

# MUNICIPAL INFRASTRUCTURE GRANT: EPWP APPLICATION

5<sup>th</sup> Expanded Public Works  
Programme (EPWP) Summit

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**BACK TO BASICS : SERVING OUR COMMUNITIES BETTER**



cooperative governance

Department  
Cooperative Governance  
REPUBLIC OF SOUTH AFRICA



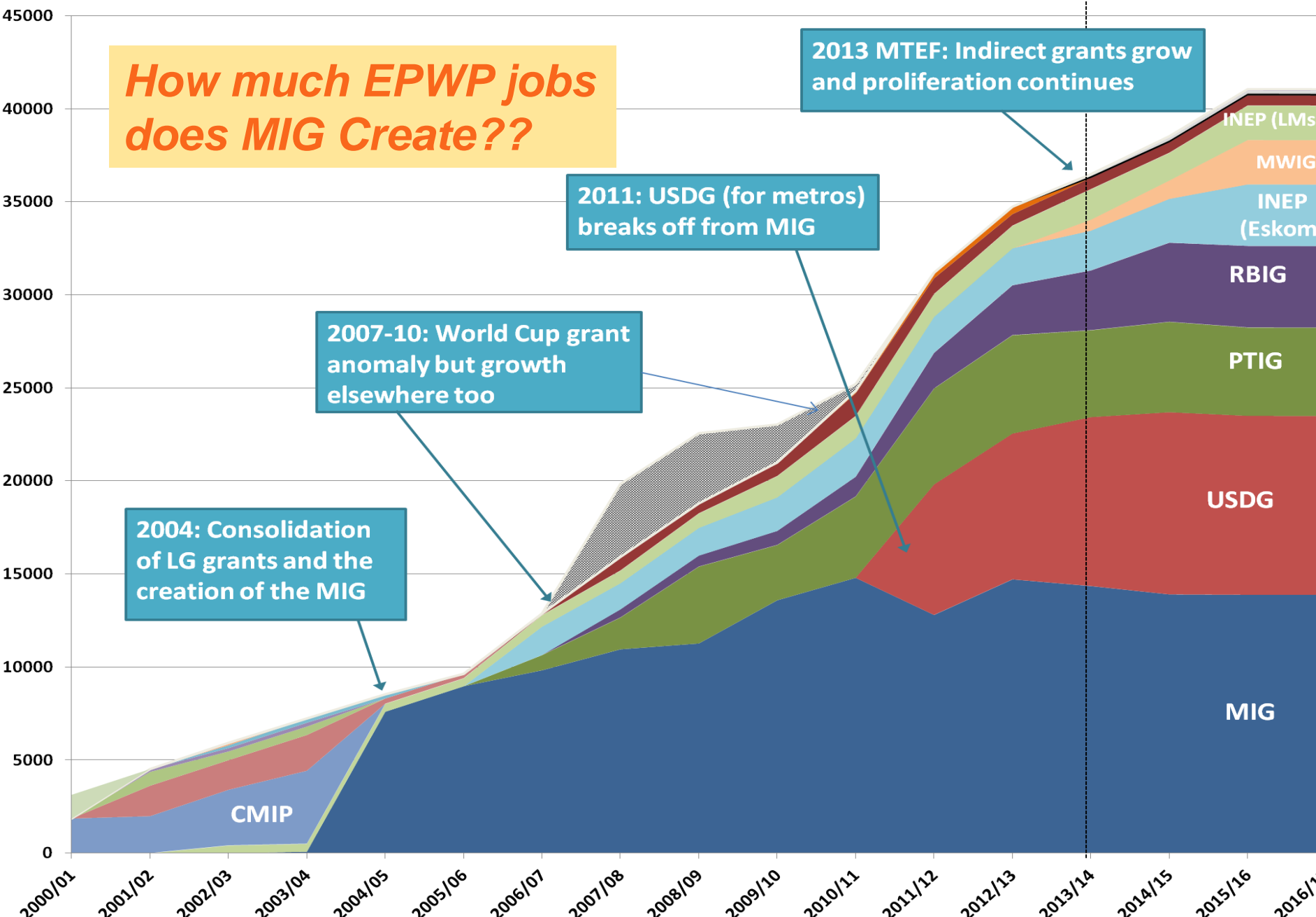
# Presentation Outline

- MIG Background
- Vision and Objectives of the MIG
- MIG Allocation Formula
- Responsibilities of DPW (as per the MIG Framework)
- Exp. performance since inception of MIG in 2004/05
- No. of work opportunities for 2012/13 - 2015/16
- Improving responsibilities of Stakeholders within MIG
- Challenges
- Mitigations and Optimization of EPWP in MIG

# Background

- MIG programme is the largest LG 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 involving all government spheres.
- MIG was started in 2004/05, through the merger of:
  - ✓ *Consolidated Municipal Infrastructure Programme (CMIP),*
  - ✓ *Local Economic Development Fund (LEDF),*
  - ✓ *Water Service Capital Grant (WSCG),*
  - ✓ *Community Based Public Works Programme (CBPWP),*
  - ✓ *Building for Sports & Recreation Programme (BSRP) and*
  - ✓ *Urban Transport Grant (UTG).*

Direct and Indirect Local Government Infrastructure Grants since 2000/01 (in 2013/14 million Rands)



*How much EPWP jobs does MIG Create??*

2013 MTEF: Indirect grants grow and proliferation continues

2011: USDG (for metros) breaks off from MIG

2007-10: World Cup grant anomaly but growth elsewhere too

2004: Consolidation of LG grants and the creation of the MIG

# Vision of the MIG

- To provide all South Africans with sustainable access to a basic level of service through the provision of grant finance targeted primarily at covering the capital cost of providing new basic infrastructure for the poor and renewing of that infrastructure.
  - ✓ *'Sustainable access to services' implies that the infrastructure must be properly planned; delivered effectively and efficiently; and operated and maintained in such a way that it remain functional over its useful life span.*
- To provide of economic infrastructure where other capital finance sources are not available, in order to unlock economic growth in municipalities.
- To alleviate poverty and support economic growth in the country
  - ✓ *therefore, infrastructure is to be provided in such a way that employment is MAXIMISED and OPPORTUNITIES are created for enterprises to flourish.*

# Objectives of the MIG

- Balancing social and economic goals
  - ✓ *The MIG programme is targeted primarily at providing infrastructure for the poor, but may also be used for infrastructure that unlocks economic growth or catalyses revenue generation.*
- Decentralisation of spending authority within National Standards
  - ✓ *Decisions relating to the prioritisation of municipal infrastructure spending, such as the identification, selection and approval of projects, are best undertaken at municipal level,*
- Focus on infrastructure required for a basic level of service
  - ✓ *The MIG is aimed at providing only a basic level of service.*
  - ✓ *It is the responsibility of the relevant sector department to specify which levels of service are considered 'basic'.*
- Ensuring sustainability of infrastructure
  - ✓ *Infrastructure grants should only be applied in situations where the necessary O&M arrangements associated with infrastructure are in place or can reasonably be put in place within the medium term.*

# Objectives of the MIG

- Reinforcing local, provincial and national dev. objectives
  - ✓ *The funding mechanism must be consistent with the planning processes of local, provincial and national government.*
- Equity in the allocation and use of funds
  - ✓ *The mechanism for distributing funds must provide for equitable access to such funds by the poor in order to make uniform progress in closing the infrastructure gap.*
- Efficient use of funds
  - ✓ *Funding must be used to provide the greatest possible improvement in access to basic services at the lowest possible cost*
- Predictability and transparency
  - ✓ *Funds should be provided to individual municipalities on a 3 year basis, consistent with medium term budgeting practice, with minimal in-year changes and with year to year changes based only on clearly defined conditions.*



# 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”, viz. 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.*

## B (75%) Component in a Formula

Water & Sanitation	=	72%
Roads & S/Water	=	23%
“Other”	=	5%
Total	=	100%



# MIG Allocation Formula

- **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 27 Priority District Municipalities 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 (adjustments to allocations are made in the context of stopping and reallocation provisions of the DoRA)

*N.B. This is a national division of funding.*

*The % applied do not prescribe to municipalities how to allocate funds in their budgets in an individual year.*

*This is done according to municipal priorities, as outlined in the IDP.*

<u>MIG Allocation Formula</u>		
B	=	75%
P	=	15%
E	=	5%
N	=	5%
M	=	0%
Total	=	100%

# Responsibilities of Dept. of Public Works (as per the MIG Framework)

- Setting norms and standards applicable to EPWP and sector
- Monitoring compliance to EPWP guidelines including:-
  - ✓ *advising municipalities on the use of labour intensive processes, systems, techniques and approaches*
- Supporting municipalities on planning for compliant to EPWP
- Monitoring the no. of Work Opportunities and Full Time Equivalents (FTEs) created on MIG funded that contribute towards EPWP
- Ensuring that municipalities register their EPWP projects including:-
  - ✓ *Adhering to EPWP reporting system; and*
  - ✓ *Monitoring compliance to norms and standards applicable to EPWP and sector throughout the project value chain*

## Exp. performance since inception of MIG: 2004/05

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	5,761,834	5,753,988	97%	7,846
2007/08	8,261,788	7,639,330	95%	622,458
2008/09	8,884,714	8,036,899	97%	847,815
2009/10	8,735,186	7,471,799	89%	1,263,387
2010/11	9,924,806	8,539,296	86%	1,385,510
2011/12	11,443,490	9,248,418	81%	2,195,072
2012/13	13,884,178	10,969,888	79%	2,914,290
2013/14	14,224,447	12,880,499	91%	1,343,948
2014/15	14,745,475	13,067,319	89%	1,678,156
2015/16	14,887,917	13,744,274	92%	1,143,643
<b>Total</b>	<b>120,629,938</b>	<b>106,971,425</b>	<b>89%</b>	<b>13,658,513</b>

How many Jobs have been created in the past 4 FYs??

3% Increase from 2014/15

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# No of Work Opportunities for 2012/13 -2015/16

- 2012/13 Financial Year created 131 916 Job Opportunities
- 2013/14 Financial Year created 167 531 Job Opportunities
- 2014/15 Financial Year created 188 291 Job Opportunities
- 2015/16 Financial Year created **161 697 Job Opportunities**

## MIG 2016/17 MTEF Allocation

- 2016/17: R14,9 billion
  - 2017/18: R16,0 billion
  - 2018/19: R16,9 billion
- Total: R47,8 billion**
- Funds are allocated in terms of a formula to the receiving municipalities – funds follow functions

✓ *Metros do not receive MIG allocations (they are funded from own funding and grants such as USDG thru Dept. of Human Settlements)*

✓ *DMs without functions (Non WSA's) do not receive MIG allocations*

# Number of EPWP projects in 2016/17 FY

Prov	Number of 16/17 Projects	Number of EPWP projects funded in 16/17	%
EC	672	144	21%
FS	263	179	68%
GT	51	0	0%
KZ	745	159	21%
LP	310	279	90%
MP	272	212	78%
NC	118	38	32%
NW	395	300	76%
WC	183	107	58%
<b>Total</b>	<b>3,009</b>	<b>1,418</b>	<b>47%</b>

- EPWP for 2016/17 is equivalent to:
  - ✓ Budget of R7,6 billion
  - ✓ 51% of total MIG Allocation
  - ✓ 47% of total MIG Projects

How many Jobs will be Created?

# Improving Responsibilities of Stakeholders within the MIG Programme

- It has become evident that the support from sectors and provinces are asymmetrical
  - This could be attributed towards:
    - ✓ *The unwillingness to support the MIG Programme ...*
      - ... which has historically been decentralized within Sector Depts. ...*
      - ... centralised in 2004/05 to forge integrated planning at municipal space ...*
      - ... some Sector Depts. want to reverse this by “Ring-Fencing” their funding*
    - ✓ *inability to fully support the MIG programme due to resource constraints*
      - ... Is it the Budgeting following the functions vs Cost Containment??*
      - ... often this lead to selective support and participation in the Programme*
- e.g. Developing Norms & Standards but NOT monitoring outputs thereof!  
Only focussing on Technical Reports Appraisal and nothing beyond ...*
- ✓ *Is this also due to lack of support by relevant Sector Ministers and MECs??*

# Improving responsibilities of Stakeholders within the MIG Programme

- The following are key milestones in confirming the commitment by stakeholders to support MIG Programme:
  - ✓ *Written response from stakeholders providing their comments and commitment to support the MIG Programme by 11 Nov 2016;*
  - ✓ *Various bilateral engagements with provinces and sectors in the next two months;*
  - ✓ *Designated session at the MIG Quarterly Review Workshop to discuss and agree on the 2017/18 MIG Framework with sector and provincial stakeholders (24-25 Oct 2016 @ East London);*
  - ✓ *Confirming the commitments at the next Inter-Ministerial Task Team for Service Delivery and Local Government MinMEC.*





# General Challenges

There are a myriad of challenges that contributes to poor spending of MIG funding, ..... *And this result in most cases, with request for roll-overs.* These challenges include:

- ✓ *Inadequate ability to plan for a municipal capital budget (3 year horizon) informed by IDP process which requires the participation of relevant stakeholders such as sector departments;*
- ✓ *Lack of capacity to manage and monitor MIG projects (PMUs and Sector Departments) ... **No guidance nor support from some provinces!!;***
- ✓ *Appointing service providers or contractors who cannot deliver;*
- ✓ ***Late appointments** and payment of service providers;*
- ✓ *Council decisions take too long (approval of projects, budgets and appointments);*
- ✓ *Unnecessary delays in MIG project processes i.e. Technical Reports & EIA*
- ✓ *Use of MIG funds for **operational budget pressures.***

**There is often No Consequence Management for Non-Compliant with DoRA, MIG Framework, MFMA, NT Regulations, AG etc.!!**

***Question is, “Who must ensure compliance??”***

# Some of EPWP Related Challenges

- Municipalities don't incorporate EPWP principles during their planning and budget processes
- They are hence not planning to meet EPWP targets *or they have no targets at all!!*
- DPW participation in MIG project appraisals but this is considered as ONLY a compliance measure ...!!
  - ✓ *Or to determine whether projects could be suitable for EPWP*
- DPWP not fully participating in the whole project life-cycle
  - ✓ *Especially during planning phase; and*
  - ✓ *During construction to ensure EPWP compliant on projects identified as EPWP during project appraisal*
- Guidelines still not fully understood by municipalities
  - ✓ *EPWP is still viewed as a stand alone programme!!*
- Shortage of EPWP practitioners to support municipalities
- EPWP Reporting is considered to be additional burden & Accurate?

# Mitigation of Challenges

What did we do?

- Had bilateral meetings with DPW to have a collective approach
  - ✓ *Include to consider fusing EPWP Principles in Sector Norms and Standards!!*
- Cogta has established a PMO lead by MISA ...
  - ✓ *To coordinate the management of programmes and projects implemented in 27 Priority DMs*
  - ✓ *for acceleration and alignment of infrastructure delivery in main 4 sectors or work streams (Water, Sanitation, Electricity, Roads and Stormwater).*
- MISA has also assigned engineers to provide technical support to provinces for:-
  - ✓ *Appraisal of technical reports; and*
  - ✓ *Evaluation of project designs where required.*
- DCoG is thro' MISA in partnership with NT putting in place a range of Framework Contracts
  - ✓ *For municipal goods and services to ease procurement in municipalities.*
  - ✓ *This could address challenges of procurement delays in municipalities.*

MISA is not there to substitute Provinces and Sector Departments but to temporarily close the gap as a Crisis Management

# Mitigate challenges and optimization of EPWP in MIG

- EPWP should be optimized in MIG MTEF Allocation of R47 billion
- This could be achieved through:
  - ✓ *Confirmation of EPWP principles and practices in municipal planning and budget processes.*
  - ✓ *Identification of EPWP projects during project inception*
  - ✓ *This will require DPW to engage with individual municipalities*
    - *To guide and empower them on EPWP principles*
    - *to optimise EPWP principles in projects*
- To improve/ strengthen roles of DPW in the project value chain
  - ✓ *and not only when projects are appraised.*
  - ✓ *Monitoring the output as set out during planning and/ or appraisal*
- DPW should consider fusing EPWP principles within the sector norms and standards
- DPW should enhance its capacity
  - *Capacity constraints of DPW is acknowledged to have effect its support to municipalities, but needs to be addressed*

