DEPARTMENT OF COOPERATIVE GOVERNANCE AND TRADITIONAL AFFAIRS

Infrastructure Grant Review Workshop
Municipal Infrastructure Grant (MIG) Projects and Funding

19 March 2014

BACKGROUND

- Municipal Infrastructure Grant programme is the largest local government infrastructure development funding in South Africa.
- The programme was introduced as part of major reforms implemented by government to improve service delivery in a coordinated manner (that involves all government spheres) – MIG is a multi-sectoral grant.
- The Department of Cooperative Governance manages the MIG by exercising its mandate to foster cooperative governance and to develop capacity in the local government sphere.
- The MIG was started in 2004/05, through the merger of:
  - Consolidated Municipal Infrastructure Programme,
  - Local Economic Development Fund,
  - Water Service Capital Grant,
  - Community Based Public Works Programme,
  - Building for Sports & Recreation Programme and
  - Urban Transport Grant.

Objectives of the MIG Programme

- Subsidise the capital costs of providing basic services to poor households(existing and bulk to new areas)
- Distribute funding for municipal infrastructure in an equitable, transparent and efficient manner through an allocation formula
- Assist in enhancing the developmental capacity of municipalities, through supporting multi-year planning and budgeting systems; and
- Provide a mechanism for the coordinated pursuit of national policy priorities with regard to basic municipal infrastructure programmes,

The MIG Allocation Formula

- B is an amount allocated for basic residential infrastructure, and comprises 75% of the total MIG allocation. This component is further divided into water and sanitation (72%), roads and storm water (23%), and “other” (namely refuse removal and street lighting) (5%).
- P is an amount allocated for public municipal facilities, and comprises 15% of the total MIG allocation. Public municipal facilities include community facilities (such as community centres and sports facilities), social services (such as childcare), emergency services, parks and open spaces, and public transport.
- E is an amount allocated for other institutions and micro-enterprises, and comprises 5% of the total MIG allocation.
- N is an amount allocated for nodal municipalities in the urban renewal and rural development programmes, and comprises 5% of the total MIG allocation.
- M is an allocation to allow for performance related adjustments to the total MIG allocation, but has not been used to date

Aspects that works well

- Direct grant (as the largest conditional grant to municipalities) have assisted with the eradication of basic services backlogs – confirmed through progress Census 2011. However, demand is still their.
- The direct grant mechanism allows municipalities to do multi year planning against the multi-year allocations (as per formula) in the DoRA – predictability and transparency
- Grant absorption ability of municipalities to deal with basic services has increased

MIG Spending Trends 2004/05 – 2012/13

Financial Year	Transferred	Expenditure	% spent	unspent funds
2004/05	4,439,942	4,368,489	98%	**71,453**
2005/06	5,436,161	5,251,226	97%	**184,935**
2006/07	5,751,834	5,587,137	97%	**164,697**
2007/08	8,261,788	7,816,444	95%	**445,344**
2008/09	8,376,142	8,086,045	97%	**290,097**
2009/10	8,738,699	7,818,608	89%	**920,091**
2010/11	9,924,806	8,545,922	86%	**1,378,884**
2011/12	11,443,489	9,248,418	81%	**2,195,071**
2012/13	13,879,161	10,963,074	79%	**2,916,087**
Total	**76,252,022**	**67,685,363**	**89%**	**8,566,659**

Reasons for working

- Municipalities being the spending authorities
- Although a formula determines allocations communities themselves can decide on how the funding should be applied to address their basic services through infrastructure requirements.
  - This assumes there is a capable planning instrument at a local level
  - Capacity within municipalities to translate expectations into technical infrastructural requirements in conjunction with <u>sectors</u>

Aspects that are problematic

- Capacity to discharge (roles and responsibilities) as per the MIG framework (e.g. monitoring grant outputs) varies between spheres of government and between sectors.
- Quantum of funding not sufficient to address backlogs in certain areas based on current allocations (24 priority district municipalities)
- Changes in priorities by municipalities which undermines progress made on commitments
- Monitoring and reporting through the life cycle of the project including O&M

Reasons for not working

- **Intergovernmental process has collapsed to facilitate the discharge of roles and responsibilities of the programme**
- **Lack of alignment between national, provincial and municipal priorities**
- **Finding other sources of revenue (loan finance) are limiting to enhance funding requirements**
  - **Low revenue base; and**
  - **Inability to acquire loan finance**
- **Limited legislative/ regulatory provisions to prevent municipalities to change commitments especially in the year of implementation**
- **Lack in some sectors to guide infrastructure investment requirements (sector norms and standards are ambiguous) through sector planning**
- **Lack of capacity to engage on monitoring and reporting**

Solutions

- **Revive national municipal infrastructure fora to facilitate the effectively discharge of roles and responsibilities of the programme and the creation of sustainable infrastructure.**
- **Strengthen existing legislative provisions that will prevent municipalities for constantly reprioritizing**
- **Create mechanisms for improved planning e.g. updated sector and master planning informing projects and possibly be funded from MIG**
- **Agree with municipal sphere that involvement of sectors in project life cycle be improved e.g. designs, monitoring etc.**

Solutions

- **Differentiation based on economic (allocations) and institutional (support) considerations should be applied within the grant e.g.:**
  - **Address the quantum of funding available by enhance the loan finance environment that will allow those who can engage in loan finance to do so but also increase the quantum of grant funding to those which can not engage in loan finance arrangements**
  - **Performance need to be incentivized**
  - **Optimize capacity to poor performing municipalities (establish capacity at an appropriate scale)**

Thank you