CHAPTER 6

Fiscal Transfers and Own Revenue in Funding Provincial Rural Development Mandates

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6.1 Introduction

Traditionally, provincial rural development responsibilities included regional planning, schooling and health facilities, housing, roads and agriculture. However, the Constitution makes no spatial distinction when assigning or classifying functions. It requires (in Section 214(2)) for economic disparities between and within provinces to be taken into account when determining their respective equitable share entitlements. Accordingly, the provincial equitable share (PES) and various conditional transfers allow for different aspects of rural development both in the allocation formulae and spending activities. For instance, the poverty component of the PES is intended to provide a rural bias in the allocation framework in the same way that grants do, e.g. the Rural Household Infrastructure Grant (RHIG) prioritises sanitation provision within rural communities.

The renewed emphasis on rural development, within the context of regional disparities, raises questions about the sources, composition and effectiveness of funding for rural development. Without a clear framework of provincial rural development functions and coordinated spending, the transformation of rural landscape will remain an elusive ideal. This chapter looks at how responsive the PES and conditional grants are to the needs of the rural provinces, by evaluating whether rural provinces are able to mobilise significant own revenue to address rural needs and assessing the responsiveness of fiscal transfers to rural challenges.

For the purpose of this chapter, and as indicated in Chapter 1, the working definition of rural provinces is derived from a composite index of B3 and B4 municipalities. According to this index, the three most rural provinces are Limpopo, KwaZulu-Natal, and Eastern Cape, which is consistent with the historical patterns of development, as the identified provinces were predominantly former homeland areas ("bantustans").

6.2 Provincial Rural Development Mandates

According to Schedule 4(A) of the Constitution, urban and rural development is a concurrent responsibility of national and provincial governments. The Constitution does not provide an explicit description of how the various activities should be shared between the two spheres. This lack of specificity lies at the centre of uncertainties regarding how different spheres perceive their respective roles in, and contribution to, rural development. Complexities ingrained in the definition of rural development further reinforce these uncertainties.

The provincial functions of education, health, welfare services, housing, public transport, roads and agriculture potentially constitute rural development, as they reduce poverty and improve living standards. Yet provinces do not always perceive their education and health spending as rural development, partly because sector policies are mostly driven from the centre, and partly because sectoral allocations and investments are not space-based, and the outcomes are not physically confined to a rural space (like in the case of investments in roads and agriculture).

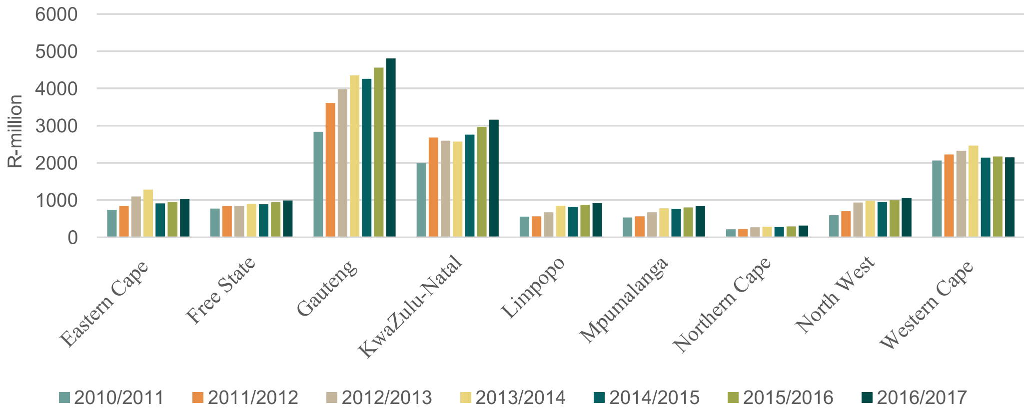
6.3 Own Revenue Mobilisation for Rural Development

South Africa's Constitution purposefully confers limited revenue-raising powers on provinces to promote uniformity and efficiency. Provinces have the right to levy certain taxes and surcharges, i.e. flat-rate surcharges on the tax base of any tax, levy or duty that is imposed by national legislation, other than corporate income tax, value-added tax (VAT), excise levies or property taxes (Mabugu et al., 2009). Provinces may impose these taxes provided they do not prejudice national economic policies, economic activities across provincial boundaries and national goods and service or factor mobility (Ajam, 2006).

Although the Constitution allows provinces to levy surcharges, in practice no province has yet successfully introduced or implemented such a revenue source. Provinces only levy minor taxes (casinos, horse racing, liquor and motor vehicles licensing) that do not generate sufficient revenue to finance a significant part of their expenditures. Provinces are compensated for their lack of revenue-raising powers through the fiscal transfers system. However, accountability is a compelling reason for devolving own revenue-raising powers to provinces. Accountability is central to creating a fiscal culture of expenditure efficiency and providing what is needed and wanted by provincial residents. International studies show that higher levels of tax autonomy at the subnational level are associated with a significant number of other virtuous effects for decentralised systems, including notably improved macroeconomic stability, overall better governance and lower corruption levels (World Bank, 1998).

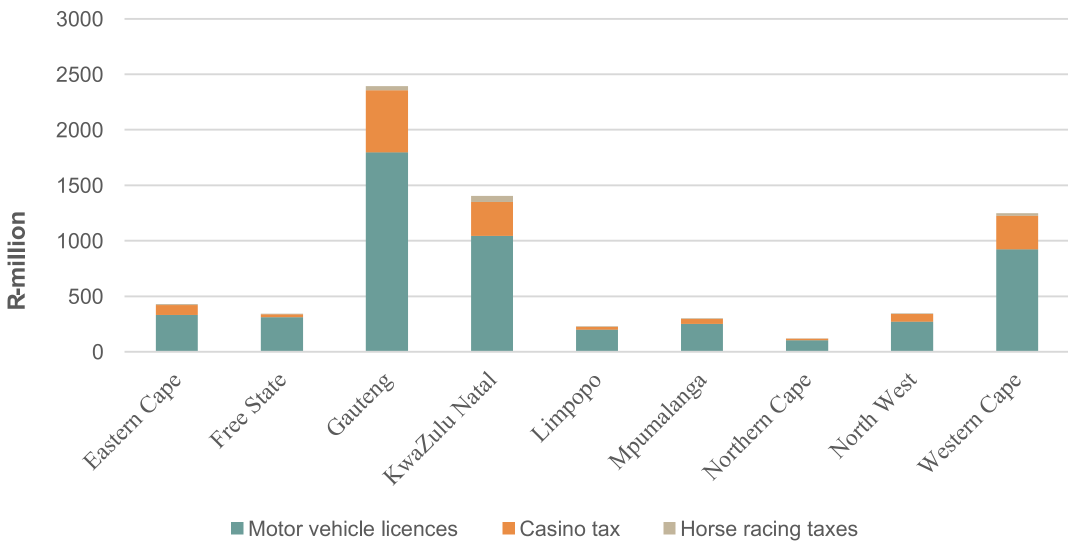
Between 2010 and 2016, own revenue constituted approximately 4% of total provincial revenue, but the amount varies from one province to another (Figure 43). Gauteng and Western Cape collect the largest amount, followed by KwaZulu-Natal, which is a rural province but has relatively high economic and commercial activities compared to other rural provinces.

Figure 43. Provincial own revenue (2010/11–2016/17)



Source: National Treasury (2015a)

Figure 44. Own revenue composition (2005/06–2014/15)



Source: National Treasury (2015a)

Figure 44 shows the own-revenue sources for the provinces. The urban provinces (Gauteng and Western Cape) collect more motor vehicle licensing and casino taxes than the rural provinces of the Northern Cape and Limpopo. These taxes appear not to be linked to any economic activity. When the main own-revenue sources for provinces in Figure 44 are analysed, they are found to consist primarily of price-elastic goods and services, which make the tax bases sensitive to price increases. While this may be applicable to all provinces, it is more pronounced in rural areas. The results for the motor vehicle licensing taxes are influenced by the fact that the headquarters of many companies are in Gauteng and the Western Cape. These companies often register all their vehicles in the province where their headquarters are based, even when their vehicles operate in other provinces.

A representative tax system approach[22] was used to analyse the extent to which provinces are maximising their potential revenue from current revenue sources (their "tax effort"[23]). The analysis found that provinces have very different levels of tax effort. Rural provinces, such as the North West and Eastern Cape, generally have the highest level, whereas the urban provinces of Western Cape and Gauteng have the lowest level of tax effort. An possible explanation for this peculiar phenomenon is that the tax rate levied by rural provinces on a given tax base is higher than that of urban provinces, e.g. rural provinces

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[22] Measures the revenue-raising ability of subnational government by applying a standard tax rate on available tax bases.

[23] Measures the amount of revenue collected by a subnational government relative to what could reasonably be collected given the tax base.

charge higher motor vehicle licence fees per vehicle. The noticeable discrepancies in fiscal effort among rural and urban provinces also imply that the provinces have very different tax bases.

Between 2005 and 2014, the tax effort drastically increased across all provinces. The difference between potential and actual tax revenues suggests that some provinces (including Gauteng, Western Cape and KwaZulu-Natal) are relatively optimising their collection of own revenue from selected tax sources and, in some instances, are "overtaxing" their tax bases. Therefore, the scope for provinces to increase revenue collection from their current tax sources is limited. And even if provinces optimised their own-revenue collection, they still would not have sufficient funds to meet provincial rural development responsibilities without intergovernmental fiscal transfers.

6.4 Intergovernmental Transfers for Rural Development

Provinces rely for their funding mostly on transfers from national government, comprising the PES[24] and various conditional grants. The PES, which represents 81% of the national transfers to provinces, is a general purpose grant that provinces can spend at their discretion. Conditional grants, which make up 19% of transfers to provinces, are intended to fund national priorities across a range of mandates. Intergovernmental transfers must be equitable, and their allocation and spending must take into account the interjurisdictional fiscal and developmental disparities. Therefore, the PES allocation framework and selected provincial conditional grants include variables that directly and indirectly compensate for "ruralness".

Since its introduction over 18 years ago, the PES formula has undergone several reforms, including the introduction of components aimed at explicitly addressing rurality. The most notable are the backlogs component (introduced in 2000) and the poverty component[25] (introduced in 2005) that replaced the social welfare component. The aim of the backlogs component was to fund the capital needs of historically neglected provinces or former bantustans, which included the Eastern Cape, KwaZulu-Natal and Limpopo. These three provinces accounted for 65% of the education backlogs factor and 70% of the rural factor within the backlogs component. Similarly, the poverty component was intended to reward provinces with the highest incidences of poor people – generally presumed to be concentrated in the rural areas. The backlogs and poverty components both have a weighting of 3% in the overall PES formula (National Treasury, 2000; 2005).

In 2005, the backlogs component was removed from the PES and replaced by a myriad of infrastructure conditional grants, which are considered more suited to addressing specific regional development disparities, such as rural under-development (National Treasury, 2005). Notwithstanding these grants, the PES formula continues to be criticised for perpetuating regional imbalances. Its poverty component, which is largely regarded as being pro-rural, is small and uses a variable that is not necessarily peculiar to rural areas as a measure of need. As seen from the earlier discussion, the regional distribution of poverty incidence is increasingly becoming urban. Other important (and larger) PES components, such as education and health, are seen as insensitive to rurality because their underlying indicators of need do not specifically distinguish between rural and other developed areas.

Overall, the PES formula is perceived as unresponsive to rural development, which is confirmed by a simple ANOVA[26] test. Table 18 compares the variation in provincial PES per capita allocations over a 13-year period (2000–2013). When the backlogs component was active (between 2000 and 2005), no discernible variation is found in the per capita PES allocations to rural and non-rural provinces. Only from year 2006, following the wholesale PES reforms, do the allocations show statistically significant variations across provinces. However, this variation only appears when Gauteng is included in the analysis, suggesting that the PES is not responsive to rurality. Even when the ANOVA test is applied over a long period, from 2000 to 2013, the results show no material difference in the allocations for all provinces. Overall, the results overwhelmingly support the perceptions that the PES formula is not responsive to rurality and imply a need to redesign the PES formula.

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[24] The PES is distributed across the nine provinces through a deterministic model or formula made up of components and/ variables which proxies provincial expenditure mandates and needs.

[25] The poverty component was introduced in 2005 out of a compromise following the removal of the social welfare component and the shifting of a social security function from provinces to national government. The 2005 reforms revealed distortions between the weights assigned to components in the formula and expenditure levels which resulted in some provinces, mostly rural, being short-changed by the shifting of social security funds. The poverty component was introduced to compensate provinces that were spending far beyond the social welfare weighting.

[26] ANOVA is a statistical tool used to evaluate whether there is any significant difference in the means of three or more independent data groups.

In different countries, fiscal transfer equalisation mechanisms invariably take into account indicators to address horizontal fiscal imbalances or disparities. These mechanisms range from elaborate estimations of expenditure needs (in developing economies) to explicit allocation of funds to jurisdictions with special need (ruralness) (Fan and Zhang, 2005). However, no blueprint exists for designing fiscal transfer formulae. The ultimate goal for each formula is to pass the litmus test of being equitable. The PES is not strictly speaking a conventional equalisation transfer, and so PES cannot be considered an inequitable funding instrument simply on the basis of its insensitivity to rurality. Furthermore, the equitable share forms part of a package of IGFR instruments to deal with fiscal disparities.

Table 18. Variation in per capita provincial allocations

Until 2005	*SS*	*df*	*MS*	*F*	*P-value*	*F crit*
Between groups	4187334.711	8	523416.8389	1.540963125	0.177767769	2.208518074
Within groups	12228070.8	36	339668.6335			
Until 2006	*SS*	*df*	*MS*	*F*	*P-value*	*F crit*
Between groups	5212226.918	8	651528.3647	2.35345129	0.033064753	2.152132879
Within groups	12457779.15	45	276839.5367			
2006 Onwards	*SS*	*df*	*MS*	*F*	*P-value*	*F crit*
Between groups	29238931.44	8	3654866.43	2.7096799	0.013855733	2.115223279
Within groups	72836200.03	54	1348818.519			
From 2000 - 2013	*SS*	*df*	*MS*	*F*	*P-value*	*F crit*
Between groups	28044927.47	8	3505615.933	1.839764043	0.077334919	2.025247482
Within groups	205790803.5	108	1905470.403			

Source: Commission's calculations

6.5 Rural Responsiveness of the Conditional Grants

The removal of the backlogs component from the PES in 2005, was followed by the introduction of conditional grants within the broader provincial fiscal framework to address historical infrastructure backlogs in the rural provinces (National Treasury, 2005). Conditional grants are appropriate instruments for funding specific regional expenditure needs that cannot be accommodated by the general transfers. Grants include the Health Facility Revitalisation Grant and the Provincial Infrastructure Grant, which were discontinued in 2011 and disaggregated into the Education Infrastructure Grant and the Provincial Road Maintenance Grant.

Unlike the PES, infrastructure conditional grants are not always formula-driven and do not derive each province's share from expenditure indicators (despite being introduced to remedy historical infrastructure backlogs largely in rural areas). The allocations for infrastructure grants to provinces are based on the number of projects approved and were recently linked to a two-year planning and approval process to minimise under-spending. The responsibility for addressing rural development challenges falls on provinces rather than the grant design.

As Table 19 shows, South Africa's three most rural provinces (Eastern Cape. KwaZulu-Natal and Limpopo) combined were allocated over half (52%) of the Provincial Infrastructure Grant and just under half (46%) of the Health Facility Revitalisation Grant (although over the 15 years, Gauteng received the largest share, i.e. 25%).These three provinces also accounted for nearly two-thirds (63%) of the relatively newer Education Infrastructure Grant. Between 2000 and 2015, most of the allocations went to the rural provinces, which indicates that infrastructure conditional grants are responsive to rural needs. However, whether such infrastructure allocations are beneficial to rural provinces is a matter that requires further research. For instance, the specific types of infrastructure needed in which specific regions, and whether or not a province should invest in deep remote areas, where the marginal returns to infrastructure decrease rapidly due to high cost and low usage levels, or might a more feasible rural development remedy for these remote areas be to move people out of the fragile lands into areas with more jobs (Fan and Zhang, 2004).

Table 19. Average provincial share of the infrastructure allocations (2000–2015)

Province	Provincial Infrastructure Grant (10-year average)	Health Facility Revitalisation Grant (15-year average)	Education Infrastructure Grant (4-year average)
Eastern Cape	17%	16%	21%
Free State	8%	5%	4%
Gauteng	14%	25%	17%
KwaZulu-Natal	20%	16%	22%
Limpopo	15%	14%	20%
Mpumalanga	7%	5%	5%
Northern Cape	5%	6%	3%
North-West	8%	6%	4%
Western Cape	6%	7%	5%

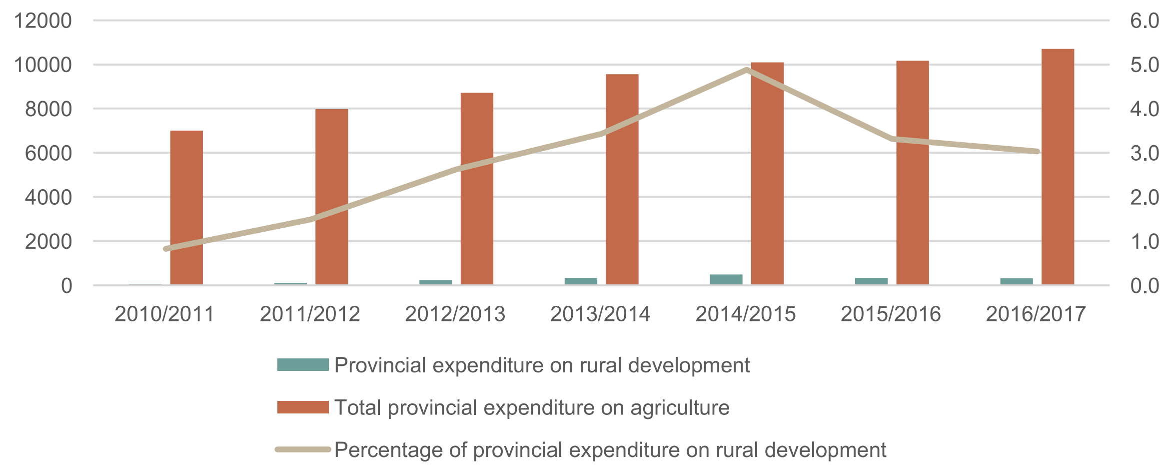
Source: Commission's calculations

6.6 PES Expenditure on Rural Development

The task of channelling the PES towards priority areas rests entirely with the provincial legislatures and executives, albeit within the bounds of national policies, norms and standards. Funding allocated to rural development depends on the importance attached to it by the respective province. As most provincial rural development activities are focused on agriculture, the allocations to the sector provide an indication of to what extent agriculture is prioritised.

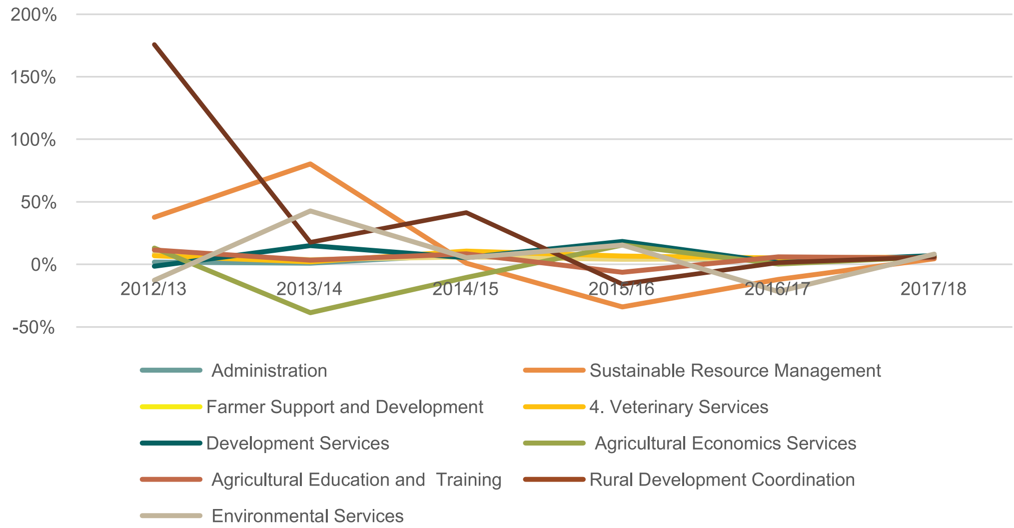
Provinces spend on average approximately 3% (or R10-billion) of their PES allocation on agriculture (Figure 45). Unsurprisingly, the three rural provinces (Eastern Cape, KwaZulu-Natal and Limpopo) allocate the most, i.e. 4%, while Gauteng allocates the least, i.e. 1%. In 2016/17, the rural development programme received just under 3% of the total agriculture budget, compared to 0.08% in 2010/11 and 5% in 2014/15. The growth, albeit from a low base, of the provincial rural development budget coincides with the reintroduction and re-emphasis on rural development through the CRDP in 2009. Allocations to the CRDP are notably small because it is new and because provinces locate many activities that are associated with it under different programmes. For instance, food security initiatives, which generally sit under rural development, are part of the provincial farmer support and development programme. The rural development programme within the provincial department of agriculture is largely limited to consultation with the community (National Treasury, 2015a).

Figure 45. Provincial agriculture and rural development expenditure (2010–2017)



Source: National Treasury (2015a)

Figure 46. Agriculture expenditure growth rates by programme (2012/13–2017/18)



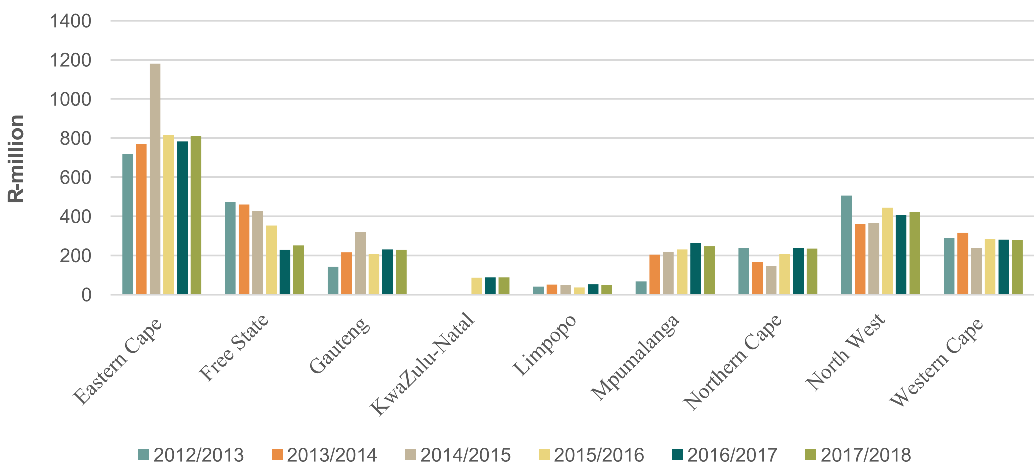
Source: National Treasury (2015a)

As seen in Figures 45 and 46, rural development expenditure grew fast at the beginning of the period, presumably driven by the attention from the Presidency, but then tapered off. The decline in rural development programme allocations from 2014/15 coincides with the overall national expenditure slowdown but also reflects some de-prioritisation of rural development. National priority programmes are usually allocated bigger allocations at inception in response to policy "hype". However, as implementation challenges become apparent, the allocations decline, resulting in devastating consequences for delivery goals. The RHIG, discussed later, is a typical example.

A comparison of rural development expenditure (Figure 47) finds that the Eastern Cape allocates a relatively higher budget to rural development than other provinces, while Limpopo spends the least, despite being a rural province. However, the data provides no conclusive indication of whether or not provinces are prioritising rural development. This is because (i) the extent of rural development needs in each province is unknown; (ii) provincial expenditure reports do not distinguish spatially where funds are spent – expenditure in other functions, such as education, are standardised across beneficiaries irrespective of space, while access to health care facilities or spending per patient is not determined by a person's place of origin (HST, 2015).

This expenditure review shows that provinces perceived generally as rural (with the exception of the Eastern Cape) allocate very little of their own discretionary funding to rural development, which is defined in the narrow sense as part of the agriculture department's sub-programmes. Admittedly the size of the provincial agriculture and rural development budgets are an insufficient measure to determine provincial prioritisation of rural areas.

Figure 47. Rural development expenditure trend by province (2012/13–2017/18)



Source: National Treasury (2015a)

6.7 Conditional Grants Expenditure on Rural Development

Conditional grants are another important source of finance for rural development, albeit driven from the centre. The current provincial fiscal framework consists of many conditional grants specifically targeted at various aspects of rural needs. The main ones are three agriculture grants: the Land Care and CASP (Fetsa Tlala), which have been in existence since 2000 and 2005 respectively, and the Illema/Letsema project, which commenced in 2008. The 2014/15 budget allocated R2.4-billion to the three grants: 78 % to CASP, 19% to Illema and 3% to Land Care. These grants have overlapping objectives, which include increasing agriculture productivity, poverty relief and sustainable resource management. Their allocation framework is neither rural nor agriculture biased, whereas these grants are focused on agriculture, which has been shown not to be a dominant economic activity in rural areas. For instance, the Northern Cape receives the largest share of CASP (34%) and Illima (19%) grants despite contributing the least to total national agriculture output (Table 20). Conversely, the Western Cape, which is commonly regarded as an urban province, has the second highest agriculture output after KwaZulu-Natal, ahead of the other provinces perceived as rural. These findings dispel the view that rural areas have a strong agricultural base, and hence rural development strategies should be agrarian in focus.

Table 20. Comparison of agriculture conditional grant allocations and agriculture outputs (2013/14)

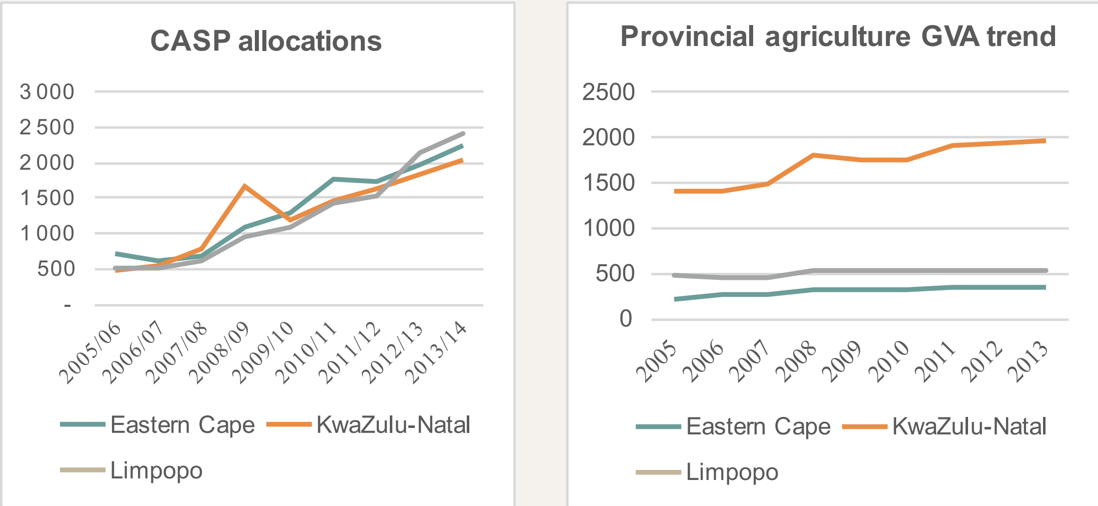
Province (R'000)	2013/14 CASP allocation	% share of CASP allocations	2013/14 Illema allocations	% share of Illema allocations	% Share of agriculture output
Eastern Cape	223 626	12%	45 567	10%	6%
Free State	140 274	7%	57 999	13%	10%
Gauteng	55 880	3%	17 538	4%	6%
KwaZulu-Natal	202 522	11%	65 768	14%	26%
Limpopo	239 978	13%	43 845	10%	8%
Mpumalanga	130 986	7%	43 845	10%	9%
Northern Cape	641 306	34%	84 393	19%	6%
North-West	170 714	9%	43 845	10%	6%
Western Cape	106 376	6%	51 737	11%	22%

Source: Commission's calculations

The skewed distribution of the allocations stems from the land area/mass being considered a more important variable than the other factors that account for rurality, such as households involved in agriculture, restituted land, food insecurity, deprived areas and land degradation (National Treasury, 2015b). The CASP allocation criteria appear to be entirely driven by land size, as the allocations reflect the province's respective land area. This is totally inconsistent with the grant objectives, especially that of increasing productivity. A simple comparison of provincial CASP allocations and agriculture GVA for the three rural provinces shows an unrelated growth pattern, with GVA growing at a flat rate and CASP at a steeper rate. Agricultural transfers do not appear to have any effect on provincial GVA (Figure 48).

In addition to the traditional agriculture-focused conditional grants, the current provincial fiscal framework provides for sectoral grants to finance specific rural infrastructure. In 2009, government adopted the Medium Term Strategic Framework (MSTF), in response to which (in in particular Outcome 7) several departments introduced new conditional grants to fund priority rural infrastructure needs, including sanitation and school infrastructure. The Department of Water and Sanitation oversees the indirect conditional Rural Household Infrastructure Grant (RHIG) that funds sanitation infrastructure, while the Department of Education established the Accelerated School Infrastructure Delivery Initiative (ASIDI) to address school infrastructure in rural areas. The ASIDI is also funded through an indirect conditional grant called the School Infrastructure Backlogs Grant (SIBG).

Figure 48. CASP allocations and agriculture GVA in rural provinces (2005/6–2013/14)



The RHIG was introduced 2009/10, with an MTEF allocation of R1.2-billion, while the SIBG was introduced in 2011/12 with an initial MTEF allocation of R8-billion. The SIBG delivery targets are to replace 496 mud schools and provide water to 1307 schools, sanitation to 536 schools and electricity to 1434 schools within a three-year period. The Eastern Cape receives the largest share (more 90%) of the SIBG and the second largest share (29%) of the RHIG (KwaZulu-Natal receives 34% of the RHIG). Both grants are allocated on the basis of backlogs, but the RHIG is restricted to the 27 CRDP[27] districts. Since inception the two grants have been characterised by significant under-spending (Table 21) and implementation challenges, and have failed to meet the government target of eradicating rural infrastructure backlogs by 2014 (FFC, 2015; AGSA, 2015).

Many of the conditional grants aimed at addressing rural development challenges are profoundly controlled by national government, either through stringent, nationally determined conditions or outright central management of the grants. For instance, in 2013, part of the CASP allocation was diverted into the national Fetsa Tlala (End Hunger) Food Production Initiative, with national government directing provinces to allocate 70% of the CASP to Fetsa Tlala. In the case of the SIBG, the allocation criteria are subjective, as the grant is only allocated to the Eastern Cape, over and above the School Infrastructure Grant allocated to all provinces. Lastly, control of the RHIG has been at the centre of controversy and contestation between national departments and across spheres, presumably because national government wants to control and direct where resources are allocated.

Table 21. Special rural development conditional grants (2010/11–2013/14)

Year	SBIG		RHIG	
	Aggregate allocation (R-millions)	% spent	Aggregate allocation (R-millions)	% spent
2010/11			R100	62%
2011/12	R700	10.9	R258	31
2012/13	R2 065	42%	R340	60%
2013/14	R1 960	70%	R106 (direct) R100 (indirect)	100% 75%

Source: Commission's calculations

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[27] The CRDP is the Department of Rural Development and Land Reform's flagship policy that has two focus areas: (i) an integrated programme of land reform and agrarian change, and (ii) a rural development strategy, and is targeted at 27 districts. (See Chapter 3 for more details.)

6.8 Conclusion

Provincial rural development mandates straddle many concurrent functions, which potentially creates duplication when implementing rural development programmes across departments and provinces. In general, rural provinces are optimising revenue collection on their current tax base and, in some instances, are exerting higher than average tax effort. As own revenue is an important element of the IGFR system, the performance of provinces in collecting own revenue should be taken into account and incentivised in the PES equalisation mechanism.

The PES is a key funding instrument for provinces, but is not responsive to rural challenges, as the per capita PES allocations do not differ across provinces (with the exception of Gauteng). PES allocations are primarily driven by population distribution rather than rural need indicators. Incorporating the rural indicators of needs (and the ability to collect own revenue) in the fiscal transfer frameworks may disadvantage the rural provinces because characteristics such as poverty are peculiar to both rural and urban provinces. For this reason, no explicit review of the equitable share formula is proposed. However, these findings would be critical in formulating the terms of reference for a future review.

Notwithstanding the unresponsiveness of the PES, rural provinces allocate a small portion of this discretionary funding instrument to agriculture. The education and health budgetary allocations from the PES are found to be rural-neutral, partly because expenditure levels at schools and health care centres are standardised across beneficiaries and not dependent on a person's place of origin. The rural provinces account for a larger share of the infrastructure conditional grants allocations, but questions remain regarding the extent to which these funds have been used to address rural infrastructure backlogs and how infrastructure investments contribute to better expenditure outcomes.

The misalignment is evident between the allocation formulae of agriculture grants and the policy objectives for promoting agriculture output and food security. The other non-infrastructure conditional grants for promoting rural development are generally managed and implemented centrally and dominated by national policy imperatives. However, centrally controlled grants are associated with poor spending performance and insufficient reporting on expenditure outcomes.

6.9 Recommendations

With respect to enhancing the efficacy of provincial fiscal transfers and own revenues in funding rural development mandates, the Commission recommends that:

1. The Provincial Offices of the Premier, in consultation with the provincial departments of basic education, health, agriculture and rural development and roads, identify the rural development needs in the province and set annual delivery targets against which PES allocations will be assessed by oversight bodies. Departmental budgets and expenditure reports should be disaggregated in accordance with municipal boundaries to help ascertain the extent to which PES allocations are targeted to rural areas' needs.

2. The National Treasury, in collaboration with the departments of basic education, health and those responsible for provincial roads, ensures that the criteria for allocating infrastructure conditional grants take into account spending efficiency, delivery targets and performance, as well as the applicable national norms and standards. This should assist with monitoring of provinces in meeting their developmental goals and facilitate targeted intervention where a province consistently fails to meet delivery targets.

3. The Department of Agriculture Fisheries and Forestry and National Treasury review the framework for allocating agriculture conditional grants to reduce the weighting of agriculture land size and poverty relief and to incorporate factors that are closely aligned to the objectives of the grant, in particular the promotion of emerging farmers or agriculture production in the rural areas, as stipulated in the Agriculture Policy Action Plan.

4. The Department of Planning Monitoring and Evaluation conducts a comprehensive review of expenditure outcomes associated with infrastructure conditional grants targeted at the rural provinces, to ascertain the extent to which infrastructure backlogs have been reduced and the efficacy of the spend. The outcome of the review should be used to form the basis of any adjustments to infrastructure grants earmarked for rural development.