



water affairs

Department:
Water Affairs
REPUBLIC OF SOUTH AFRICA

NICOP 164

Enquiries: L Mokoena
Telephone: 012 336 6574
Reference: 6/2/2/6

MINISTER OF WATER AND ENVIRONMENTAL AFFAIRS

NATIONAL COUNCIL OF PROVINCES: QUESTION 164 FOR WRITTEN REPLY

A draft reply to the above mentioned question asked by Ms AND Qikani (ANC-EC) is attached for your consideration.

DIRECTOR-GENERAL (Acting)

DATE: 31/05/2013

DRAFT REPLY APPROVED/AMENDED

as
10/06

~~base of Enrol~~. Please re-type and send through, but forward me a copy urgently.

MRS B E E MOLEWA, MP
MINISTER OF WATER AND ENVIRONMENTAL AFFAIRS

DATE: 2013/06/05

NATIONAL COUNCIL OF PROVINCES**FOR ORAL REPLY****QUESTION NO 164 (ORAL NO 87)****DATE OF PUBLICATION IN INTERNAL QUESTION PAPER: 10 MAY 2013**

Whether she will consider reviewing the current funding model for providing funding to municipalities for water infrastructure and water services through the equitable share which puts no obligation on municipalities to spend the money on water related matters, to rather funding water related projects through conditional grants: if not, (a) why not and (b) what (i) controls and (ii) measures are in place to ensure that municipalities do not shift the funds to other priorities (details furnished); if so, what are her department's plans in this regard?

---0000---

REPLY:

1. The Minister supports the funding model where infrastructure projects are funded through conditional Grants, which is the current model for infrastructure support to municipalities. The Minister would also like to see more accountability from municipalities in terms of how they use their equitable share to ensure that the portion calculated for water services is adequately used for the cost of basic water supply.

The National Treasury however, has indicated that in terms of section 227 of the Constitution of the Republic of South Africa (Act No. 108 of 1996), local government is entitled to an equitable share of nationally raised revenue and that the local government equitable share is an unconditional transfer.

- a) The Department of Water Affairs (Department) tries to ensure that funds allocated through the Regional Bulk Infrastructure Grant (RBIG), and "The water services operating subsidy", which are the two Grants that are currently used for the intended purposes. The same will be done for the new Grant, which is the Municipal Water Infrastructure Grant (MWIG) which will be effective on 1 July 2013.
- i. The controls put in place to ensure the above are as follows:
 - Requiring that funding agreements are entered between the Department and the relevant municipality.
 - Requiring monthly progress reports on projects to be submitted to the Department.
 - The Department's officials participate in regular site meetings.
 - Funds from the RBIG programme are only paid upon proof of completed work is produced.
 - The Department undertakes quarterly and annual performance evaluation inspections on all projects funded through RBIG and issues such reports to the National Treasury.

ii. Additional measures that are taken are as follows:

- Withholding payments to municipalities not adhering to the conditions of the funding.
- Re-allocating funds from municipalities that are not performing or adhering to the conditions.
- Where possible, assisting municipalities in resolving any constraints or challenges to any of the projects the funds are intended for.

2. Below are further details that provide clarity with regards to the current funding model to municipalities.

- i. The equitable share to municipalities is currently aimed at funding mainly the Operating and Maintenance costs of basic service delivery. Although, by definition, it does not exclude the costs of the infrastructure, the intension is that the equitable share should fund the operational and administrative costs of supplying basic services, including water services. The following definition is included in the February 2013, Division of Revenue Bill.

(As introduced in the National Assembly (proposed section 76); explanatory summary of Bill published in Government Gazette No. 36180 of 22 February 2013)

The following objectives of the new local government equitable share formula were agreed upon following the first round of consultations with municipalities. These objectives were also endorsed at a meeting of the Budget Forum on 8 October 2012:

(a) To enable municipalities to provide basic services to poor households. The local government equitable share should:

- Supplement municipal budgets so that an efficient municipality will be able to progressively provide free basic services to its poor households in line with national policy norms and standards.
- Assist with the operational costs (including maintenance costs) of basic services for poor households. Capital costs should be funded through conditional grants, own revenues and borrowing.
- Support municipalities to create the foundation for economic growth through the sustainable provision of municipal functions.
- Reflect that maintenance should be budgeted for as part of the operational costs of service delivery.
- Promote the efficient delivery of services and not penalise efficient alternative modes of service delivery.
- Create positive incentives for municipalities that roll out services to reach more households.

(b) To enable municipalities with limited own resources to afford basic administrative and governance capacity and perform core municipal functions. The local government equitable share should:

- Provide funding to enable resource-poor municipalities to afford a basic level of administrative and governance capacity.

- Provide funding towards the cost of performing essential functions in municipalities with limited own-revenue bases.
 - Recognise the ability of certain municipalities to cross-subsidise the delivery of administrative and other essential municipal services from their own revenue.
 - Take account of the different levels of fiscal capacity in municipalities, without rewarding inefficiency.
 - Ensure that allocations do not crowd out municipal own-revenue-raising efforts and the revenue-accountability link that the collection of these revenues creates.
- ii. Currently the funding provided to municipalities for infrastructure is through conditional Grants. Some of the conditional Grants are as follows:
- a. Municipal Infrastructure Grant (MIG), controlled and managed by the Department of Co-operative Governance (DCoG).
 - b. Regional Bulk Infrastructure Grant (RBIG), managed by the Department of Water Affairs (DWA).
 - c. Municipal Water Infrastructure Grant (MWIG), managed by DWA.
- iii. The equitable share is transferred by DCOG and the formula used to allocate it among municipalities was reviewed in 2012 through a consultative process that was managed by DCOG, National Treasury and the South African Local Government Association (SALGA). The review included extensive consultation with municipalities. The Minister of Water Affairs and the DWA can only make proposals with regards to the equitable share and how it is calculated and managed.

In conclusion, the Department is committing itself to making sure that funds allocated to municipalities for water services infrastructure projects that are controlled through various Grants and Programmes are used for the intended purposes that they were initially planned for in order to facilitate efficient, effective and economic service delivery.

---0000---