

# The Rural Household Infrastructure Grant

*Presentation to the SC: Appropriations and PC: Human Settlements*

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# Constitutional and legislative mandate

## (1 of 2)

- Schedule 4 (Part B) of the Constitution (functional areas of concurrent National and Provincial legislative competence) lists the following as a local government function:
  - “*water and sanitation services limited to potable water supply systems and domestic waste-water and sewage disposal systems*”
- The regulatory function for sanitation is defined in section 9 of the Water Services Act (Act No. 108 of 1997) and the Department of Water Affairs is the custodian of this Act.
- The role of municipalities in sanitation according to the White Paper on Basic Household Sanitation in 2001 is as follows:
  - “*The provision of access to sanitation services is a local government responsibility, local government has the constitutional responsibility to provide sanitation services*”.
- Provincial and national government have a constitutional responsibility to support local government in the spirit of co-operative governance.
  - Agencies and the national government will only take action where local government does not have capacity and such action will be aimed at ensuring that the local capacity to provide adequate services is established

# Constitutional and legislative mandate (2 of 2)

- The responsibility of national government is to set norms and standards on the provision of the services as stipulated by the Water Services Act.
- Policy and practice regarding sanitation provision is relatively undeveloped, because of the strong linkage between sanitation services and public health, the health sector must play a significant role in all aspects of sanitation policy creation, planning, implementation, and monitoring.

# Sanitation Function Shift

- Function shift to Human Settlements in 2009
- Fragmented water and sanitation value chain
  - Sanitation typology is dependent on water resource availability
  - Ability to assess impact of on-site solutions on ground water
- Introduction of the RHIG and the function shift has resulted in the DHS becoming an implementing department. Initially a policy making and oversight department.
- Scope of function shift not defined
  - Shift in terms of the Public Service Act
  - No amendment to the Water Services Act, which defines sanitation

# Appropriate service delivery responses

## From the Sanitation White Paper:

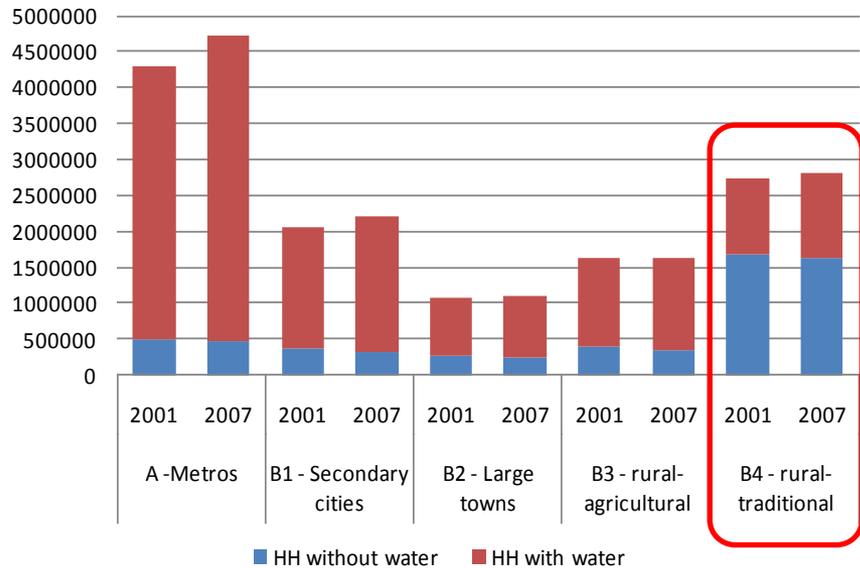
- Adequate sanitation: The immediate priority is to provide sanitation services to all which meet basic health and functional requirements including the protection of the quality of both surface and underground water.
- Conventional waterborne sanitation is in most cases not a realistic, viable and achievable minimum service standard in the short-term due to its set up cost in rural areas.
- The Ventilated Improved Pit (VIP) latrine, if constructed to agreed standards and maintained properly, provides an appropriate and adequate basic level of sanitation service.
- Adequate basic provision is therefore defined as one well constructed VIP toilet (in various forms, to agreed standards) per household.
- Bucket systems of sanitation are not considered as adequate from either a health perspective or in terms of community acceptability.

# Context for introduction of the RHIG

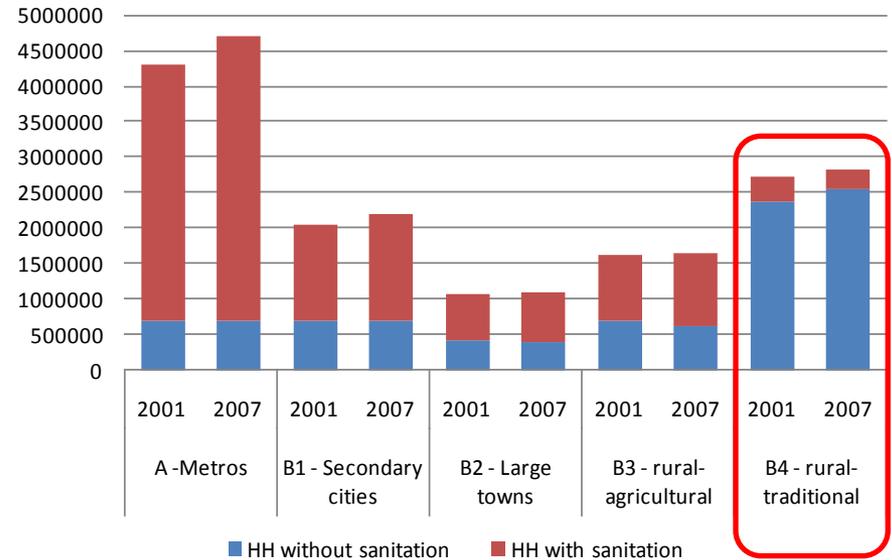
- Government objectives to provide universal access to water and sanitation by 2014
- Following sanitation function shift to Human Settlements in 2009, created the Rural Household Infrastructure Grant as a catalyst to support 2014 target
  - Highest backlogs in water and sanitation in rural municipalities

# Backlogs in water and sanitation, 2001 & 2007

## Access to water



## Access to sanitation



- Backlogs in water and sanitation are greatest in the most rural municipalities
- Decreases in water backlogs in these municipalities between 2001 and 2007 were modest (from 1.76m HH to 1.63m HH) and sanitation backlogs actually increased (from 2.37m HH to 2.56m HH)

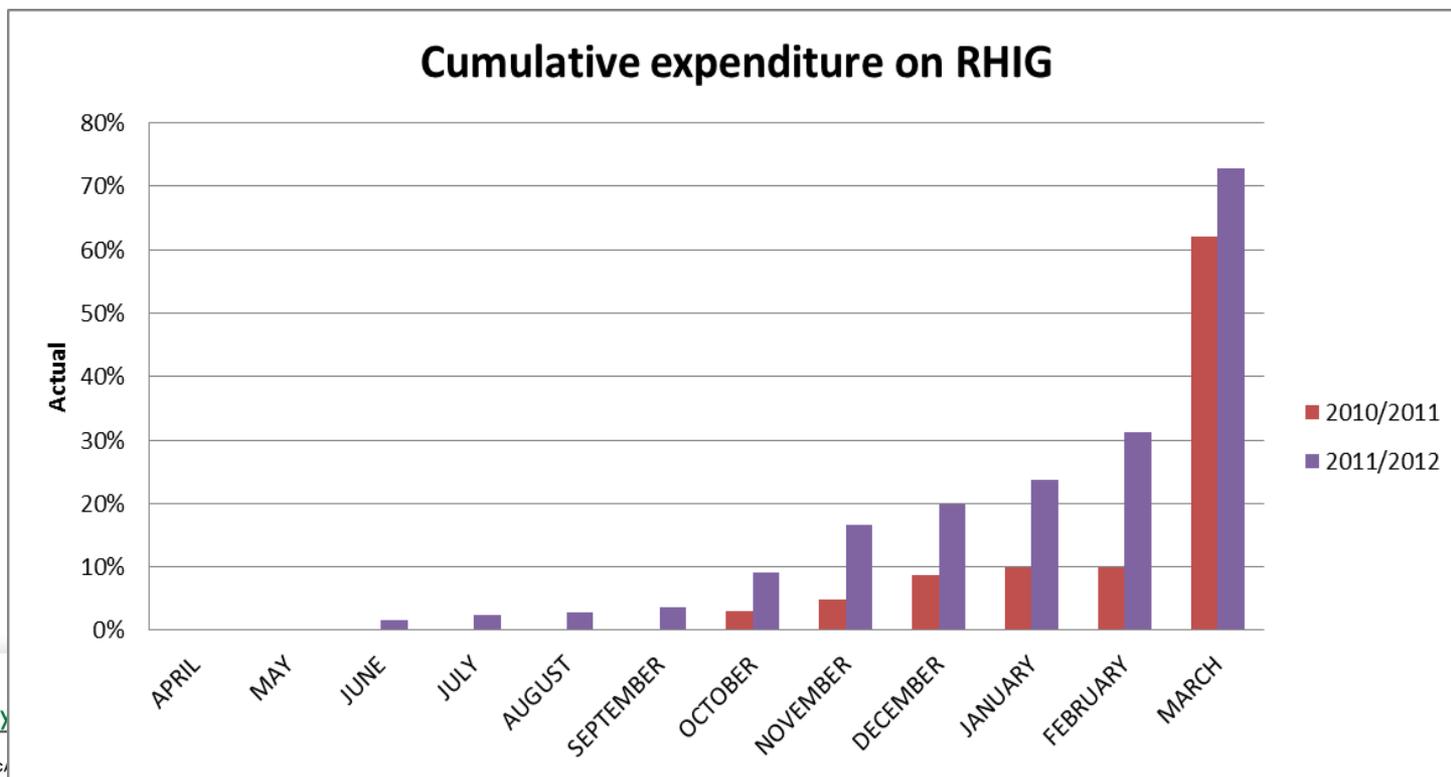
# Introduction of the Rural Household Infrastructure Grant

- The RHIG was introduced in response to the high backlogs in rural areas and was intended to respond to the specific conditions of rural areas:
  - The topography in rural areas is so varied and settlement patterns are so dispersed that even if the country had the best capacity to build infrastructure it would require unaffordable amounts to provide rural households with connector services
- The grant was introduced to rapidly rollout on-site infrastructure
- The grant is implemented by Community Based Organizations (CBO's) and Non Governmental Organizations (NGO's) and includes training for beneficiaries to take on the ongoing maintenance of assets
- It was envisaged that this grant will leverage the capacity of NGO's And CBO's to assist in bridging the capacity gaps in local government whilst also increasing the role played by communities in project implementation and beyond.
- In order to accelerate the implementation the grant in areas where municipalities generally have weak capacity, the grant was introduced as a Schedule 7 (indirect) grant implemented by national government

# Capital Budget

R thousand	2010/11		2011/12				2012/13	2013/14	2014/15
	Main appropriation	Audited Outcome	Main appropriation	Roll-over	Adjusted appropriation	Audited Outcome	Medium term estimates		
Rural Households Infrastructure Grant	100 000	61 614	231 500	26 008	257 508	187 353	479 500	389 000	-

- 62 per cent spending on grant in 2010/11, of which 52 per cent spent in March 2011
- 73 per cent spending on grant in 2011/12, of which 42 per cent spent in March 2012



# Sanitation operational budget

Rand thousand	Voted (Main appropriation)	Adjustments Roll-overs	Adjusted appropriation	Medium term estimates		
				2011/12	2012/13	2013/14
<b>Sanitation Services</b>	<b>66 441</b>	<b>31 135</b>	<b>97 846</b>	<b>71 715</b>	<b>78 276</b>	<b>82 595</b>
<b>Current payments</b>	<b>65 949</b>	<b>-</b>	<b>66 519</b>	<b>70 899</b>	<b>77 402</b>	<b>81 681</b>
Compensation of employees	35 478	-	26 605	38 034	40 346	42 618
Goods and services	30 431	-	39 899	32 825	37 036	39 042
<b>Payments for capital assets</b>	<b>492</b>	<b>31 135</b>	<b>31 327</b>	<b>816</b>	<b>874</b>	<b>914</b>

- 93 positions on the organisational structure, including regional offices
- 2010/11 annual report on consultants:
  - Programme management for the implementation the rural household infrastructure grant (37)
  - Sustainable sanitation job creation programme in 50 WSAs (18)
  - Sustainability assessment on sanitation facilities in various municipalities (15)
  - Implementation of water, sanitation and hygiene programme (12)
  - Review of the White Paper on Basic Household Sanitation (10)
  - Supporting 40 municipalities in implementing free basic sanitation (15)

# Delivery Performance – 2010/11

Province	Target Units	VIPs completed & handed over	Percentage of Vip's delivered	Not Completed
Eastern Cape	2 567	1 555	61%	1 012
Free State	400	100	25%	300
Limpopo	3 600	742	21%	2 858
Kwa-Zulu Natal	3 675	1 582	43%	2 094
Mpumalanga	450	435	97%	15
Northern Cape	400	392	98%	8
North West	828	691	83%	137
<b>Grand Total</b>	<b>11 920</b>	<b>5 497</b>	<b>46%</b>	<b>6 424</b>

Source: Department of Human Settlements, 2011

- No delivery on on-site water provisions

Note: 2010/11 Annual Report show 5 580 VIPs delivered

# Delivery Performance – 2011/12

Province	Target Units	VIPs completed & handed over	% VIPs delivered	VIPs under Construction	Units not yet started during 2011/12
Eastern Cape	7 462	7 129	96%	329	4
Free State	1 297	936	72%	203	158
KwaZulu-Natal	7 967	5 920	74%	833	1 214
Limpopo	5 864	2 015	34%	1 597	2 252
Mpumalanga	1 038	372	36%	578	88
Northern Cape	507	320	63%	54	133
North West	3 551	2 533	71%	255	763
<b>Grand Total</b>	<b>27 686</b>	<b>19 225</b>	<b>69%</b>	<b>3 849</b>	<b>4 612</b>

Source: Department of Human Settlements, 2012, RHIP programme close-out report for 2011/12

- No delivery on on-site water provisions

# Auditor General Reports

- 2010/11 Auditor General Report
  - Material under-spending of R38.4 million
  - The accounting officer did not complete and submit the compliance certificate as required by section 10(1)(a) to the National Treasury in respect of the Rural Household Infrastructure Grant
- 2011/12 Auditor General Report
  - Material under-spending of R70.2 million
  - Internal control deficiencies relating to the grant
    - Lack of developing and implementing adequate action plans to address the internal control deficiencies

# Motivation to incorporate RHIG into MIG

## (1 of 2)

- There are three reasons to phase the RHIG into the MIG:
  - Improving the alignment of the functional roles of national and local governments (sanitation is a function local government is responsible for implementing);
  - Ensuring the same institution is responsible for planning the construction of Ventilated Improved Pit-latrines (VIPs) and their maintenance; and
  - The schedule 7 RHIG has not succeeded in rapidly reducing backlogs as was originally intended.

# Motivation to incorporate RHIG into MIG (2 of 2)

- National departments should only directly implement municipal services if municipalities are not capable of delivering these services.
- VIP sanitation is a technology that all water services authorities should be capable of providing, especially if they use NGO's to implement this programme through a schedule 7 grant.
- Organised local government also supports the proposal that this function be directly implemented by municipalities. At the Select Committee on Appropriations (SCOA) hearings on the DORB on 28 February 2012, the South African Local Government Association supported the move to phase the RHIG programme into MIG
- VIP Installations require maintenance. Municipalities should fund this from the sanitation portion of their LGES allocation. Coordination is easier if municipalities are responsible for building and maintaining VIP's.

# Incorporation into MIG over the 2012 MTEF

- In the 2012 MTEF R402 million was reprioritized out of the RHIG to fund other government priorities (including bulk water provision in rural areas)
- In 2014/15 the R274.1 million that would have been allocated to the RHIG has been added to the MIG instead
  - DCOG has worked with DHS to ensure these funds are only allocated to municipalities that would have received funding under the RHIG grant due to their need for on-site services

## RHIG allocations in the 2012 Budget

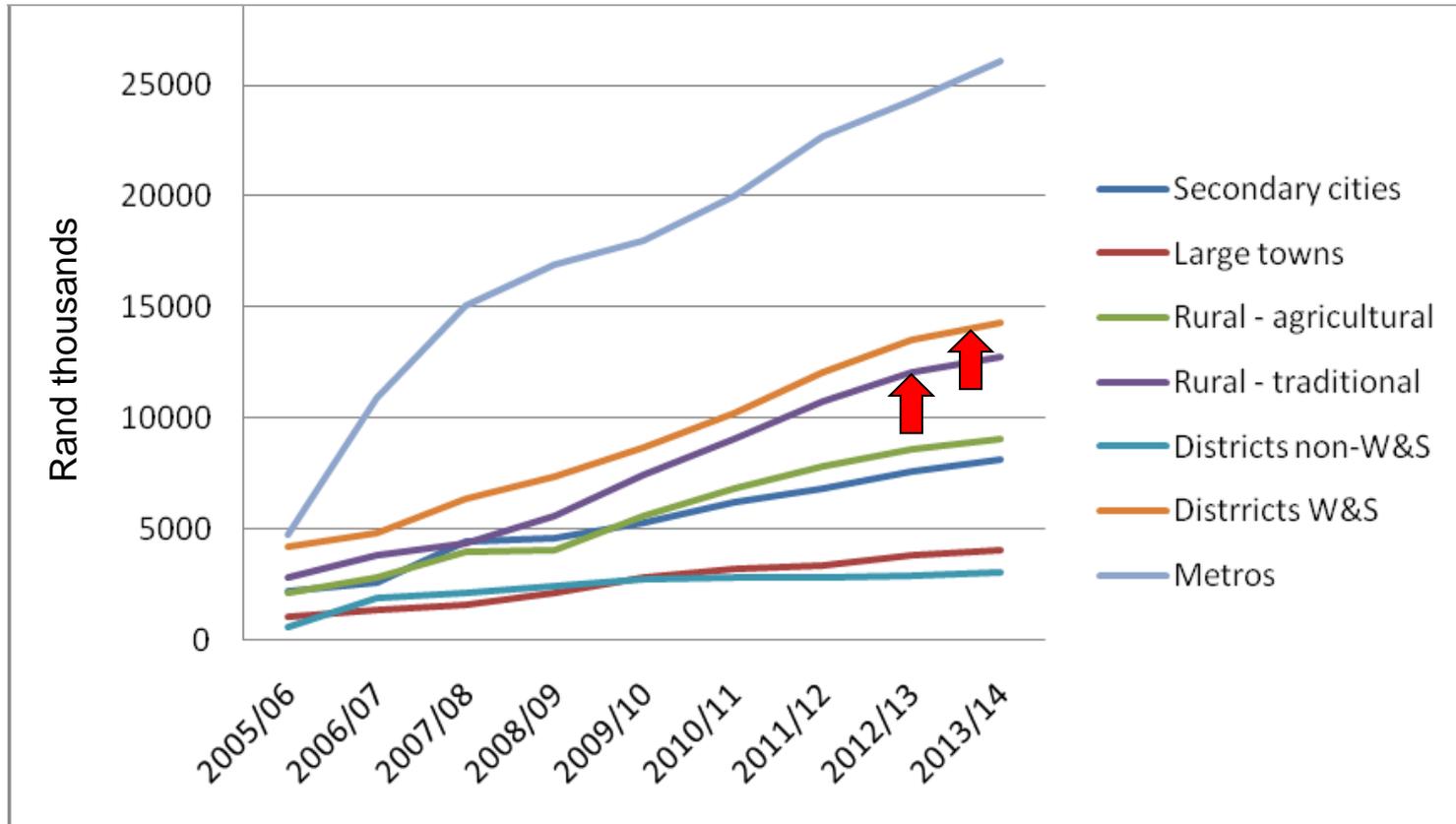
R thousands	2012/13	2013/14	2014/15
<b>Rural households infrastructure grant</b>	479 500	389 000	-

# Maintenance of existing services

- VIP toilets require maintenance (emptying) so that they can continue to be used
  - This can be done in many different ways (e.g. honeysucker, chemicals, VIP structure that can be sifted between alternate pits). Municipalities are best placed to choose the best method based on local conditions.
- Municipalities are responsible for sanitation services, including maintenance for VIPs
- Municipalities are funded for this function through the local government equitable share

# RHIG is one part of the larger fiscal framework funding municipalities

## Growth in transfers to different types of municipalities



- Both “rural-traditional” local municipalities and “Districts W&S” provide services in rural areas – and **their allocations have increased the fastest**

# Differentiation in transfers to local government

- In addition to increasing the amount transferred to municipalities, the last few years have also seen increased differentiation in the system
- Grants targeting urban areas only have been introduced (USDG and PTIS)
- Grants targeting rural areas only have been introduced (Rural Households Infrastructure Grant, Rural Roads Asset Management Grant)
- Further differentiation is being explored in:
  - The local government equitable share formula (being reviewed this year)
  - Infrastructure conditional grants
  - Capacity support

# Reforming the Local Government Fiscal Framework

- The local government fiscal framework (LGFF) refers to all of the revenue sources and expenditure responsibilities of municipalities (including transfers and own revenue)
- The LGFF is continuously evolving to take account of changing circumstances
- Reforms currently underway include:
  - Increasing differentiation in the system
  - Reviewing the local government equitable share formula
  - Possible improvements to infrastructure funding (to be informed by 2011 Census results)
- Some parts of the LGFF have a limited duration like the RHIG
- All reforms are informed by the principles in the Local Government White Paper

# Summary of LGFF principles in the LG White Paper

- **Revenue adequacy and certainty:** Municipalities need to have access to adequate sources of revenue – either own resources or intergovernmental transfers – to enable them to carry out the functions assigned to them.
- **Sustainability:** Financial sustainability requires that municipalities ensure that their budgets are balanced (income should cover expenditure).
- **Effective and efficient resource use:** Important that local residents provide the necessary checks and balances.
- **Accountability, transparency and good governance:** Municipalities should be held responsible and accountable to local taxpayers
- **Equity and redistribution:** Municipalities must treat citizens equitably with regard to the provision of services. In turn, national and provincial government must treat municipalities equitably with regard to intergovernmental transfers. Local government cannot be solely responsible for redistribution, and national government has a critical role to play in this regard, particularly with respect to subsidising the provision of basic services.
- **Development and investment:** Meeting basic needs in the context of existing service backlogs will require increased investment
- **Macroeconomic management:** Municipalities need to operate within the national macroeconomic framework

# Conclusions

- RHIG was introduced for a specific purpose and only intended to last for a limited time
- For the ongoing maintenance and functionality of on-site water and sanitation it is best that they be rolled out by the municipalities that will be responsible for maintaining them
- Performance of the grant has been disappointing
- Incorporating the grant into MIG is supported by municipalities (SALGA)
- This shift takes place in the context of a significant increase in the resources available to rural municipalities