**2. REPORT OF THE SELECT COMMITTEE ON APPROPRIATIONS ON THE PROVINCIAL AND MUNICIPAL DISASTER RELIEF GRANTS AND THE MUNICIPAL DISASTER RECOVERY GRANT PERFORMANCE FROM INCEPTION TO DATE, DATED 22 AUGUST 2018**

 **1. Introduction**

The Provincial Disaster Relief Grant (PDRG) and the Municipal Disaster Relief Grant (MDRG) were introduced in the 2011 Budget as unallocated grants to the provincial governments to enable the National Disaster Management Centre to disburse disaster response funds immediately after a disaster is declared, without the need for the transfers to first be gazetted. These grants are intended to fund emergency repairs to essential basic services infrastructure, provision of temporary infrastructure, humanitarian relief and other immediate essential services following a declared state of disaster. On the other hand, the Municipal Disaster Recovery Grant was introduced. in the 2013 Budget, for the purpose of restoring functionality of municipal infrastructure following a disaster by rehabilitating and reconstructing municipal infrastructure damaged by disasters.

On 13 June 2018 the Committee convened a hearing wherein the Department of Cooperative Governance and Traditional Affairs (CoGTA) and National Treasury made presentations on the expenditure performance of the Provincial and Municipal Disaster Relief Grants and the Municipal Disaster Recovery Grant from inception to date; and to further report on the administration performance of the National and Provincial Disaster Management Centres in relation to the grant allocations, as well as the processing of applications for funding and oversight mechanisms for grant expenditure.

**2. Terms of reference**

The hearing formed part of the Committee’s ongoing interaction with departments to monitor their spending patterns on conditional grants allocated to them. A framework for the grants sets out their purposes, measurable objectives, conditions, allocation criteria, and past performance, among other things. The Committee may decide to call provincial departments to report on their performance on the disaster grants at a later stage.

**3. Presentation by National Treasury**

**3.1 Provincial Disaster Relief Grant**

National Treasury reported that the Provincial Disaster Relief Grant (PDRG) was only allocated to provinces once their submissions were approved through the disaster management process. Stakeholders in the process included the province (provincial treasury and provincial department of cooperative governance); the Provincial Disaster Management Centre (PDMC); the National Disaster Management Centre (NDMC); and National Treasury. Applications for funding must include –

* A classification letter;
* Declaration of a state of disaster;
* The number of people and sectors affected and the extent of the damage;
* Total funding required; and
* A cost benefit analysis of projects to be implemented.

With regard to the financial performance of the PDRG, National Treasury reported that, in the 2013/14 financial year, three provinces - the Northern Cape (R50 million), the North West (R44 million) and the Western Cape (R27 million) - had been allocated funds from the Grant. The Northern and Western Cape both recorded a 0 percent expenditure, while the North West managed to spend 97.6 percent of its allocation. During the 2014/15 financial year, five provinces were allocated PDRG funds, and spent it as follows:

* Free State spent 100 percent of R16 million;
* KwaZulu-Natal spent 100 percent of R10 million;
* Limpopo spent 0 percent of R9.2 million;
* Mpumalanga spent 29.1 percent of R50 million; and
* Northern Cape spent 86.4 percent of R50 million.

During the 2015/16 financial year, only Gauteng received PDRG funds, and the province managed to spend 39.4 percent of the R35.6 million allocation. In the 2017/18 financial year, the Northern and Western Cape were allocated funds, with the Northern Cape spending 0 percent of its R42.3 million allocation and the Western Cape spending 100 percent of its R40 million allocation.

**3.2 Municipal Disaster Relief Grant**

National Treasury reported that the Municipal Disaster Relief Grant (MDRG) was allocated to municipalities once a disaster was declared and classified based on reports from assessments conducted by the National and Provincial Disaster Management Centres and affected sectors, of immediate disaster relief needed.

Regarding the financial performance of the MDRG, National Treasury reported the following allocations and expenditure from 2013 to date:

* 2013/14: 60.1 percent expenditure of a total of R144 million allocated to KwaZulu-Natal, Limpopo and the Western Cape;
* 2014/15: 41.2 percent expenditure of a total of R35.5 million allocated to KwaZulu-Natal, Limpopo and Mpumalanga;
* 2016/17: 99.8 percent expenditure of a total of R118 million allocated to KwaZulu-Natal; and
* Current expenditure of 5 percent against a total of R341 million allocated to the Eastern, Northern and Western Cape.

**3.3 Municipal Disaster Recovery Grant**

National Treasury reported that the Municipal Disaster Recovery Grant was allocated based on approved post-disaster reconstruction and rehabilitation assessment reports by the National and Provincial Disaster Management Centres and affected sectors. Projects for disaster reconstruction and rehabilitation were considered once they have been submitted for verification within a six-month time frame following a disaster.

With regard to the financial performance of the Municipal Disaster Recovery Grant, Treasury reported the following allocations and expenditure from 2013 to date:

* 2013/14: 50 percent expenditure of a total of R118 million allocated to the Eastern Cape, KwaZulu-Natal, Limpopo and the Western Cape;
* 2014/15: 17 percent expenditure of a total of R194 million allocated to the Eastern Cape, Gauteng, KwaZulu-Natal, Limpopo, Mpumalanga and the Western Cape;
* 2015/16: 79 percent expenditure of a total of R186 million allocated to KwaZulu-Natal, Limpopo, Mpumalanga and the Western Cape;
* 2016/17: 71 percent expenditure of a total of R140 million allocated to KwaZulu-Natal, Mpumalanga and the Western Cape; and
* For the current year an amount of R26 million was gazetted against Merafong Local Municipality in Gauteng for repair of sinkholes and damage to infrastructure.

**3.4 Challenges and recommendations**

National Treasury reported the following challenges in the performance of the above-mentioned disaster grants:

* Inadequate capacity to deal with the submission process as well as the implementation across the different spheres of government.
* Poor disaster risk management and climate change strategies in provinces.
* Poor quality submissions from provinces resulting in the application process being delayed.
* Slow verification of submissions, with requests for funding to National Treasury coming late in the financial year. Transfers to provinces are subsequently made in the last week of the financial year.
* Funds transferred late in the financial year have a lower probability of being spent, as was the case with the Northern Cape, that was not able to pass an adjustment budget.

National Treasury proposed the following measures to address the above-mentioned challenges:

* Capacity in the whole value chain of immediate disaster relief must be enhanced to ensure submissions made are thoroughly thought through, in order to ease any delays in approval and transfer of funds.
* Quality of disaster risk management strategies and climate change strategies must improve in order to serve as an aid to mitigation of disasters and its effects.
* The application process should be streamlined with uniform standard documents and processes (for example, standard submission and reporting templates).
* For disasters occurring in the last quarter of the financial year, the National and Provincial Disaster Management Centres (NDMC and PDMC) must fast-track applications to ensure that provinces have sufficient time to utilise the funds.
* Coordination and communication must be strengthened to ensure that all legislative processes are in place and all role players are aware of what is expected of them.
* The NDMC and PDMC should improve the monitoring and oversight of allocated funds to provinces and produce reports that reflect the impact of such allocations. Quarterly non-financial reporting in terms of the Division of Revenue Act is not done regularly.

 **4. Presentation by Department of Cooperative Governance and Traditional Affairs**

The Department of Cooperative Governance and Traditional Affairs (CoGTA) confirmed that the disaster relief grants and the disaster recovery grant were introduced in the 2010/11 and 2012/13 financial years, respectively. The main objective of the grants is to respond to the immediate needs after a disaster has occurred in order to deal with its consequences. CoGTA added that these conditional grants were meant to be accessed by municipalities and provincial departments within 90 days, following the declaration of a state of disaster. This is in order to repair critical infrastructure that had been damaged as well as provide essential services. The application processes to access these grants as published in grants frameworks are delineated in the Division of Revenue Act.

CoGTA reported that the grant funds are clustered into immediate relief and reconstruction and rehabilitation of infrastructure. The immediate relief funds are meant for immediate disaster response and are provided through the Provincial and Municipal Disaster Grants. These two grants are designed for the rapid release of funds and are intended to fund amongst other items: emergency repairs, humanitarian relief such as temporary shelter and food as well as essential services during the first three months following a declared disaster. CoGTA further reported that once the immediate impact of a disaster has been assessed, the grant funds are allocated for post disaster reconstruction and rehabilitation through the budget adjustment process for repair or replacement of assets and infrastructure damaged by declared disasters.

With regard to the Reconstruction and Rehabilitation Funds for disaster, CoGTA reported that these funds were added to provincial grants (i.e the Education Infrastructure Grant and Provincial Roads Maintenance Grant). CoGTA added that provincial departments that have a mandate for the type of provincial infrastructure that has been damaged are then responsible for repairing such infrastructure. On the other hand, CoGTA stated that the disaster reconstruction and rehabilitation allocations to municipalities are normally transferred through specific recovery grants, such as the Municipal Disaster Recovery Grant.

On guiding principles for disaster funding, CoGTA reported that all three spheres of government were expected to comply with conditions for disaster funding as outlined in Sections 56 and 57 of the Disaster Management Act 57 of 2002. Moreover, the classification of a disaster and the administrative process to access the disaster grants are also guided by this Act. CoGTA further reported that the administrative process for accessing these grant funds included providing detailed disaster assessment reports; evidence that affected sectors are unable to obtain the resources (funds) to address the disaster damage; a copy of the contingency plan and business plans and cash-flow projections.

Still on the administrative process, CoGTA added that the process involves conducting a preliminary cost verification of the business plans and cash-flow projections and submitting them to the National Treasury. The report submitted to the National Treasury for disasters must meet criteria for funding within 14 days following receipt of the initial written funding request from the Provincial Disaster Management Centre (PDMC) and the affected municipality. The next step was to conduct assessments of disaster impact in order to verify the application for funding within 35 days following the receipt of a written funding request and as per the requirements of the Disaster Management Act and submit the funding application to the National Treasury for processing.

Section 23(2)(b) of the Disaster Management Act requires that independent assessors be appointed to conduct damage assessment and cost verification for post disaster reconstruction and rehabilitation. The assessment reports, as signed off by Accounting Officers, are presented to the National and Provincial Task Teams for approval and then submitted to the Heads of Departments of Cooperative Governance to sign. According to CoGTA, the National Treasury thereafter provides written advice on the timing of disbursements to municipalities, sector departments and transfer the funds within five days of drawing the funds from the National Revenue Fund.

With regard to the process of transferring funds, CoGTA reported that the relevant municipality is notified about the transfer at least one day before the transfern. The PDMC is also notified of the transfer and the reason for the transfer within five days of the transfer of funds to the municipalities, together with the relevant sector departments, including the National Treasury and the relevant Provincial Treasury. CoGTA emphasised that the request for funding, together with the signed off reports, were submitted to the National Disaster Management Centre (NDMC), who consolidates and processes the submissions through to the National Treasury. CoGTA emphasised that the funding for disaster recovery could only be accessed during the budget adjustment appropriation process and be considered by the Cabinet. The three tables below show the disaster grant allocations since inception.

**Table 1: MUNICIPAL DISASTER RELIEF GRANT ALLOCATIONS AND TRASFERS**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Name of Grant** | **Year** | **Division of Revenue Allocation** | **Actual Transfers by CoGTA** | **Expenditure** | **Non- Expenditure** |
| **Municipal Disaster Relief Grant** | 2011/12 | **R’000** | **R’000** | **R’000** | **R’000** |
| 470, 000 | 32,300 | 32,300 | 0 |
| 2012/13 | 330,000 | 73,200 | 73,200 | 0 |
| 2013/14 | 350,000 | 143,800 | 143,800 | 0 |
| 2914/15 | 371,000 | 35,500 | 35,500 | 0 |
| 2015/16 | 197,000 | 0 | 0 | 0 |
| 2016/17 | 215,000 | 118,000 | 118,000 | 0 |
| 2017/18 | 300,600 | 341,300 | 21,100 | 320,200 |
|  | 2018/19 | 317,000 | Not yet | Not yet | Not yet |

The above table 1 shows the MDRG allocations and transfers from the 2011/12 to the 2018/19 financial year. In the year of inception, the grant was allocated R470 million and only R32.3 million was transferred to municipalities and spent. During the 2015/16 financial year, none of the budgeted R197 million was utilised. Whereas in the 2018/19 financial year, R317 million has been budgeted for.

**Table 2: PROVINCIAL DISASTER RELIEF GRANT ALLOCATIONS AND TRANSFERS**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Name of Grant** | **Year** | **Division of Revenue Allocation** | **Actual Transfers by CoGTA** | **Expenditure** | **Non-Expenditure** |
| **Provincial Disaster Relief Grant** |  | **R’000** | **R’000** | **R’000** | **R’000** |
| 2011/12 | 305,000 | 15,100 | 15,100 | 0 |
| 2012/13 | 180,000 | 15,900 | 15,900 | 0 |
| 2013/14 | 188,000 | 120,300 | 113,300 | 700 |
| 2914/15 | 190,000 | 85,800 | 85,400 | 1,400 |
| 2015/16 | 103,000 | 132,600 | 109,300 | 23,300 |
| 2016/17 | 111,000 | 0 | 0 | 0 |
| 2017/18 | 123,000 | 82,300 | 69,900 | 12,400 |
|  | 2018/19 | 130,600 | 38,000 | Not yet | Not yet |

The above table 2 indicates the PDRG allocations and transfers from the 2011/12 to the 2018/19 financial year. In the year of its inception, the grant was allocated R305 million and R15.1 million was spent. In the 2016/17 financial year, the grant was allocated R111 million and no funds were spent. In the 2018/19 financial year, R130.6 million was budgeted for the grant and only R38 million has been spent.

**Table 3: MUNICIPAL DISASTER RECOVERY GRANT ALLOCATIONS AND TRANSFERS**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Name of Grant** | **Year** | **Division of Revenue Allocation** | **Actual Transfers by CoGTA** | **Expenditure** | **Non- Expenditure** |
| **Municipal Disaster Recovery Grant** |  | **R’000** | **R’000** | **R’000** | **R’000** |
| 2013/14 | 118,300 | 118,300 | 118,300 | 0 |
| 2914/15 | 194,200 | 194,200 | 194,200 | 0 |
| 2015/16 | 188,900 | 188,900 | 188,900 | 0 |
| 2016/17 | 140,000 | 140,000 | 140,00 | To be confirmed |
| 2017/18 | 26,100 | 26,100 | 0 | 26,100 |
|  | 2018/19 | 21,000 | To be transferred in September 2018 |

Table 3 above shows that the MDRG was introduced in the 2013/14 financial year, and was allocated R118.3 million, which was all spent. In the 2016/17 financial year, R140 million was allocated to the grant and all the funds were transferred to the municipalities and the non-expenditure was yet to be confirmed. In the 2017/18 financial year, all the budgeted funds, totalling R26.1 million, were spent. Lastly, the R21 million allocation for the 2018/19 financial year had not been transferred at the time of reporting.

With respect to non-financial performance, CoGTA reported that, while all the municipalities which were allocated disaster grant funds had spent them, the close-out reports were still outstanding in some municipalities. CoGTA added that municipalities did not have emergency procurement policies in place which led to delays in implementation of projects. Furthermore, in some instances municipalities treated emergency funding like the normal conditional grant funding. According to CoGTA, this twas due to municipalities and sectors not having contingency plans in place, which has proved to the NDMC that they were not prepared at times of disasters. This resulted in projects not being completed within the three months emergency time frame. The Committee was further informed by CoGTA that reporting was also a challenge, irrespective of the provincial and municipal workshops undertaken and reminders being sent to receiving stakeholders.

With regard to how the disaster grants are monitored and support provided by the NDMC and the PDMC, CoGTA reported that in line with the grant frameworks all relevant role players are assigned roles and responsibilities in ensuring that grants are transferred to the relevant recipients and monitored and grant performance is reported on. CoGTA added that the NDMC establishes a national steering committee comprising of all relevant sectors to assess the situation and ensure that proper documentation from the provinces are submitted on time. At the provincial level, CoGTA reported that the PDMC establishes provincial task teams comprising of relevant role players to coordinate the assessments, funding applications, monitoring and reporting processes. Moreover, grant recipients are compelled to report on a monthly, quarterly and annual basis.

CoGTA further reported that conditional grant frameworks were issued annually to all the organs of State. The NDMC issues reminders to all the recipients to submit reports a week before the due date. The NDMC, in collaboration with the PDMC and relevant role players, conduct on-site verification of projects. CoGTA further reported that the NDMC had recently collaborated with the Municipal Infrastructure Support Agent (MISA) to identify recipients that are struggling to implement projects. In addition, the NDMC has developed a monitoring and evaluation system which focuses on disaster reconstruction and rehabilitation projects - immediate relief projects will be included in future.

With respect to challenges in monitoring and implementation of the three grants, CoGTA reported as follows:

* There was an issue with the submission of incomplete documentation for approval.
* Conditional grant funds were used for unintended purposes.
* Conditional grant funds were being surrendered without infrastructure being repaired.
* There was a lack of proper and poor reporting as per the grant frameworks.
* The Municipal Infrastructure Grant (MIG) projects were included in the damaged infrastructure which contributed to double funding.
* Quality standards were compromised where the same projects were being affected when disasters occur.
* There were inconsistencies with what was on the ground versus the expenditure on projects.
* Infrastructure backlogs were sometimes included in the list of infrastructure damaged as a result of disasters.
* Projects falling within normal sector programmes were added on disaster listed projects (drought projects).
* The was insufficient capacity within the Disaster Management Centres/Units within the three spheres of government.

With regard to remedial measures and improvements to the administration of the three conditional grants, CoGTA reported that the following measures had been, or would be, taken:

* A technical Task Team on Planning, Response and Recovery has been established to promote disaster risk reduction; monitor the development of disaster plans; monitor the use and reporting of disaster funds; and implementation of the lessons learnt during the disaster damage assessments.
* CoGTA facilitates workshops in collaboration with National Treasury to assist municipalities in developing emergency procurement policies.
* The NDMC resolved to conduct national and provincial workshops on the processes to access and implement the disaster grants.
* Monitoring and reporting procedures would be strengthened and CoGTA would evaluate the impact with regard to the value the grants added to service delivery.
* CoGTA would conduct roadshows on disaster management legislative processes to improve compliance and implementation.
* CoGTA would create awareness on disaster risk reduction and development of disaster risk reduction strategies.
* Integrated planning through Municipal Integrated Development Planning would be promoted to ensure risk mitigation and preparedness in the sectoral and municipal development plans.
* Independent assessors would conduct assessments immediately after the request for classification was submitted to the NDMC to speed up the damage assessment and funding applications.

**5. Observations**

Having considered the submissions by the National Treasury and CoGTA, the Committee observed the following:

5.1 In some instances projects that are meant to be addressed through the Municipal Infrastructure Grant are added to the disaster funding application.

5.2 There is a lack of capacity to handle disasters in the local government sphere because there are no proactive disaster management policies. Municipalities always react after the fact and the Integrated Development Plans do not usually include disaster plans.

5.3 The provincial and local government seem to be battling to follow the disaster funding application regulations due to the capacity challenges.

5.4 There was a challenge regarding the late transfer of disaster funds to the Northern Cape Province, due to the disaster occurring very late in 2017/18. However, CoGTA assured the Committee that this was being attended to and the Northern Cape would receive the funds.

5.5 At local government, the Disaster Management Units are not properly positioned as key units and in some cases they are placed as sub-units and not properly budgeted for and capacitated with properly skilled officials.

5.6 CoGTA and MISA are continuously providing technical support to municipalities who are identified as needing support or who are experiencing challenges after being hit by disasters. These challenges only become apparent once a disaster has occurred.

5.7 The NDMC and the PDMC are continuously organising workshops on how disasters should be managed and the importance of having early warning systems in place.

**6. Recommendations**

Having highlighted the observations that emanated from the interaction with invited stakeholders, the Select Committee on Appropriations recommends the following:

6.1 All the departments concerned (National Treasury and the national and provincial departments of cooperative governance) should ensure that disaster funds are not used for municipal infrastructure projects and where such practices occurred, appropriate steps should be taken in terms of the Division of Revenue Act and other applicable legislation.

6.2 The Department of Cooperative Governance and Traditional Affairs (CoGTA), in consultation with provincial departments, should monitor the establishment and capacitation of disaster management units. CoGTA should provide a progress report within three months after the adoption of this Report by the House.

6.3 The National Treasury should ensure the speedy transfer of the disaster funds due to Northern Cape Province and provide a progress report within 30 days after the adoption of this Report by the House.

6.4 Within three months after the adoption of this Report by the House, the Department of Cooperative Governance and Traditional Affairs should provide a progress report on interventions such as technical support and workshops.

Report to be considered.