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Councils urged to spend budgets

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Johannesburg - Municipalities have been warned by the finance commission to increase spending on infrastructure programmes because lower expenditure prevents the acceleration of economic growth.

Financial and Fiscal Commission (FFC) chairman Bongani Khumalo told journalists in Parliament on Monday that with the current allocation of R813 billion to the infrastructure programme, municipalities had to spend more.

“The current tight fiscal conditions mean that the overall level of public investment is limited. Therefore, efficiency needs to be maximised through better economic growth and management of investment spending,” Khumalo said.

He added that the commission was concerned about the low level of spending by municipalities on infrastructure programmes in the past few years.

The government was set to ramp up economic growth through infrastructure programmes after the FFC recommended that the government invest in those projects.

Khumalo said it was important to align infrastructure programmes at all levels of government. And the commission believed local government could do far more.

He added that the report on municipal financial performance by Auditor-General Kimi Makwetu on Wednesday would shed light on how the state had responded to infrastructure investment.

Makwetu is due to release his annual report on the state of municipal finances in Parliament, accompanied by cabinet ministers whose portfolios are linked to municipalities.

The FFC report shows that some municipalities had spent less then 30 percent of their capital expenditure budgets in the past few years.

A total of 111 of these municipalities have been described in the commission’s report as the worst performers, because they underspent their capital budgets by 30 percent year after year.

Capital spending involved infrastructure grants given to municipalities.

Underspending in district and local municipalities in those projects was rife.

Khumalo said infrastructure was key to growing the economy.

While spending on infrastructure programmes had started at a slow pace it had increased over time.

Spending by state-owned entities had increased from 60.1 percent in 2010-11 to 98 percent last year.

On the other hand spending on infrastructure programmes by provinces had gone up from 84.7 percent in 2011 to 92.9 percent last year.

There was also an improvement by municipalities regarding public infrastructure investment from 78.5 percent in 2012 to 90.6 percent in 2014, Khumalo pointed out.

“When one looks at the trends at local government on infrastructure, it’s infrastructure that has got direct access to basic services such as electricity and water.

“If that is not happening, if your electricity is not happening, your roads and transport are not happening, you have no direct access to basic services,” he added.

In the tight fiscal space there must be increased spending on infrastructure.

Khumalo said there must be no disconnection between the three tiers of the government.

The presidential infrastructure co-ordinating committee, which is chaired by President Jacob Zuma and involves mayors, premiers and cabinet members, had a powerful role to play in connecting all the players across the three spheres of government to upgrade the infrastructure, Khumalo emphasised.