



Financial and Fiscal Commission

Written Submission to the
Standing Committee on Appropriations on the:
Rural Household Infrastructure Grant

1. Introduction

Since 2007, government has identified rural development as one of the country's major priorities. The emphasis has been on the provision of water and sanitation. One of government's goals has been to achieve universal access to water and sanitation by 2014. In 2007, the water and sanitation function was placed under the Department of Water Affairs (DWA). In 2009 this function was shifted to the National Department of Human Settlements (DoHS). Legislation giving effect to this decision is yet to be passed. There still remains a high level of backlogs in water and sanitation in most rural municipalities. It is a challenge for government to make a significant improvement in water and sanitation delivery in some of these municipalities due to topography challenges and the fact that some of the settlement patterns are so dispersed that it would require unaffordable amounts to build the necessary infrastructure and to connect households. It was for these reasons that the Rural Household Infrastructure Grant (RHIG) was introduced in the 2010 Medium Term Expenditure Framework (MTEF). The RHIG was introduced as a national programme aimed at the acceleration of the implementation of basic water and sanitation in rural areas. When RHIG was introduced in 2010/11 and until 2012/13, it was a Schedule 7 grant administered, managed and implemented by the DoHS for on-site sanitation and water facilities.

2. Performance of RHIG

Since its introduction, the RHIG has not been performing well as shown in the table below.

Table 1: Performance of Rural Household Infrastructure Grant since 2010/11

Financial Year	Total Allocation R'million	Total Spending R'million	Spending as a Percentage of Total Allocation
2010/11	100	66.7 (by Mar 2011)	66.7%
2011/12	258	187 (by Mar 2012)	72.8%
2012/13	340.6 (479.5 reduced by 138)	61 (by Jan 2013)	17.9%

As shown in the table above, in 2010/11 only 66.7% of the total allocated funds were spent by March 2011 (with an under-spending of 33.3%). More importantly is that only 11% was spent by February 2011 with R52 million spent in March 2011 (raising the possibility of fiscal dumping). Furthermore, it should be noted that not all funds transferred to municipalities represent spending.

Under-spending continued in 2011/12 where overall spending by March 2012 was at 72%. Again it is reported that by February 2012 spending was at 31% but by March spending was 72.8% of the total allocated funds (more than doubled). There is a possibility that funds were just transferred to municipalities and not necessarily productively spent.

In the 2012/13 financial year allocation for this programme was R479.5 million and was reduced by R138 million as per request by the DoHS. Thus, after this downward adjustment the allocation under this grant has remained at R340.6 million. Spending by January 2013 amounted to R61 million representing 17.9% downward adjusted allocation (or about 12.7% of the original allocation). Even though the reporting period for 2012/13 is two months short compared to the first two financial years, there is still serious on-going under-spending.

3. Recent Developments and Implications

Recent developments on the RHIG include shifting this grant which was being implemented by the DoHS as a Schedule 6B to a Schedule 5B grant from the 2013/14 financial year. Shifting this grant to a Schedule 5B means the grant will flow direct to municipalities and by so doing, the implementation role played by the DoHS will cease. Under Schedule 6B (with the DoHS as an implementing department), the implication is that the DoHS will be actively involved in a number of issues pertaining to the RHIG and this includes the following:

- Identifying municipalities to benefit from the grant;
- Identifying capacity abilities of benefiting municipalities and provision of such capacity where necessary. This is more important given that service providers are private sector companies providing services on contract basis; and
- Planning, monitoring and evaluation of service.

Eradication of water and sanitation backlogs in rural municipalities is a national priority as indicated and it is the view of the Commission that national priorities are better managed and monitored at a national level by relevant national departments. The Commission made recommendations to this effect 10 years ago as one of the justifications for using conditional grants as opposed to the equitable share.

4. Conclusion and Recommendations

The RHIG is meant to improve the health and livelihoods of rural people. Adequate sanitation is a key driver of this. The underperformance and rigid application of the RHIG is cause for concern. The Commission has in the past proposed a redesign of the RHIG framework and in particular a thorough review of the objectives, terms and conditions of the grant framework and that this should be accompanied by capacity development in the areas of monitoring and evaluation for the DoHS. The Commission is of the view that changing this grant from 6B to 5B is unlikely to improve performance of this grant. In fact, that will have negative implications for the performance of the grant itself which already has challenges and this will impact negatively on the achievement of universal access to water and sanitation by 2014 which is a national goal.

For and on Behalf of the Commission



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Acting Chairperson/CE
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