



Policy Brief 7

Local government infrastructure delivery management and its fiscal implications

31 March 2020

Executive summary

The debate about infrastructure delivery tends to focus on the financing challenges – i.e., how to raise funding for new infrastructure projects – whereas the broader infrastructure delivery management dimensions are neglected. Municipalities in South Africa demonstrate a worrying trend of inability to spend capital budgets, maintain and operate existing infrastructure, manage infrastructure projects, and build quality infrastructure. Projects are characterised by high cost overruns, completion delays and poor workmanship. Infrastructure delivery management challenges raise questions about the effectiveness of delivery management processes, accountability arrangements for overseeing the municipal infrastructure investment and the ability of municipalities to contribute to economic growth through infrastructure investment. This study assesses the local government (LG) infrastructure delivery chain and management systems with a view to identifying bottlenecks that hamper the development of an effective, efficient and sustainable infrastructure delivery programme. The results suggest that government must place greater emphasis on the full life-cycle management of municipal infrastructure and not just on the rollout of new infrastructure.

Background

Providing infrastructure is crucial for sustainable and inclusive economic growth in South Africa; however, without efficient management of the infrastructure delivery process and optimal use of available resources, it is impossible to maximise the wellbeing of citizens. On

average, municipalities spend in excess of R40 billion per annum on local infrastructure and yet the infrastructure delivery programme is marred by ubiquitous incidents of delivery management inefficiencies (National Treasury 2017, Ndzelu, 2016, CIDB, 2007).

Municipalities have received no less than R1 trillion over the past 18 years intended specifically to finance delivery of basic services infrastructure (National Treasury, 2017). During the same period, various capacity building programmes were instituted to address technical deficiencies in respect of spending the allocated funding and to ensure effective management and implementation of the infrastructure projects. Many years later and following successive waves of interventions, LG infrastructure delivery performance remains worryingly poor and ineffective. The Auditor-General of South Africa (AGSA) has reported numerous cases of infrastructure projects being delayed, abandoned, or municipalities reallocating new budgets to rectify poor project workmanship.

Planning deficiencies in the construction of a waterborne sanitation project in Matjhabeng municipality have been found to cause sewage overflow in the community because of poor project scoping (AGSA, 2018). In the City of Tshwane, delays in the completion of a water purification plant in Hammanskraal resulted in communities consuming unsafe drinking water and protracted violent community protests (AGSA, 2018). If left unattended, infrastructure delivery management failures can have devastating effects on access to basic services, the budget, as well as the environment and the health and safety of communities.

Findings

The Municipal Systems Act, 2000 (Act No. 32 of 2000) (MSA) establishes the Integrated Development Plan (IDP) as the overarching strategic framework for guiding and informing infrastructure delivery and overall development in LG. Whereas the regulatory, institutional and management arrangements for the delivery of LG infrastructure are well established, they are potentially burdensome and costly for some municipalities, which leads to poor infrastructure delivery performance.

The composition and structure of LG infrastructure allocations play an important role in determining the infrastructure delivery management arrangements in municipalities. Infrastructure delivery function and funding is overseen by multiple departments and has strong elements of indirect grants. Ambiguity regarding roles and responsibilities creates unnecessary duplication of grants and processes and congests the infrastructure delivery management machinery. This is especially evident in the water sector where the Regional Bulk Water Infrastructure Grant (RBIG)¹ and the Municipal Water Infrastructure Grant (MWIG) co-exist alongside the multi-sectoral Municipal Infrastructure Grant (MIG) (responsible for financing water, roads, and sport facilities, among others).

With respect to infrastructure spending efficiency, the study shows mixed levels of efficiency for different types of municipal services in different municipalities. Using the three measures

¹ For bulk water supply infrastructure

(scale, technical and managerial) of efficiency the results suggest that measures to increase efficiency will differ by municipality, depending on the challenges faced in the municipality, and a thorough analysis of best-practice or well-performing municipalities will also be required to facilitate peer learning.

Involvement of stakeholders, such as communities and other users of infrastructure, is crucial for improving the quality of planning and the effective use of the asset in the long run. Municipalities are, however, purportedly conducting superficial community consultations where the needs and priorities of the community are not always fully taken into account.

Infrastructure delivery management processes become particularly complex whenever public investment involves a shared sector competency or funding arrangement across different levels of government. A long standing challenge of mandate uncertainty between the national sector departments and municipalities in the infrastructure delivery chain exists. The study finds that there is no clear distinction of responsibility and accountability roles between COGTA and other sector departments and sector departments lack the necessary capacity to assist all municipalities with planning, project execution, and oversight.

Effective infrastructure delivery management is further hampered by the stretching of available funding resources over a large number of small projects. Many projects imply huge administrative and financial burdens for the oversight bodies but also requires municipalities to carry out endless project feasibility studies for projects that may not move beyond project conceptualisation stage. Another important challenge identified is the inability to develop sufficient capacity to oversee the performance of the infrastructure delivery programme as a whole. There is a common costing challenge across all case study municipalities, as projects are frequently under-budgeted or poorly costed, leading to project cancellation or completion delays. While all sampled municipalities have an existing project management unit (PMU) in place, they are generally not fully staffed by people with relevant technical skills. Rural municipalities in particular, highlight the common issue of being unable to attract skilled engineers. Unused or underutilised local infrastructure is a common occurrence. Infrastructure support programmes that have been introduced have had minimal impact. Overall, municipalities are of the view that the much spoken about infrastructure delivery interventions are not visible.

Conclusion

There is a need for greater emphasis of management of the full lifecycle of municipal infrastructure and peer learning across municipalities, and not just on the roll out of new infrastructure. Planning for appropriate infrastructure that responds to local circumstances, maintaining infrastructure that has been built, and refurbishing infrastructure that has reached the end of its design life are all key to sustainable infrastructure delivery management. In particular, planning relating to the technical aspects of infrastructure must be linked to proper community need consultations and financial planning, in order to ensure adequate funding for both the capital and operational activity over the lifecycle of the asset. While the LG

infrastructure grants system is not a perfect instrument to address this challenge, the design and management of each grant must promote good practice in infrastructure delivery management and spending, with rewards for municipalities that follow best practices, and penalties for those that do not. Tampering with the grant frameworks and increasing technical support interventions alone, without also addressing the underlying structural intergovernmental delivery capacity, are unlikely to have a meaningful impact.

Recommendations

With regard to LG infrastructure delivery management and efficiency, the Commission makes the following recommendations:

- a) The Minister of COGTA and the Minister of Finance jointly should, as part of the ongoing local government infrastructure grant reforms, strengthen the linkage between technical project planning processes and budgeting and foster smooth intergovernmental infrastructure coordination, including the following:
 - (i) Time-bound plans for consolidating all municipal infrastructure grants into the respective existing sector-specific grants and thereby provide the key sector department with the authority to carry out their infrastructure support mandate;
 - (ii) Clarification of roles and responsibilities especially in the delivery of water and electricity services between local municipalities and district municipalities on the one hand, and public entities, including the water authorities and Eskom respectively. With respect to specific local geographic areas, these roles and responsibilities must receive further expression in an MoU. This will enable more direct targeting of funding for services in the Division of Revenue Act.
- b) The Minister of COGTA should establish an infrastructure inspectorate through the MISA to assess management performance processes and capacity within municipalities to implement grant-funded and non-grant-funded infrastructure projects on a continuous basis.
- c) The MISA inspectorate should undertake infrastructure delivery management capability assessments, quality inspections of new and existing built infrastructure, project management and delivery audits and advise on alternative approaches, materials or technologies for infrastructure delivery through the development of infrastructure blueprints for various types of municipal facilities.
- d) The Minister of COGTA should align inspectorate assessments to the Division of Revenue Bill conditions for allocation, reporting and the disbursement of grants. This must be in line with the recently established Budget Facility for Infrastructure Programme criteria for appraising and budgeting for infrastructure projects.
- e) The Minister of Finance, jointly with the Minister of COGTA, MECs for Finance and other provincial government departments, should within a DM area pull together the various project management resources present from GTAC, MISA, MIG administration and the respective municipal PMUs, to create a shared project management facility to improve the oversight capacity in respect of projects and to protect the financial interest of local government against contractor misconduct.

- f) The MECs of provincial CoGTAs should strengthen the existing infrastructure delivery intergovernmental forums to facilitate peer learning of best infrastructure management practices across municipalities and to foster coordinated infrastructure planning.

References

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