commensurate with MISA's expanded mandate in respect of coordinating the municipal infrastructure component of the District-based Development Model.

3.2. Programme 2: Technical Support Services

Programme 2 seeks to enhance the capabilities of municipalities for improved infrastructure planning, delivery, operations, and maintenance. This is MISA's largest Programme in terms of budget and human capital. It is also responsible for 75 percent of the key deliverable envisaged for 2020/21.

The allocation to the Programme decreases by 0.7 percent in real terms – from R232.4 million in 2019/20 to R240.9 million in 2020/21. This means that allocated increase has not kept up with inflation, hence the decrease in real terms. As the engine room of MISA's core mandate, there is a strong case for ensuring that allocation to this Programme keeps up with inflation.

One of the key deliverables from this Programme in 2020/21 will be assistance to identified municipalities to develop and implement Water Conservation and Water Demand Management Plans in bid to reduce water losses. How MISA plans to measure its performance in this regard will be critical for Parliament to consider.

3.3. Programme 3: Infrastructure Delivery Management Support

Through the Infrastructure Delivery Management Support Programme, MISA aims to support the efficient delivery of municipal infrastructure programmes and projects, build a credible project pipeline for long-term infrastructure investment, as well as support municipalities with infrastructure procurement. This is MISA's smallest Programme, both in terms of budget and human capital. Allocation to this Programme decreases by 1 percent in real terms, from R23.9 million in 2019/20 to R24.7 million in 2020/21. Once again, this means that allocation to this Programme has not kept up with inflation.

4. KEY ISSUES FOR CONSIDERATION BY PARLIAMENT



Due for consideration by Parliament in respect of MISA's 2020/21 APP are the following matters, among others:

- 4.1. Whether MISA is considering the recommendation by National Treasury with regard to approaching the Department of Planning, Monitoring and Evaluation to conduct a formal and independent review of MISA operational efficiency, in order to determine which activities are improving municipal infrastructure delivery and which are not.
 - 4.2. What will be the strengthening of the role and capacity of MISA, as endorsed in the July 2019 Cabinet Lekgotla, entail in practical terms? How does the 2020/21 APP accommodate this?
 - 4.3. Whether the developments of late December 2019 involving the arrest of MISA CEO will affect the implementation of the 2020/21 APP in the short term.
 - 4.4. What is MISA's proposed way forward regarding the inability of municipalities to absorb qualified artisans and graduates after undergoing training through MISA support?
 - 4.5. One of the key deliverables under MISA's Technical Support Services Programme in 2020/21 will be assisting identified municipalities to develop and implement Water Conservation and Water Demand Management Plans in bid to reduce water losses. How is MISA proposing to measure the impact of its intervention in this regard?
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