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Presentation to the Select Committee on Finance 10 OCTOBER 2007



QUARTERLY PERFORMANCE OF THE MUNICIPAL INFRASTRUCTURE GRANT (MIG) – 2005/06, 2006/07 AND 2007/08 FINANCIAL YEARS



Financial Performance





2005/06 FINANCIAL REPORT



- Municipalities spent R5, 422 billion out of the total allocation of R5, 436 billion as at the end of September 2007
- Expenditure represents 99,7 percent of the total transferred and the allocation
- Free State, Kwazulu Natal, Limpopo, Mpumalanga and Northern Cape are still spending the 2005/06 allocation
- Municipalities had R13 million MIG funds in their bank accounts – end August 2007
- Most of the balance is from district municipalities that did not receive MIG funding as from the 2006/07 financial year
- Municipal spending started lower at R400 million in the first quarter of 2005/06 and improved to R1,7 billion in the last quarter of 2005/06 financial year
- Expenditure pattern shows that the municipal expenditure is normally lower in the first quarter due to the fact that the municipal financial year starts in the second quarter of the national financial year (from July each).
- Municipalities finalise their budgets for approval by their councils before the start of the financial year



Province	Allocation (R'000)	Actual Exp to date (R'000)	% Exp from total alloc	Amount not yet spent (R'000)
Eastern Cape	1 063 817	1 063 817	100.00	0
Free State	434 913	432 409	99.42	2 504
Gauteng	841 414	841 414	100.00	0
KwaZulu Natal	1 116 278	1 115 444	99.93	835
Limpopo	727 769	721 143	99.09	6 625
Mpumalanga	360 506	358 487	99.44	2 019
Northern Cape	172 184	170 239	98.87	1 945
North West	422 254	422 255	100.00	0
Western Cape	297 027	297 027	100.00	0
Total	5 436 161	5 422 234	99.74	13 927

**List of Municipalities still spending
2005/06 funds per province**

Municipality	Allocation (R'000)	Actual Exp to date (R'000)	% Exp from total alloc	Amount not yet spent (R'000)
FREE STATE				
Xhariep DM	13 347	11 100	83.17	2 247
Lejweleputswa DM	14 162	13 906	98.19	257
KWAZULU NATAL				
Mkhambathini	2 141	1 769	82.63	372
Maphumulo	4 274	3 879	90.76	395
Nkandla	4 909	4 841	98.62	68
LIMPOPO				
Bohlabela DM	94 922	88 296	93.02	6 625
MPUMALANGA				
Gert Sibande DM	50 208	48,190	95.98	2 018
NORTHERN CAPE				
Frances Baard DM	11 700	9 756	83.38	1 945

2006/07 FINANCIAL REPORT

- Municipalities were allocated R6, 265 billion during 2006/07
- Municipal Infrastructure Grant was revised to R5,761 billion due to stopping of R503 million.
- National Treasury approved half of the amount to be available to municipalities as roll-overs.
- The other half will be available if municipal spending on the grant improve
- Municipalities spent R5,671 billion as at end August 2007.
- Expenditure represents 98% of the total allocation
- There is a balance of R80 million that is not spent by municipalities as at end of August 2007
- 39 municipalities are still spending the 2006/07 allocation

**Financial Performance -
2006/07 (Revised
allocation)**

■ Expenditure 100%
■ Expenditure above 95%
■ Expenditure below 95%

2006/07 Financial Year	Expenditure End March			Expenditure End June		
	Province	Allocation	Actual Exp % Exp	Allocation	Actual Exp % Exp	Allocation
Eastern Cape	1,072,240	981,219	92	1,072,240	1,030,425	96
Free State	507,633	454,922	90	507,633	490,132	97
Gauteng	849,257	620,912	73	849,257	838,425	99
Kwazulu-Natal	1,243,978	1,021,119	82	1,243,978	1,200,609	97
Limpopo	762,723	637,822	84	762,723	761,086	100
Mpumalanga	414,408	309,596	75	414,408	381,113	92
Northern Cape	120,725	101,243	84	120,725	108,339	90
North West	486,733	450,952	93	486,733	474,925	98
Western Cape	304,137	293,699	97	304,137	304,137	100
Total	5,761,834	4,871,484	85	5,761,834	5,589,192	97

1. Municipalities in the Western Cape Province have spent 100% of their total 2006/07 allocation by end of March and June 2007
2. Municipalities in 7 provinces (have on average spent above 95% of their total 2006/07 allocation by June 2007
3. Municipalities in Northern Cape Province, and Mpumalanga have on average spent more than 90% of their total 2006/7 allocation by June 2007

2006/07 FINANCIAL REPORT (End August 2007)

PROVINCE	Allocation (R'000)	Transferred to date (R'000)	Actual Expenditure to date (R'000)	% Expenditure from total allocation	Amount not yet spent (R'000)
Eastern Cape	1,072,240	1,072,240	1,048,233	97.76%	24,008
Free State	507,633	507,633	507,417	99.96%	216
Gauteng	849,257	639,257	838,882	98.78%	374
KwaZulu Natal	1,243,978	1,243,977	1,222,001	98.23%	21,976
Limpopo	762,723	762,723	761,121	99.79%	1,603
Mpumalanga	414,408	414,408	398,226	96.10%	16,182
Northern Cape	120,725	120,725	110,736	91.73%	9,989
North West	486,733	486,733	481,014	98.82%	5,719
Western Cape	304,137	304,137	304,137	100.00%	0
TOTAL	5,761,834	5,751,834	5,671,767	98%	80,067

2007/08 Financial Report

- Municipalities were allocated R7,548 billion in the current financial year (2007/08)
- A total amount of R2,774 billion has been transferred to municipalities as at end of August 2007
- A total balance of R4,774 billion must still be transferred from September 2007 to March 2008
- Municipalities spent R2,165 billion, or 29 percent from the total allocation
- Municipalities have a balance of R609 million in the bank accounts that is not spent



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Department of
Provincial and Local Government
REPUBLIC OF SOUTH AFRICA

mig

Municipal
Infrastructure
Grant

PROVINCE	Allocation (R'000)	Transferred to date (R '000)	Actual Expenditure to date (R'000)	% Expenditure from total allocation	Amount not yet spent (R'000)
Eastern Cape	1,412,883	543,521	439,737	31%	103,784
Free State	1,055,304	467,527	344,391	33%	123,135
Gauteng	998,855	344,091	224,438	22%	119,654
KwaZulu Natal	1,420,910	528,716	442,137	31%	86,579
Limpopo	921,648	391,996	339,789	37%	52,207
Mpumalanga	520,129	143,352	97,239	19%	46,113
Northern Cape	146,846	55,462	43,697	30%	11,765
North West	721,801	190,491	140,673	19%	49,818
Western Cape	350,186	109,410	92,993	27%	16,416
TOTAL	7,548,564	2,774,565	2,165,095	29%	609,470



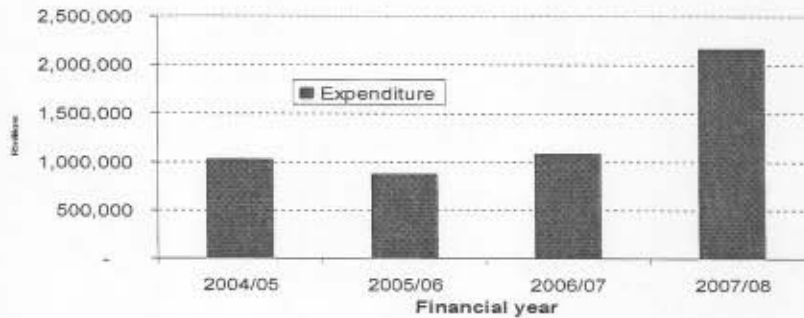
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Expenditure Trends as at end of August since start of MIG



- Trends shows that municipality expenditure have been improving since the start of MIG.
- 2004/05 expenditure started higher due to a number of projects that municipalities inherited from previous projects
- 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



Monthly comparative analysis of Actual Expenditure between 2006/07 and 2007/08 financial year

MONTH	Expenditure 2006/07	Expenditure 2007/08	Variances
APRIL	76,888	269,185	192,297
MAY	129,449	300,135	170,686
JUNE	264,306	569,902	305,596
JULY	262,927	489,798	226,871
AUGUST	331,744	536,083	204,339
TOTAL	1,065,314	2,165,103	1,099,789



MIG KEY PERFORMANCE INDICATOR REPORT



PROGRESS REGARDING BUCKET ERADICATION 2007/08

PROVINCE	ORIGINAL BACKLOGS	BUCKETS ERADICATED	CURRENT BACKLOGS
EASTERN CAPE	48417	30992	17425
FREE STATE	127658	46747	80911
NORTHERN CAPE	16691	9845	6846
NORTH WEST	35189	31589	3600
WESTERN CAPE	3128	2055	1073
TOTALS	231083	121228	109855

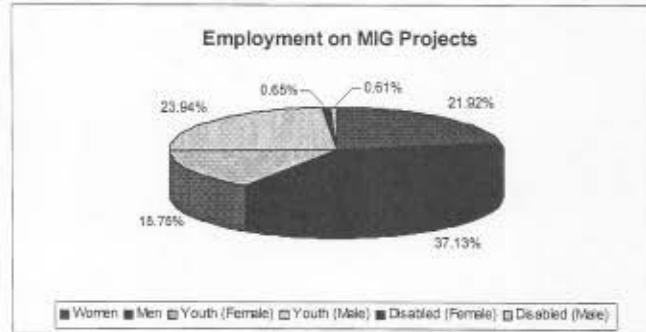
- Since February 2005, National Treasury has made available a total of R1,6 billion for the eradication of the bucket sanitation system
- The allocation was ring-fenced for bucket eradication programme and allocated to the municipalities over the MTEF period in the following aggregates:
 - R200 million in 2005/2006, R400 million in 2006/2007 and R1 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 and Gauteng provinces that are not included in the table. As at end June 2007 this figure has been reduced to 109 855 buckets



IMPACT OF MIG

UNEMPLOYMENT AND POVERTY ALLEVIATION

Up to the end of March 2007, 28 349 689 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 40% of the total employment opportunities.



IMPACT OF MIG

HOUSEHOLDS SERVICED PER SECTOR

As at March 2007, 2,858,825 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 07
B-Component	1,980,301
P-Component	874,652
E-Component	3,672
Total	2,858,825
Households serviced on Basic Infrastructure Projects	Up to March 07
Water	610,293
Sanitation	324,071
Roads	520,119
Stormwater	89,411
Street / Community Lighting	204,147
Solid Waste Removal	232,260
Total	1,980,301

IMPACT OF MIG

LOCAL ECONOMIC DEVELOPMENT

- Municipalities use local contractors, laborers as well as suppliers when implementing MIG projects
- In Free State municipalities are experiencing shortages of bricklayers 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 R600 million for bucket eradication
- This is a good indication of economic development at local level



IMPACT OF PROJECT PLANNING

Project Registration August 2007: Planning and project Management Tool

	2007/08 (%)	2008/09 (%)	2009/10 (%)
EASTERN CAPE	99%	89%	51%
FREE STATE	99%	80%	50%
GAUTENG	87%	53%	23%
KWAZULU-NATAL	99%	87%	56%
LIMPOPO	100%	85%	27%
MPUMALANGA	81%	38%	8%
NORTHERN CAPE	89%	91%	60%
NORTH WEST	97%	68%	36%
WESTERN CAPE	100%	71%	56%

- **Infrastructure planning has improved substantially as seen from the tables above these percentages indicate the value of projects vs the MIG allocation that are ready for implementation.**
- **This confirms that project registration does not delay project implementation as projects are registered well in advance before a financial year commences.**
- **Through project registration the MIG Unit monitors commitments of municipalities and can immediately detect which municipalities need support in respect of infrastructure planning**



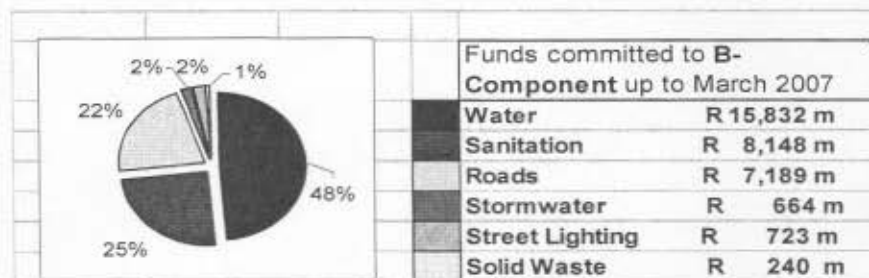
SECTOR ALLOCATIONS AS PER THE MIG FORMULA

Component	Sub-component	Parameter	Percentage of total MIG fund divided between municipalities using this parameter
B	Water and sanitation	Number of households with less than adequate water supply according to Census 2001 Number of households with less than adequate sanitation service according to Census 2001	54%
	Roads	Number of households living in informal dwellings according to Census 2001	17.25%
	"Other" (street lighting, solid waste)	Number of households with less than adequate refuse removal service according to Census 2001	3.75%
P	Public Services (community facilities)	Number of households earning less than R1,100 per month according to Census 2001	15%
E	Local economic development	Number of households earning less than R1,100 per month according to Census 2001	5%
N	Nodal areas	Number of households living in areas identified as nodes and earning less than R1,100 per month according to Census 2001	5%



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.



Project Registration – A Planning, Monitoring and project Management Tool

	Million	%
B (basic residential infrastructure)	R32,798.20	90.04
P (public municipal service infrastructures)	R3,514.36	9.65
E (social institutions and micro-enterprises infrastructures)	R114.24	0,31
Total	R36 426.80	100,00

Since the start of MIG, R36 426.80 million (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 06	Up to March 07
Pre-Implementation	786	846
Design / Tender	880	1,073
Construction	2,664	2,653
Completed	2,276	2,852
Total	6,606	7,424

•Although many MIG projects are labor intensive not all are necessary EPWP projects.

•The dplg only recently started to register labor intensive projects that adhere to the EPWP guidelines.

•Up to the end of March 2007 there were 784 registered MIG projects captured as EPWP projects with a total MIG value of R5 708.20 million.

•At the end of March 2007 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.



Part E: INTERVENTIONS AND CHALLENGES

Interventions to support municipalities

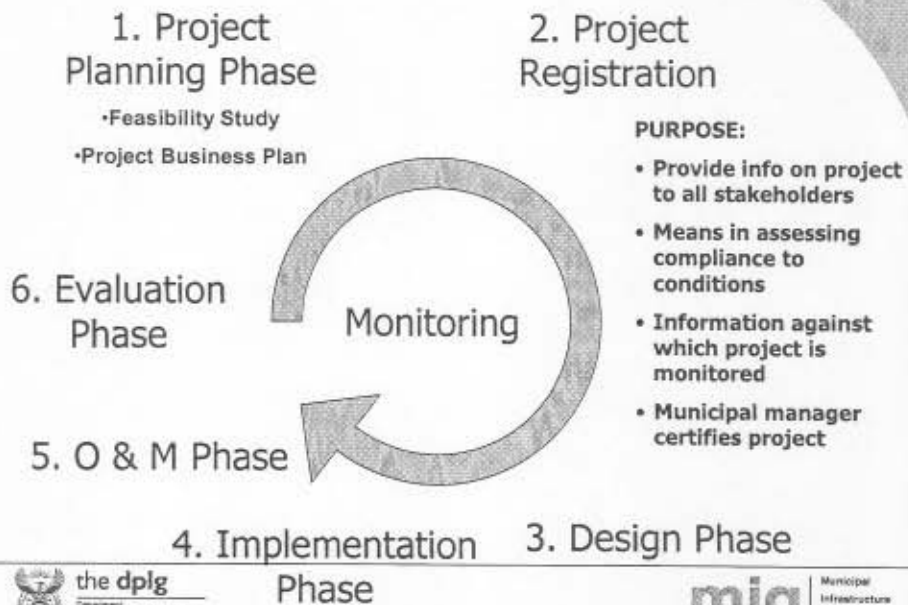
- **dplg** implemented provisions of DORA regarding persistent under spending by municipalities during 2005/06 and 2006/07 financial years
 - Withholding of Transfers to municipalities based on previous transfers
 - Stopping of transfers to 38 municipalities due to persistent under spending
 - This follows 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)



MIG projects through the project cycle



AREAS OF CONCERN- SCM

TYPICAL PROJECT TIMEFRAMES (MONTHS)

		Month	Cumulative
1	PROJECT IDENTIFICATION	3	3
2	FUND APPLICATION	3	6
3	BUDGET APPROVAL	2	8
4	PROJECT SELECTION	1	9
5	CONSULTANT APPOINTMENT	3	12
6	DME MINING PERMIT FOR BORROW PITS	2	14
7	EIA APPROVAL	6	20
8	DESIGN	1	21
9	TENDER & PROCUREMENT	4.5	25.5
10	CONTRACTOR APPOINTMENT	1	26.5
11	IMPLEMENTATION	6	32.5

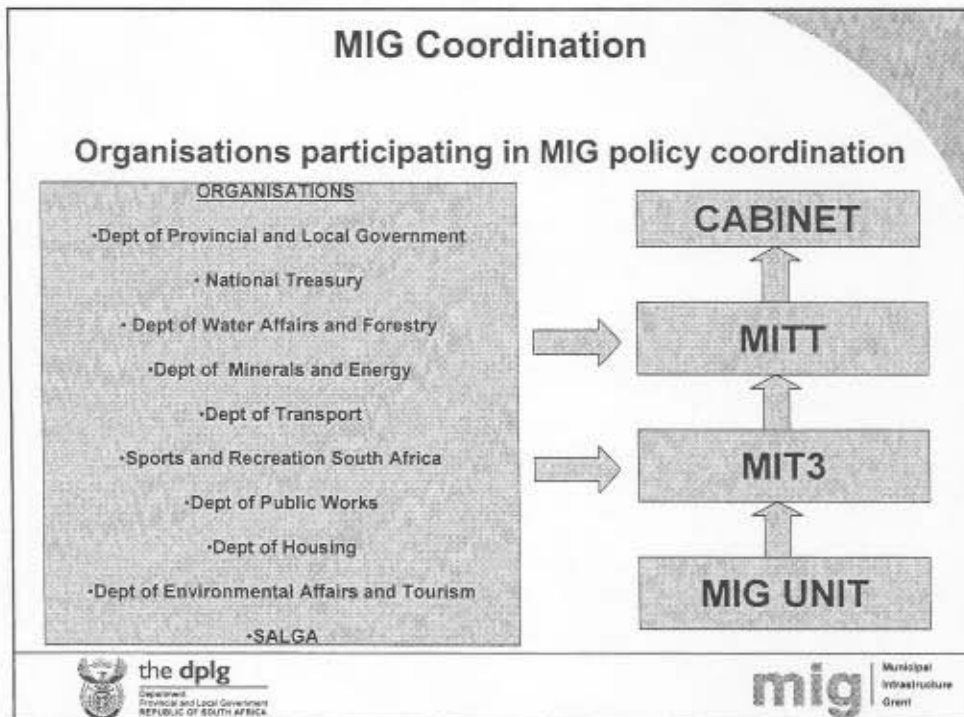
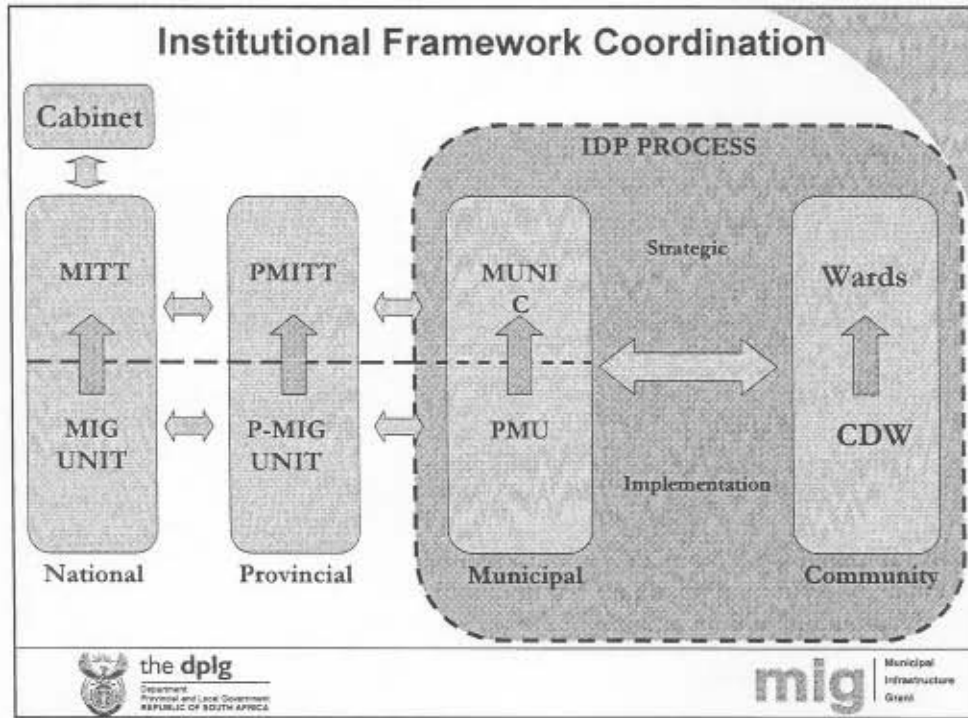


AREAS OF CONCERN- SCM

TYPICAL PROCUREMENT TIMEFRAMES (DATES)

1	SPECIFICATION COMMITTEE	Wed 6/9/2006
2	ADVERT TO CORPORATE ADMIN	Thu 7/9/2006
3	TENDER ADVERTISED	Wed 13/9/2006
4	TENDER CLOSING DATE	Thu 5/10/2006
5	CONSULTANT REPORT TO I&E	Wed 11/10/2006
6	EVALUATION COMMITTEE	Fri 13/10/2006
7	ITEM TO BUM	Wed 18/10/2006
8	ITEM TO CORPORATE ADMIN	Mon 23/10/2006
9	ADJUDICATION COMMITTEE	Tue 31/10/2006
10	FORMAL ADJUDICATION APPROVAL	Thu 9/11/2006
11	LETTER TO CONTRACTOR	Wed 8/11/2006
12	CONTRACTOR ON SITE	Mon 15/11/2006





IGR Coordination Meetings

- Technical Inter-ministerial Committee Meetings
- Technical MINMEC
- Municipal Infrastructure Technical Task Team (monthly)
- Provincial Municipal Infrastructure Technical Task Team (monthly)
- Monthly Project Management Unit Meetings
- Quarterly Provincial workshops
- Annual Provincial Municipal Planning workshops
- Interventions meetings (with specific municipalities)



Challenges regarding Coordination Meetings

- Sector participation was very good during 2004 – 2005 at national level
- However participation very poor since late 2006 to date
- Sector participation contributed to improve performance of municipalities in respective sectors
- Sector participation at provincial level varies
- DWAF is very active in FS, EC, NW
- Other sectors: DOT, DEAT, DPRSA, DPW, NT are inactive at provincial level



Recommendations

- Select Committee on Finance notes the municipal spending on the Municipal Infrastructure Grant for the 2005/06, 2006/07 and 2007/08 FYs
- Select Committee on Finance notes the progress made and interventions taken in assisting municipalities with MIG implementation.

THANK YOU