

NATIONAL ASSEMBLY

QUESTIONS FOR WRITTEN REPLY

QUESTION NUMBER: 789 [NW1014E]

DATE OF PUBLICATION: 18 SEPTEMBER 2024

789. Mr N M Hadebe (IFP) to ask the Minister of Finance:

Considering that the mandate of the National Treasury is, amongst others, to support the optimal allocation and utilisation of financial resources in all spheres of government to reduce poverty and vulnerability among most marginalised persons of the Republic, and in view of the underspending of Municipal Infrastructure Grants (MIGs) over the past financial years, what measures does the National Treasury intend or has put in place to assist and ensure that municipalities spend their MIG grants optimally to the benefit of citizens, particularly municipalities such as uMkhanyakude District Municipality in KwaZulu-Natal and Makana Local Municipality in the Eastern Cape that returned more than R57 million in the 2023-24 financial year, thereby robbing our communities of infrastructure and job opportunities? NW1014E

REPLY:

The Municipal Infrastructure Grant (MIG) is administered by the Department of Cooperative Governance (DCoG). The Division of Revenue Act (DoRA) and MIG framework bestow certain duties and responsibilities on DCoG, and municipalities in the implementation of the MIG. DCoG is required to undertake monthly and quarterly monitoring on this grant, including municipalities such as the uMkhanyakude District Municipality in KwaZulu-Natal and Makana Local Municipality in the Eastern Cape.

Municipalities are responsible for the implementation of MIG projects, supported by DCoG (and/or the Municipal Infrastructure Support Agent (MISA)), i.e. from the selection of projects in the Integrated Development Plan (IDP), planning, procurement and implementation of projects, with DCoG playing a key role in approval of projects and their budgets, as well as monitoring of projects during implementation (including site visits). The responsibility of ensuring funding is spent within the allocated timeframes, within the allocated budgets and ensuring value for money is attained lies in the main with the municipalities, and to some extent with DCoG as the custodian of the MIG.

National Treasury's primary role is to allocate funds, ensure that funds are available as per the payment schedule, which is a grant cash flow management tool that facilitates the transfers of conditional grants to municipalities whenever these funds are required by municipalities for the delivery of services as per their cash flow projections. The payment schedule can also be amended to bring forward transfers where implementation is faster than projected.

Where municipalities are struggling to spend conditional grants and implement projects for various reasons, the National Treasury, together with DCoG, have come up with the invoice verification process, wherein the payment schedule is suspended, and MIG transfers are only made upon receipt and verification of invoices for work done monthly. Transfers are equivalent to the amount in the invoice received and verified by DCoG and MISA, thus ensuring that funds are spent for their intended purposes, guarding against misuse of grant funding.

However, it has become clear that the issue of grant underspending and grant misuse is also caused by other external factors that are institutional and they require a stable municipality. Some of these external factors are beyond the scope of the National Treasury in the monitoring of conditional grants and requires a concerted effort by the various municipal councils to apply austerity measures and consequence management against those found to have flaunted the above-mentioned legislative imperatives.

To that effect, the National Treasury has introduced certain measures that are regarded as key elements of a functional, well-performing municipality. Without these measures, the management of conditional grants are increasingly at the risk of being mismanaged. The National Treasury introduced game changers that are instrumental in addressing the sound municipal governance in the municipal space: support on Funded Budget, Revenue Management, Municipal Standard Chart of Accounts (*mSCOA*), Asset Management, Audit Outcomes and Supply Chain Management (SCM).