



the dplg

Department:
Provincial and Local Government
REPUBLIC OF SOUTH AFRICA

Presentation to the Select Committee on Local Government and Administration

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Contents

1. Introduction (Slide 4)
2. Budget Estimates – 3 Spheres (Slides 5 ~ 9)
3. Grants (Slides 10 ~15)
 - a) LG Equitable Share
 - b) Municipal Systems Improvement Grant
 - c) Municipal Infrastructure Grant
4. Conclusion (Slides 16 ~ 18)

1. INTRODUCTION

Introduction

Purpose of the Presentation:

- To provide an introduction of the **dplg** budget, particularly with regard to transfers to local government

2. BUDGET ESTIMATES – 3 SPHERES

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5

Budget Estimates – 3 Spheres

Division of revenue between spheres of government, 2006/07 ~ 2008/09

R Million	2006/07	2007/08	2008/09	Total
National Depts.	214 064	233 996	254 496	702 556
Provinces	176 679	196 351	217 481	590 511
Local Govt.	26 532	30 503	35 575	92 610
Non-interest allocations	418 176	460 850	507 552	1 386 578

- Local Government will receive R92 billion over the MTEF period. R82 billion is in the **dplg** budget.

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6

Budget Estimates – 3 Spheres...

Division of revenue between spheres of government, 2006/07 ~ 2008/09

Percentage Shares	2005/06	2006/07	2007/08	2008/09
National Depts.	53,4%	51,4%	50,8%	50,1%
Provinces	42,0%	42,3%	42,6%	42,8%
Local Govt.	4,6%	6,3%	6,6%	7,0%

- A relative reduction of the National share to the benefit of the Provincial (0,8%) and Local (2,14%) spheres.

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7

Budget Estimates – 3 Spheres ...

National transfers to local government 2006/07 ~ 2008/09

Table 1

R Million	Nat. Dept. transferring	2006/07	2007/08	2008/09	Total
Direct transfer to local govt.: Equitable Share and related		18 558	20 626	23 375	63 559
- Equitable Share	dplg	18 058	20 076	22 775	60 909
- Water & Sanitation Operating	DWAF	500	550	600	1 650
Infrastructure		7225	9 129	11 801	28 155
- Municipal Infrastructure Grant	dplg	6 265	7 149	8 053	21 467
- Public Transport Infrastructure and Systems	Dot	519	624	1 790	2 933
- Local Neighbourhood Dev. Partnership Grant	NT	50	950	1 500	2 500
- Nat. Electrification Prog.	DME	391	407	458	1 256
Sub total direct transfers		25 783	29 755	35 176	90 714

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8

Budget Estimates – 3 Spheres ...

National transfers to local government 2006/07 ~ 2008/09

Table 2

R Million	Nat. Dept. transferring	2006/07	2007/08	2008/09	Total
Sub total (Table 1)		25 783	29 755	35 176	90 714
Current transfers		749	749	400	1 898
- Restructuring Grant	NT	350	350	-	700
- Financial Management Grant	NT	199	199	200	598
- Municipal Systems Improvement Grant	dplg	200	200	200	600
Sub total direct transfers		26 532	30 503	35 575	92 612

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9

3. GRANTS

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10

Local Government Equitable Share (LGES)

- R35,7 billion over MTEF.
- Grant supports municipalities to provide basic services and carry out their Constitutional mandate.
 - Formula was revised in 2004 to ensure that municipalities with low fiscal capacity are adequately resourced. The formula allocates funds to assist municipalities to deliver basic services to poor households and to operate functioning LG administrations.
- The local government equitable share constitutes the most significant support for this purpose, with an additional R219 million for 2006/07, R379 million in 2007/08 and R483 million in 2008/09.

Local Government Equitable Share (LGES) ...

- Includes RSC levy replacement grant of R24 billion to 6 Metros and 46 District municipalities.
- Grant includes R550 million over MTEF to Metros and Districts to subsidize the provision of the municipal health services function.
- In addition, an amount of R224 million is allocated to subsidize the remuneration of councillors in line with the Councillor Remuneration Framework. This amount is R179 million in 2007/08 and R184 million in 2008/09.

Municipal Systems Improvement Grant (MSIG)

- Municipalities to receive R600 million over next three years for capacity building.
- Key areas of support:
 - The implementation of Performance Management Systems in local government;
 - Improvements in the quality of Integrated Development Plans (IDPs);
 - Strengthen financial management, billing systems and specific revenue enhancement initiatives;
 - The development and implementation of property rates policies in terms of the Local Government: Municipal Property Rates Act (No. 6 of 2004); and
 - Support to ensure the functionality of Ward Committees to enhance public participation in LG.

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13

Municipal Infrastructure Grant (MIG)

- The vision of MIG is to provide all South Africans with at least a basic level of service by the year 2013 through the provision of grant finance aimed at covering the capital cost of basic infrastructure for the poor.

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14

Municipal Infrastructure Grant (MIG)...

- R21,4 billion for municipal infrastructure over the next three years.
- The Municipal Infrastructure Grant (MIG) grows in 2006/07 to R6,2 billion, R7,1 billion in 2007/08 and R8,1 billion in 2008/09.
- Includes R1,2 billion for the eradication of the bucket system.

4. CONCLUSION

Strategic Priorities for LG: 2006-2011

- Consider strategic priorities for Local Government in the next term:
 - Mainstreaming hands-on support to local government to improve municipal governance, performance and accountability;
 - Addressing structure and governance arrangements of the State to better strengthen, support and monitor local government; and
 - Refine policy and utilizing enforcement measures of the policy, legislative and fiscal environment for local government.

Thank you !