

Presentation to the Select Committee on Finance 14 August 2008



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Department
Provincial and Local Government
REPUBLIC OF SOUTH AFRICA

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



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Financial Performance



Municipalities Still spending 2006/07 financial year

PROVINCE	Municipality	Allocation (R'000)	Actual Expenditure to date (R'000)	% Expenditure from total allocation	Amount not yet spent (R'000)
Eastern Cape	Nkonkobe	6 724	6 050	90.0%	674
Eastern Cape	Baviaans	13 027	10 839	83.2%	2 188
Kwazulu Natal	Nongoma	6 370	5 055	79.37%	1 314
Northern Cape	Kamiesberg	410	144	35.15%	266
Northern Cape	Renosterberg	4 721	2 977	63.07%	1 743
Totals		31 250	25 066	80.21%	6 184

•Baviaans: The municipality cannot implement the SMIFF project Steytlerville Bulk Water Supply that is approved for R15 million. They have been awaiting Record of Decision from the Department of Environmental Affairs. The project is designed to have a pipeline that goes through a heritage site.

•Nkonkobe: Lack of technical expertise. There is a political interference by politicians, on activities that have to be performed by municipal officials that resulted to cash flow problems.

•Nongoma: The municipality has internal problem. The municipal manager was suspended.

•Kamiesberg: The municipality spent the R410 000.00 already, but they could not report on the expenditure because their projects are not yet registered. The projects have been submitted to the province but are not yet submitted to the dplg.

•Renosterberg: Lack of technical capacity. The municipality is getting technical assistance from the district.



2007/08 Financial Report

- Municipalities were allocated R7,548 billion in the current financial year (2007/08)
- The allocation was revised to R8,3 billion in November due to approval of roll-overs and additional funding for bucket eradication
- The dplg transferred the total funds to municipalities by end of March
- Municipalities reported under expenditure of R1,3 billion by end of March 2008
- The balance of unspent funds as at end of June is R550 million

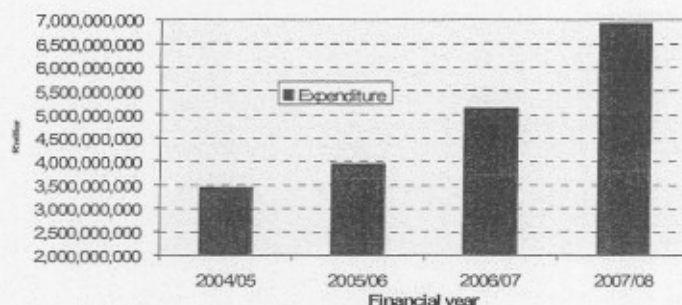


EXPENDITURE COMPARISON FOR THE 2006/07 AND 2007/08 FINANCIAL YEARS

Province	2006/07			2007/08		
	Allocation	Expenditure	%	Allocation	Expenditure	%
Eastern Cape	1,072,240	954,261	89.0%	1,613,091	1,371,282	85.0%
Free State	507,633	452,819	89.2%	1,258,725	979,869	77.8%
Gauteng	849,257	782,321	92.1%	1,058,152	863,476	81.6%
Kwazulu Natal	1,243,978	1,151,420	92.6%	1,439,345	1,358,597	94.4%
Limpopo	762,723	699,372	91.7%	980,188	911,049	92.9%
Mpumalanga	414,408	254,644	61.4%	576,005	431,245	74.9%
Northern Cape	120,725	98,069	81.2%	222,453	138,521	62.3%
Northwest	486,733	440,361	90.5%	760,642	596,942	78.5%
Western Cape	304,137	300,918	98.9%	353,186	291,921	82.7%
Totals	5,761,834	5,134,184	89.1%	8,261,788	6,942,901	84.0%



Expenditure Trends as at end of March since start of MIG



- Trends shows that municipality expenditure have been improving since the start of MIG.
- Programme is starting to show some maturity – interventions national and provincial governments to support municipalities
- Municipalities are supported to consider prior planning through project registration process
- Implementation of DoRA provisions during 2006/07 financial year

2007/08 Expenditure as at end of June 2008

Summary by province	Allocated (R'000)	Transferred to date	Expenditure to date	Expenditure % allocation	Balance Unspent
Eastern Cape	1 613 091	1 613 091	1 521 782	94.3%	91 309
Free State	1 258 725	1 258 725	1 110 192	88.2%	148 534
Gauteng	1 058 152	1 058 152	1 017 532	96.2%	40 621
KwaZulu Natal	1 439 345	1 439 345	1 410 734	98.0%	28 610
Limpopo	980 188	980 188	975 279	99.5%	4 910
Mpumalanga	576 005	576 005	518 403	90.0%	57 602
Northern Cape	222 453	222 453	161 765	72.7%	60 688
North West	760 642	760 642	678 728	89.2%	81 914
Western Cape	353 186	353 186	317 583	89.9%	35 603
TOTAL	8 261 788	8 261 788	7 711 998	93.3%	549 790

MIG KEY PERFORMANCE INDICATOR REPORT



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PROGRESS REGARDING BUCKET ERADICATION 2007/08

PROVINCE	Backlog Feb '05	Backlog July '08	Percent Reduction
Eastern Cape	48,417	634	99%
Free State	127,658	12572	90%
Northern Cape	16,691	1372	92%
Grand Total	252,254	14578	94%

• Since February 2005, National Treasury has made available a total of R1,8 billion for the eradication of the bucket sanitation system

• The allocation was ring-fenced for bucket eradication programme and allocated to the municipalities over the MTEF period in the following aggregates:

– R200 million in 2005/2006, R400 million in 2006/2007 and R1,2 billion in 2007/2008 financial year.

• The total backlog figure for buckets that was confirmed in formal settlements in February 2005 was 252 254.

• This total includes Mpumalanga, Western Cape, North West, and Gauteng provinces that are not included in the table. As at end June 2008 this figure has been reduced to 14 578 buckets

• The remaining buckets are mainly in Free State and Northern Cape since the provinces received additional funding in November 2007



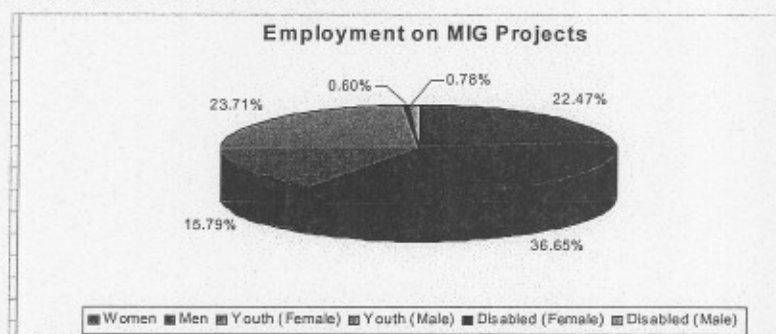
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IMPACT OF MIG

UNEMPLOYMENT AND POVERTY ALLEVIATION

Up to the end of March 2008, 35,576,715 person days employment opportunities have been created through MIG projects. The employment opportunities for women (including female youth and disabled persons) in person days expressed, as a percentage was 38% of the total employment opportunities. The employment of youth was 41% of the total employment opportunities.



IMPACT OF MIG

HOUSEHOLDS SERVICED PER SECTOR

As at March 2007, 3 650 060 households have been serviced on completed MIG projects since the inception of MIG in April 2004. The most important sector outputs in this regard are indicated in the table below.

Number of households serviced on MIG projects	Up to March 08
B-Component	2,502,414
P-Component	1,133,305
E-Component	13,724
Total	3,650,060
Households serviced on B-Component Projects	Up to March 08
Water	835,093
Sanitation	399,662
Roads	678,161
Storm water	99,542
Street / Community Lighting	251,405
Solid Waste Removal	238,552
Total	2,502,414

IMPACT OF MIG

LOCAL ECONOMIC DEVELOPMENT

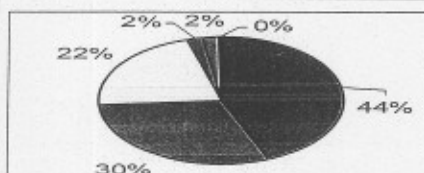
- Municipalities use local contractors, laborers as well as suppliers when implementing MIG projects
- In Free State municipalities experienced shortages of bricklayers and plumbers in their localities
- The supply of material is also a major challenge that is emerging from the province
- These is due to the fact that the province was allocated an additional R800 million for bucket eradication
- This is a good indication of economic development at local level

Project Registration :Monitoring Sector Commitments

ACTUAL ALLOCATION OF MIG FUNDS AT LOCAL LEVEL

- Water supply is the most important basic service funded through MIG to poor communities in South Africa
- Water services projects make up 73% of the total MIG value of registered basic residential projects. This is a strong indication that most of the MIG funds will go towards eradication of water services backlogs for the foreseeable future. This has also been confirmed during the revision of the MIIF.

Funds committed to B-Component	Up to December 07	Up to March 08
Water	17,490.01	18,230.54
Sanitation	11,346.71	12,557.41
Roads	8,528.04	9,272.60
Storm water	709.58	842.12
Street / Community Lighting	809.47	829.25
Solid Waste Removal	167.24	167.24
Total	39,051.06	41,899.16



FUNDS COMMITTED TO P COMPONENT

Funds committed to P-Component (Community Services)	Up to December 07	Up to March 08
Multi purpose community halls	591.23	663.53
Multi purpose sport centre / fields	1,018.00	1,055.53
Child care facilities / Nurseries	14.91	17.20
Parks and open spaces	115.36	115.36
Beeches and amusement facilities	0.15	0.15
Cemeteries / Crematoriums	329.80	337.32
Facilities for animals	16.06	16.06
Fencing	15.70	20.04
Local amenities	136.62	136.39
Municipal health services	50.37	50.79
Municipal Abattoirs	5.81	5.81
Libraries	46.65	49.27
Solid waste disposal site	781.89	785.64
Total	3,122.74	4,724.24



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FUNDS COMMITTED TO RURAL AREAS

Funds committed to MIG projects in rural areas	Up to December 07	Up to March 08
B-Component	23,577.64	25,197.44
P-Component	1,443.86	1,567.58
E-Component	45.84	45.84
Total	25,067.34	26,810.87



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FUNDS COMMITTED TO URBAN AREAS

Funds committed to MIG projects in urban areas	Up to December 07	Up to March 08
B-Component	15,499.74	16,355.17
P-Component	3,416.49	3,156.65
E-Component	353.68	1,010.91
Total	19,269.90	20,522.73

Project Registration – A Planning, Monitoring and project Management Tool

B (basic residential infrastructure)	R41,552.61	87.79%
P (public municipal service infrastructures)	R4,724.24	9.98%
E (social institutions and micro-enterprises infrastructures)	R1,056.75	2.23%
Total	R47,333.60	100.00%

Since the start of MIG, R47 billion (The total value of all the MIG projects, including the multi-year projects, registered on the dplg database) has been allocated to the B, P and E funding.

The bulk of the funding for registered projects in the programme is contributed by MIG and is 82.72% of the total source of funds to date.

The contribution from the public (e.g. municipality's own funds) and private sectors are 16.21% and 1.07% respectively since the inception of MIG.

This is an indication that municipalities are struggling to generate sufficient revenue to contribute towards infrastructure investment.

PROJECT STATUS IMPACT OF PROJECT PLANNING

Project Status of all (B-,P-& E Components) projects	Up to December 07		
	Up to September 07		Up to March 08
Pre-Implementation	978	1,029	898
Design / Tender	1,172	1,210	1,418
Construction	2,735	2,768	3,132
Completed	3,458	3,568	3,657
Total	8,343	8,575	9,105

•Up to the end of March 2008 there were more than 900 registered MIG projects captured as EPWP projects with a total MIG value of over R5 billion

•At the end of March 2008 the total number of Small Medium and Macro Enterprises is 2 210 and 1 693 Black Economic Empowerment companies were involved in the implementation of MIG projects.

•Total number of registered projects in MIG data base is 9 105

Part E: INTERVENTIONS AND CHALLENGES

Interventions to support municipalities

- **dplg** implemented provisions of DORA regarding persistent under spending by municipalities during 2005/06, 2006/07 and 2007/08 financial years
 - Withholding of Transfers to municipalities based on previous transfers
 - Stopping of transfers to 38 municipalities due to persistent under spending
 - This follows extensive discussions with affected individual municipalities
- **dplg** held planning sessions with all the municipalities during November 2007 to prepare municipalities for 2007/08 financial year
 - Supporting municipalities to identify projects long before the implementation.
 - Support municipalities to finalise all processes before the start of the next financial year (project designs, procurement and etc)
 - Support municipalities to adjust budgets to cater for MIG funds to flow before the start of the municipal financial year.
- Similar workshops are planned to take place during October and November this year
- One on one meetings held with all municipalities affected by stopping of allocation as well as those municipalities that showing poor performance
- Municipalities that are experiencing capacity challenges are being supported through government support programmes:
 - Skill Development Facilitators (SDFs)
 - DBSA SIYENZAMANZHE programme
 - Sector Specific Support Programme



GENERAL CHALLENGES FACING MUNICIPALITIES

- Lack of Comprehensive Infrastructure Planning.
 - Project identification
 - Supply Management
 - Technical reports and EIAs
- Poor Intergovernmental cooperation (Municipalities, provinces, and sector departments involvement in MIG implementation)
- Overlapping of financial years (National and Municipal)
- Lack of capacity to manage MIG projects (Project Management Units)
- Institutional and Governance arrangement issues
 - High staff turnover
 - Political involvement in administrative issues
 - Communities expectations
- Increased misalignment of National Infrastructure Grants (housing, MIG, INEP, DWAF Bulk, Neighborhood)



Recommendations

- Select Committee on Finance notes the municipal spending on the Municipal Infrastructure Grant for the 2007/08 FY
- Select Committee on Finance notes the progress made and interventions taken in assisting municipalities with MIG implementation.

THANK YOU