

Vision: 2014

- Reduce **unemployment** by half
- Reduce **poverty** by half
- Provide the **skills** required by the economy
- Ensure that all South Africans are able to fully exercise their constitutional **rights** and enjoy the full dignity of freedom
- Provide a **compassionate** government service to the people
- Meeting all targets
 - Bucket
 - Sanitation
 - Electricity



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Presentation to Water Services Sector Leadership Group strategic workshop 22 NOVEMBER 2006



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The Focus of the presentation

- The presentation will deal with MIG expenditure analysis since its inception
- There will be a focus on 2005/06 financials
- Municipalities still spending 2005/06 MIG
- Commitments in the next MTEF
- Lessons/Interventions/Challenges



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MUNICIPAL INFRASTRUCTURE GRANT EXPENDITURE PER SECTOR

- This part deals with the MIG expenditure per sector since the start of MIG programme in 2004/05 financial year
- MIG Formula:
 - B-Component (Basic Residential Infrastructure - Water & Sanitation, Roads and other). Formula allocates 75 percent of the total MIG funds to the B-component. This component consists of proportional allocations for water supply and sanitation (72 percent), roads (23%) and 'other' (5 percent).
 - P-Component (public municipal service - sport and recreation, parks, multipurpose community centres, taxi ranks, etc). The formula allocates 15 percent of the total MIG funds to P-component.
 - E-Component which is an allocation for infrastructure for social institutions and micro-enterprises (cemetery, local amenities, markets and etc) and the formula allocates 5 percent of total MIG funds to this component.



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MIG expenditure per sector since the start of the programme in 2004/05

| Province | Multi purpose community halls | Multi purpose sport centre / fields | Roads & storm water | Sanitation | Solid waste disposal site/waste removal | Street / Community Lighting | Water | Other | Total |
|----------------|-------------------------------|-------------------------------------|---------------------|------------------|---|-----------------------------|------------------|----------------|-------------------|
| EC | 35,052 | 5,950 | 558,914 | 531,492 | 48,338 | 7,392 | 966,484 | 113,870 | 2,267,491 |
| FS | - | 7,599 | 219,829 | 380,769 | 23,836 | 13,845 | 167,193 | 16,110 | 829,180 |
| GP | 2,168 | 82,012 | 687,258 | 266,336 | 114,340 | 106,597 | 352,016 | 83,605 | 1,694,331 |
| KZN | 33,977 | 19,884 | 416,911 | 515,943 | 39,192 | 14,968 | 1,249,642 | 31,838 | 2,322,356 |
| LMP | 28,774 | 8,019 | 245,615 | 166,699 | 2,975 | 6,277 | 958,840 | 52,753 | 1,469,952 |
| MPU | 2,280 | 4,168 | 197,411 | 156,040 | 4,324 | 8,401 | 271,560 | 14,570 | 658,754 |
| NC | 6,747 | 1,477 | 57,450 | 70,185 | 64,749 | 13,770 | 135,605 | 15,774 | 365,757 |
| NW | 6,566 | 23,541 | 239,042 | 200,471 | 10,856 | 106,021 | 267,019 | 32,818 | 886,335 |
| WC | 33,367 | 35,320 | 214,533 | 274,288 | 24,642 | 26,798 | 85,970 | 5,685 | 700,601 |
| | 148,931 | 187,971 | 2,836,963 | 2,562,223 | 333,250 | 304,068 | 4,454,327 | 367,023 | 11,194,757 |
| | | | | | | | | | |
| % share | 1.3% | 1.7% | 25.3% | 22.9% | 3.0% | 2.7% | 39.8% | 3.3% | 100.0% |



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MIG expenditure per sector since the start of the programme in 2004/05

- A total of R11,2 billion out of an allocation of R16 billion have been spent since 2004/05 on infrastructure services.
- Expenditure covers allocations for 2004/05, 2005/06, and second quarter of 2006/07).
- Of the R11,2 billion spent, water received the largest share namely 40 %, followed by roads and storm water 25 %.
- Sanitation is the third largest receiver of MIG funds at 23 %.
- Other categories of note are solid waste disposal sites with 3% and Street/community lighting with 2.7% expenditure.
- This means that the bulk of MIG funds were spend on basic residential infrastructure since the start of MIG programme.



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MIG Provincial expenditure on the water sector in 3 provinces since the start of the programme in 2004/05

The provincial spending on water reflects that the provinces with the highest water backlogs spent more money on water, i.e.

- Kwazulu-Natal (R1,2 billion) -53,8%**
- Eastern Cape (R966,5 million)-42,6% and**
- Limpopo province (R958,8 million)-62,2%.**
- Together these three provinces spent R3,2 billion or 71% on water and the other six provinces spent the balance or 29 %.**

Progress as end June 2006

As at June 2006, 2,432,862 households have been serviced on completed MIG projects since the inception of MIG in April 2004.

| Households serviced on Completed Projects | Up to March 06 (2005/06) | April-June | Up to June 2006 |
|---|--------------------------|------------|-----------------|
| Water | 458,561 | 37,000 | 495,561 |
| Sanitation | 219,702 | 23,485 | 243,187 |
| Roads | 320,347 | 70,584 | 390,931 |
| Multi purposes community halls | 68,058 | 3,374 | 71,432 |
| Multi purposes sport centre / fields | 135,024 | 21,513 | 156,537 |
| Parks and open spaces | 439 | 0 | 439 |



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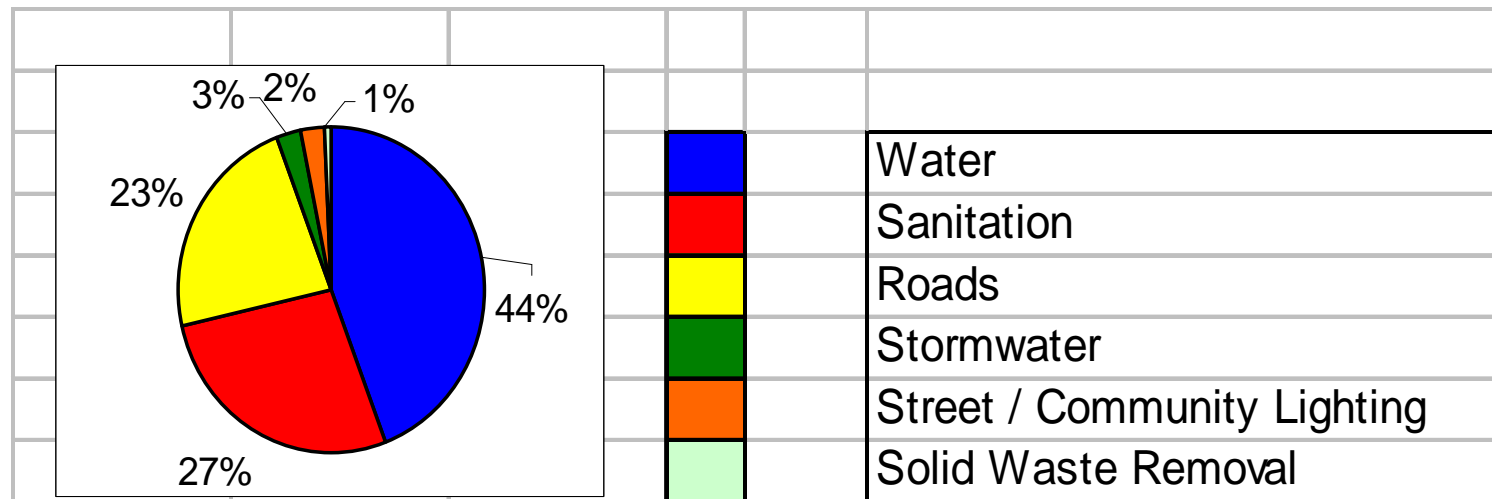
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Progress as end June 2006

Water supply is the most important basic service funded through MIG to poor communities in South Africa. **Water** services projects registered make up **44%** of the total MIG value of registered residential projects at **dplg**.

The next two biggest funding categories on MIG were sanitation (27%) and roads (23%) .



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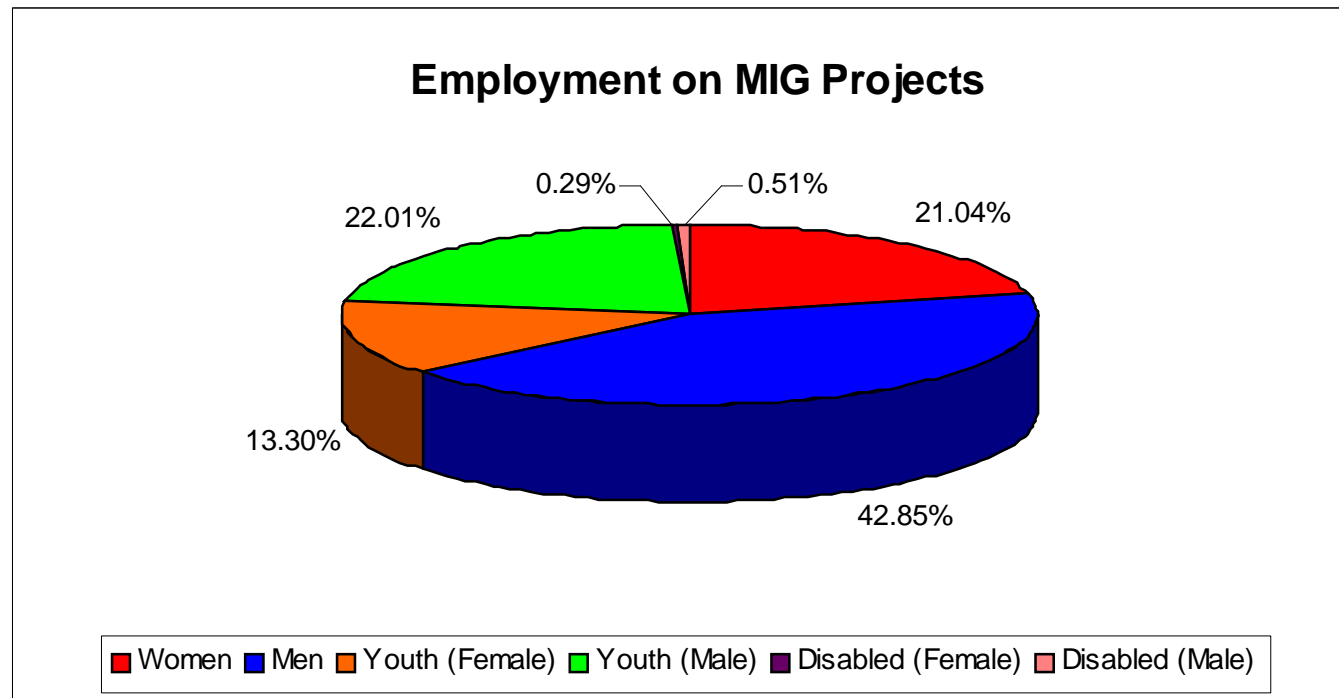
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Progress as end June 2006

Up to the end of June 2006, 19 836 836 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 35% of the total employment opportunities. The employment of youth was also 35% of the total employment opportunities.



Commitments

30 July 2006

| | % Committed | | |
|-------------------|-------------|------------|-----------|
| | 2006/07 | 2007/2008 | 2008/2009 |
| Eastern Cape | 93% | 40% | 40% |
| Free State | 87% | 41% | 4% |
| Gauteng | 100% | 100% | 95% |
| KwaZulu Natal | 73% | 28% | 15% |
| Limpopo | 91% | 22% | 7% |
| Mpumalanga | 70% | 37% | 3% |
| Northern Cape | 100% | 81% | 74% |
| North West | 94% | 79% | 37% |
| Western Cape | 96% | 88% | 13% |
| National | 89% | 57% | 32% |



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MIG EXPENDITURE



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2005/06 FINANCIAL REPORT

- Municipalities spent R5, 357 billion out of the total allocation of R5, 4 billion as at the end of September 2006
- Expenditure represents 98,6 % of the total transferred allocation
- Municipalities had R78 million MIG funds in their bank accounts – end September 2006
- 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



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Consolidated report 2005/06

| Province | Allocation (R'000) | Transf to date (R'000) | % Transf from alloc | Actual Exp to date (R'000) | % Exp from amount total alloc | Amount not yet spent (R'000) |
|---------------|-----------------------|------------------------------|------------------------|-------------------------------------|--|---------------------------------------|
| Eastern Cape | 1,063,817 | 1,063,817 | 100.00 | 1,058,913 | 99.5% | 4,904 |
| Free State | 434,913 | 434,913 | 100.00 | 416,837 | 95.8% | 18,075 |
| Gauteng | 841,414 | 841,414 | 100.00 | 838,849 | 99.7% | 2,565 |
| KwaZulu Natal | 1,116,278 | 1,116,278 | 100.00 | 1,104,979 | 99.0% | 11,300 |
| Limpopo | 727,769 | 727,769 | 100.00 | 711,833 | 97.8% | 15,936 |
| Mpumalanga | 360,506 | 360,506 | 100.00 | 349,749 | 97.0% | 10,757 |
| Northern Cape | 172,184 | 172,184 | 100.00 | 157,538 | 91.5% | 14,646 |
| North West | 422,254 | 422,254 | 100.00 | 421,926 | 99.9% | 328 |
| Western Cape | 297,027 | 297,027 | 100.00 | 296,874 | 99.9% | 152 |
| TOTAL | 5,436,161 | 5,436,161 | 100.00 | 5,357,498 | 98.6% | 78,663 |



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2005/06 EXPENDITURE AS AT 30 SEPTEMBER 2005

| PROVINCE | Allocation (R'000) | Transferred to date | % Transferred from total allocation | Actual Expenditure to date (R"000) | % Expenditure from the amount | % Expenditure from total allocation |
|---------------|--------------------|---------------------|-------------------------------------|------------------------------------|-------------------------------|-------------------------------------|
| Eastern Cape | 1,063,817 | 545,254 | 51.25% | 208,090 | 38% | 19.56% |
| Free State | 434,913 | 204,670 | 47.06% | 102,797 | 50% | 23.64% |
| Gauteng | 841,414 | 332,983 | 39.57% | 211,604 | 64% | 25.15% |
| KwaZulu Natal | 1,116,278 | 524,630 | 47.00% | 393,505 | 75% | 35.25% |
| Limpopo | 727,769 | 269,014 | 36.96% | 83,210 | 31% | 11.43% |
| Mpumalanga | 360,506 | 150,667 | 41.79% | 36,471 | 24% | 10.12% |
| Northern Cape | 172,184 | 71,180 | 41.34% | 30,554 | 43% | 17.74% |
| North West | 422,254 | 113,077 | 26.78% | 20,258 | 18% | 4.80% |
| Western Cape | 297,027 | 137,330 | 46.24% | 59,259 | 43% | 19.95% |
| TOTAL | 5,436,161 | 2,348,806 | 43.21% | 1,145,747 | 49% | 21.08% |



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2006/07 EXPENDITURE AS AT 30 SEPTEMBER 2006

| PROVINCE | Allocations | Transferred to date | % Transf from total allocation | Actual Expenditure to date | % Expenditure of funds transferred | % Expenditure of total allocation |
|---------------|------------------|---------------------|--------------------------------|----------------------------|------------------------------------|-----------------------------------|
| Eastern Cape | 1,288,257 | 495,413 | 38% | 350,158 | 71% | 27% |
| Free State | 563,896 | 184,775 | 33% | 120,306 | 65% | 21% |
| Gauteng | 898,554 | 255,204 | 28% | 178,616 | 70% | 20% |
| KwaZulu Natal | 1,262,412 | 468,208 | 37% | 310,925 | 66% | 25% |
| Limpopo | 821,264 | 264,582 | 32% | 149,917 | 57% | 18% |
| Mpumalanga | 470,284 | 152,518 | 32% | 46,623 | 31% | 10% |
| Northern Cape | 130,922 | 48,420 | 37% | 19,872 | 41% | 15% |
| North West | 525,574 | 196,046 | 37% | 152,385 | 78% | 29% |
| Western Cape | 304,137 | 162,294 | 53% | 140,393 | 87% | 46% |
| TOTAL | 6,265,300 | 2,227,460 | 36% | 1,469,195 | 66% | 23% |



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Municipalities still spending 2005/06 funds per province



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| Province | Number of Munics | Amount '000 |
|---------------|------------------|-------------|
| Eastern Cape | Three | R4,904 |
| Free State | Seven | R18,075 |
| Gauteng | Two | R2,564 |
| KZN | Six | R11,300 |
| Limpopo | Three (Two) | R15,936 |
| Mpumalanga | Three | R10,582 |
| Northern Cape | Eight | R14,634 |
| Total | 31 | R77,995 |



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2006/07 FINANCIAL REPORT

- The total MIG allocation for the 2006/07 financial year is R6, 265 billion
- R2,227 billion transferred to municipalities in the first two quarters
- Municipalities have spent R1,469 billion as at end September 2006 (R470,6 million in the 1st quarter and R998,6 million in the 2nd quarter)
- Expenditure represents 23,4 % of the total allocation and 66% of transferred amount
- Expenditure increased significantly in the second quarter by R528 million or 112 % between 1st and 2nd quarter
- There are more projects under construction in the second quarter as compared to first quarter.



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2006/07 QUARTERLY FINANCIAL REPORT

| Provinces | Allocations | Q1 (Apr - June) | | Q2 (July - Sept) | | Totals to date | | Balance |
|--------------|------------------|-----------------|----------------|------------------|----------------|------------------|------------------|----------------|
| | | Transf | Exp | Transf | Exp | Transf | Exp | |
| EC | 1,288,257 | 214,850 | 147,449 | 280,564 | 202,710 | 495,413 | 350,158 | 145,255 |
| FS | 563,896 | 95,640 | 42,289 | 89,136 | 78,017 | 184,775 | 120,306 | 64,470 |
| GP | 898,554 | 65,072 | 25,070 | 190,132 | 153,546 | 255,204 | 178,616 | 76,587 |
| KZN | 1,262,412 | 225,556 | 130,214 | 242,651 | 180,711 | 468,208 | 310,925 | 157,283 |
| LMP | 821,264 | 93,020 | 48,134 | 171,561 | 101,783 | 264,582 | 149,917 | 114,665 |
| MPU | 470,284 | 42,929 | 440 | 109,589 | 46,183 | 152,518 | 46,623 | 105,895 |
| NC | 130,922 | 15,700 | 11,573 | 32,720 | 8,299 | 48,420 | 19,872 | 28,548 |
| NW | 525,574 | 62,959 | 23,726 | 133,087 | 128,659 | 196,046 | 152,385 | 43,661 |
| WC | 304,137 | 58,901 | 41,750 | 103,393 | 98,644 | 162,294 | 140,393 | 21,900 |
| Total | 6,265,300 | 874,627 | 470,644 | 1,352,833 | 998,551 | 2,227,460 | 1,469,195 | 758,265 |



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Monthly comparative analysis of Actual Transfers against Actual expenditure

| MONTH | AMOUNT TRANSFERRED | EXPENDITURE | Variances |
|--------------|-----------------------|------------------|----------------|
| APRIL | 182,971 | 76,888 | 106,083 |
| MAY | 271,537 | 129,449 | 142,088 |
| JUNE | 420,119 | 264,306 | 155,813 |
| JULY | 620,486 | 262,927 | 357,559 |
| AUGUST | 301,627 | 331,744 | -30,117 |
| SEPTEMBER | 430,720 | 403,880 | 26,840 |
| TOTAL | 2,227,460 | 1,469,194 | 758,266 |



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Monthly Expenditure trends per province

| Province | Apr-06 | May-06 | Jun-06 | July | Aug-06 | Sep-06 | Expenditure To date |
|---------------|---------------|----------------|----------------|----------------|----------------|----------------|---------------------|
| Eastern Cape | 17 642 | 27 256 | 102 551 | 60 809 | 62 035 | 79 866 | 350 158 |
| Free State | 1 779 | 21 879 | 18 631 | 18 010 | 36 258 | 23 749 | 120 306 |
| Gauteng | 42 | - | 25 027 | 38 749 | 38 828 | 75 969 | 178 616 |
| Kwazulu-Natal | 36 542 | 42 367 | 51 305 | 41 008 | 72 870 | 66 833 | 310 925 |
| Limpopo | 7 538 | 10 953 | 29 642 | 31 524 | 39 160 | 31 099 | 149 917 |
| Mpumalanga | 210 | 27 | 204 | 19 000 | 12 164 | 15 019 | 46 623 |
| Northern Cape | 5 000 | 2 600 | 3 972 | 2 442 | 5 857 | - | 19 872 |
| North West | 944 | 11 186 | 11 596 | 21 892 | 37 210 | 69 557 | 152 385 |
| Western Cape | 7 190 | 13 182 | 21 378 | 29 493 | 27 362 | 41 789 | 140 393 |
| Total | 76 888 | 129 449 | 264 306 | 262 927 | 331 744 | 403 880 | 1 469 195 |



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Enforcement of compliance in terms (DoRA)

- During 2005/06 **dplg** withheld funds to municipalities once in November 2005
- All MIG funds for 2005/06 were transferred to municipalities by end March 2006
- Office of AG raised concern for **dplg** to transfer all the funds with expenditure not satisfactory
- AG raised that **dplg** should have proposed to NT for funds to be stopped for re-allocation
- For 2006/07 most municipalities still under performing despite interventions by **dplg** and Sector Departments
- **dplg** implemented section 18(1) of DoRA during July, August and September 2006



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Enforcement of compliance in terms (DoRA)

- **dplg** requested approval for the implementation of section 18(5) of DoRA (delaying funds for more than 30 but less than 120 days) from National Treasury
- Due to persistent under-spending by municipalities, section 20 should be implemented (stopping of allocation to municipalities)
- Some municipalities are experiencing financial difficulties due to overspending (e.g. King Sabatha, Kgetleng Rivier and etc.) while others are under-spending substantially
- Once funds are stopped, they should be re-allocated to other municipalities
- This process should be finalised by January 2007



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Other Interventions

- The dplg thru Municipal Infrastructure Unit has dedicated teams for each Province,
- These teams monitor the project consolidate municipalities closely and provide hands on support to these municipalities
- The teams also monitor high risk municipalities iro project implementation and interventions are done when needed
- Action Plans are developed to deal with specific challenges within the province.
- Working sessions are being held with specific municipalities to address difficulties experienced
- Provincial workshops are held in all the provinces with municipalities to share the experiences and possible solutions for the challenges



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GENERAL CHALLENGES FACING MUNICIPALITIES

- Planning in the context of Integrated Development Planning.
- 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)
- Supply chain management
- Some municipalities complain about project registration
- Technical reports and Environmental Impact Assessment



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