

# **REPORT OF THE STANDING COMMITTEE ON APPROPRIATIONS ON ITS OVERSIGHT VISIT TO THE EASTERN CAPE PROVINCE FROM 02 TO 06 FEBRUARY 2015, DATED 25 MARCH 2015**

The Standing Committee on Appropriations, having undertaken an oversight visit to the Eastern Cape Province from 2 to 6 February 2015, reports as follows:

## **1. Introduction**

The Standing Committee on Appropriations (the Committee) undertook an oversight visit to the Eastern Cape with the aim of determining the extent of progress in respect of various projects done by the Alfred Nzo and OR Tambo District Municipalities under the Regional Bulk Water Infrastructure Grant (RBIG) and the Municipal Water Infrastructure Grant (MWIG). The initial projects to be visited were as follows:

- Mount Ayliff Bulk Water Supply Scheme (RBIG);
- Mhleleni Storage Development (MWIG); and
- Ntontela and Tembukazi Borehole Development (MWIG).

Furthermore, the Committee sought to assess progress on the implementation of the Accelerated Schools Infrastructure Delivery Initiative (ASIDI) programme in the Eastern Cape Province. The Committee conducted site inspections on the following schools:

- Langeni Senior Primary School;
- Chief Boklein Senior Secondary School;
- Bekizulu Senior Secondary School; and
- Gcinisizwe Senior Primary School.

The Committee held a stakeholder meeting with the Department of Water and Sanitation; OR Tambo and Alfred Nzo District Municipalities; Department of Cooperative Governance; National Treasury; and the South African Local Government Association on the 4<sup>th</sup> of February 2015. On 5 February 2015 the Committee visited ASIDI schools and on 6 February 2015 a meeting was held in East London to discuss the ASIDI programme's progress.

## **2. Delegation**

The delegation was as follows: Mr NE Gcwabaza (Acting Chairperson, ANC); DR CQ Madlopha (ANC); Ms RE Nyalungu (ANC); Ms MNS Manana (ANC); Dr MJ Figg (DA); Mr A Mcloughlin (DA); and Mr AM Shaik-Emam (NFP). The delegation was accompanied by the following parliamentary officials: Mr D Arends (Committee Secretary); Mr T Masoeu (Content Advisor) Mr P Dlomo (Committee Researcher); Ms N Chaso (Committee Assistant); and Mr M Lukani (Parliamentary Communications Officer).

The Committee met with the following stakeholders at the various sites and stakeholder meetings during the oversight visit:

**National and Regional Departmental Officials from Water and Sanitation:** Mrs A Gidana (Director), Ms AR Moloto (Acting Director), Ms SA Morapeli (Deputy Director), Ms P Makhanya (Regional Head), Mr N Gule (Project Manager), Mrs M Ntamane (Area Manager), Ms D Gouws (Engineers Representative), Mr M Vonco (Deputy Director), Mr Z Nonjuzana (Project Manager: Technical Support), Ms RT Meso (Project Manager: RBIG), Mr LR Mditshane (Deputy Director), Mr T Ngcume (Assistant Director), Mr F Maposa (ISD Officer), Mrs AM Sizani (Sanitation Manager)

**National Treasury:** Mr JJ Maza (Director), Mr T Phogole (Director)

**Department of Cooperative Governance and Traditional Affairs:** Mr X Maki (Senior Manager: IGR)

**OR Tambo District Municipality:** Ms L Poyo (Project Manager)

**Alfred Nzo District Municipality:** Mr EN Diko (Mayor), Mr S Mehlomakhulu (Deputy Mayor), Mr NB Tobo (Chief Whip), Mr X Masiza (Acting Municipal Manager), Mr L Fokazi (Chief Financial Officer), Mr MS Kraai (HOD: LED & Planning), Ms L Salukazana (Water Services Authority Manager), Ms DS Gqiba (Water Services Provisioning Manager), Mr N Guie (Manager)

**Amatole Water Board:** Ms SC Majola (Senior Technician), Mr WV Coetzee (PIA), Ms S Qweleka (Programme Manager)

**SALGA:** Mr A Dlanjwa (Program Manager), Mr GG Mpumza (Provincial Executive Officer)

**Development Bank of Southern Africa (DBSA):** Mrs Z Msindo (Project Admin), Mr M Mazikana (Programme Manager), Mr L Mali (National Programme Manager), Mr C Ngundu (Construction Project Manager)

**Department of Basic Education (DBE):** Ms T Diale (ASIDI Programme Manager), Mrs SZ Mgwigi (Development Facilitator), Ms M Makandula (Team Leader), M S Msayi (Monitoring and Evaluation Expert), Mr A Gumbo (ASIDI Communications), Ms MJ Modipa (Project Manager), Mr HD Van Der Westhuizen (PC), Mr T Matunda (Project Manager), Ms DJ Ngobeni (Chief Director: Ministerial Services)

**Ishvuyo B/Construction:** Mr I Zulu

**Glad Africa:** Mr S Mokatsanyane (Project Leader), Ms M Sawuti (Clerk of Works), Mr U Nxuseka (Clerk of Works), Ms M Lebenya (Social Facilitator),

**Leungo Construction:** Mr J Farrar (Site Manager)

**UWP Consulting:** Mr SC Richter (Technical Director), Mr J Kietzmann (Senior Project Manager)

**Mpande Consultants:** Mr L Nqapela (Architectural Technologist-PM)

**Boaz PC:** Mr B Viviers (C.O.W.)

### **3. Terms of Reference**

Section 27 (1) (b) in Chapter 2 of the Constitution of the Republic of South Africa provides that every citizen has a right to access sufficient and clean drinkable water. The Constitution gives national and provincial government authority to regulate local government in terms of water services. It further gives them the obligation to support and strengthen the capacity of local government to provide services.

The National Development Plan 2030 identifies water as a “strategic resource critical for social and economic development”. Furthermore, the National Development Plan states that water and sanitation services are a priority for basic community services and thus their sustainable management is critical for community health, development

and economic activity. The 2014-2019 Medium Term Strategic Framework (MTSF) states as its central focus sustainable and reliable access to basic services, particularly in weaker municipalities which have the highest unmet demand for basic services. The MTSF envisages full access to affordable and reliable water and sanitation before 2030.

Given emphasis of basic services provision highlighted in the MTSF and the strategic importance of water provision in building sustainable communities, the Committee sought to look into ways to enhance alignment and the utilisation of resources in the operations of institutions in the water sector through an oversight visit to identifying challenges and possible solutions; and to ascertain the extent of water service provision in the communities of the OR Tambo and Alfred Nzo District Municipalities.

The OR Tambo and Alfred Nzo District Municipalities received MWIG budgets of R89.4 million and R54.8 million respectively for the 2014/15 financial year. In terms of RBIG, the OR Tambo District Municipality was allocated an amount of R284.7 million for the 2014/15 financial year. The Alfred Nzo District Municipality received a total allocation of R143.0 million for the 2014/15 financial year for the RBIG. Table 1 below provides the 2014/15 budget allocations of the MWIG and RBIG allocations for the OR Tambo and Alfred Nzo District Municipalities for the specific sites the Committee planned to visit.

**Table 1: Eastern Cape MWIG and RBIG Project Allocation for 2014-15**

Project Name	District Municipality	Local Municipality	Budget Allocation - 2014
Mhleleni Storage Development (MWIG)	Alfred Nzo	Ntabankulu	R13.7 million
Ntontela/ Tembukazi (MWIG)	OR Tambo	Ngquza Hill	R33.1 million
Mt Ayliff (RBIG)	Alfred Nzo	Mzimvubu Local Municipality	R25.0 million

*Source: National Treasury (2014)*

The National Development Plan asserts that a key focus area in the provision of quality education is to ensure that all schools meet minimum standards for infrastructure and to commit to progressively upgrading each school's infrastructure to meet optimum standards. The MTSF states that education plays an important role in equalising individuals' life chances, promoting economic mobility, advancing economic growth, creating employment, eradicating poverty and reducing inequality.

The Committee recognises the importance of ensuring that all learners have access to quality learning and views the continued investment in schools infrastructure as critical for quality learning facilities for all. Therefore, the Committee in its oversight programme sought to gauge progress with regards to the effective delivery of schools infrastructure specifically in the Eastern Cape.

The purpose of the School Infrastructure Backlogs Grant, more commonly referred to as the Accelerated Schools Infrastructure Delivery Initiative (ASIDI), was for the eradication of all inappropriate schools and the provision of water, sanitation and electricity to schools. Since its introduction in the 2011 Medium Term Budget Policy Statement, the Committee has conducted three oversight visits (23 - 25 January 2012, 18 - 22 June 2012, and 30 July - 3 August 2012) to gauge the programme's performance in the Eastern Cape. The main objective of this follow-up oversight visit was to determine the progress which has been made on the delivery of new schools through ASIDI programme. The ASIDI programme's expenditure performance is depicted in Table 2 below.

**Table 2:** ASIDI expenditure performance to date

Financial Year	Adjusted Budget Allocation	Actual Expenditure	Percentage Spent
2011/12	R700 million	R59.6 million	8.5%
2012/13	R2.0 billion	R859 million	42%
2013/14	R1.9 billion	R1.3 billion	71.5%

Source: National Treasury (2014)

#### 4. Municipal Water Infrastructure Grant

The MWIG programme was established in 2012 as an interim/intermediate water supply programme (IIWSP) in recognition of addressing the water delivery issues, particularly in the rural areas. To this end, the programme seeks to provide short to medium term water supply solutions to the areas identified as “hot spots”. The funding allocations of the MWIG have been divided into a direct (Schedule 5B) component and indirect (Schedule 6B) component. The direct component is transferred directly to the Water Service Authorities who are also the implementing agents for the programme. The indirect component of the grant is implemented by the Department of Water and Sanitation on behalf of the Water Service Authorities/municipalities.

The Department of Water and Sanitation reported the overall expenditure as at December 2014 of the MWIG in the Eastern Cape for 2014/15 as follows:

**Table 3:** 2014/15 MWIG Expenditure in Eastern Cape Regions

District Municipality	Grant Schedule	2014/15 allocation	Total transfers for Qr 1 and 2	2014/15 expenditure as at Dec 2014	Expenditure Percentage	Amount unspent on transfers	Remaining allocation for Qr 3
Alfred Nzo	6B	54 857	N/A	0	0%	N/A	N/A
OR Tambo	5B	89 442	67 082	9 836	11%	57 245	22 360
Chris Hani	5B	48 528	36 396	32 190	63.3%	4 206	12 186
Joe Gqabi	5B	20 009	15 002	0	0%	15 002	5 007
Amathole	6B	28 850	N/A	0	0%	N/A	N/A
<b>Total in EC</b>		<b>241 686</b>	<b>118 480</b>	<b>42 026</b>	<b>17.4%</b>	<b>61 451</b>	<b>39 553</b>

Source: Department of Water and Sanitation (2014)

NOTE: The Committee notes with concern the non-availability of the expenditure on the indirect component of the MWIG (Schedule 6b) for Alfred Nzo and Amathole district municipalities.

The Department reported the following challenges and recommendations with regard to the poor expenditure performance experienced in the Eastern Cape:

**Table 4:** Challenges and Recommendations as reported by the Department

1	<b>Challenge:</b> Water Service Authorities' non-compliance with reporting templates and deadlines. <b>Recommendation:</b> More emphasis should be placed on compliance with reporting requirements and monthly engagements with Water Service Authorities.
2	<b>Challenge:</b> Water Services Authorities shifting to other schedule in the Division of Revenue Act and delays on signing of MWIG funding agreements under the current financial year. <b>Recommendation:</b> Continuous engagements with Water Service Authorities to unblock Supply Chain management challenges.
3	<b>Challenge:</b> Poor performance by Water Service Authorities' appointed contractors. <b>Recommendation:</b> Project management intervention at implementation stages to mitigate the risks.

The sections below provide more detail on the performance of the Alfred Nzo and OR Tambo District Municipalities with emphasis on the project sites visited.

#### 4.1 Alfred Nzo District Municipality

Table 5 below depicts the municipal water infrastructure backlogs as reported by the Alfred Nzo District Municipality (ANDM).

**Table 5:** Alfred Nzo Water Infrastructure Backlogs

Local Municipality	Total Households	Water					
		Households			Percentage		
		No Water	Below RDP	RDP and above	No Water	Below RDP	RDP and above
Matatiele	54 207	8 778	4 269	41 160	16.2%	7.9%	75.9%
Umzimvubu	47 802	10 976	5 991	30 835	23.0%	12.5%	64.5%
Ntabankulu	27 930	23 444	3 424	1 062	83.9%	12.3%	3.8%
Mbizana	48 408	44 479	2 429	1 500	91.9%	5.0%	3.1%
<b>Total</b>	<b>178 347</b>	<b>87 677</b>	<b>16 113</b>	<b>74 557</b>	<b>53.7%</b>	<b>9.4%</b>	<b>36.8%</b>

*Source: Alfred Nzo District Municipality*

Table 6 below provides a breakdown of the sanitation backlogs as reported by the Alfred Nzo District Municipality.

**Table 6:** Alfred Nzo Sanitation Backlogs

Local Municipality	Total Households	Sanitation			
		Households		Percentage	
		Served	Unserved	Served	Unserved
Matatiele	54 207	35 760	18 447	65.97%	34.03%
Umzimvubu	47 802	31 773	16 029	66.47%	33.53%
Ntabankulu	27 930	20 478	7 452	73.32%	26.68%
Mbizana	48 408	31 146	17 423	64.34%	35.99%
<b>Total</b>	<b>178 347</b>	<b>119 157</b>	<b>59 351</b>	<b>67%</b>	<b>33%</b>

*Source: Alfred Nzo District Municipality*

The Alfred Nzo District Municipality (ANDM) received a total MWIG budget allocation of R15.2 million for the 2013/14 financial year from and spent 100 per cent of the allocation. For the 2014/15 financial year, an amount of R54.8 million has been allocated, from which there has not been any expenditure as at the end of December 2014. The MWIG allocation in ANDM is under Schedule 6 (b) of the 2014 Division of Revenue Act.

The Committee had intended to undertake a site visit to the Mhleleni Storage Development project in the Ntabankulu Local Municipality, instead the Committee was taken to the Nongwala Spring Development project by the ANDM. The Mhleleni Storage Development project received an allocation of R1.5 million in 2013/14 and R2.0 million for the 2014/15 financial year and all funds had been spent with the project completed in April 2014 and is currently operated and maintained by the Alfred Nzo District Municipality. The total number of jobs created in the process of constructing the water scheme were 13.

In terms of the Nongwala Spring Development project in the Ntabankulu Local Municipality, a total budget of R300 thousand was allocated towards the project for the 2013/14 financial year. The Nongwala Spring Development project scope entailed refurbishment of the water source, construction of one communal standpipe, and a connection to the existing bulk mains. The project services 59 households with a total population of 296. The ANDM reported that five jobs were created under this

project in the 2013/14 financial year and that its final costs were R133 thousand resulting in a saving of R166 thousand.

#### 4.2 OR Tambo District Municipality

The OR Tambo District Municipality (ORTDM) received a total MWIG allocation of R14.9 million for the 2013/14 financial year of which R14.829 million was spent. For the 2014/15 financial year, the ORTDM received a MWIG allocation of R89.442 million of which R9.8 million or 11 per cent had been spent as at the end of December 2014. The MWIG allocations in the District Municipality is under schedule 5 (b) of the 2014 Division of Revenue Act.

Table 7 below provides a breakdown of the water and sanitation backlogs in the OR Tambo District Municipality.

**Table 7: OR Tambo Water and Sanitation Backlogs**

Municipality	Total Number of Households	Water	%	Total number of households	Sanitation	%	Free Basic Services			
		Backlog : Number of Households			Backlog : Number of households		Indigent H/H provided with water	%	Indigent H/H provided with sanitation	%
King Sabata Dalindyebo	105000	48 272	46.0 %	57 850	15 590	27.0 %	20 385	19.4 %	23 415	40.4 %
Nyandeni	70 145	43 534	62.0 %	48 702	11 926	24.4 %	20 962	29.9 %	25 367	52.0 %
Mhlontlo	49 861	28 917	58.1 %	32 442	12 550	39.0 %	13 891	28.0%	16 291	50.2 %
Ingquza Hill	51 063	31 924	62.5 %	26 119	20 808	79.7 %	12 356	24.1 %	15 585	59.7 %
Port St Johns	30 951	25 492	82.3 %	16 818	18 094	107 %	10 220	33.0 %	11 115	66,0 %
<b>Total</b>	<b>304 658</b>	<b>178 139</b>		<b>152 813</b>	<b>78 968</b>	<b>51.8 %</b>	<b>77 814</b>	<b>25.6 %</b>	<b>91 773</b>	<b>60.0 %</b>

*Source: OR Tambo District Municipality (2014/15 IDP) & Own Calculations*

The Committee undertook a site visit to the Ntontela/Tembukazi Borehole Development project in the Ingquza Hill Local Municipality. The project had received a budget allocation of R23.122 million for the 2014/15 financial year from which R2.041 million had been spent as at the end of December 2014. This project is to benefit 5 344 households with a total population of 26 720. The project scope includes the spring protection, equipping bore hole pump houses, construction of rising main pipelines to storage reservoirs, and water reticulation to stand pipes. The total number of people employed during the period June to December 2014 were 85 (11 adult male and 74 adult females). The District Municipality reported the following challenges which led to the overall under expenditure of its total MWIG allocation:

- Heavy rains which slowed progress on site;
- Inaccessibility due to bad terrain;
- Poor groundwater potential;
- Vandalism of built infrastructure;
- Insufficient yields to cover wider areas at identified springs and boreholes;
- Delays in procurement processes; and
- Funding shortfalls to cover the entire project area.

## 5 Regional Bulk Water Infrastructure Grant

The Regional Bulk Infrastructure Grant (RBIG) was introduced in 2007 to develop new and refurbish, upgrade and replace ageing infrastructure that connects water resources to infrastructure service extensive areas across municipal boundaries or large regional bulk infrastructure serving numerous communities over a large area within a municipality. The grant also aims to develop new and refurbish, upgrade and replace ageing waste water infrastructure of regional significance.

The Department of Water and Sanitation (the Department) at the stakeholder meeting held on 4 February 2015 in Mthatha also reported on the RBIG expenditure for the entire Eastern Cape which stood at R593.068 million or 57.38 per cent out of a total budget allocation of R1.033 billion for the 2014/15 financial year. In addition to the total expenditure, the Department reported that invoices amounting to R83.182 million have been submitted by the various regions for processing. The Department reported on progress on the following RBIG projects in the Eastern Cape:

- (a) Greater Mbizana Regional Bulk Water Supply;
  - Ludeke Dam is complete.
  - Raw water pump station & rising main is complete.
  - Upgrade and extension of Nomlacu Water Treatment Plant is complete.
  - Bulk Treated Water Supply (Phase1) is 95 per cent complete and completion date was set for March 2015.
- (b) King Sabata Dalindyebo (KSD) Water Master Planning;
  - Elimination of a significant number of unviable Water Treatment Works (WTW) by enhancing/expanding the two major WTWs being Thornhill and Rosedale.
  - Eliminating backlogs within a 30 kilometre radius of the Mthatha Dam.
- (c) KSD Waste Water Master Planning;
  - The augmentation of wastewater treatment works and bulk sewer pipelines within Mqanduli and Mthatha in support of economic growth
- (d) Mthatha Raw Water Bulk Supply;
  - Construction is 60 per cent complete. The current contract has been terminated and no replacement contractor had been appointed at the time of the visit.
- (e) Thornhill Bulk Water Treatment Works;
  - Construction is 85 per cent complete and completion date is set for June 2015.
- (f) the Rosedale to Libode Water Supply;
  - Construction is 85 per cent complete. Contract has been terminated and currently one contractor being engaged to complete the contract. The project should have been completed in 2013.
- (g) Mthatha Waste Water Treatment Works;
  - The first two phases are complete and the last phase of the project at 6 per cent. The completion date is set for July 2016.
- (h) Mthatha Northern Outfall Sewer;

- The project is 20 per cent complete and the completion date for the project is set for June 2016.

The Committee visited the Mount Ayliff Bulk Water Supply Scheme (Mt. Ayliff BWSS) in the Mzimvubu Local Municipality. The Mt. Ayliff BWSS received a budget allocation of R25 million in the 2014/15 financial year of which R5.956 million or 23.8 per cent had been spent at end of December 2014. The scheme comprises of the construction of four weirs in different streams (i.e. Siroqobeni, Ndikini, Nkanji, and Nkanji Tributary Streams) and a bulk pipeline construction of approximately 32 kilometres. This project is to serve the town of Mount Ayliff which has a population 31 400. The project commenced in February 2012 and its initial estimated completion date was December 2013 which was later revised to April 2015. The total number of jobs created to date as reported by the ANDM project stood at 312 as follows: 76 adult males; 59 adult females; 123 youth males; and 54 youth females. The ANDM reported that progress with the overall construction was at 90 per cent. However, the ANDM submitted that there was overall slow progress by the appointed contractor and that pipe laying was slow due to challenges with the terrain and the fittings. The overall reported challenges were as follows:

- Delays in the supply of ductile iron pipes (4 months) and related incompatible fittings as well as supply of ductile iron bends;
- Labour strikes;
- Funding allocations;
- Low ground water potential in some projects;
- Accessibility of some sites due to topographical factors; and
- Social uncertainties.
- Concrete cradles were not ordered by the contractor.

## **6 Committee Observations and Findings on the Water Delivery Issues**

The following issues related to the MWIG and RBIG were highlighted by the Committee on the various sites and at the stakeholder meeting which was held on 4 February 2015:

- 6.1** The Committee notes that notwithstanding the overall challenges in the delivery of water services, there has been some progress in ensuring that water services infrastructure is in place in the rural villages and the remote areas visited by the Committee and that water taps found on site had actual running water.
- 6.2** Alfred Nzo District Municipality cited inaccessibility as the reason for not taking the Committee to the initial project site, the Mhleleni Storage Development. However, the Committee views this as unacceptable and a cause for suspicion. The Committee maintains that oversight programmes should be carried out as planned and that the Committee is always ready to access the most remote areas so as to ascertain that services are being delivered to citizens residing in these remote areas.
- 6.3** The Committee noted that work had been done overnight on the Nongwala Spring Development and views this as most concerning as regular maintenance of projects should form part of normal municipal operations. Furthermore, according to the Committee's assessment the value of work done does not seem to match the budget allocation of R330 000. The Committee also views the location of the communal standpipe in the Nongwala Spring Development Project as inaccessible to members of the community especially for the elderly.

- 6.4** With regards to the MWIG expenditure, three District Municipalities in the Eastern Cape (i.e. Alfred Nzo, Joe Gqabi, and Amathole) had not as yet spent any of their budget allocations at December 2014. The Committee expressed grave concern at the lack of spending in the districts as there was a high water and sanitation delivery backlog in the Eastern Cape.
- 6.5** The Committee expressed concern at the poor expenditure performance regarding the Regional Bulk Infrastructure Grant in the Eastern Cape which only stood at 57.38 per cent as at December 2014.
- 6.6** The Committee noted the reported Supply Chain Management challenges experienced by the Water Service Authorities which often led to invoices not being processed by the Department of Water and Sanitation. Furthermore, the Committee expressed concern at the reported lack of compliance by the Water Service Authorities to the conditions of the Division of Revenue Act, especially related to indirect grants, which leads to the withholding of funds by the national department.
- 6.7** The Committee expressed its dissatisfaction at persistent delays in the submission of invoices from the Water Service Authorities relating to the indirect grant allocations and impressed on the Department of Water and Sanitation and municipal water departments to assist these stakeholders so as to expedite same. Furthermore, the Committee was concerned that such delays were affecting small businesses significantly and often results in the closure of small businesses.
- 6.8** The Committee expressed concern at the misalignment of the Regional Bulk Infrastructure delivery timeframes and the local water infrastructure timeframes such as reticulation at a district level and gauged whether an integrated planning approach was being followed. Specific reference was made to the Greater Mbizana Regional Bulk Water Supply project which was close to completion but a funding shortfall was experienced by the Alfred Nzo District Municipality for reticulation. The Committee further noted with concern the different reported water and sanitation backlogs between the department and the two district municipalities.
- 6.9** The Committee notes with concern that while the Mt Ayliff Bulk Water Supply is earmarked to supply the town of Mt Ayliff once finalised, a vast number of rural households within the surrounding areas will not benefit from the Bulk Water Scheme as yet. Furthermore, the Committee notes that a decision was taken to construct a dam in the area which would service the surrounding areas but expressed concern that there was no clear indication on when and where it is to be constructed.
- 6.10** The Committee notes with great concern the significant number of households that still do not have access to water in the Mbizana, Ntabankulu, Nyandeni, Ingquza Hill and Port St Johns local municipalities.
- 6.11** Progress on the construction of the Mount Ayliff Bulk Water Supply Scheme has been delayed by 16 months largely due to the delays in the delivery of the ductile iron pipes with a total cost of R27.253 million which have been imported from China. The Committee expressed concern at the delays of construction of the said project and was further of the view that material for construction needed to be sourced locally. In addition, the

Committee expressed its dissatisfaction with the absence of labour on the day of the project site visit.

- 6.12** With reference to the OR Tambo District Municipality, the Committee gauged whether the district has developed measures to address all the issues which led to it receiving four consecutive audit disclaimers. Furthermore, the Committee expressed concern at the reported top-heavy structure of the District Municipality and cautioned it against diverting conditional grant funding meant for service delivery to defray current expenditure such as compensation of employees.
- 6.13** The Committee notes that contract management and adequate budgeting for operations and maintenance remain significant challenges in the District Municipalities visited. The Committee views the institutionalisation of integrating Integrated Development Plans with water and sanitation infrastructure programmes as well as the improvement of monitoring mechanisms as an imperative for the effective utilisation of resources.
- 6.14** The Committee also notes that billing systems and revenue collections systems in the District Municipalities are still not functional. The Committee views effective revenue collection and billing systems as critical for sustainable municipalities' and therefore the sustainable provision of basic services.
- 6.15** The Committee was dissatisfied with the adequacy of preparations for the meeting with stakeholders that took place at the OR Tambo District Municipality. The Committee could not effectively deliberate on the important issues concerning the effective delivery of water services and also notes with concern the absence of key officials from the OR Tambo District Municipality.
- 6.16** Overall, the Committee was disappointed with the lack of urgency in the District Municipalities in dealing very directly with and in addressing one of the main policy priority challenges of the country which is to ensure that all citizens have access to water and sanitation. In addition, there were a number of officials for whom the Committee could not ascertain their specific contribution to the oversight visit and this goes against the principles of cost containment policy emphasis contained in the budget framework.

## **7 Accelerated School Infrastructure Delivery Initiative**

The Schools Infrastructure Backlogs Grants also referred to as ASIDI was established in 2011/12 for the eradication of inappropriate schools as well as the provision of basic levels of water, sanitation and electricity to schools. The budget allocation for the full ASIDI programme was originally R8.2 billion and has subsequently been revised upward to R13.2 billion and budget allocations over the medium term are as follows:

**Table 8:** Overall ASIDI progress from inception to date

<b>Financial Year</b>	<b>Budget Allocation R'000</b>
2011/12	700 000
2012/13	2 065 000
2013/14	2 489 000
2014/15	2 938 500
2015/16	2 433 310
2016/17	2 610 660

<b>Total</b>	<b>13 236 470</b>
--------------	-------------------

Source: Department of Water and Sanitation (2014)

Table 9 below provides the overall progress of ASIDI from inception to date as reported by the Department of Basic Education:

**Table 9: Overall ASIDI progress from inception to date**

Infrastructure Category	2011/12		2012/13		2013/14		2014/15		2015/16		Total	
	APP Target	Completed										
Inappropriate Schools	n/a	n/a	49	17	140	36	150	37	171	n/a	510	90
Water	188	n/a	932	156	n/a	49	n/a	137	n/a	n/a	1120	342
Sanitation	354	n/a	387	188	n/a	64	n/a	99	n/a	n/a	741	351
Electricity	231	n/a	683	144	n/a	77	n/a	67	n/a	n/a	914	288

Source: Department of Basic Education (2014)

With regards to overall expenditure for the programme, the two provinces with the lowest expenditure were the Eastern Cape and the Free State which have spent R649 million or 37.4 per cent and R302.6 million or 31.1 per cent respectively as at 31 December 2014. The Department submitted that actual commitments for the ASIDI programme as at end of December 2014 were R5.022 billion.

## 7.1 Eastern Cape Progress to Date

The Independent Development Trust has been allocated twelve schools and construction began in February 2013. Nine projects have been completed to date. Out of the remaining three schools, one is at 76 percent completion and two are at less than 25 percent completion. The Department also reported that the IDT had been allocated 9 schools in the Free State and thus far only one school has been completed. The Department indicated that the slow rate of progress on various IDT sites remains a concern and that it is currently considering a reduction in IDT's project scope.

The Coega Development Corporation has been allocated 25 schools and construction began in January 2013. 16 schools have been completed to date. Four schools are at 76 per cent completion and one school is at 25 per cent. There is one school project currently on hold and three schools are in the final planning stages.

The Eastern Cape Department of Public Works has been allocated 16 schools and construction began in May 2012. Four schools have been completed to date. Four schools are at 76 per cent, two schools are at 51 percent and three schools are at 26 per cent. Three schools are still in the planning stages.

## 7.2. Sites/Schools Visited

The following is a brief discussion on the four schools which were selected for site visits by the Committee. The Committee undertook site visits to the schools which are all in the OR Tambo District (Libode) area on 5 February 2014.

### 7.2.1 Gcinisizwe Senior Primary School

The construction of Gcinisizwe Senior Primary School commenced on 23 January 2012 and was completed on 15 July 2013. The project's budget amounted to R10.1 million and actual expenditure amounted to R14.2 million thus exceeding

budget estimates by R4.14 million. Project output consists of 1 Grade R Classroom, 7 classrooms and 1 multimedia centre-library/computer.

### **7.2.2 Chief Henry Boklein Senior Secondary School (SSS) & Bhekizulu SSS**

The construction of Chief Henry Boklein SSS had a budget allocation of R74.69 million and commenced on 27 June 2014 and the planned practical completion date is 21 April 2015. Progress to date is 22 per cent versus the 63 per cent planned progress whilst 22.6 per cent or R16.86 million of the budget has been spent.

The Bhekizulu SSS project's budget allocation was R81.9 million and it commenced on 27 June 2014 and the planned project completion date is 21 April 2015. Progress to date is 22 per cent versus planned progress of 60 per cent and R18.15 million or 22.1 per cent of the budget has been spent to date.

It was reported that both these schools were awarded to the same contractor and that the construction was 13 weeks behind schedule on both the above projects. The delays were attributed to, namely, contractor's non-performance, delayed commencement following site handover, inadequate resources, poor quality of work and social issues whereby the Chief Henry Boklein site was invaded twice by the community.

The Department submitted that remedial actions to ensure completion of the schools includes the submission of a recovery plan by the contractor, the fourth default notice has been issued to the contractor and the contract is to be monitored closely.

### **7.2.3 Langeni Senior Primary School**

This project has a budget allocation of R29.1 million and commenced on 29 June 2014 with an expected completion date of 10 February 2015. Progress to date is 88 percent compared to planned progress of 90 per cent whilst spending to date amounts to R15.7 million or 54 per cent of the budgeted amount. It was reported that the contractor's performance on this project has been good although the project is behind schedule by 1 week due to rain and errors in design drawings which impacted the contractor's progress.

## **8 Committee Observations and Findings on the ASIDI programme**

The Committee highlighted the following matters with regard to the ASIDI programme following the site visits and the stakeholder meeting:

- 8.1** The Committee notes that the spending performance for the ASIDI programme has improved over the years and that the eradication of mud structures has been a positive development in the life of the communities visited by the Committee.
- 8.2** Committee expressed concern at the delays in progress in the construction of schools as a result of poor performance by contractors, especially in the Eastern Cape and Free State. Specific reference was made to the Bhekizulu and Chief Henry Boklein Senior Secondary Schools which both were 13 weeks behind schedule and had the same contractor. The Committee noted that the same contractor had a history of poor performance since the inception of the ASIDI programme however had been awarded school infrastructure contracts on the basis of meeting

procurement scorecard requirements. Whilst the Committee noted that a financial risk assessment had been conducted on the impact of the possible termination of the contracts, it impressed on the Department that all the conditions stipulated in the contract that related to poor performance needed to be implemented.

- 8.3** Whilst the Committee noted the progress made on the ASIDI programme to date, it remained concerned about the apparent lack of integrated planning which also resulted in these new assets not having sufficient maintenance budgets. Furthermore, concerns were expressed on the continuous delays in construction of schools as these would result in significant cost escalations.
- 8.4** The Committee remains seriously concerned about the challenges related to proper contract management as these had a negative impact on expenditure and performance projections. Whilst the Committee noted the reasons for under performance, it expressed concerns at the lack of proper planning which resulted in projects not being completed on time.
- 8.5** The Committee notes the Department of Basic Education's submission that no additional costs will be incurred in the event of a termination of a contract and that the termination process is carefully managed to ensure there are no costs incurred on the fiscus. The Committee views full compliance with the prescripts contained in the Public Financial Management Act 1 of 1999 (as amended) and Treasury Regulations as non-negotiable.
- 8.6** The Committee notes the challenges related to the quality of workmanship of the subcontractors which was also a major contributing factor to delays in the construction of schools. There were instances at the Chief Henry Boklein and Bhekizulu Senior Secondary Schools where structures had to be demolished and rebuilt. The Committee was of the view that a more rigorous approach to the transfer of skills was needed to address the quality issues and noted that there were no clear linkages with Technical and Vocational Education and Training Colleges in the areas where schools were being constructed.
- 8.7** While the Committee notes that the community invasion of the Chief Henry Boklein SSS construction site was cited as a challenge, it also notes that the contractor indicated that the problem is ongoing whilst the social facilitation officer indicated that the community concerns had been addressed. The Committee views these contradictions as signs of poor contract management.
- 8.8** The Committee welcomes the efforts by all staff members in the maintenance and running of the Gcinisizwe Primary and specially notes the special welcome afforded to the Committee by the school. The Committee notes the concern raised by the school regarding the lack of security for the school property, and was of the view that the community should play a significant role in the maintenance and stewardship of the school.
- 8.9** The Committee notes with concern that the provision of water and sanitation in the schools remains a challenge. The Committee views the provision of quality water and sanitation services as critical and must be prioritised in the provision of a complete quality learning environment.

- 8.10** The Committee is concerned about the lack of integration in planning for the school facilities under construction in terms of electricity, water and sanitation. In the schools visited, the installation of electricity, water and sanitation remained outstanding issues.
- 8.11** The Committee was concerned that not all schools are provided with sport facilities. In addition, the Committee notes with concern the provision of sanitation facilities for both genders under one shelter and the low upkeep of overall quality hygiene standards. The Committee is of the view that sports is an important component of quality education and that sanitation facilities and hygiene should at all times meet standard minimum requirements.
- 8.12** The Committee observed that the construction of a number of schools wherein tenders were awarded in April 2014 had not yet begun due to the termination of contracts and subsequent litigation against the Department of Basic Education by affected contractors. The delays are likely to affect the timeframes of the entire ASIDI programme and have serious implications for the life span of the conditional grant.

## **9. Recommendations**

The Standing Committee on Appropriations, having undertaken an oversight visit to the Eastern Cape and deliberated with the various stakeholders, recommends as follows:

- 9.1** That the Minister of Water and Sanitation should ensure the following:
- 9.1.1** That the Department of Water and Sanitation ensures its organisational structure is filled with personnel having the requisite capacity able to effectively carry out the state's water and sanitation infrastructure programme.
  - 9.1.2** That the Department of Water and Sanitation significantly improves mechanisms for monitoring and evaluation of all water infrastructure projects especially in rural municipalities so as to ensure that any challenges are speedily resolved thus ensuring adherence to planning timeframes and that completion dates remain credible.
  - 9.1.3** That the Department of Water and Sanitation together with National Treasury consider extending the lifespan of the Municipal Water Infrastructure Grant so as to address the significant water services backlogs in the local municipalities of Mbizana, Ntabankulu, Nyandeni, Mhlontlo, Ingquza Hill and Port St Johns.
- 9.2** That the Minister of Finance should ensure that adequate provisions are incorporated into the local government fiscal framework by National Treasury to ensure that operations and maintenance budgets for all projects within the Regional Bulk Infrastructure Grant and Municipal Water Infrastructure Grant are ring fenced and monitored.
- 9.3** That the Minister of Cooperative Governance and Traditional Affairs should ensure the following:

- 9.3.1** That the Department of Cooperative Governance in partnership with the South African Local Government Association implement interventions aimed at ensuring that all municipalities comply with frameworks in the Division of Revenue Act with specific reference to water infrastructure grants.
- 9.3.2** That the Department of Cooperative Governance ensures that compliance with routine requirements such as completing all information for the timeous submission of invoices is enforced.
- 9.4** That the Minister of Basic Education should ensure the following:
- 9.4.1** That the Department of Basic Education submit a report to the National Assembly which indicates the level of support provided by the Construction Industry Development Board and other relevant stakeholders in ensuring that contractors were sufficiently capacitated to carry out the state's schools infrastructure projects.
- 9.4.2** That the Department of Basic Education should as far as possible ensure that artisans from Technical and Vocational Education and Training Colleges in the areas where schools were being constructed also benefit from the state's significant investment in school's infrastructure.
- 9.4.3** That the Department of Basic Education ensure that all schools constructed have credible operations and maintenance plans in place. This should also include the provision of teachers and support staff such as security personnel.
- 9.4.4** That the Department of Basic Education develops the requisite capacity so as to ensure that credible contractors are appointed to carry out the school infrastructure projects successfully and on time. This should include ensuring that there are necessary internal controls in place to ensure that contracts are not prolonged and that work completed is verified so that principles of value for money are adhered to.
- 9.4.5** That the Department of Basic Education conducts quality assurance tests of all schools built in order to ensure that completed schools meet the required standards for quality in terms of the physical school infrastructure assets (i.e. buildings and furnishings).
- 9.4.6** That the Department of Basic Education ensure that the ASIDI programme is adequately integrated within the benefitting local municipality's Integrated Development Plan so as to ensure that community participation is prioritised and community concerns are sufficiently addressed.
- 9.4.7** That the Department of Basic Education in collaboration with the Departments of Sports & Recreation, Water & Sanitation, and Energy ensure that the ASIDI programme fully integrates the provision of sports and recreational facilities, water and sanitation, and electricity in the schools infrastructure programme.

## **10. Conclusion**

All the requested reports as set out in section 9 above need to be submitted to the National Assembly within 60 days of this report being adopted in the House.

Report to be considered.