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O.R. TAMBO DISTRICT MUNICIPAL INFRASTRUCTURE GRANT EXPENDITURE

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1. BACKGROUND

The Select Committee on Appropriations¹ undertook an oversight visit to the O.R. Tambo District Municipality on 30 July to 3 August 2018, fulfilling a Committee resolution taken at a previous engagement with the District Municipality.

O.R. Tambo District Municipality had a portion (i.e. R90 million) of its Municipal Infrastructure Grant (MIG) allocation for 2016/17 halted by National Treasury, due to improper reporting, non-registration of projects and the slow take-up of projects.

The Executive Mayor of the O.R. Tambo District Municipality wrote to the Chairperson of the National Council of Provinces (NCOP) in 2017, requesting the NCOP to intervene on its behalf, regarding the matter of stopping a portion of its MIG allocation. The matter was then referred to the Select Committee on Appropriations, which convened a meeting on the 6 June 2017 with the O.R. Tambo District Municipality, National Treasury, the national Department of Cooperative Governance and Traditional Affairs (CoGTA) and the respective provincial departments. It was at this meeting that the Committee took a resolution to visit MIG projects underway in the district municipality.

The purpose of the August 2018 oversight visit was to inspect the progress of MIG projects, assess whether MIG funding was being spent in accordance with the grant purpose² and to determine value for money.

¹ Hereon referred to as the Committee.

² The MIG funding is aimed at providing capital finance for eradicating basic municipal infrastructure backlogs (i.e. water, sanitation, roads, refuse disposal sites and public facilities etc.) for poor households (i.e. defined as households that earn less than R2 300 per month as per the 2011 Census data) in all non-metropolitan

This paper provides an overview of the August 2018 oversight visit by the Committee, specifically the status of the projects as at August 2018 and the challenges and successes related to the implementation of MIG projects. In addition, the paper reports on O.R. Tambo District's MIG expenditure for the period 2017/18 to 2019/20.

Table 1 below provides a list of the projects visited during the oversight visit.

Table 1: MIG Projects visited in 2018

Project Name	Project Details	Commencement date	Completion date	Status as in August 2018
TSOLO WASTE WATER TREATMENT WORKS	A new wastewater treatment works plant for the town of Tsolo, as the existing sewerage system cannot accommodate all households (i.e. only 60 to 70 percent of residents have access to the existing sewerage system).	August 2016	April 2019	On track.
NYANDENI WARD 4 SANITATION	Construction of 706 Ventilated Improved Pit (VIP) system units for the villages of Marubeni, Mdina, Mcwili, Mbobeleni, Dungu, Ezinkumini, Mhlanga and Makhotyana (i.e. Ward 4 of Nyandeni Local Municipality).	April 2018	11 July 2018	Completion date missed due to additional works requested.
LIBODE AND NGQELENI WATER SUPPLY CORRIDOR	Construction of bulk water infrastructure to supply water to the Libode and Ngqeleni Corridors.	29 August 2016	17 October 2018	Underway
COFFEE BAY REGIONAL WATER SUPPLY	Construction of bulk water supply reticulation for Wards 23 and 24 of the King Sabatha Dalindyebo Local	13 May 2014	December 2018	Underway

municipalities. The MIG is a conditional grant and the specific criteria and conditions that have to be complied with are set out annually in the grant framework as part of the Division of Revenue Act.

Project Name	Project Details	Commence ment date	Completion date	Status as in August 2018
	Municipality			
UPPER MHLAHLANA WASTE WATER TREATMENT WORKS	Upgrading of the existing wastewater treatment works that is intended to service the villages of Tabase, Gaduka, Ross, Ngcingane, Kambi, Ntabeni, Matshongwe, Luxeni and Ncise.	July 2013	August 2018	Near completion, just need mechanisation and electric work to be installed.
MANGXAMFU WATER SUPPLY	Water supply scheme aimed at supplying water to 10 villages located in the Mhlontlo Local Municipality (i.e. Wards 10, 11 and 12).	July 2015	Mid-2018	Completion deadline missed due to contractors experiencing cash flow challenges.

All but one of the MIG projects visited are plagued by planning and implementation challenges, as follows:

- A number of projects were delayed due to contractors experiencing cash flow challenges related to the district municipality delaying the awarding of the contract long after the tender proposals was submitted.
- Project contracts do not comply fully with the requirements for Small Medium and Micro-sized Enterprises (SMMEs) development of sub-contractors, local content suppliers of materials as well as training and skills transference that allows a sub-contractor to graduate with a higher Construction Industry Development Board (cidb)³ grading. These requirements need to be negotiated upfront in the contract and should become a standard requirement of all infrastructure contracts.

³ Construction Industry Development Board (2020). The Construction Industry Development Board (cidb) is a Schedule 3A public entity established by the cidb Act (No. 38 of 2000). The cidb is expected to provide leadership to stakeholders and to stimulate sustainable growth, reform and improvement of the construction sector, for effective delivery and the industry's enhanced role in the country's economy. The cidb's grading system from the lowest (or entry level) Grade 2 to the highest (or established level) Grade 9 contractors. The grading designation is determined by the contractor's financial capability and works capability. The financial capability relates to the contractor's financial history (turnover) and the amount of working capital the contractor can muster to sustain a contract, i.e. available capital.

- Oversight over the MIG projects was lacking by the oversight structures of the district municipality. The overall success of a project is reliant on regular oversight, more specifically at least a monthly physical inspection of the project site is needed to ensure that project implementation is taking place according to plan, and the quality of work done is up to standard.
- Water and sanitation grants such as the Regional Bulk Infrastructure Grant should be used in conjunction with MIG funding when eradicating water and sanitation infrastructure backlogs to create synergies for improved and accelerated service delivery.
- The Tsolo wastewater treatment works project is an example of a well-managed project, that is, the infrastructure viewed was of a high quality standard, the project is on course to be completed within the timeframe, the main contractor is on site regularly and does oversight over sub-contractors and the project managed to have savings. Lessons from the Tsolo wastewater treatment works project needs to be noted by the district municipality and replicated at other projects.⁴

⁴ Research Unit (2018).



2. MUNICIPAL INFRASTRUCTURE GRANT EXPENDITURE

This section provides an overview of MIG expenditure by O.R. Tambo District Municipality for the period 2017/18 to 2019/20. A comparative analysis of MIG expenditure is provided as follows:

- In relation to MIG expenditure by other district municipalities, and
- In relation to the expenditure of other infrastructure grants allocations to the district municipality.

2.1. MIG expenditure

Table 2: MIG Expenditure across the Districts Municipalities

Municipality (R'000)	2017/18			2018/19			2019/20		
	Total available 2017/18	Expenditure as at 30 June 2018	Expenditure as a % of total available	Total available 2018/19	Expenditure as at 30 June 2019	Expenditure as a % of total available	Total available 2019/20	Expenditure as at 30 June 2020	Expenditure as a % of total available
O.R. Tambo District	645 218	645 218	100,0%	619 684	644 014	103,9%	633 395	292 911	46,2%
Sarah Baartman District	24 764			36 776					
Amathole District	436 439	407 235	93,3%	399 232	398 565	99,8%	428 472	16 396	3,8%
Chris Hani District	292 340	253 294	86,6%	270 880	184 932	68,3%	287 034	268 580	93,6%
Joe Gqabi District	159 725	159 725	100,0%	153 554	153 554	100,0%	156 868	20 769	13,2%
Alfred Nzo District	373 989	473 647	126,6%	347 914	347 914	100,0%	376 009	224 004	59,6%

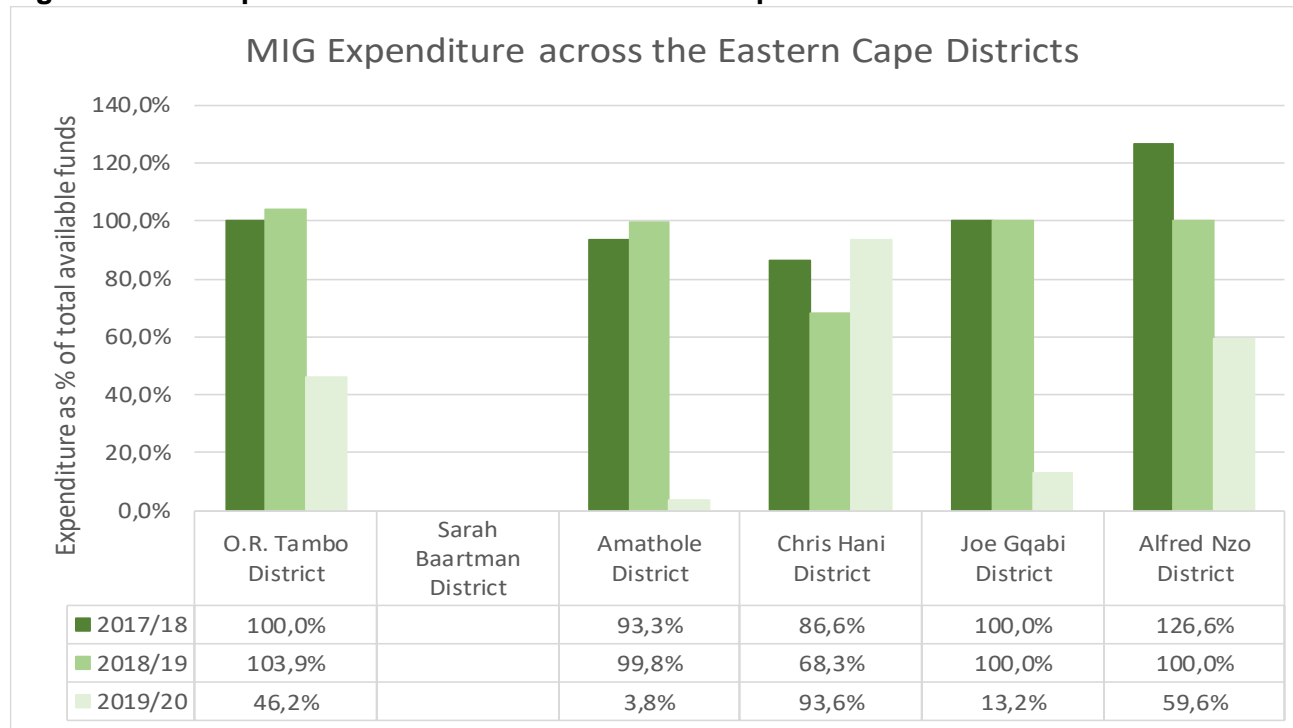
Source: National Treasury (2018-2020)

Table 2 show that O.R. Tambo District spent its 2017/18 MIG allocation of R645.2 million and 2018/19 MIG allocation of R619.7 million in full, but spent only 46.2 per cent or R292.9 million of its 2019/20 MIG allocation of 633.4 million.



O.R. Tambo District's MIG expenditure is comparable to the other district municipalities of the Eastern Cape for the period 2017/18 to 2019/20 (see Figure 1 below).

Figure 1: MIG Expenditure across the Districts Municipalities



Source: National Treasury (2018-2020)

Note: Sarah Baartman District did not report on MIG expenditure for the period under review.



2.2. MIG expenditure in relation to other infrastructure grant expenditure

O.R. Tambo District Municipality is a recipient of a number of municipal infrastructure grants⁵ and these include:

- *Regional Bulk Infrastructure Grant* funds the bulk infrastructure needed to provide reticulated water and sanitation services to individual households.
- *Water Services Infrastructure Grant* funds is aimed at accelerating the delivery of clean water and sanitation facilities to communities that do not have access to basic water services by funding the construction of new infrastructure and the refurbishment and extension of existing water schemes.

Table 3: MIG expenditure in relation to other infrastructure grant allocations

Infrastructure Grants (R'000)	2017/18			2018/19			2019/20		
	Total available 2017/18	Expenditure as at 31 June 2018	Expenditure as a % of total available	Total available 2018/19	Expenditure as at 31 June 2019	Expenditure as a % of total available	Total available 2019/20	Expenditure as at 31 June 20120	Expenditure as a % of total available
Regional Bulk Infrastructure Grant	327 500	327 500	100,0%	309 707	309 707	100,0%	209 698	78 475	37,4%
Water Services Infrastructure Grant	124 000	124 000	100,0%	275 135	134 489	48,9%	100 000	94 618	94,6%
Municipal Infrastructure Grant	645 218	645 218	100,0%	619 684	644 014	103,9%	633 395	292 911	46,2%

Source: National Treasury (2018-2020)

Table 3 show that O.R. Tambo District's MIG expenditure is comparable to the expenditure of the *Regional Bulk Infrastructure Grant* and the *Water Services Infrastructure Grant* allocations for the period 2017/18 to 2019/20. The District spent its MIG and *Regional Bulk Infrastructure Grant* allocations in 2017/18 and 2018/19 in full, but expenditure declined significantly to 46.2 per cent and 37.4 per cent, respectively in 2019/20.

⁵ **Note:** This section specifically focuses on direct infrastructure transfers to the District Municipality, as indirect infrastructure transfers are spent by the relevant national department on behalf of a municipality that has been identified as having capacity challenges.



Expenditure of the *Water Services Infrastructure Grant* allocation declined from 100 per cent in 2017/28 to 48.9 per cent in 2018/19 and improved to 94.6 per cent in 2019/20.

3. CONCLUSION

Infrastructure grant allocations for the most part was spent in full by O.R. Tambo District, specifically the MIG and the *Regional Bulk Infrastructure Grant* in 2017/18 and 2018/19. However, there are challenges as evidenced by the decline in the expenditure of the *Water Services Infrastructure Grant* in 2018/19 and the declining expenditure of the MIG and the *Regional Bulk Infrastructure Grant* allocations in 2019/20.

Issues for consideration by the Committee:

- O.R. Tambo District should report the status of the projects visited by the Committee in August 2018.
- O.R. Tambo District should report whether they have been able to improve the monitoring of projects on the ground.
- O.R. Tambo District should report on the impact that these projects had on improving access to services and overall living standards.
- O.R. Tambo District should report on the reasons for underspending the MIG and the *Regional Bulk Infrastructure Grant* allocations in 2019/20 and the *Water Services Infrastructure Grant* allocation in 2018/19.

REFERENCES

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National Treasury (2018-2020). *Section 71 Information (In-year Management, Monitoring and Reporting)*. [Online] Available from: http://mfma.treasury.gov.za/Media_Releases/s71/Pages/default.aspx. [Accessed 07 September 2020]