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Department:
Provincial and Local Government
REPUBLIC OF SOUTH AFRICA

Municipal Systems Improvement Grant & Municipal Infrastructure Grant

2007/08 Performance Report

**SELECT COMMITTEE ON FINANCE
29 January 2008**



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Presentation Outline

- Purpose
- Context
- MSIG (performance status)
- MIG (performance status)
- Challenges and Actions
- Collaboration with other sectors
- Conclusion



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Purpose

The purpose of the presentation is to:

- Provide overview of how conditional grants contribute to the **dplg** strategic objectives; and
- The performance of both the MIG and MSIG for the 2007/8 financial year (specific to Quarter 2 of municipal financial year).

Context: dplg strategic objectives & 5yr LG Strategic Agenda

Dplg Strategic Objectives

- To build and enhance the **governance system** in order to enable sustainable development and service delivery.
- To oversee the implementation of the intergovernmental programme of support to the institutions of **traditional leadership** to perform their constitutional mandate.
- To build and strengthen the **capability and accountability** of Provinces and Municipalities to implement their constitutional mandate.
- To **monitor, evaluate and communicate** the impact of government programmes in municipal areas in order to enhance performance, accountability and public confidence.
- To strengthen the **dplg's organizational capability** and performance to deliver on its mandate.



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Overview of 5 Year LG Strategic Agenda

- Mainstreaming hands-on support to Local Government to improve municipal governance, performance and accountability
- Addressing the structure and governance arrangements of the State in order to better strengthen, support and monitor Local Government
- Refining and strengthening the policy, regulatory and fiscal environment for Local Government and giving greater attention to the enforcement measures



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Overview on dplg Budget

- The **dplg** overall budget after adjustment increased from R 28,8 billion to R 30 billion for 2007/08
- The grants managed by the **dplg** are: Equitable Share, Municipal Infrastructure Grant and Municipal Systems Improvement Grant totaling **R 29,6 billion** for 2007/08
- These grants support the **dplg** priorities in Infrastructure development for service delivery and capacity building as part of the implementation of the 5yr LG Strategic Agenda



Overview on MSIG & MIG

- The purpose of MSIG is to support municipalities in building in-house capacity in terms of systems, while the MIG supplements capital finance for *basic* municipal infrastructure for *poor* households, micro enterprises and social institutions
- These grants support the **dplg** priorities in Infrastructure development for service delivery and capacity building as part of the implementation of the 5yr LG Strategic Agenda



PART A: MSIG

Background of MSIG

- The focus of the grant is on:-Local and Economic Development, Financial Viability, Institutional Development, and Good Governance
- Transfers managed in terms of the municipal financial year starting July every year ending June the following year.
- For 2007/08 number of receiving municipalities increased from 211 (2006/07) to 254 municipalities

Summary for Qrts 1 & 2 – Transfers and Expenditure trends

- Transfers totaling R 200 mil was made to all receiving municipalities.
- Total amount of R 90,268 million was transferred in July and R 109,732 in Nov 2007
- First quarter (Jul-Sept 07) expenditure remained low at 2.2% of the transferred R90,268 million
- Second quarter (Oct-Dec 07) expenditure improved to 23% of the total transferred amount of R 200 million.



Provincial Breakdown of Transfers: 2007/08 by Dec

Province (R'000)	Transferred by Dec 2007		
	Schedule	Actual	%
Eastern Cape	27,868	27,868	100
Free State	19,160	19,160	100
Gauteng	8,404	8,404	100
KwaZulu Natal	40,076	40,076	100
Limpopo	23,502	23,502	100
Mpumalanga	18,794	18,794	100
Northern Cape	25,084	25,084	100
North West	17,820	17,820	100
Western Cape	19,292	19,292	100
TOTAL	200,000	200,000	100



Comparative expenditure against Funds transferred as at 31 Dec 2007

Province (R'000)	Quarter 1 (as at Sept 07)			Quarter 2 (as at Dec 07)		
	Amount Transferred	Expenditure	% Spent	Amount Transferred	Expenditure	% Spent
Eastern Cape	12,182	499	1.8	27 868	3 826	13.7
Free State	9,155	0	0.0	19 160	4 000	20.9
Gauteng	4,202	6	0.1	8 404	657	7.8
KwaZulu Natal	16,827	0	0.0	40 176	4 521	11.3
Limpopo	10,884	252	2.3	23 502	6 910	29.4
Mpumalanga	9,397	75	0.8	18 794	6 662	35.4
Northern Cape	12,175	1314	10.8	25 084	9 509	37.9
North West	7,676	0	0.0	17 860	6 158	34.7
Western Cape	7,770	158	2.0	192 92	32 99	17.1
TOTAL	90,268	2,303	2.2%	200 000	45 569	23%



Summary for Qrts 1 & 2 – Reporting trends

- An average of 24% of municipalities submitted reports as per DoRA in the 1st quarter ending Sept 2007.
- In the 2nd quarter ending Dec 2007, the average reporting improved from 24% to 38%.
- A significant number of municipalities are not submitting monthly expenditure reports despite the above improvement.



Future outlook for Qrts 3 & 4 – Expenditure and Reporting trends

- In the two remaining quarters (Jan-March 2008 and April to June 2008) expenditure on the MSIG is projected to be over 80%. The remaining 20% is projected to be achieved by Sept 2008.
- The reason for the projected 20% exp by September 2008 is due to the spill over of projects completion and payments.

Reasons for Variance in the 2007/08 Exp Performance as at Dec 2007

- The second tranche allocation totaling R 109,732 (including the withheld funds) transferred to qualifying municipalities in November 2007.
- Low reporting trends by municipalities
 - 35% (89 of 254 munics) in Oct 2007
 - 44% (112 of 254 munics) in Nov 2007
 - 36% (91 of 254 munics) in Dec 2007

Progress: Outcomes of the MSIG exp

cont...

- Financial Management & Viability
 - Completion and submission of Annual Financial Statements to the Auditor General
 - Out of 60 municipalities, 42 municipalities compiled the GAMAP/GRAP Implementation Plans
 - Skills Audit and Training of financial management staff on AFS preparation,
 - Implementation of Municipal Property Rates Act – compilation of valuation rolls
 - Implementation of Financial Billing System

Progress: Outcomes of the MSIG exp

- Institutional Transformation and Good Governance
 - Training of ward councillors facilitated through the grant
 - Performance Management System and IDP Reviews
 - Overhauled the organisational structure and filled critical post (eg. Cederberg – 24 vacancies)
- Local Economic Development
 - Development of Spatial Development Plan and LED Strategy (e.g in Ventersdorp LM, Dr JS Moroka, Makhuduthamaga)

PART B: MIG



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QUARTERLY PERFORMANCE OF THE MUNICIPAL INFRASTRUCTURE GRANT (MIG) – 2007/08 FINANCIAL YEAR



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SEC 1: 2006/07 FINANCIAL REPORT



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2006/07 Financial Report

- The total MIG allocation for the 2006/07 FY was R5, 265 billion
- An amount of R503 million was stopped from municipalities due to persistent under spending
- The new allocation for the 2006/07 FY is R5,751 billion
- The stopped allocation was paid back to municipalities in December 2007 that improved in terms of expenditure.
- The following municipalities did not receive the allocation that was stopped due to poor performance:
 - Matjhabeng in Free State
 - Umvoti & Maphumulo in Kwazulu Natal
 - Dr J S Moroka in Mpumalanga
- Municipalities have spent R5,731 billion as at end December 2007.
- Expenditure represents **99,6%** of the total allocation
- There is a balance of R20 million that is not spent by municipalities as at end of December 2007
- The Eastern Cape, Kwazulu Natal, Limpopo and Northern Cape are the only municipalities that are still spending the 2006/07 allocation



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2006/07 Quarterly Financial Report

PROVINCE	Allocation (R'000)	Actual Expenditure to date (R'000)	% Expenditure from total allocation	Amount not yet spent (R'000)
Eastern Cape	1,072,240	1,060,320	98.9%	11,921
Free State	507,633	507,633	100.0%	0
Gauteng	839,257	839,257	100.0%	0
KwaZulu Natal	1,243,978	1,238,065	99.5%	5,912
Limpopo	762,723	762,540	100.0%	183
Mpumalanga	414,408	414,408	100.0%	0
Northern Cape	120,725	117,802	97.6%	2,922
North West	486,733	486,938	100.0%	-205
Western Cape	304,137	304,137	100.0%	0
TOTAL	5,751,834	5,731,100	99.6%	20,734



SEC 2: 2007/08 FINANCIAL REPORT



2007/08 Financial Report

- The allocation for the 2007/08 FY is R8,261 billion
- There is an unallocated amount of R62 million which was stopped from municipalities in the 2006/07 FY, and was not paid back because of poor performance
- A total of R5,687 billion has been transferred to municipalities
- The expenditure as at the end of December 2007 was R4,533 billion, 55 percent from total allocation
- Municipalities have a balance of R1,153 billion in the bank accounts that is not spent



PROVINCE	Allocation (R'000)	Transferred to date (R'000)	% Transferred from total allocation	Actual Expenditure to date (R'000)	% Expenditure from total allocation	% Expenditure from the amount transferred	Amount not yet spent (R'000)
Eastern Cape	1,613,091	1,170,182	73%	838,770	52%	72%	331,412
Free State	1,202,704	911,522	76%	692,216	58%	76%	219,307
Gauteng	1,058,152	638,812	60%	604,362	57%	95%	34,250
KwaZulu Natal	1,435,428	954,055	66%	872,409	61%	91%	81,646
Limpopo	980,188	766,345	78%	628,115	64%	82%	138,230
Mpumalanga	573,277	352,543	61%	280,076	45%	74%	92,468
Northern Cape	222,453	148,251	67%	95,940	43%	65%	52,311
North West	760,642	508,009	67%	342,030	45%	67%	165,979
Western Cape	353,186	237,749	67%	199,394	56%	84%	38,355
UNALLOCATED	62,668						
TOTAL	8,261,788	5,687,269	69%	4,533,311	55%	80%	1,153,958



Monthly Expenditure trends per province

Province	Jul-07	Aug-07	Sep-07	Oct-07	Nov-07	Dec-07	Exp to date
Eastern Cape	58 067	126 510	99 076	105 957	140 852	53 147	838 770
Free State	95 102	104 508	76 719	94 108	94 108	82 889	692 216
Gauteng	53 214	28 049	140 538	71 724	60 362	108 428	604 362
KwaZulu Natal	85 926	104 250	104 635	111 465	113 665	100 507	872 409
Limpopo	92 171	67 832	87 194	75 637	83 914	41 581	628 115
Mpumalanga	20 258	32 785	33 948	44 285	51 831	32 963	260 076
Northern Cape	8 914	14 549	14 137	18 646	15 735	3 187	95 940
North West	33 566	42 566	40 992	47 623	79 913	32 829	342 030
Western Cape	18 797	15 430	21 882	32 310	36 343	15 865	199 394
Total	466 014	536 481	619 121	601 755	676 724	471 396	4 533 311



Progress: MIG outcome to Bucket eradication

- For the medium-term expenditure framework period of 2005/06 - 2007/08 a budget of R1.8 billion has been allocated for bucket eradication under MIG
- Of the 252,254 buckets, 81% were eradicated by Dec 2007
- Of the 49 010 buckets remaining in the four provinces, 62 percent are complete (structures with roofing) but are not flushing. Approximately 20 percent are completed structures with roofing but without connections and the remainder are in various stages of construction from excavations to structures that have been completed up to wall height only



SEC 3: MSIG & MIG CHALLENGES AND ACTION PLAN TO MITIGATE

General Challenges facing municipalities

- Planning in the context of Integrated Development Planning.
- Intergovernmental cooperation (Municipalities, provinces, and sector departments involvement in MIG implementation)
- Lack of capacity to manage MIG projects (Project Management Units)
- Projects in the MSIG Business plans not being implemented or business plans not available within the municipality
- Municipalities not allocating MSIG funds to a separate budget vote (using general conditional grants vote) making it difficult to know which grant is utilised
- Supply chain management
- Some municipalities complain about project registration
- Technical reports and Environmental Impact Assessment
- High staff turnover

Action Plan for Quarter 3&4 to address the challenges cont...

- Implement monthly report monitoring system to identify non-reporting district and local municipalities.
- Sending follow-up letters and reminders after the 10th of every month.
- District-wide visits to municipalities with low expenditure and reporting. This will include working sessions/meetings with Municipal Managers, CFOs and officials responsible for MSIG covering issues of Business Plan, Projects Implementation, expenditure and broader constraints for not spending and reporting.
- Interaction with Provincial MIG Units, PMUs of all receiving municipalities and sector departments on a monthly basis.

Action Plan for Quarter 3&4 to address the challenges

- The Municipal Infrastructure Unit has dedicated teams for each Province, to provide hands-on support to municipalities still spending 2006/07 and 2007/08 allocations.
- These teams monitor the project consolidate municipalities closely and provide hands on support to these municipalities as and when needed.
- Development of Action Plans to deal with specific challenges within the province.
- Provincial workshops to be held in all the provinces with municipalities to share the experiences and possible solutions for the challenges.


Collaboration and Coordination with other sectors

- Municipalities utilising the MSIG to facilitate the activities for implementation by the DBSA Siyenza Manje employees and the Financial Interns within the context of the business plan.
- Working relations with Provincial Departments of Local Government – Dedicated provincial official for monitoring of MSIG in the province and MIG PMUs.
- Continue working with 359 Experts, including graduates and students deployed through Siyenza Manje to assist municipalities in accelerating infrastructure delivery
- Up-scaled hands on support through appointing technicians using donor funding (eg.USAID) to support municipalities

Conclusion

Select Committee on Finance:

- notes the status of expenditure of municipal finances for the 2006/07 and 2007/08 FYs regarding MIG and MSIG
- support the dplg in enforcing municipal compliance to the requirements of the DoRA through the committee visitation programme.

<p>Municipal Infrastructure GRAND</p>	<p>miq</p>	<p>the dplg</p>	
<p>THANK YOU</p>			