

Appendix E
Principles and methods for the
Implementing
of the MIG

DRAFT VERSION 1

Suggested principles and methods for the implementation of the MIG (Municipality Infrastructure Grant) and proposing the future role of the DWAF.

BACKGROUND

Cabinet has approved the MIG on 5 March 2003 with the following conditions:

- a) approves the establishment of the Municipality Infrastructure Grant (MIG) in the 2003/04 financial year:
- b) approves that the following current conditions infrastructure grants should be phased out and consolidated into the MIG over the next three years.
 - 1. The Consolidated Municipal Infrastructure Programme (CMIP) and Local Economic Development (LED) provisions, administered by the Department of Provincial and Local Government;
 - 2. The Water Capital Grant, administered by the Department of Water Affairs and Forestry;
 - 3. The Community Based Public Works Programme (CBPWP), administered by the Department of Public Works;
 - 4. The National Electrification Programme (NEP), administered by the Department of Minerals and Energy; and
 - 5. The Building for Sports and Recreation Programme, administered by the Department of Sports and Recreation;
- c) agrees that the incorporation of poverty relief programmes into the MIG once there is greater clarity in respect of the distribution industry restructuring process;
- d) agrees that the electricity grant would be incorporated into the MIG once there is greater clarity in respect of distribution industry restructuring process;
- e) notes that the existing commitments of national departments administering current grants would be honoured;
- f) approves that at least 92% of the grant be a formula-drive-three-year allocation process and that a maximum of eight percent be a separate window for a special Municipality Infrastructure Fund for regional investments and innovation;
- g) notes that a formula and key policy proposals would be reviewed by the Cabinet through annual budget process, but that the Ministers of Finance and Provincial and Local Government may, if necessary, approve formula or policy changes;
- h) notes that the Department of Provincial and Local Government will administer the MIG, subject to the oversight of the Municipal Infrastructure Task Team (MITT);

- i) notes that national departments would be expected to exercise their normal responsibilities with regard to policy, strategic planning, regulation, monitoring and capacity building, while financial accountability (restricted to administering the transfer of grants) rests with the department of Provincial and Local Government;
- j) requests the Director General of the department of Provincial and Local Government to constitute (and chair) the MITT, and request the Director General of the Departments of Water Affairs and Forestry, Minerals and Energy, Public Works, Sports and Recreation, Transport, Housing and the National Treasury to nominate their representatives to the MITT; and
- k) requests the National Treasury and the Department of Provincial and Local to develop general monitoring systems for national oversight over municipalities. The system should address financial and non-financial performance elements and clarify the roles and responsibilities of all stakeholder national and provincial line-function departments.

PROBLEM STATEMENT

Now that the MIG is given, DWAF must ensure that all the “normal responsibilities with regard to policy, regulation, strategic planning, monitoring and capacity building” of a national department (as set out in sub-par (i) of the Cabinet decision) is still to be achieved through the MIG. It should be done in such a way as to minimise the concerns raised by DWAF in our meetings with NT as summarised by the DG in his memo reference 6/11/2003 of 21 February 2003 to the Minister.

SUGGESTED PRINCIPLES

1. That DWAF engage with municipalities at different stages of the project cycle. Although this would now essentially be a municipal process cycle, DWAF must engage in this process through what can be described as “entry points” or “gates”. Some engagement can be described as “soft entry” points where we would support, interact and co-operate. Other points could be better described as “gates” or “hard entry points” where the conditions of the MIG must be met or else intervention or stoppage of funds should occur.
2. DWAF staff will not be transferred to DPLG or provinces but that DWAF staff engages in this monitoring and support role as a national department
3. The following soft entry points are proposed (see attached diagram):
 - Throughout the planning and WSDP process
 - During construction if resources allow
4. The following “hard entry points” or “check gates” are proposed:
 - Finalisation of the project priority list of council
 - Business Plan approval stage
 - Design stage
 - Completion of projects i.e. commissioning.
5. DPLG should do the general monitoring of the capital programme as per Cabinet decision (see (k) DWAF should provide a list of KPI's (Cabinet's “financial and non-financial

- performance elements”) to DPLG and National Treasury. This report must be presented on a monthly basis to DWAF and must enable DWAF to make an assessment at “check gates”.
6. DWAF should as soon as possible review the conditions it wants to impose on water supply and sanitation projects as these must be fed into the annual budget review process to ensure that it is printed in DoRA.
7. DWAF should at least achieve the following main goals through the above check gates, conditions and KPI's:
- Ensure that planning is done (WSDP as a legislative requirement)
 - Basic needs are addressed. (engagement in WSDP and priority lists)
 - Sanitation projects are prioritised (engagement in WSDP and priority lists.)
 - Community involvement during all phase (e.g. concerns expressed by chair of portfolio committee on CMIP sanitation projects)
 - Funding and provision for operation and maintenance. (and designs and construction can promote that)
 - Soft issues such as awareness, health and hygiene are all included. (in BP as well as during implementation)
 - Construction is labour based. (determined at BP and design stages)
 - Sustainability in all its many elements is achieved. (such as institutional arrangements with a WSP)
 - Projects are not merely consultant driven but based on real needs within communities.

GOVERNANCE PRINCIPLES

As agreed between DG's there would be two levels of the MITT (Municipal Infrastructure Task Team), the first at DG or DDG level and the second at operational level.

The DG/DDG committee should deal with

- Strategic issues such as refinement of policy and implementation strategy.
- Formula issues and oversight over allocation to municipalities
- Review regular reports from operational committee and can request independent audits.
- Deal with those cases where conditions of the MIG will result in funds being withheld or withdrawn.
- Deal with appeal cases from local government.

The operational committee should do the following:

- Ensure implementation.

- Review and correct blockages in process.
- Review regular reports from municipalities and PMU's.
- Recommend policy changes to the DG/Higher Committee.

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