

**AN ANALYSIS OF FINANCIAL ADMINISTRATION OF MUNICIPAL
INFRASTRUCTURE GRANT IN OR TAMBO DISTRICT MUNICIPALITY WITH
REFERENCE TO WATER AND SANITATION.**

by

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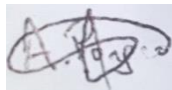
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I declare that this dissertation is my own work, and that all the sources I have used or cited have been indicated and acknowledged by means of complete references.

I further declare that this work has not been previously submitted for assessment for another qualification or to any other institution of higher learning.



15 February 2023

.....

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Signature

Date

DEDICATION

This work is dedicated to my precious mother, Mrs Nocwaka Mildred Pongco, who never had a chance to get a professional education and, yet, has been advocating for everyone in the household to do better and be better through education. **Ndiyabulela mbokodo.**

To my daughter, Amelwe Olwemihla Pongco, thank you for your understanding when you have to stay with your granny. Your arrival on earth gave me strength and motivated me to achieve this milestone. You are deeply loved.

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ABSTRACT

One of the components of the National Development Plan (NDP) is to strengthen mechanisms for the effective and efficient delivery of services. The local sphere of government is crucial for service delivery due to its closeness to the people. In addressing the past imbalances and ensuring accelerated service delivery to poor households, the Department of Cooperative Governance (DCoG) established the Municipal Infrastructure Grant (MIG) as the primary funding mechanism for infrastructure delivery. The Municipal Infrastructure Grant is a capital funding programme in South Africa that is aimed at providing basic infrastructure services to poor households (households with a maximum monthly income of R2 300, according to census data from 2011).

The National Treasury halted R90 million intended for the municipal infrastructure grant funding in the 2016–17 fiscal year because of inaccurate reporting, incomplete project registration, and sluggish project implementation. The OR Tambo District Municipality (ORTDM) is largely rural and has a significant backlog in water and sanitation services. Although the municipality received the highest MIG allocation from the National Treasury, it still faces myriad of administrative challenges. The study is aimed at providing an analysis of the financial administration of MIG with reference to water and sanitation in ORTDM.

The study employed a qualitative approach to collect data through an interview schedule. Interviews were conducted to collect primary data from the participants. The use of document analysis was adopted as a secondary data collection process to seek convergence and or corroborate the interviews.

The study found that the municipality was experiencing challenges in administering the grant. Some of the challenges they faced were the lack of capacity, poor planning, and the terrain/topography of the project site. Further challenges were the overreliance on service providers, the contradiction of the Municipal Financial Management Act 56 of 2003 (RSA, 2003) with engineering laws, cross-planting solutions that are more applicable in urban areas than in their rural counterparts, political instability, delays in supply chain management as well as delegating junior officials from a higher sphere of government to act in a senior post in municipalities

– all of which were identified as some of the shortcomings in administering the MIG. Sometimes the municipality did not comply with MIG statutory requirements, such as the spending requirements, project registration and reporting. Lastly, politicians interfered with the administrators' work by trying to influence the committee during the procurement process to bid for their preferred contractors.

The study provides recommendations on the effective and efficient administration of the MIG with reference to water and sanitation and suggests possible ways of addressing the challenges in the OR Tambo District municipality.

KEY WORDS: MUNICIPAL INFRASTRUCTURE GRANT, FINANCIAL ADMINISTRATION, WATER AND SANITATION SERVICES, INFRASTRUCTURE GRANT, OR TAMBO DISTRICT MUNICIPALITY

Isicatshulwa

Elinye lamacandelo esiCwangciso soPhuhliso seSizwe (i-NDP) kukomeleza iindlela zonikezelo lweenkonzo olufanelekileyo nolusebenzayo. Isigaba sikarhulumente sasekhaya sibalulekile kunikezelo lweenkonzo ngenxa yokusondelelana kwakhe nabantu

.Ukuqubisana nokungalingani kwangaphambili kunye nokuqinisekisa ukuhanjiswa kweenkonzo okukhawulezileyo kumakhaya ahluphekayo, iSebe loLawulo lweNtsebenziswano (DCoG) liseke iSibonelelo seZiseko ezinguNdoqo zikaMasipala (MIG) njengeyona ndlela engundoqo yokuxhasa ngemali ukusebenza kweziseko zikaMasipala. ISibonelelo seZiseko ezinguNdoqo sikaMasipala yinkqubo yenkxaso-mali enkulu eMzantsi Afrika ejolise ekuboneleleni ngeenkonzo ezisisiseko kumakhaya ahluphekayo (amakhaya anomvuzo wenyanga ongama-R2 300, ngokweenkcukacha zobalo lwabantu ukususela ngowama-2011).

UNondyebo weSizwe umise i-R90 yezigidi zeerandi kunyaka-mali wama-2016–17 ngenxa yengxelo engachanekanga, ukubhaliswa kweeprojekthi okungagqitywanga, kunye nokucotha kokuphunyezwa kweeprojekthi.

Umasipala weSithili sase-OR Tambo (ORTDM) ubukhulu becala usezilalini kwaye unokusilela okubonakalayo kwiinkonzo zamanzi nogutyulo. Nangona umasipala efumene esona sabelo siphezulu seMIG kuNondyebo weSizwe, usajongene nemicelimngeni yolawulo. Uphononongo lujolise ekunikeni uhlahlutyo lolawulo lwemali lwe-MIG ngokubhekiselele kumanzi nogutyulo lwelindle kwi-ORTDM.

Uphononongo lusebenzise indlela esemgangathweni yokuqokelela idatha ngokwenkqubo yodliwanondlebe. Udliwanondlebe lalwenzelwe ukuqokelela idatha engundoqo kubathathi-nxaxheba. Ukusetyenziswa kohlahlutyo lwamaxwebhu kwamkelwa njengenkqubo yokuqokelelwa kwedatha yesibini ukufuna ukuhlangabezana kunye okanye ukuxhasa udliwanondlebe. Uphononongo lufumanise ukuba umasipala ufumana imicelimngeni ekulawuleni isibonelelo. Eminye yemicelimngeni abajongene nayo kukunqongophala kwezakhono, ucwangciso olulambathayo, kunye nobume bomhlaba/ubume bendawo yeprojekthi.

Eminyane imicelimgeni ibe kukuthembela ngokugqithisileyo kubanikezeli beenkonzo, inkcaso yoMthetho woLawulo lweMali kaMasipala wama-56 ka-2003 (RSA, 2003) kunye nemithetho yobunjini, izisombululo zotyalo-mali ezisebenza ngakumbi kwiindawo zasezidolophini kunabo basemaphandleni, ukungazinzi kwezopolitiko, ukulibaziseka. kulawulo lwesixokelelwano sonikezelo ngokunjalo nokunyula amagosa akwinqanaba elisezantsi asuka kwinqanaba eliphezulu likarhulumente ukuba abambe kwisikhundla esiphezulu koomasipala – zonke ezo zichongwe njengezinye zeentsilelo kulawulo lweMIG. Ngamanye amaxesha umasipala ebengahambelani neemfuneko zomthetho weMIG, ezifana neemfuno zenkcitho, ukubhaliswa kweprojekthi kunye nokunika ingxelo.

Okokugqibela, abezopolitiko baye baphazamisana nomsebenzi wabalawuli ngokuzama ukuphemelela ikomiti ngexesha lenkqubo yokuthengwa kweempahla neenkonzo ukuze kubizwe iikontraka abazithandayo. Uphononongo lunikeza iingcebiso kulawulo olufanelekileyo nolusebenzayo lwe-MIG ngokubhekisele kumanzi nogutyulo kwaye lucebisa iindlela ezinokubakho zokukhawulelana nemingeni kumasipala weSithili sase-OR Tambo.

AMAGAMA ENGUNDOQO: IZIBONELELO ZEZISEKO ZIKAMASIPALA,

ULAWULO LWEZEMALI,

IINKONZO ZAMANZI NOGUTYULO

ISIBONELELO SEZISEKO ,

UMASIPALA WESITHILI SASE- OR TAMBO

Kgutsufatso

E nngwe ya dikarolo tsa Morero wa Ntshetsopele wa Naha ke ho matlafatsa metjha ya ho etsa ka hohle hore phano ya ditshebeletso e be e kgotsofatsang le ho tsamaiswa hantle. Lekala la mmuso wa lehae le bohlokwa phanong ya ditshebeletso ka ha e le lona le sebetsang le baahi haholo. Ho rarolla mathata a ditshebeletso tse sa fumantsweng ka ho tshwana le ho netefatsa hore malapa a dikojwana di mahetleng a sebeletswa ka potlako, Lefapha la Puso ya Kopanelo le entse Kerante (Thuso ya tjehelete eo mmuso o fanang ka yona) ya Infrastraktjha ya Bomasepala hore e be motjha wa motheo o thusang bomasepala hore ba kgone ho fana ka ditshebeletso. Kerante ya Infrastraktjha ya Bomasepala ke moralotshebetso wa ho fana ka tjehelete Aforika Borwa, oo sepheo sa oona e leng ho etsa hore malapa a dikojwana di mahetleng a fumantsweng ditshebeletso tsa motheo (malapa ao maksimamo ya moputso wa oona wa kgwedi e leng R2 300, ho ya ka dipalopalo tsa ho tloha selemong sa 2011).

Lefapha la Matlotlo a Setjhaba le emisitse dimilijone tse 90 tsa diranta selemong sa ditjhelete sa 2016-17 ka lebaka la dipehelo tse sa nepahalang, ngodiso e sa phethelwang ya diporojeke le ho tsamaisa porojeke e nkang nako e telele ho arabela ditlhoko. Boholo ba Masepala wa Setereke sa OR Tambo ke sebaka sa mahaeng mme o salletse morao haholo ka ditshebeletso tsa metsi le ho tsamaisa dikgwerekgwere. Le ha masepala o fumane tjehelete e hodimo ka ho fetisisa ya MIG Lefapheng la Matlotlo a Setjhaba, o ntse o na le mathata a mangata ka ho fetisisa a botsamaisi. Sepheo sa phuputso e ne e le ho hlahloba tsamaiso ya ditjhelete tsa MIG e mabapi le ditshebeletso tsa metsi le tsamaiso ya dikgwerekgwere ORTDM.

Ho etsa phuputso, ho bokelletswa le ho hlopholla lesedi le fumanwang ka ho etsa diinthaviu, ho utlwisisa mehopollo, maikutlo kapa diketsahalo tse etsahetseng. Diinthaviu di etseditswe ho bokella datha ya motheo bathong ba neng ba nka karolo phuputsong. Tselatshebetsong ya bobedi ya ho bokella datha, bafuputsi ba hlahlobile ditokomane ho utlwisisa haholwanyana ka sehlooho se fuputswang ho kopanya se ngotsweng le kapa ho netefatsa datha ya diinthaviu.

Phuputso e fumane hore masepala o ne o na le mathata a ho tsamaisa kerante. A mang a mathata ao masepala o neng o na le oona e ne e le ho hloka bokgoni, ho se be le merero e kgonang ho phomella, le ho ithuta hore sebaka seo porojeke e

etsetswang ho sona se hlophisitswe jwang. Mathata a mang e ne e le ho beha tshepo ya oona bathong ba neng ba fana ka ditshebeletso haholo, ho se dumellane ha Molao wa 56 wa selemo sa 2003 wa Tsamaiso ya Ditjhelete tsa Masepala (RAB, 2003) le melao ya boenjinerere, ho sebedisa mawa a ho jala dijalo di bapile dibakeng tsa ditoropong ho feta tsa mahaeng, ho se be le botsitso dipolotiking, ho tsamaisa ditshebetso ka bonya tsamaisong ya dintho/ditshebeletso ho tloha ho mohlahisi ho ya ho mosebedisi wa tsona le ho kgetha diofisiri tsa boemo bo tlase tsa lekala le hodingwana la mmuso ho tshwara marapo mokobobo mosebetsing wa maemo a hodimo bomasepaleng - mathata ana kaofela a fumanwe e le a mang a bofokodi ba ho tsamaisa MIG. Ka dinako tse ding, masepala o ne o sa sebetse ho ya ka ditlhoko tsa molao wa MIG, tse jwalo ka ditlhoko tsa ho sebedisa ditjhelete, ho ngodisa diporojeke le ho hlophisa pehelo ya tshebetso ya tsona. Ntlheng ya qetela, boradipolotiki ba ne ba itshunyatsyunya mosebetsing wa motsamaisi ba leka ho laola komiti nakong ya tselatshebetso ya kgetha bafani ba ditshebeletso ho ba reka hore ba kenye bakgethwa ba bona.

Phuputso e fana ka ditshisinyo ka tsamaiso e kgotsofatsang le ho tsamaiswa hantle ya MIG ditshebeletsong tsa metsi le tsamaiso ya dikgwerekgwere le ho sisinya ditsela tse ka sebetsang ho rarolla mathatha masepaleng wa Setereke sa OR Tambo.

MANTSWE A BOHLOKWA: KERANTE YA INFRASTRAKTJHA YA MASEPALA, TSAMAIISO YA DITJHELETE, DITSHEBELETSO TSA METSI LE TSAMAIISO YA DIKGWEREKGWERE, KERANTE YA INFRASTRAKTJHA, KAPA MASEPALA WA SETEREKE SA OR TAMBO

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ABBREVIATIONS AND ACRONYMS

ADB	Asian Development Bank
AGSA	Auditor- General South Africa
ANC	African National Congress
AMM	Acting Municipal Manager
AU	African Agenda
CoGTA	Corporate Governance and Traditional Affairs
CSIR	Council for Scientific and Industrial Research
DBSA	Development Bank South Africa
DCoG.	Department of Cooperative Governance
DDM	District Development Model
DPLG	Department of Provincial and Local Department
GEAR	Growth Employment and Redistribution
DoRA	Division of Revenue Act
DWA	Department of Water Affairs
ECCoGTA	Eastern Cape Department of Cooperative Government and Traditional Affairs
ECSA	Engineering Council South Africa
EPWP	Extended Public Works Programme
EU	European Union
FPM	Municipalities Participation Fund

FDRE	Federal Republic of Ethiopia
FY	Financial year
GEQIP	General Education Quality Improvement Programme
GDP	Growth domestic product
GGA	Good Governance Africa
IDP	Integrated development plan
IGR	Intergovernmental relations
IMC	Inter-ministerial committee
ISRDP	Integrated Sustainable Rural Development Programme
KSD	King Sabata Dalindyebo Local Municipality
LGA	Local government authorities
LCM	Local municipality
MFMA	Municipal Financial Management Act
MIG	Municipal Infrastructure Grant
MIGmu	Municipal Infrastructure Grant Management Unit
MIG-MIS	Municipal Infrastructure Grant Management Information System
MISA	Municipal Infrastructure Support Agent
MITT	Municipal Infrastructure Task Team
MoUDC	Ministry of Urban Development and Construction MoUDC
MTEF	Medium-term Expenditure Framework

MTSF	Medium-term Strategic Framework
MWIG	Municipal Water Infrastructure Grant
NCOP	National Council of Provinces
NT	National Treasury
OECD	Organisations for Economic Cooperation and Development
ORTDM	Orlando Reginald Tambo Municipality
PMG	Parliamentary Monitoring Group
PFMA	Public Financial Management Act
PIP	Project Implementation Plan
PMITT	Project Municipal Infrastructure Task Team
PMU	Project Management Unit
RBIG	Regional Bulk Infrastructure Grant
RSA	Republic of South Africa
SCM	Supply Chain Management
SDG	Sustainable Development Goals
SMIF	Special Municipal Infrastructure Fund
SMME	Small, medium, micro enterprise
SONA	State of the nation address
STATS SA	Statistics South Africa
ULG	Urban Local Government Development
ULGDP	Urban Local Government Development Programme

USDG	Urban Settlements Development Grant
WSIG	Water Service Infrastructure Grant
WSDP	Water Service Development Plan

CHAPTER 1: ORIENTATION OF THE STUDY

1.1 INTRODUCTION

The South African government is embarking on a strategy to redress the imbalances of the apartheid regime with regard to the infrastructure for basic services. In South Africa, the governing authority is shared amongst the three spheres of government, namely, the national, provincial and local spheres. The Constitution of the Republic of South Africa, Act 108 of 1996 (RSA, 1996a) refers to these three spheres as distinctive, interdependent and interrelated. The roles and responsibilities of each level of government vary; however, the national government framework regulates their powers and functions. Intergovernmental framework was enacted to provide for and create structures and forums for intergovernmental relations (IGR).

The Municipal Infrastructure Grant was envisaged by the Department of Provincial and Local Government, now referred to as the Department of Cooperative Governance and Traditional Affairs (COGTA), as a means of expanding basic services in poor households and also as a means of trying to address the issue of poverty. An intergovernmental grant is a grant released by the higher level of the municipality to a lower level of the municipality with the sole aim of strengthening the public economy.

The focus of the study was mainly on the OR Tambo District Municipality, situated in the Eastern Cape Province. The Municipal Infrastructure Grant (MIG) aims to ensure that planning and delivering municipal infrastructure basic services is carried out in a coordinated manner and is an integral part of the infrastructure development function of a municipality. This study focused on the Water and Sanitation sector in the MIG. According to the Parliamentary Monitoring Group, the improvement of water and sanitation in the OR Tambo District municipality currently needs to be addressed effectively and efficiently. This follows an attempt by the National Treasury to re-allocate funds that were allocated to the OR Tambo District account to improvise water and sanitation in rural areas. This study investigated the financial administration of the MIG in the ORTDM and the impact of losing the grant on the municipality and the municipality's inhabitants.

There are many sector departments involved in facilitating this programme, which includes the National Treasury, the Department of Corporate Governance and Traditional Affairs (COGTA), the Public Works, Sports and Creation, Water and Sanitation, Environmental affairs and Tourism, Minerals and Energy and Human

Settlements. The linkage between these Departments will be explained broadly in the course of this study. However, the study focused mainly on the Department of Water and Sanitation.

The following are discussed in this chapter: The introduction, the background, the literature review, the problem statement, the research questions, the research aim, the research objectives, the research methodology, the research design, the data analysis, ethical considerations, the budget, the layout of the chapters, the conclusion and the references.

1.2 BACKGROUND OF THE STUDY

According to the White Paper on Local Government 1998 (SA,1998c), intergovernmental relations (IGR) are the collection of many formal and informal processes, channels, structures, and institutional arrangements for bilateral and multilateral interaction within and between realms of government. A multiplicity of units, the predominance of public officials' attitudes and actions, informal working methods, the significance of administrators, and a policy emphasis are listed as distinguishing characteristics that set IGR apart from federalism (Wright, 1974:1). Success in managing complexity appears to be a prerequisite for intergovernmental achievements (Wright,1974:1).

Although intergovernmental relations have been practised for more than three decades and the notion it alludes to has been around for about two centuries, popularity among elected politicians, bureaucrats, academics, and the general public has only recently increased (Sternberg, 1971:1). Intergovernmental relations can be traced back to the early 1930s. However, it gained recognition in the 1960s when Anderson (1960), one of the intellectual parents of intergovernmental relations, asserted that the term "intergovernmental relations" is indigenous to the United States of America. Sternberg (1971:1, citing Edmund S. Muskie, 1963, a senator from Maine) could correctly observe in 1963 that "the field of intergovernmental relations might be categorised as the hidden dimension government performing as almost a fourth branch of government in meeting the needs of our people; nevertheless, it has no direct electorate, operates from no set perspective, is under no special control, and moves in no particular direction." Hence, scholars started to write about the concept, trying to make sense of the term IGR. Grodzin and Elazar asserted and demonstrated that intergovernmental cooperation existed in the United States throughout the 19th and 20th centuries (Wright,1974:7). Wright (1974:7) also confirms that it does seem

possible though he believes that in that period, complementary and supportive relationships were most prominent and had high political significance.

He further explained that the period from 1933 to 1953 was a cooperative phase and the prime elements of national concern during those two decades were the alleviation of widespread economic distress and the response to international threats, according to the 19th annual report of the Advisory Commission on Intergovernmental Relations (ACIR) (ACR, 1975). In 1977, the commission adopted several recommendations in the three major areas, including the intergovernmental grant system, the state mandates on local governments, and the impact of tax-exempt federal land on local government. The commission completed the analysis of a three-year project on the intergovernmental grant system. The focus was on examining the block grant mechanism in theory and in practice; probing the growth, problems and potential of categorical aid programs; and articulating a five-point “intergovernmental strategy” for the entire federal grant-in-aid system.

The commission analysed four (health, criminal justice, community development and labour) of the five-block grants. Based on its assessment, the commission identified specific fiscal, functional and political conditions under which the block grant should be used. Secondly, it pointed ten basic traits out that should be considered during the development of block grant legislation. Thirdly, it urged the Congress to abstain from re-categorising block grant programmes during the re-authorisation process. Fourthly, it recommended that, as a general principle, states should play a key planning and administrative role in block grant programmes. Lastly, it urged that block grant planning “piggyback” on the existing area-wide general-purpose planning bodies wherever possible (ACR, 1978).

Post-apartheid South Africa adopted effective and efficient intergovernmental relations as a means for coordinating sound relationships amongst the organs of the state. In South Africa, a system of intergovernmental relations is emerging to give expression to the concept of ‘cooperative government’ contained in the Constitution (SA, 1996a). South Africa is a unitary state and functions within the national, provincial and local spheres. These spheres of government are classified by the Constitution of the Republic of South Africa (RSA), Act 108 of 1996 (RSA, 1996a), as distinctive, interdependent, and interrelated. Such states are coordinated by the IGRs in mutual trust and good faith. This governing system aims to balance the past’s imbalances, such as basic level of service and inequality. (Layman, 2003:12) regards the local

government as the key site of delivery and development and stands central in the entire transformation project of post-apartheid South Africa.

The approach to addressing the above problem included establishing intergovernmental transfers through conditional and unconditional grants. Unconditional grants serve important goals of national equity and efficiency. They are essential to ensuring that residents, regardless of where they live, may receive comparable levels of public services at comparable tax rates. Whereas conditional grants are transfers municipalities may only spend on particular purposes as set out in the conditional grant framework and are worth almost equitable share transfer. The Municipal Infrastructure Grant is the biggest conditional grant. (Amusa & Mathane, 2007:281) In order to handle inter-jurisdictional spillovers, achieve the national redistribution goals, and support the implementation of certain national priorities and policies relating to socio-economic services supplied by the subnational government, conditional grants may be employed. The framework for conditional grants, as set out in the annual Division of Revenue Act 2016 (RSA, 2016), lists key areas for each grant (SA, 2016:116) citing Hendriks (2016:59):

- Strategic goal and purpose of the grant.
- Outcome statements and outputs of the grant.
- Priority outcomes to which the grant primarily contributes.
- Conditions of the grant (in addition to what is required in the bill).
- The project life cycle
- Criteria for the allocation per province
- The rationale for funding through a conditional grant.
- 2016 medium-term expenditure framework allocations
- The payment schedule.
- Responsibilities of the national transferring department and receiving provincial departments.
- The process for approval of business plans for 2017/18.

Bird and Smart (2002:899-912) state that whatever the theoretical merits of conditional grants, practical difficulties have led to an array of conditional transfers that are so detailed, complex and unrelated to the purpose for which they are intended that, in many countries, their use has led to ineffective subnational governments as well as resistance towards the grants (Hendriks, 2016:60).

Simeon and Murray (2001, cited by Dlanjwa, 2013:5) note that multilevel governance has been a problematic arrangement in South Africa. They further explain that the execution of interstate relations has not yet been formed with a fully operational system, and leaders still realise the fundamentals of governance, and multilevel governance is still a work in progress. This means that multilevel governance still needs to be improved and that the complexity of IGR processes still needs to be simplified. With the above assertion, it is evident that there is still a gap in the effective management of intergovernmental relations across all spheres.

1.2.1 OR Tambo District Municipality overview

The OR Tambo District is situated in the former Transkei in the Eastern Cape, encompasses 80% of its residences, and is one of the province's four Integrated Sustainable Rural Development Programme (ISRDP) nodes. It is one of the most rural municipalities in the Eastern Cape. Five local municipalities account for 2.7% of the South African population. The local municipalities under the ORTDM include the King Sabatha Dalindyebo (KSD) Municipality, the Nyandeni Local Municipality, the Mhlontlo Municipality, and the Port St Johns and the Ingquza Hill Local Municipality.

The OR Tambo District is a category C municipality. The conditions that determine when a category D region must have a category A municipality (metropolitan municipality) and when municipalities fall into categories B (local municipality) or C are found in the Municipal Structures Act, 117 of 1998 (RSA, 1998a). District municipalities are in charge of making legislative and executive decisions in regions with many local municipalities. With regard to the failure of municipalities to generate their own revenue and their reliance on transfers. Few district municipalities in the country are able to generate their own income through the services they offer, and "have evolved into mostly grant-funded authorities reliant on transfers for 90% of their revenue" (Palmer, 2011). OR Tambo District municipality is no exception, as the municipality is mostly reliant on grants.

1.2.2 Municipal infrastructure grant

The Municipal Infrastructure Grant (MIG) is the largest conditional grant established and approved by the cabinet in 2003 by the Department of Local Government (DPLG), now known as the Department of Corporate Governance and Traditional Affairs (COGTA) and other agencies, including the Financial and Fiscal Commission, as a means of marshalling service delivery in a coordinated manner. The MIG was

allocated to previously disadvantaged municipalities as the means to close the gap incurred during the apartheid era, by providing basic services, such as water supply, sanitation, electricity, stormwater management, refuse removal, municipal roads and street lighting. It is part of the government's overall strategy to eradicate poverty and create conditions for local economic development. (The Municipal Infrastructure Grant, 2004-2007) (DPLG, 2004).

The MIG came about through the merger of the Consolidated Municipal Infrastructure Programme, the Local Economic Development Fund, the Water Service Capital Grant, the Community-based Public Works Programme, and Building for Sports and Recreation Programme, the Integrated National Electrification Programme to local government and the Integrated National Electrification Programme implemented by Eskom and the Urban Transport Fund (Parliamentary Monitoring Group, 2015).

The MIG funds can be used to upgrade and build new infrastructure up to a basic level of service as well as to rehabilitate the existing infrastructure, as long as the infrastructure is for basic services for the poor. The vision of MIG was that "The municipal infrastructure grant programme is aimed at providing all South Africans with at least a basic level of service by the year 2013 through the provision of grant finance aimed at covering the capital cost of basic infrastructure for the poor" (MIG 2004-2007) (DPLG, 2004). There are still areas where such services have not been realised up to date, and in other areas, there is no maintenance of the existing infrastructure.

There is a growing trend of underutilising and misusing the Municipal Infrastructure Grant funds in projects that are not registered for it; this leads to poor service delivery and other irregularities within the municipality. The Division of Revenue Act No 5 of 2012 (DoRA) (RSA, 2012) allows the local government to use the grant in the manner that they have to account for money spent and report on financials and non-financials. In turn, municipalities that do not comply with the reporting requirements are penalised.

According to Kopung et al. (2016:122), one factor contributing to the service delivery backlog at the local government level is the project team leaders' inability to manage changes within the project environment due to a lack of expertise and qualifications in project management. The issue of a lack of capacity has been identified as one of the obstacles to delivering services within the project scope. This should be prioritised to ensure the effective management and use of the MIG funds.

Submission for 2016/17 DoRA (RSA, 2016) supports Kopung's assertions about the lack of capacity. They identify a lack of capacity in the national government, which also extends to the provincial and municipal level, as well as a lack of technical skills in implementing agencies as well as the poor planning processes. This means that the government should invest more in capacity building so that the municipality can develop skills in effective planning.

The Parliamentary Monitoring Group Committee-Meeting/16365/ (PMG 2013) expressed concern about the fact that the insufficient Municipal Water Infrastructure Grant funding also threatens the maintenance and service delivery and the dissatisfaction with the proposed solution, the moving target of the backlogs and preference for the regional scheme. This fund was established in 2012 to supplement the MIG in water and sanitation. In the ORTDM, the availability of groundwater is extremely poor. They proposed to use water tanks where there were no boreholes.

Chauke (2017) also confirms that insufficient funding affects the implementation plan of the project as the projects will not be implemented according to the master plan for water and sanitation. However, the municipality would have preferred an individual scheme. The National Treasury should allocate funds based on the depth of the municipality as well as the issues related to that municipality. Based on the above literature, the municipality should accelerate service delivery and improve its spending capacity. They should address the issue of human resources; the monitoring and evaluation of project team leaders should be a priority, as well as the performance of sufficient change management. Kopung et al. (2016) further suggest a linkage between expenditure and service delivery and that there should be qualified project managers to manage the grant.

1.2.3 Structure of the Municipal Infrastructure Grant

The Municipal Infrastructure Grant is coordinated at a national level and cascades to provincial and local governments. The MIG comprises a Municipal Infrastructure Task Team (MITT), which is composed of the Director Generals (DGs) of the sector departments and SALGA, and a Municipal Infrastructure Technical Task Team (MIT3), which is National MIG unit including COGTA. At a provincial level, the Provincial Municipal Infrastructure Task Team (PMITT) per province, is coordinated by the provincial department of the local government and consists of personnel from the sector departments at a provincial and local government sphere (MIG 2004-2007)

(DPLG, 2004). The Provincial Programme Management Units (PPMU) are also allocated to every province.

The municipality is responsible for delivering service under the supervision of the provincial and national governments as well as under the delegation of authority of the upper structures. Municipalities are responsible for planning a municipality's spatial, economic and social development through the five-year instrument, called the Integrated Development Plan. The mayors, councillors responsible for Infrastructure and finance, municipal managers, and CEOs are responsible for ensuring the sound financial administration of the MIG and human resource capacity for effective and efficient service delivery. (Edwards, 2008:82) confirms that there is still a challenge pertaining to increasing staff competency levels and skills to ensure effectiveness, efficiency and accountability in the provincial and local spheres in all the administrative and financial aspects. The Programme Management Unit (PMU) at the municipal level is the implementer of the MIG projects listed in the Integrated Development Plan (IDP).

1.3 SIGNIFICANCE OF THE STUDY

The study can assist with policy development so that policymakers can identify gaps in the OR Tambo District Municipality (ORTDM) in facilitating the MIG and administering the allocated funds. The study can also assist with problem identification so that the solution to the perceived problem can be found. Understanding that the reason for this study was to investigate the financial administration of MIG in the ORTDM, all the stakeholders involved in the process of the MIG allocation as well as implementation will be able to deliver services within budgeted time and scope, in an efficient, effective and coordinated manner. The grant recipients will enjoy their right to basic services as stipulated in the Constitution, Act 108 of 1996, Republic of South Africa (RSA, 1996a).

1.4 PROBLEM STATEMENT

The local government is responsible for the poor service delivery in South Africa (Mdlongwa, 2014:34). There have been extensive service delivery protests throughout the country, with the Eastern Cape overtaking the Gauteng Province as the province had the highest number of protests in 2018, followed by Gauteng and the North West Province. Over the years, the Eastern Cape has been rated as the leading province with the highest backlog regarding service delivery and on misusing government

funds. In the 2016 to 2017 financial year municipal report, the Auditor General confirmed that the Eastern Cape had accountability failures with regard to supply chain and infrastructure development and that the infrastructure projects had not been delivered because of poor planning and project management.

The lack of accountability and decisive leadership in financial management has been a problem since the 2011 to 2012 financial year audit outcomes, and that fueled poor service delivery. The Auditor-General (AG) (AGSA, 2018) entitled the report on municipalities “*Accountability continues to fail in Local government.*” Amongst the reasons for the accountability failures flagged by the AG includes inadequate skills, as well as a lack of control by the council, including mayors, and that the administration failed to create and maintain financial and performance management systems. The AG further mentioned insufficient support for municipalities from the national and provincial government role players.

The drivers of the accountability failures mentioned by the AG above can be linked to the OR Tambo District Municipality situation. In the 2016/2017 financial year, the National Treasury (withdrew an amount of R90 million allocated to the OR Tambo DM for the MIG and attempted to re-allocate the grant to better-performing municipalities (PMG, 2017). This was due to the inability of the municipality to comply with one of the MIG conditions, which included the non-submission of documents and not spending the grant according to the criteria. There was a delay in the submission of the Municipal Project Plan due to capacity constraints and poor communication between the municipality, the Department of Corporate Governance and Traditional Affairs (COGTA) and the National Treasury (Parliamentary Monitoring Group Committee-meeting, 2017). However, this could have affected the effective functioning of the municipality negatively since, in 2012, they confirmed that they were struggling to source water for its five municipalities due to the insufficient funds allocated to them (Ntshobane, 2012:3).

Based on the above statement, the researcher finds it necessary to investigate the administration of the Municipal Infrastructure Grant funds in the district to fuel the poor service delivery with regard to water and sanitation. The researcher investigated challenges faced by the OR Tambo District, which led to non-compliance in terms of Division of Revenue Act rules. Section 10(5) of the Division of Revenue Act, (Act No. 5 of 2012) (RSA, 2012a) stipulates the role of the National Transferring Officer in monitoring expenditure and non-financial information on programmes funded by an

allocation. Not adhering to the timelines and conditions could be deemed as non-reporting and subsequent non-compliance to the DoRA (DPLG, 2004-2007).

The researcher also investigated the sanitation issue in rural areas, as it is of vital importance since most communities are still using pit toilets, and the hygiene issue is partially addressed in urban areas.

1.5 AIM OF THE STUDY

The study aimed to analyse the financial administration of the Municipal Infrastructure Grants in facilitating the Water and Sanitation programme in the OR Tambo District Municipality (ORTDM).

1.6 RESEARCH OBJECTIVES

An overview of the intergovernmental grants awarded to the OR Tambo District Municipality is given in this section.

The following objectives will assist in achieving the above-mentioned aim of this research:

- To describe the Intergovernmental grants awarded to municipalities.
- To evaluate how the intergovernmental grants are used regarding sanitation in the OR Tambo District Municipality.
- To examine the extent to which the OR Tambo District Municipality complies with the MIG statutory requirements.
- To determine other challenges that the municipality encounters in administering the grant.
- To determine the impact of the non-spending of MIG on the residents of the OR Tambo District Municipality.

1.7 RESEARCH QUESTION

The overall research question addressing the research problem emanated from the above objectives.

- What Intergovernmental grants are awarded to the OR Tambo District Municipality with reference to water and sanitation?

- How are intergovernmental grants used with reference to sanitation at the OR Tambo District Municipality?
- To what extent does the OR Tambo district comply with the MIG statutory requirements?
- What other challenges are encountered by the OR Tambo District Municipality in administering the MIG?

1.8 RESEARCH METHODOLOGY AND PROCEDURES

As described by Grinnell (1993:4) and Kumar (2014:9), research is a methodical investigation that uses accepted scientific methods to address issues and generate new, broadly applicable information. In this regard, this study was interested in analysing the financial administration of the MIG in facilitating the Water and Sanitation programme in the OR Tambo District Municipality (ORTDM). The research methodology and procedures used in this study were as follows:

1.8.1 Research methodology

This study employed a descriptive approach. This study, in line with Kumar (2014: 13), sought to define a scenario, issue, phenomena, service, or programme comprehensively and gives details of, for example, of the community living conditions. This implies that it is essential to analyse how the MIG finances are administered and determine whether they deliver effective and efficient services within the required scope and time.

1.8.2 Research design

Royse (2011:27) defines a research design as something like a blueprint. It outlines the approach to be used to collect the data, in the case of this study, it was a qualitative research design. It contains information regarding *who*, *what*, *when*, *where*, and *how*, as well as the conditions under which the data will be collected, how the subjects or respondents will be chosen, and what instrument will be utilised. Qualitative research is primarily exploratory research. It is employed to comprehend underlying causes, viewpoints, and motivations in order to formulate suggestions and solutions that guide further investigation.

Many academics believe that qualitative modes of inquiry are both a perspective on how to investigate a research problem and a method (LibGuides USC, 2012:1). This

method of study is used to enhance or understand existing phenomena and information to attempt to resolve a problem. In this study, understanding the financial administration of the Municipal Infrastructure Grant with regard to water and sanitation would assist the researcher to obtain a broader perspective on how to assist the municipalities in the effective and efficient management of the MIG funds for improved and speedy service delivery in a coordinated manner. This included the availability of water and the collection and removal of refuse.

1.8.3 Population

With the aim of understanding social life through the study of specific people or locations better, qualitative research comprises a social science that gathers and analyses non-numerical data (Crossman, 2018:1). According to Chauke (2017), a researcher must describe the target population to provide a sample. He further indicates that the target group is described in terms of persons, places, and occasionally timeframes. The target population for this study was the senior management of the OR Tambo District Municipality (ORTDM) and COGTA responsible for the disbursement and management of the MIG and water and sanitation projects. This included the ORTDM Accounting Officer, the MIGmu and the Project Management Unit (PMU).

Furthermore, the researcher identified the OR Tambo District residents who were representative of the community to investigate how they were affected by the administration of the MIG.

1.8.4 Sample

“Sampling” is the term used for the techniques used by researchers to choose from the population the groups of people, things, or phenomena that they examine (Thyer, 2010:41). For this study, the researcher used purposeful sampling because, as explained by (Patton, 2002:6), it is a method that is employed extensively in qualitative research to identify and select extensive information so that scarce resources are used as efficiently as possible.

The researcher selected the senior management responsible for the disbursement and management of the municipal infrastructure grant funds, specifically, on water and sanitation projects at the OR Tambo District Municipality, the Department of Corporate Governance and Traditional Affairs (CoGTA), as well as the Eastern Cape CoGTA Portfolio Committee.

1.8.4.1 Purposive sampling technique

Identification and selection of individuals or groups of individuals who are knowledgeable and skilful about the phenomenon of interest are required for purposeful sampling, according to Creswell and Clark (2011). The objective is to concentrate on the traits of the population of interest that will allow the researcher to respond to the study questions (Kuzel, 1992). Accordingly, this researcher employed a participant selection strategy based on knowledge and experience in the financial management of the municipal infrastructure grant. The Municipal Infrastructure Grant Management Unit (MIGmu) at the Department of Corporative Governance and Traditional Affairs, the MIG Management officials at the Eastern Cape Department of Cooperative Governance responsible for the OR Tambo region, the Municipal Infrastructure Support Agent official responsible for MIG, the National Treasury official responsible for MIG budgeting, the chief financial officer, and the Project Management Unit (PMU) officials at the OR Tambo District municipality were selected to participate in the research study. The researcher selected these participants as they were champions of effective and efficient service delivery. They were also responsible for the sound financial management of municipal infrastructure grants and the effective management of projects.

1.8.4.2 Sample size

The sample consisted of nine participants instead of the twelve planned. The data were collected with three officials from the PMU in the OR Tambo District Municipality (ORTDM) and the Chief Financial Officer within the municipality; the researcher did not receive feedback from the office of the municipal managers due to the suspension of the senior manager within the office, and the acting municipal manager was changing constantly, and they refused to participate in the study with the reasoning that they had just assumed the office. The researcher also intended to interview the Municipal Infrastructure Grant Management Unit (MigMU) official from the Department of Corporative Governance, two officials from the Eastern Cape Department of Corporative Governance and Traditional Affairs responsible for the OR Tambo Region, one National Treasury official responsible for the MIG budgeting as well as the one Municipal Infrastructure Support Agency official.

1.8.5 Data collection method

The researcher collected data in the form of structured interviews. These interviews were conducted with three officials from the PMU in OR Tambo District Municipality

(ORTDM) and the Chief Financial Officer within the municipality. The participants also included a Municipal Infrastructure Grant Management Unit (MigMU) official from the Department of Corporative Governance, two officials from the Eastern Cape Department of Corporative Governance and Traditional Affairs responsible for the OR Tambo Region, one National Treasury official responsible for MIG Budgeting as well as one Municipal Infrastructure Support Agency official. The researcher chose these participants as they were directly involved in the municipal infrastructure grant management process, and the researcher felt that they possessed the information required for this study.

Data were also collected from international research findings and examples in the form of research articles, journals and existing government legislature, as well as books to compare how intergovernmental grants are governed in Brazil, Germany, Indonesia, Ethiopia, Nigeria, Tanzania and lastly, South Africa. The data collected were intended to be used to discuss and confirm the effectiveness of financial administration and good governance regarding intergovernmental grants globally. In addition, the intention was to highlight the challenges these various countries encountered in managing their intergovernmental grants, particularly regarding water and sanitation projects. A comparative analysis of these countries assisted in identifying the common challenges and finding the means to address them through platforms, such as the sustainable development goals and the African Agenda 2063 (AU 2063; 2019). It also assisted the researcher in finding the areas where the country needed to strengthen its governance by learning from other countries' management styles.

1.8.6 Data analysis

Data analysis is the process of examining, confirming, and evaluating the data closely to determine whether or not the information presented is accurate. (Patton and Cochran, 2002, p.23) state that the most common method used for descriptive qualitative projects is to identify common issues that recur and identify the main themes that summarise all the views the participants have shared with you and that entail a thematic approach. (Nowell et al., 2017:16) maintain that by documenting, systematising, and exposing the analytical methodologies fully, the qualitative researcher may show that the data analysis was performed accurately, consistently, and thoroughly, ensuring the validity of the data. For this reason, the data analysis process will be explained in detail. Thematic analysis of the data was carried out in line with the research objectives. Accordingly, the researcher used thematic networks as a presentation method.

The researcher consolidated the data, all the notes taken during the interviews were typed, and all the matters that emerged during an interview were noted. After transcribing the recordings and translating the texts into English (in a case where respondents used their home language), every interview was listened to several times for accuracy, and every transcript was read and proofread. The researcher did this to identify the factors affecting the OR Tambo District Municipality in managing the MIG fund and determining whether there was a more improved way of managing the grant to catalyse service delivery.

(Patton and Cochran, 2002:23) state that a thematic approach is the most common method for descriptive qualitative projects to identify common issues that recur and the main themes that summarise all the views you have collected. The researcher had to think about the respondents' responses and not just summarise them. This entailed that the coding of data was utilised to analyse the data. Accordingly, the researcher employed thematic analysis of the data.

1.9 LIMITATIONS OF THE STUDY

The study was limited to investigating the management of the MIG funds in the OR TAMBO district municipality (ORTDM), particularly water and sanitation. Although the study included the officials from the PMU in OR Tambo District Municipality (ORTDM) and the chief financial officer within the municipality, the municipal infrastructure grant management unit (MIGMU) official from the department of corporative governance, the officials from the eastern cape department of corporative governance and traditional affairs responsible for the OR Tambo region, the national treasury official responsible for MIG budgeting as well as the municipal infrastructure support agency official. The researcher only recruited these participants for useful and manageable data. Ethical considerations.

1.10 ETHICAL CONSIDERATIONS

The application of ethics in a professional setting frequently takes the form of a written code, agreement, or document that specifies what constitutes ethically proper conduct for members of a given organisation or profession (Kara & Pickering, 2017). It is a requirement that a researcher must apply for ethical clearance before commencing with a study, particularly in studies involving human participants. Therefore, the researcher applied for ethical clearance. The researcher also sought to seek approval

to conduct the study from the required study area before commencing with the ethical clearance application process.

Haines (2017) emphasises that it is necessary to address the ethical considerations linked to the topic relevance and design, recruiting, gathering of data, and participant depiction thoroughly in the final case report. The researcher explained the measures that would be taken to protect their privacy and guarantee that the confidentiality of the sensitive information would also be prioritised. with the participants prior to their participation in the research.

The researcher also informed the participants of the risks that could emanate from participating in the study. They were informed that they could withdraw at any time if they felt that their safety was threatened, or if they did not feel comfortable about continuing with the study. Accordingly, the participants had to participate willingly in the study and had to be aware of their rights.

1.11 CONCEPTUALISATION

Intergovernmental relations- is a collection of various official and informal channels, institutional arrangements, institutions, and processes for bilateral and multilateral contact within and between domains of government (on White Paper the Local Government) (SA, 1998c).

Intergovernmental grants- comprise a strategy the federal government uses to convince local governments to try to submit money as a fiscal federation offset to unfulfilled contracts. This type of grant reveals the donor's preferred spending behaviour to the recipient (Garzarelli, 2006:24; Garzarelli, 2013:4).

Municipal Infrastructure Grant- this initiative aimed to provide all South Africans with at least a basic level of service by 2013. It provides grant financing to pay the capital cost of basic infrastructure for poor households. It is a part of the government's larger strategy to eradicate poverty and promote local economic development (DPLG, 2004).

Municipal Water Infrastructure Grant- a grant initiated to help with the planning, acceleration, and implementation of various projects that will ensure water supply to communities that have been identified as not receiving basic water supply services (Standing committee on appropriations, March 2013) (PMG 2013).

Financial administration: includes budgeting, payment procedures, accounting and reporting of expenditures and receipts, and final auditing, but does not include monetary policy, which is the central bank's responsibility (Himsworth, 1968).

Service delivery- is conceived as the production of outputs, which includes the provision of services to government agencies and their clients. However, where the focus is on bringing about outcomes, or on the imposition of obligations, it refers instead to the implementation, and in some instances, to achieve the outcomes (Alford & O'Flynn, 2012).

Municipalities- this refers to the division of local government that lies one level below the provincial government, forming the lowest sphere of government in South Africa (Constitution of Republic of South Africa, 1996) (RSA, 1996a).

Institutional capacity- a potential and competency, or lack thereof, found within the organisations. (Koma, 2012:115).

1.12 LAYOUT OF CHAPTERS

This section provides an outline of the chapters as they appear in the research study. It consists of six chapters presented respectively.

CHAPTER 1: General introduction

The chapter deals with the introduction of the study, the background of the study, the problem statement, the objectives of the study, the rationale of the study, the literature review, the research design and the methodology, the sample description, the data analysis, delimitations of the study, the ethical considerations, the conclusion and the referencing.

CHAPTER 2: A literature review on intergovernmental grants at municipalities internationally.

A historical overview is carried out on the initiation of the intergovernmental grants awarded to the municipality as the catalyst to eradicate poverty in previously disadvantaged areas. It analyses the different theories of other scholars on the subject, and the researcher will acknowledge or challenge their limitations where necessary. It explores the Municipal Water Infrastructure Grant in the OR Tambo District Municipality's challenges of non-spending tested against the reallocation of funds by the national treasury.

CHAPTER 3: Implementing intergovernmental grant in OR Tambo District Municipality.

Explore and review the literature on the financial administration of Municipal Infrastructure Grant With reference to water and sanitation, in the OR Tambo District Municipality. The study also looks at the statutory frameworks that need to be adhered to in order to implement the grant successfully. The role of other government departments was scrutinised. In addition, this study explored the institutional and policy arrangements of the OR Tambo District Municipality in facilitating intergovernmental grants with specific reference to water and sanitation. It also looked at the transformation of service delivery facilitated by the grant to the grant recipients.

CHAPTER 4: Research Design and Methodology (Qualitative-descriptive).

The research methodology employed in this study is explained in this chapter. This study used a qualitative research method. Furthermore, it employed descriptive data analysis in analysing the data obtained from the interviews and other detailed sources in referencing to ensure their accuracy and validity before documenting the findings. This section also explains the structure and the format of the research study.

CHAPTER 5: Presentation of findings and data interpretation

The chapter focuses on the presentation of the findings and the interpretation of the data.

CHAPTER 6: Conclusion and recommendations

This chapter summarises the main outcomes of the study conducted. It also looks into all the issues discussed and make constructive recommendations and conclusion. Recommendations were made on overcoming the matters identified as obstacles to the smooth delivery of the MIG and further provides ways of promoting the effective facilitation of the Municipal Water Infrastructure Grant in the OR the Tambo District Municipality.

1.12 CONCLUSION

This chapter introduced the context and the background of the study, the literature review, the problem statement, the research questions, the research aim, the research objectives, the research methodology, the research design, the data analysis, the ethical considerations, the budget, the layout of the chapters, and the bibliography.

It also drew attention to issues related to the financial management municipal infrastructure grant in the OR Tambo District municipality. Sound financial management of the MIG will be achieved by equipping the municipality with fully capacitated personnel to obtain the required financial and project management skills. Furthermore, the national departments involved in the grant management, need to ensure that intergovernmental relations between the spheres of government are well coordinated and that the Division of the Revenue Bill provisions are adhered to.

CHAPTER 2: INTERNATIONAL PERSPECTIVE ON INTERGOVERNMENTAL GRANTS IN LOCAL GOVERNMENTS' FINANCIAL ADMINISTRATION

2.1 INTRODUCTION

This chapter focuses on the international perspective of intergovernmental grants and provides a brief overview of the SGDs and the AU vision of 2063 on good governance. The following countries - Brazil, Germany, Indonesia, Ethiopia, Nigeria, Tanzania and, finally, South Africa - are discussed to highlight the challenges in managing their intergovernmental grants regarding water and sanitation. Furthermore, it discusses the theories related to the intergovernmental grants and selects the most suitable theory. Lastly, this chapter concludes by describing the South African perspectives on intergovernmental grants.

2.2 SUSTAINABLE DEVELOPMENT GOALS

Global goals were endorsed in New York in 2015 by 193 member states of the United Nations and the global civil society. The sustainable development goals were first implemented on the first of January 2016. They are a continuation of the millennium development goals that elapsed in 2015. Global goals provide a post-development framework and will elapse in 2030. There are seventeen distinct goals which are double the millennium development goals. Each goal has two or more indicators, which makes a total of 229 indicators, and they have a total of 169 targets. Its philosophy is based on poverty eradication, addressing inequality, and tackling climate change. The sustainable development goals also advocate for financial management, the good governance of all member states, and universal water and sanitation.

Good governance is a prerequisite for achieving the sustainable development goals. There is a need for organisations that are efficient, effective, and well-led; they must adhere to the values of social justice and good governance, provide fair and equal competition, and implement openness and accountability (Al-Sharafi, Dhande & Muley, 2019). However, Roy and Tisdell (1998) note that good governance does not guarantee the successful implementation of sustainable development. Biermann, Stevens and Bernstein (2014) contend that the use of good governance goals and metrics as a kind of aid conditionality, is a cause for concern for developing nations.

They further emphasise that there are numerous indicators available to evaluate the various facets of good governance.

Of the 17 sustainable development goals, the researcher only focused on Goal 6, which refers to universal clean water and sanitation, and Goal 17, which addresses financial management and development.

Goal six (6): This goal makes provision for available clean water and dignified sanitation for all citizens of the member states. Ait-Kadi (2016) believes that due to its connection to all the other 17 SDG goals, this goal can be achieved based on the condition that the other goals are achieved. The author further maintains that other goals cannot be achieved if this goal pertaining to water and sanitation is still not attained. This proves the importance of water resources in a state.

Goal seventeen (17): This goal advocates sound financial management and encourages accountability and capacity building within the nations for the effective, coherent, well-coordinated delivery of services to the citizens. According to Gupta and Vegelin (2016), this goal seeks to achieve better domestic financial resource mobilisation. However, it is vital that the implementation policy of the aspiration be enforced.

2.3 AGENDA 2063

Agenda 2063 is the vision that was established by the African Union to address matters of common interest in Africa. These issues include good governance, democracy, and respect for human rights, justice and the rule of law. Democratic governance and institutional capacity play a pivotal role in the successful implementation of the African Agenda 2063. This developmental plan assists in ensuring the oneness of Africa in addressing the global goals, which, in this case, is goal six of the sustainable development goal.

Some African countries are not confined to these goals and are not part of Agenda 2063. That is why it will be challenging to realise this vision as a continent. According to (Pillay, 2019:56), effective government institutions and responsive systems that are geared toward the citizens contribute to the effective provision of basic service. However, in most countries, the local governments, especially, are incapacitated with regard to managing their operational services without the timely involvement of

technical experts. Tshiyoyo (2017) notes that there is a need for state capacity for this developmental vision to succeed.

Accordingly, the weak governance system in Africa threatens the effective, competent and democratic implementation of vision 2063. According to Tshiyoyo (2017), for Agenda 2063 and the SDGs to be successful and achieve this vision, transformed leadership groups, the use of peer review mechanisms, regulatory frameworks, institutions and active citizenship are required. Nyandeni (2018) also points out that a member state affiliated with various regional communities or agreements is prone to experience financial disparities. This is especially the case as the implementation priorities will be different, and finances will have to be split to implement the other goals set by the other regional communities.

Among the goals and priority areas that are being implemented by vision 2063, Goal 20 advocates for sound financial management, which is one of the challenges that the continent encounters. Most African local governments are incapacitated with regard to carrying the functions out prescribed by vision goal 20 of vision 2063. It is therefore noted that many African nations are known to have weak institutions, low human development levels, poor public financial management, insufficient supervision, and weak governance, all of which contribute to widespread corruption. It is further acknowledged that the continent has considerable resources, but there is no capacity to harness them. Goal 20 also supplements sustainable development goal 16, which addresses and acknowledges accountability and the mismanagement of public funds.

2.4 INTERNATIONAL PERSPECTIVE ON INTERGOVERNMENTAL GRANTS ON WATER AND SANITATION

Following the International Decade of Water, developed nations made a number of commitments in the early 1990s, including the recommendation that they devote 0.7 per cent of their GDP to international aid. This was never going to be simple, and for much of the first decade of the new decade, the topic of discussion was how to boost the flow of help. The Camdessus Panel, the EU Water Initiative, and the Monterrey Consensus were among the initiatives. The latter alluded to the notion that the demand side of funding was as important, if not more so, than the supply side, an idea that would later be forcefully voiced by the Gurria Task Force. By the time of the Doha Declaration, the Fifth World Water Forum, and the Third World Water Report, the worldwide conversation had shifted to a fair approach (UNESCO, 2014).

According to Smoke (2015), decentralisation – the practice of giving regional or local governments responsibility for service delivery to reap the advantages of promptness – is another rising issue. This, in turn, encouraged sub-national financing initiatives and the requirement for creditworthiness at this level. It has become popular to use intermediaries, such as banks or specialised development funds, to spread and decrease risk to levels that are acceptable to foreign lenders. According to Trémolet (2013:37), the promotion of national capital markets has also been pervasive. The argument has continued to revolve around the issue of governance and its impact on creditworthiness. Financial planning and management have now joined it with an emphasis on maximising all financial sources and the frequent mention of the trinity of tariffs, taxes, and transfers to guarantee that water and sanitation services are financially sustainable.

2.4.1 Intergovernmental grants in Germany

Germany's government is federal, with 16 federal states, which have the highest authority of the president ruling the whole federal government. The constitution of the country is the cornerstone of Germany. Therefore, any disputes are dealt with in terms of the law and the constitution of the country. Politically, Germany is not different from other countries in terms of political influence on the political stability.

Intergovernmental transfers are regarded as one of the important revenues in Germany. These transfers are used to close the instability between the financial needs of the municipality and its own tax revenues (Langer & Korzhenevych, 2018). Unlike as is the case in developing countries, these grants are believed to be for rather complex formulas rather than for disadvantaged citizens in developed countries (Brenton, 2020). Among other things, the fiscal capacity of the province is also important in the grant allocation process as it has a bearing on determining the revenue generation in the province (Dahlby & Ferede, 2016). The author further mentions that this refers to direct government spending as well. Baskaran (2016) regards the municipality as a sphere, which has a significant administrative and fiscal role in Germany.

Like any other country, the municipalities in Germany are responsible for providing basic services, including local infrastructure and public goods, through intergovernmental grants (Baskaran, 2016). However, Glaurdić and Vuković (2017) argue that grantors' allocations are politically motivated and show biasness towards

their political comrades. The researcher can argue that grantors conform to both political and fiscal decentralisation to decentralise transfers. Brazilian scholars, Bugarin and Marciniuk (2017) contend that intergovernmental grants are influenced by politicians, and that the municipality that has a political leader from the ruling government, gets the highest allocation. In Croatia, the national and local government elections exert a substantial influence on the grant allocation as they allocate more to municipalities from which they have gained support during the elections (Glaurdić & Vuković, 2017). This practice does subscribe to the set policies of allocating grants in South Africa.

2.4.2 Brazilian perspective on intergovernmental grants

Brazil is a federal government with three spheres of government, namely, the central government, which comprises 26 states, the federal district government and 5500 municipalities. The Brazil federation adopted the constitution upon decentralisation, after it was ruled by a dictatorship from 1960 to the 1980s (Herath, 2009). They also point out that Brazil was decentralised after 1988, as they resolved the diminishing budgetary resources problem.

Municipal tax revenue accounts for only 21% of the total revenue, while transfers from the federal government account for more than 60%. Arvate, Mattos and Rocha (2015:8) describe the Municipalities Participation Fund (FPM) as one of the most important funding methods in Brazil. It is also regarded as the largest conditional transfer in Brazil. Bugarin and Marciniuk (2017) cited Bremaeker (2011), who claims that in Brazilian municipalities, the FPM amounts to 81%. This transfer comes from the federal collection and is also distributed based on the criteria established by law (Mendes, 2005). It can be classified as a mandatory, unconditional, non-matching, revenue-sharing grant, as well as the industrialised product taxes that the federal government collects. Arvate, Mattos and Rocha (2015) further refer to the fact that it is classified as a redistributive transfer because it aims to reduce regional disparities.

In Brazil, the disbursement of transfers mostly depends on the political effect. Bugarin and Marciniuk (2017) highlight that the politically aligned municipalities receive higher discretionary transfers. They further add that the president bypasses the unaligned governors when transferring funds and that they are unable to spend the funds as they should. This political involvement is different from that in South Africa. The grants are stipulated in the Division of Revenue Bill (RSA, [B 6—2022) and are proclaimed through the Division of Revenue Act 5 of 2022 (RSA, 2022). The amount of the funds

to be disbursed to the municipality depends on the previous financial year's spending. Accordingly, the grant recipients suffer more as they will not receive adequate services.

In Brazil, complex resource-intensive responsibilities for the provision of water and sanitation services have been allocated to subnational governments, resulting in interdependence across levels of government that require coordination to mitigate the fragmentation, is part of the governance challenge to ensure coherence between sanitation plans and projects with wider national and regional socio-economic policies targets.

Universal coverage of the drinking water supply will be achieved in the course of the 2050s instead of the 2023s due to severe delays in the adoption of the municipal sanitation plans, the implementation of water and sanitation projects, and the non-implementation of many projects resulting in the inability to spend public funds intended for water and sanitation. All the issues are linked to capacity gaps at both the federal and subnational governments.

Based on the evidence above, Brazil's political system affects the decentralisation of funds to the subnational government. The country is also addressing issues such as inequality, which is uniform throughout the countries studied. It is evident that most countries are suffering from post-colonial challenges, and most countries are seeking remedial actions to address the matter. Brazil is no exception.

The case of the Brazilian water supply situation is similar to that of South Africa as there are delays in executing the duties resulting in poor service delivery. According to the Policy Framework for the Implementation of the MIG (DPLG, 2004), the target was that the main aim of the municipal infrastructure grants should be met by 2007. However, this is not the case, even in 2019, there are still communities with no access to social infrastructure as intended by the MIG programme.

2.4.3 Intergovernmental grants in Indonesia

Indonesia is a unitary state and is regarded as one of the developing countries in Southeast Asia. It is also dependent on the allocation of intergovernmental grants to provide basic services, including eradicating poverty. Edwin (2019) asserts that these transfers are the main sources of local capital spending. They are allocated to the most poverty-stricken areas rather than to the affluent areas, and it is felt that the intergovernmental grants contribute greatly to the reduction of poverty (Nursini &

Tawakal, 2019). They further maintain that an increase in regional government revenues, either from their own sources of revenue or intergovernmental grants, accelerates the provision of basic services to the needy. However, sixteen (16) provinces, including West Nussa Tenggara remain in poverty in 2016. This must be ascribed to the skewed administration in the local government.

In most countries, local governments are facing a challenge with regard to their capacity and Indonesia is not an exception. In this regard, Edwin (2019) comments that there is a lack of capacity for generating local revenue in Indonesia.

As part of its efforts to promote local government reform and decentralisation in Indonesia, the national government is speeding up these recently established processes. These initiatives are meant to promote local development, reduce poverty, and increase the responsiveness and effectiveness of the essential services. Through a number of programmes, including the community and the local government support sector development programme, the ADB has been assisting the nation's policies. The programme's specific goals are to (i) assist in reviving the economic activity and reducing poverty; (ii) support the ongoing decentralisation initiatives; and (iii) strengthen the local governments' capacity to deliver what is required in the local public works. As part of its efforts to promote local government reform and decentralisation in Indonesia, the national government is speeding up these recently established processes. (iv) improve the level and sustainability of fundamental public services, (v) enable local communities and civil society to participate actively in local development, and (v) enhance the local governance, transparency, monitoring, and accounting practices (ADB, Sovereign Project | 32103-013)

2.5 AFRICAN PERSPECTIVE ON INTERGOVERNMENTAL GRANTS

It is important to note the progress of the African continent in relation to decentralisation. Africa is known to have performed poorly, particularly compared with the rest of the world, regarding the level of local revenue generation and service delivery, with local governments depending heavily on central government grants to finance their budgets (Likwelile, 2018). The author further mentioned that the local government in low-income countries tends to lack fiscal capacity.

2.5.1 Nigeria and intergovernmental grants

Nigeria is a quasi-federal government, and it introduced decentralisation in 1954 and later practised it until 1991. This was because the country was growing in terms of area and population (Herath, 2009). They further indicate that the country is diverse in terms of ethnicity, religion and climate. This is one of the reasons for the decentralisation of Nigeria.

Over 80 per cent of Nigerian subnational government financial resources are derived from intergovernmental transfers (Alm & Boex, 2002). They further substantiated that there is sound economic justification for intergovernmental transfer that plays a significant role in the subnational finance that includes transfers that can be used to encourage or to stimulate specific “virtuous” subnational government activities. Further roles are to equalise the fiscal conditions of state and local jurisdictions, to finance activities that generate spillovers to nearby jurisdictions, and to increase the fiscal effort exerted by the state and the local government.

The revised MDG’s conditional grants scheme implementation manual outlines the role of the conditional grant scheme as the grant that is realising the achievement of MDGs by building a sustainable foundation to catalyse effective service delivery in the state, local government as well as the local communities. It further strengthens the role of states and local governments in articulating the needs of the communities, responding to human development indicators, and managing development initiatives. In addition, the CGS further seeks to move beyond the construction of the infrastructure to improve all the aspects of service delivery and to respond to emerging priorities and challenges.

This grant is not different from all the other grant systems, as it is also subject to the conditions set by the management on the spending of the grant. However, it is not a new grant in Nigeria as it builds on the federal government’s similar initiatives such as the UBE and ETF grants. Alm and Boex (2002) conclude that the current incidence of transfers does not channel more resources to states with greater expenditure needs and does not stimulate fiscal efforts.

2.5.2 Ethiopian intergovernmental grants

Ethiopia is a federal state. Herath (2009) believes that many countries have gradually adopted decentralisation due to the implementation of the constitution. Ethiopia adopted its constitution in 1994, whereas the decentralisation process began in 1992.

Herath (2009) also points out that the country is diverse, in terms of language and ethnicity, hence, the need for decentralisation. Although Ethiopia has adopted the decentralising of its resources, there is a growing concern in terms of its capacity, the limited local own sources of revenue and the strong political dominance, which may hamper the successful implementation of decentralisation.

There is a capacity gap in budget utilisation, planning, budgeting and implementation of the development activities in the Ethiopian regions, such as Gambella, Benishangul-Gumuz, Afar and Somali, and Lee (2000) believes that it is the manifestation of the limited infrastructure. The district-level decentralisation programme that was implemented in 2002 allowed the Ethiopian woredas to become responsible for their planning and implementation within the bounds of the resources available to them without seeking authorisation from higher levels of administration (Lee, 2000). This was after it was discovered that woredas are unable to plan and budget. In addition, he acknowledges the local government's powers to regulate land use, co-operatives and community activities, while the local municipal governments can regulate markets, sanitary and other municipal services (Lee, 2000).

Duguma (2014) assumes that in Ethiopia, the allocation and distribution of conditional grants favour the developed regions, rather than the emerging regions. Other parts of the conditional grants are allocated, distributed and disbursed to the regions and the city governments for specific purposes associated with meeting the national goals through channel one (Duguma, 2014). Moreover, he substantiates that conditional grants are allocated to meet the national objectives, so if they are not inclusive or their allocation mechanism is not transparent. If the allocated budget is not disbursed within the scheduled time to the recipients, then the national goal achievement will be at risk.

The Ethiopian grants include the Millennium Development Grant, which was established to increase the required access to resources for poverty eradication and achieve universal primary education and to promote gender equality. Other aims were to empower women, reduce child mortality, improve maternal health, combat HIV/AIDS, malaria and other diseases, ensure environmental sustainability, and develop a global partnership for development (Duguma, 2014).

GEQIP is an eight-year plan with the overall objective of improving the quality of education throughout the country (Duguma, 2014). This plan has two phases.

(Duguma, 2014) The first phase of the programme extended from 2009 to 2013 and setting standards and foundations for quality improvement reforms to support:

(i) implementation of the revised curriculum, procurement of learning materials, and strengthening of assessments; (ii) in-service and pre-service training of teachers; (iii) school improvement planning and school grants; and (iv) capacity building for planning and management, and strengthening Educational Management and Information System (EMIS)” citing (Garcia & Rajkumar, 2008)

He further cites the aim of the second phase of the plan from 2013 to 2017 as aims to expand and consolidate quality improvement reforms. According to the World Bank (2013), the second phase of GEQIP consists of the following components:

(i) Curriculum, Textbooks and Assessment; (ii) Teacher Development Program (TDP); (iii) School Improvement Program (SIP), including School Grants; (iv) Management and Administration Program (MAP), including Education Management Information System (EMIS), and (v) Program Coordination, including monitoring and evaluation activities.

According to Dungane (2014), the Productive Safety Net Programme was started in response to droughts caused by environmental degradation and poor natural resource management, together with a reduction in the size of the average landholdings due to the high population growth and conflict, governance and institutional capacity issues. This grant has been operating since 2005.

The Urban Local Government Development Programme is another Ethiopian grant specifically developed to support improved performance in the planning, delivery and sustained provision of priority municipal services and infrastructure by the ULGs (Dungane, 2014; FDRE MoUDC, 2008).

2.5.3 Intergovernmental transfers in Tanzania

Tanzania has adopted a quasi-federal system of government to govern its people. Intergovernmental transfer funds are estimated to be 90% of local government spending (Richard & Ambrose, 2018). This country has inadequate resources to generate revenue, which is the case with most developing countries. The central government, however, delegated more power and authority to the local government authorities (LGA) to improve service delivery performance and autonomy. Mtasigazya (2019) argues that the performance is still dismal as they have inadequate capacity and integrity to manage the increased fiscal autonomy and service delivery. Munyua, Muchina and Ombaka (2019) also contend that a lack of capacity and the ability to

spend may be the result of an imbalance between the local government's responsibility and the available funding. For improved service delivery, there is a need for a balance between the power and the authority delegated to the LGA and their capacity and integrity. This will assist in closing the large fiscal gap in the municipality. The central government should acquaint its staff with the necessary skills to manage the local government.

The central government needs to have a clearly defined disbursement policy to avoid delays and any other shortcomings in the execution of the grant. Richard and Ambrose (2018) maintain that unclear intergovernmental fiscal relations and uncertainty regarding the disbursement of resources to the local government authorities contribute negatively to the execution of the decentralisation process.

Likwelile and Gunning (2018) emphasise the need for capacity in the local government. Furthermore, he posits that service delivery deteriorates when it is decentralised to low-capacity municipalities. Among the factors contributing to the failure of the management are the utilisation of grants the expansion of services that did not match the available financial resources, the rampant mismanagement of funds, and incompetent personnel. This is also the case in South Africa.

2.6 SOUTH AFRICAN PERSPECTIVE OF INTERGOVERNMENTAL GRANTS

The South African water services sector has access to a wide range of financial sources (Van Ryneveld & Yorke, 2015:98). These include internal reserves, debt, off-balance, contributions, parliamentary appropriations, government subsidies, and user fees at various points in the value chain (raw water, bulk water, and municipal tariffs). Several sources are used to channel these monies, including the National Treasury, the CoGTA, the DWA, the TCTA, water boards, and municipalities. Nothing in the data suggests that the water sector is not getting a fair share of the overall amount of funding available at the national or local levels of government.

According to the National Treasury's (2012) analysis of local government finances, debt financing may be expanded by over three times, reaching slightly under R17 billion. Finance is no longer seen as the limiting element, but rather the ability of people and institutions to carry out and manage the initiatives. Municipalities are also unable to avoid spending due to a lack of technical capability and sluggish decision-making by the decision-makers (Nnadozie, 2016). He adds that for a well-functioning democracy, a country's institutional and soft capacities are essential (Nnadozie, 2017).

While the formation and stimulation of national capital markets, sub-national debt pooling, and credit enhancement are all linked to innovation in the global debate on debt financing, these institutions are already functioning in South Africa. Both the public sector DBSA and the private sector INCA raise money on the capital market to provide municipalities with a variety of financing solutions for infrastructure development, including the growth of the water sector. The capital markets are also used by TCTA, Rand Water, Umgeni Water, Johannesburg, Ekurhuleni, and Cape Town.

According to Du Plessis (2014:108), there is growing concern over the fact that while capital financing for expanding water and sanitation services has received the most attention, the operational financing required for existing infrastructure has gone unmet. This infrastructure is described as being outdated, inefficient, and susceptible to catastrophic failures. The South African Institution of Civil Engineers rates the infrastructure supporting water services as being in a poor condition. Importantly, the DWA's Blue Drop and Green Drop initiatives (2016) have not shied away from highlighting the numerous shortcomings of municipalities that are unable to deliver services effectively. This situation is exacerbated by a lack of technical, financial, and managerial skills; on the other hand, they highlight excellence in some municipalities.

Financial management in local government is emerging from a challenging transition era, according to Peterson (2014:210). First of all, a new accounting system called the generally recognised accounting practice has been implemented. Second, the planning process in the form of the IDP has been implemented and the MIG has taken the place of other national financing sources for infrastructure in the local government. The new systems demand strong governance in the form of responsibility, openness, and other characteristics.

According to both the global and South African financing trends, South African funding in the sector is driven by the standards for developing nations. There were no mechanisms in the international literature that could alter the situation in South Africa significantly. Furthermore, it does not seem realistic that focusing on the supply side of financing will result in a discernible rise in investment. Instead, the focus will need to be on the demand side, which means potential borrowers' technical and financial management capabilities will need to be developed in order to plan, finance, and carry out "bankable" projects. Additionally, this is a prerequisite for boosting financial inflows through national grant financing systems.

2.6.1 Infrastructure grants that contribute to water and sanitation in OR Tambo District Municipality

The other infrastructure grants responsible for water and sanitation in the municipality, include the Water Service Infrastructure Grant, the Regional Bulk Infrastructure Grant and the Municipal Infrastructure Grant. They are all explained in detail below.

2.6.1.1 Municipal infrastructure grant

The municipal infrastructure grant was established to provide basic services, including water and sanitation in areas with a larger backlog, as determined by the 2011 Census data. According to the policy framework of the introduction to the MIG that was amended by MITT in February 2004, infrastructure has to be provided to maximise employment and to create opportunities for enterprises to flourish. It further suggests that the MIG is a key part of the government's overall drive to alleviate poverty in the country. The MIG is regarded as one of the biggest capital grants worldwide (MIG, 2004-2007). (DPLG, 2004). It is also regarded as the largest conditional grant in South Africa.

The MIG was designed to overcome the challenges of cost-effective planning and integrated service delivery. MIG came about after the merger of several capital grants managed by various departments and municipalities unable to manage such projects. Kopung et al. (2016:116, citing Smit, 2011), maintain that the success of an infrastructure project is dependent on the approaches used, such as incorporating a grant in such a project and linking funding to an Integrated Development Plan, while allowing the community to identify needful and critical projects. In South Africa, the IDP is the primary strategic planning tool that guides and informs all municipal planning, budgeting, management, and decision-making (DPLG 2006:20). It also forms the basis of alignment between the MIG programme and other sector departments.

As illustrated below, the municipality spent 100% of its grant for two consecutive years, in the 2017/18 and 2018/19 financial years. However, in the 2019/20 financial year, the spending of the municipality declined significantly to 46.2%.

2.6.1.2 Water Service Infrastructure Grant

The Water Service infrastructure Grant is a grant that is aimed at reducing the water and sanitation backlog, especially in rural areas. This grant falls under the Department of Water and Sanitation custodianship and is implemented upon delegation from the

national government to the local government. The OR Tambo District municipality is currently implementing the grant. Whilst the municipality had a 100% expenditure of its allocation in the 2017/18 financial year, there was a notable decline of 48.9% in the 2018/19 financial year, but it improved to 94.6% in the 2019/20 financial year.

2.6.1.3 Regional Bulk Infrastructure Grant

This grant is referred to as an indirect grant through which the department builds the bulk distribution infrastructure on behalf of municipalities. The performance and structure concerning the grant were evaluated as part of a larger review of the local government infrastructure grants. The Department of Human Settlements, Water and Sanitation is the custodian of this grant. Based on the National Treasury section 71 report, the municipality spent 100% of its allocation from the 2017/18 and 2018/19 financial years and had a decline of 37.4% in the 2019/20 financial year.

Table 2.1 below illustrates the MIG expenditure compared to the other infrastructure grant allocations within the municipality.

Table 1.1: MIG expenditure in relation to other infrastructure grant allocations

Infrastructure Grants (R'000)	2017/18			2018/19			2019/20		
	Total Available 2017/18	Expenditure as at 31 June 2018	Expenditure as a % of Total Available	Total Available 2018/19	Expenditure as at 31 June 2019	Expenditure as a % of total available	Total available 2019/20	Expenditure as at 31 June 2020	Expenditure as a % of Total Available
Regional Bulk Infrastructure Grant	327 500	327 500	100,0%	309 707	309 707	100,0%	209 698	78 475	37,4%
Water Services Infrastructure Grant	124 000	124 000	100,0%	275 135	134 489	48,9%	100 000	94 618	94,6%
Municipal Infrastructure Grant	645 218	645 218	100,0%	619 684	644 014	103,9%	633 395	292 911	46,2%

(Source: OR Tambo District Municipal Infrastructure Grant Expenditure Report- September 2020)

2.7 THEORETICAL FRAMEWORK OF INTERGOVERNMENTAL GRANTS

This section presents the theoretical framework underpinning the study.

2.7.1 Decentralisation theory

This study employed the decentralisation theory to examine the financial administration of the Municipal Infrastructure Grant with reference to water and sanitation in the OR Tambo District Municipality. This theory can be traced back to the 1787s in the United States of America and was later practised in Switzerland in 1848 with the provisions of the constitution (Herath, 2009). Tiebout is one of the first proponents that recorded one of the earliest references in print, 'A pure theory of local expenditures' in 1956. This theory was later validated through the scholarly work of scholars such as Musgrave (1959), the theory of public finance Olson (1969) the principle of fiscal equivalence, which aimed at the division of responsibilities among different levels of government. Oates (1972) introduced the fiscal decentralisation theory, and lastly, Brennan and Buchanan (1980), in the introduction of the "Power to Tax" (Slavinskaite, 2015). In the 1980s and 1990s, the politicians and economists of the developed, developing and transition economy countries recognised the theory of decentralisation (Herath, 2009) which is referred to after this as the second-generation decentralisation theory. The current decentralisation system is a bit different from that of the 1960s and even prior to that.

This theory involves the spreading out of formal authorities from small countries, started to implement decentralisation for various reasons (Pollitt, 2013:6). For instance, South Africa is implementing decentralisation, and Ethiopia started to implement it after a considerable political change in the 1990s.

Decentralisation is classified into three categories, namely, devolution, delegation and deconcentration. Some unitary state governments simultaneously apply both types of decentralisation, whereas some use one type at a time. The form of government adopted in the state contributes to determining the type of decentralisation present in a particular state. At the same time, deconcentration involves handing over the administrative authority and responsibility to the lower level of government. On the other hand, delegation is the transferring of the managerial authority in an organisation and devolution is the creation or strengthening of sub-national units of government, the activities of which are substantially outside the direct control of the central government (Herath, 2009: 29).

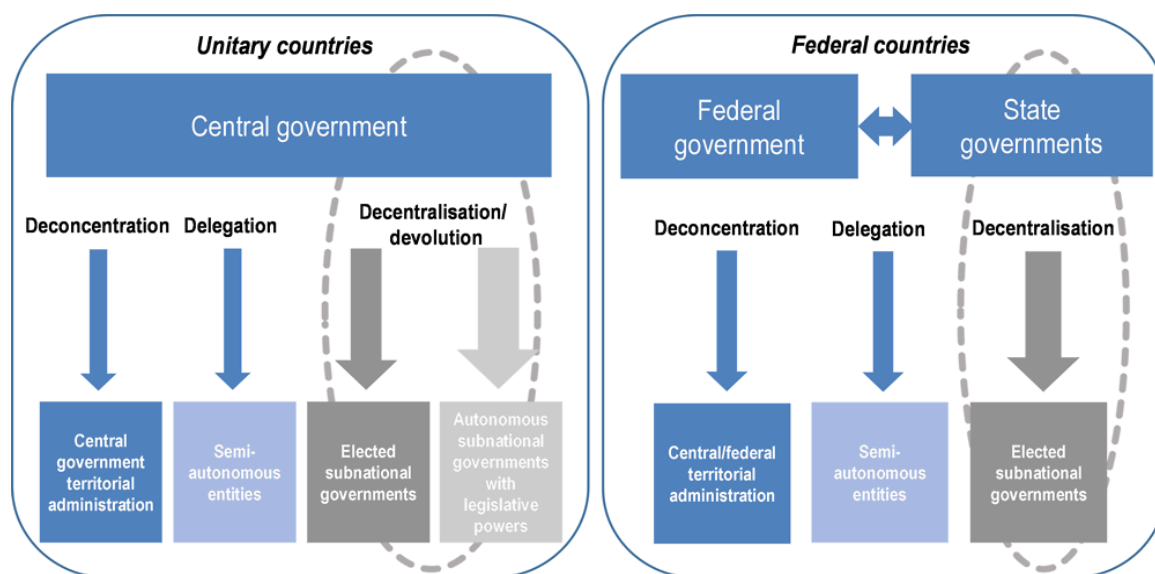


Figure 2.1: Defining decentralisation in unitary and federal countries

(Source: OECD 2019)

2.7.2 Dimensions of the decentralisation theory

The decentralisation theory can be divided into three dimensions, including administrative, political, and fiscal decentralisation. These dimensions are all interconnected. Some states utilise both simultaneously, while others only focus on one dimension. The federal government normally applies one dimension; if it does not work, they change until they find the most comfortable one. The researcher will explore all three of them and select the most suitable one for the study.

2.7.2.1 Administrative decentralisation

Administrative decentralisation is also derived from the decentralisation theory and aims to empower local government to make decisions without referencing central government (Ivanyna & Shah, 2012:5). In that the local authorities are responsible for the administration authority within their jurisdiction (Lawrence & Kinemo, 2019). The administrative duties vested within the local sphere of government are devolved to the local government authority (Lawrence & Kinemo, 2019). This will assist in ensuring that local government officials are accountable to the elected political office bearers (Ivanyna & Shah, 2012:5). According to Lawrence and Kinemo (2019), it involves the redistribution of authority, responsibility, and financial resources for providing public services among different levels of government. This includes the authority of the operational functions such as hiring and firing.

2.7.2.2 Political decentralisation

Political decentralisation advocates for the principle of representation. Political office bearers, it also allows the local government to have a direct engagement with the citizens. It also makes politicians more responsive and accountable, less distant and trustworthy (Pollitt, Birchall & Putman, 2016:6). However, this is not always the case, as most politicians are often reported to be untrustworthy and corrupt. Local governments, among other things, give citizens more influence over local officials, encourage competition among local governments, reduce corruption compared to centralisation, and improve accountability (Local Development International, 2013). Political decentralisation focuses on the manner in which subnational administrators are selected (OECD, 2019:31). They do not necessarily have to be professional politicians; ordinary citizens can be elected in a sectoral rather than a universal constituency.

2.7.2.3 Fiscal decentralisation

The fiscal decentralisation theory involves maximising the economic stability, the allocative efficiency, as well as the distributive equity (Schneider, 2003). Fiscal decentralisation is a commonly used policy to measure public sector reforms (Yushkov, 2015). According to Yushkov (2015), the inability of the local authorities to spend budget resources efficiently can be attributed to the fact that they lack the resources to finance their own spending. At the local government level, it has to do with raising revenue and municipal borrowing. It also provides the basis for allocating and distributing grants to the subnational government. The researcher will explain the

theory of fiscal decentralisation thoroughly below, as it is the most suitable theory for this study.

2.7.3 WHY FISCAL DECENTRALISATION?

The researcher chose the fiscal decentralisation theory as the study involves decentralising funds from the higher level of government to the lowest. It further outlines the number of powers transferred to the lower level of the government, including the administrative, political and financial powers. The national government transfers funds to the OR Tambo District Municipality through intergovernmental grants to provide basic-level services by covering the capital costs of the basic infrastructure.

The governance perspective pertains to when the government transfers its powers and responsibilities to a local government. Good governance contributes to effective financial management, which further advocates effective and efficient service delivery. However, there is still a need to improve the effectiveness and efficient governance as well as the realisation of the Constitution of South Africa (RSA, 1996a). The issue of accountability is, however, still a challenge in most of the municipalities. The OR Tambo District Municipality is no exception, as it is continuously beset by protests and mass action by the citizens demanding the services to which they are entitled.

Accordingly, it is important to note that the successful implementation of decentralisation may not be affected by the form of government a country has. It is also important to note that the delegation of authority, the deconcentration and devolution of powers are still part of fiscal decentralisation.

2.7.3.1 Fiscal decentralisation theory

The theory of fiscal decentralisation was introduced by Oates in 1972. Fiscal decentralisation can be referred to as the means that the government employs to increase the efficiency of service delivery to achieve higher growth in the economic realm (Canavire-Bacarreza, Martinez-Vazquez & Yedgenov, 2020). It is also important to note that in developing countries, fiscal decentralisation is utilised as a fast and effective tool to eradicate poverty (Munyua, Muchina & Ombaka, 2019). Scholars, such as Canavire-Bacarreza, Martinez-Vazquez and Yedgenov (2020), assume that in developing countries, the level of decentralisation is prone to be lower than that of developed countries.

Fiscal decentralisation can take many forms, including fiscal revenue sharing, expenditure, duty distribution, intergovernmental transfers, and the authorisation of municipal borrowing (Lin, Tao & Liu, 2003). In support of the above statement, fiscal decentralisation focuses on maximising social welfare, which is drawn in the combination of both economic stability, allocative efficiency, and distributive equity (Schneider, 2003). Moreover, fiscal decentralisation makes provision for the lower-level of government to make fiscal decisions (Shon & Kim, 2019). Accordingly, the researcher believes that the fiscal decentralisation theory deals with how the public sector is organised and the ability to create opportunities for higher growth and welfare (Martinez-Vazquez, Lago-Peñas & Sacchi, 2017). In addition, the degree of decentralisation depends on both the number of resources delegated and the autonomy in managing such resources (OECD, 2019).

There is no universal way of defining the fiscal decentralisation theory, as various scholars have written about it. However, the researcher consulted different sources to determine the definition of fiscal decentralisation. Fiscal decentralisation can be described as the process through which the revenues of the national government and the power to raise revenue locally are transferred from the national to the subnational government (Abbott & Jones, 2012). Abbott and Jones (2012, citing Manor, 1999) deduce that fiscal decentralisation refers to downward fiscal transfer through which higher levels of government systems influence budgets and financial decisions at lower levels of government. In that regard, there is a need for a theory that enhances accountability as well as the political and civil rights of the citizens as their demands and concerns are addressed respectively (Bojanic, 2018:3).

Tiebout (1956) notes that the theory of fiscal decentralisation is associated with the transferring of powers and responsibilities from the subnational to lower levels of government. This is in line with this study as the OR Tambo district municipality (ORTDM) is delegated by the national government through the Constitution Act 108 of 1996 (RSA, 1996a), namely that the local government is responsible for the provision of basic services in a coordinated manner because the ORTDM is responsible for managing the finances of Municipal Infrastructure Grants and will be held accountable for its expenditure.

From the above definitions, the researcher deduces that fiscal decentralisation is the delegation of power from the national to the subnational government without compromising the constitutional powers of each sphere of government. The municipality does not only need financial support from the national government. It also

needs to intensify its intergovernmental relations structure across the spheres as the lack of accountability is blamed on poor communication.

2.8 CONCLUSION

This chapter highlighted the international perspective on intergovernmental grants at the local government financial administration. It further provided the reader with a brief overview of SGDs and the AU vision of 2063 on good governance. The following countries: Brazil, Germany, Indonesia, Ethiopia Nigeria, Tanzania and South Africa are discussed in detail. South Africa, in general, is discussed to highlight the challenges in managing its intergovernmental grants regarding water and sanitation. Furthermore, it highlighted and discussed theories related to the grant and the researcher selected the most suitable theory for the study. The researcher also provided a clear and concise description of South Africa on intergovernmental grants. The next chapter will provide an analysis of the financial administration of the municipal infrastructure grant with reference to water and sanitation, particularly, with reference to the OR Tambo District Municipality, and specifically, by providing an overview of the ORTDM.

CHAPTER 3: FINANCIAL ADMINISTRATION OF THE MUNICIPAL INFRASTRUCTURE GRANT WITH REFERENCE TO WATER AND SANITATION, A CASE OF THE OR TAMBO DISTRICT MUNICIPALITY

3.1 INTRODUCTION

This chapter discusses the statutory frameworks for good governance, financial administration, and water and sanitation. It provides a brief overview of planning tools utilised by the South African government to achieve the set goals for a long period of time. The description of the Municipal Infrastructure Grant (MIG) financial administration, good governance and water and sanitation is provided from the perspective of both the Eastern Cape Province as well as the OR Tambo District Municipality. This chapter further notes and discusses the challenges affecting the implementation of the MIG in the OR Tambo. Lastly, the need for the applicability of public administration generic functions is encouraged.

3.2 STATUTORY FRAMEWORK FOR GOOD GOVERNANCE AND FINANCIAL MANAGEMENT

The concepts of 'good governance' and 'financial management' are regulated by a number of legislations, including the Constitution of RSA (RSA, 1996a), Public Financial Management Act 1 of 1999 (RSA, 1999), the Municipal Financial Management Act (RSA, 2003), and Division of Revenue Act (DoRA) for the relevant financial year.

The researcher notes and describes these legislations.

3.2.1 Good governance and financial management

This study discusses the legislation that ensures proper management in the local sphere of government and is especially the case during the post-apartheid regime, where power is shared amongst the three spheres, and the services are delivered effectively and efficiently in a coordinated manner. Moreover, they regulate the management of the local government sphere and the financial management in the sphere.

3.2.1.1 Constitution of South Africa (108 of 1996)

The Constitution of South Africa (RSA, 1996a) is the cornerstone of the country. As stipulated in Chapter 3 of the Constitution, it provides the basis for a clean and affordable water supply as well as dignified sanitation for everyone that is in South Africa. The Bill of Rights sets the right out to water and sanitation. It also provides a measure for good governance, both administratively and financially in all three spheres of government. Chapter 7 of the Constitution mandates the local government to:

- Provide democratic and accountable government for local communities.
- Ensure the provision of services to communities in a sustainable manner.
- Promote social and economic development.
- Promote a safe and healthy environment.
- Encourage the involvement of communities and community organizations in the matters of local government (SA, 1996a).

In realising these objectives, the concepts of ‘transparency and accountability’ should be promoted. The Constitution of RSA also promotes the notion of capacity building within municipalities and across various spheres.

In realising the right of access to water and sanitation as enshrined in Chapter 3 of the Constitution, the government must ensure that there is a proper provision of basic level services, such as sustainable water and water schemes, that sanitation services are made available, particularly in rural areas and the improved water supply in the OR Tambo DM. Other services that the government must provide are the upgrading and maintenance of the water infrastructure in the district, as well as completing the incomplete and poorly constructed water resources in rural counterparts of Ngqeleni and Mqanduli in the OR Tambo District. For the successful implementation of the Constitution, people need to adhere to the provisions stipulated in it.

3.2.1.2 Public Financial Management Act 1 of 1999

The Constitution of the Republic of South Africa, Act 108 of 1994 provides the basis for effective financial management, which promotes transparency and accountability. Furthermore, the Public Financial Management Act 1 of 1999 (PFMA) (RSA, 1999) measures and authenticates the credibility and the ability of government institutions to spend the money as prescribed by the Constitution. The Public Financial Management Act 1 of 1999 (RSA, 1999) regulates the financial management of the national and provincial government to ensure the effective and efficient management of assets, liabilities, revenue, and expenditure outlines the responsibilities of the people responsible for associated finances and connections (PFMA 1 of 1999) (RSA, 1999).

As stipulated in Chapter 13 of the Constitution, the Act of the Parliament on the Equitable share of Revenue (RSA, 1996a) provides for;

- The equitable division of revenue raised nationally among the national, provincial and local spheres of government.
- The determination of each province's equitable share of the provincial share of that revenue.
- Any other allocations to provinces, local government or municipalities from the national government's share of that revenue, and any conditions on which those allocations may be made.

Adherence to these provisions may contribute to effective and transparent governance that is accountable and responsive to its people.

3.2.1.3 Municipal Financial Management Act No 56 of 2003

This act provides for the municipality to spend and account for the funds that are transferred to them. According to (Municipal Financial Management (MFMA) Act No. 56 of 2003) (RSA, 2003), this act was envisaged to:

- Secure sound and sustainable management of the financial affairs of municipalities and other institutions in the local sphere of government.
- Establish treasury norms and standards for the local sphere of government.
- To provide for matters connected with it.

The Auditor-General of South Africa audits the 257 municipalities and municipal entities every financial year. The aim is to ensure that all municipalities create accurate financial and performance reports and that they should all comply with the MFMA. The municipality must also comply with sections 71 and 72 of the MFMA in terms of reporting.

According to the 2018/19 MFMA (RSA, 2003) media release, there is an increase of 92% in non-compliance with key legislation on the supply chain. Supply Chain challenges have also been flagged in the OR Tambo District Municipality as factors contributing to spending. The AG also noted that irregular expenditure remains high, although there is a decrease from the 2017/18 financial year. The OR Tambo District is part of the top municipalities with irregular expenditure. The select committee on the NCOP Cooperative Governance and Traditional Affairs, Water and Sanitation and Human Settlements recommended that, in accordance with section 32 of the MFMA, the ORTDM must establish a committee to investigate the historical irregular expenditure and ensure the implementation of consequence management, and that

the government of the Eastern Cape, as well as the Department of COGTA, monitor the implementation of section 32, among other sections (Parliamentary Monitoring Group 29413) (PMG: 2019).

The MFMA also establishes the basis for transparency and accountability as well as ensuring that the local governments spend the necessary funds on the required project within the timeframe. It also ensures that the local government adheres to the national treasury's norms and standards.

3.2.1.4 Municipal Systems Act 32 of 2000

This act specifies the detailed requirements for community participation, integrated development planning, performance management, administration, and service delivery. It also governs the publication of by-laws and establishes the role of the national and provincial governments in establishing standards and monitoring the local government. (2011 Local Government Budget and Expenditure Review) (RSA, 2011).

This act provides a clear distinction among the roles of the stakeholders involved in the effective and efficient service delivery of the local government and ensures that it is carried out in a coordinated manner. It also advocates community participation of the local government and ensures that they are kept abreast with regard to matters pertaining to their government.

3.2.1.5 Division of Revenue Act

This act provides the basis for the allocation of revenue collected nationally to all provinces and municipalities. It is passed on annually and approximately 94% of the provincial budget is funded by the National Revenue Fund, whilst the municipality largely depends on its own financial resources and specific grants (Cloete, 2011:99). The Division of Revenue Act 22 of 2019 (RSA, 2019) makes provisions for:

- Additional conditional allocations to provinces and municipalities authorised in terms of the Adjustments Appropriation Act, 2018 (RSA, 2018a).
- Rollovers of conditional allocations to municipalities not transferred by national departments during the 2017/18 financial year, authorised in terms of the Adjustment Appropriation Act, 2018 (Act No. 17 of 2018) (RSA, 2018a).
- The re-allocation of the stopped conditional allocations between municipalities, in terms of sections 19 and 20 of the Division of Revenue Act, 2018 (RSA, 2018b), as amended.

- Technical adjustments on conditional allocations to provinces and municipalities

Based on the local government perspective, one of the objectives of DoRA is to provide for other allocations to provinces, the local government or municipalities from the national government's share of that revenue and conditions and those allocations are made in accordance with the Constitution of RSA 214(1) (RSA, 1996a). Unspent funds for conditional grants by the municipality may be reverted to the National Treasury through the Provincial Treasury unless they prove that the funds are committed to projects and apply for a rollover.

Section 19 of the Division of Revenue Act (RSA, 2019) provides for the reallocation and/or stopping of funds from the municipalities. This measure is taken by the National Treasury in order to minimise the risk of underspending by the municipalities. However, once this section has been enacted, the municipality can motivate and provide a recovery plan for the financial year affected. If the reason is practical, the intention to withdraw will be reversed. All municipalities need to comply with all the DoRA (RSA, 2019) requirements in order to be considered as well-performing municipalities.

3.2.2 Statutory frameworks on water and sanitation

Although there is relevant and excellent legislation regulating the Water and sanitation sector in democratic South Africa, access to clean water and dignified sanitation services in South Africa has proven to be a challenge. This is especially the case in rural South Africa, as pre-1994 policies did not cater for them. This study, however, focuses on the post-1994 water and sanitation legislation.

3.2.2.1 *The Water Service Act 108 of 1997*

The Water Service Act 108 of 1997 (RSA, 1997b) governs all the water service provision and infrastructure by recognising the access to a basic water supply and sanitation and the roles of all the spheres of government in the provision and management of water resources. It further outlines the roles of water service authorities and water boards in the water supply. According to this act, water service authorities have a duty to provide a reliable water supply to the public, and these water service institutions must take reasonable measures to realise the right to access basic water and sanitation.

Water boards promote cooperation in the provision of water and sanitation. Water boards are organisations that provide bulk water services throughout the country, and

the department of water and sanitation administers nine of them. It is prone to financial assistance, and the minister will regulate the terms and conditions of any given grant, loan, or subsidy.

Even though there is this provision, water boards are still failing to deliver at the required standards. The poor financial management in municipalities affects the proper functioning of the water boards negatively, so that they do not have enough money to refurbish the water infrastructure and manage water pollution. The Grahamstown municipality owed water boards 8.6 billion Rand, and the water boards owed the Department of Water and Sanitation an amount of 4.6 billion Rand (News24, 14/11/2018). For the effective and efficient management of water between the water boards and the three tiers of government, policy reinforcement should take precedence.

3.2.2.2 The White Paper on the Water Supply and Sanitation (1994)

This white paper (RSA, 1994) acknowledges the new Department of Water Affairs and Forestry (DWAFF), which has been the Department of Water and Sanitation (DWA) since 1994. It sets out the policies that provide a rapid response regarding the provision of water and sanitation in the local sphere of government. Furthermore, it outlines the need for clear frameworks, which stipulate that the local government should play its role. and it should be equipped with adequate knowledge of what to expect at a higher level of government. The following section discusses what this white paper includes:

3.2.3 Planning tools for the South African government

The researcher will provide a brief description of the South African planning instruments that prioritise service delivery. This includes the National Development Plan (NDP), the Medium-Term Strategic Framework (MTSF) and the Integrated Development Plan (IDP). As listed above, the MTSF breaks the mandate of the NDP down into five years and implements it at a sector level; accordingly, the IDP breaks the mandates carried out by the MTSF down and that are implemented in the local sphere of government.

3.2.3.1 National Development Plan

The National Development Plan (NDP) is a 30-year plan formulated in 2012 with the aim of eradicating poverty by 2030 in South Africa (RSA, 2012b). The IDP recognises the poor capacity, weak administrative systems, undue political interference in

technical and administrative decision-making, and uneven fiscal capacity as some of the considerable challenges confronting the local government. It suggests that for the municipalities to overcome these constraints, long-term strategies need to be adopted properly, allow more experimentation in institutional forms, and work collaboratively with the national and provincial government. Furthermore, it emphasises that for it to be implemented, it must be ensured that rural communities can benefit from both the bulk and reticulation infrastructure and that infrastructure pricing is sensitive to the needs of rural communities. One of the NDP's proposals for revitalising rural areas is to reform the planning system to address the fragmented responsibility for planning in the national government, poorly coordinated intergovernmental planning, the cross-municipal disconnect, and the limitations of the IDPs.

The NDP (RSA, 2012b) states that before the year 2030, all citizens will have consistent access to enough clean and safe water. It points out that the responsibility for providing services will remain at the local government level. However, alternatives such as community-based management, local franchising or the use of regional water utilities will be allowed, provided that they will be more effective.

3.2.3.2 Medium-term strategic framework

A medium-term strategic framework is a five-year plan that aligns the mandate of the NDP, delivers the manifesto mandate as well as constitutional and statutory obligations (RSA, 2014). In realising these obligations, the MTSF incorporates and aligns all the plans and programmes of the national and provincial departments, as well as those of the municipalities and public entities. The MTSF , acknowledges a need for municipalities to supply and maintain a sufficient core set of fundamental services, such as water, sewage, power, municipal roads, garbage collection, and traffic lights .

The MTSF progress is assessed annually. Regarding the need for the provision of basic services of the NDP, the MTSF has identified a need to invest in rail, water and energy infrastructure for growth and investment in regulatory reforms. The provision of such services instils policy certainty regarding the fact that the government is committed to ensuring that the supply of energy and water is reliable to achieve the economic growth key targets for the MTSF with regard to responsive, accountable, effective and efficient local government. The NDP anticipated that by 2030, full access to adequate and reliable water will be achieved. The MTSF targets, concerning water,

include an improvement in the overall municipal audit outcomes, with at least 75% of municipalities receiving unqualified audits by 2019.

This may be achieved in most of the previously disadvantaged municipalities, including the OR Tambo District Municipality, provided that the technical capacity constraints and other factors are realised.

3.2.3.3 Integrated development plan

The integrated development plan is a five-year strategic development plan prepared by the municipalities through the planning process with communities with the intention of identifying challenges to sustainable settlements for local communities. The IDP also aligns its planning process with that of the NDP. The OR Tambo District Municipality advocates good governance and public participation in realising the constitutional mandate of ensuring public involvement. The evidence shows that municipalities rather plan for the communities instead of planning with them. In his dissertation on the *Municipal Infrastructure Grant and Service Delivery in Overstrand and Theewaterskloof Municipality*, (Lifa, 2019), expresses concern about the level of understanding and knowledge of the MIG budgeting and projects. This follows the response of an interviewee who claimed that the municipal administrators only submit the compiled budget to the councillors for approval and that they are not involved in the budgeting and project planning process.

The IDP also assists the municipalities in planning for the short, medium and long-term to ensure the smooth delivery of services in an effective and sustainable manner. The IDP constitutes matters related to water, sanitation, housing, electricity, and roads.

All spheres of government play a significant role in the planning and implementation of the IDP, although the local government plans and adopts the programme. The national and provincial tiers of government support the municipalities with the technical capacity, as well as the financial resources for the success of the IDP. However, the policies, legislation and the programmes of the various sector departments need to be aligned with the IDP.

3.2.3.4 Role players

Councillors act as the bridge between the community and the council. They communicate with their communities through forums such as indabas to identify the needs and to ensure that all the priority areas are reflected and addressed.

Officials from all the departments need to be involved in the planning process of the IDP. This will assist in ensuring that everything that the municipalities do, is addressed.

Municipal stakeholders: the IDP process allows all the stakeholders that are within the municipal area to participate in its planning and implementation. This will ensure that they do not find themselves in binding decisions that are not in their favour.

With regard to the provincial and national sector departments, municipalities align their policies and programmes with those of the sector department to ensure alignment with its policy development.

3.3 DESCRIPTION OF THE MUNICIPAL INFRASTRUCTURE GRANT

The Municipal Infrastructure Grant is the funding arrangement established by the South African cabinet on 5 March 2003 to provide basic-level services through the provision of grant finance for the benefit of all South Africans. Although the Department of Corporate Governance and Traditional Affairs is the custodian of the grant, there are many departments with which the department is associated when utilising the grant. For this study, the researcher decided to focus on the Department of Water and Sanitation as it seeks to analyse the MIG's financial administration in rendering water and sanitation services in a local sphere of government. One of the key indicators for the implementation of the grant includes, but is not limited to, the decentralised service delivery, the consolidation of funding instruments, poverty alleviation, job creation through EPWP, local economic development, the empowerment of municipalities as well the access to basic services. For that to be achieved, there is a need to address the prevailing lack of coherence and coordination in governance and its implementation. The MIG is a conditional grant, and the municipality must comply in terms of the Division of Revenue Act for the relevant year, Cross cutting conditions (Section 8.2 of the MIG policy framework document, the concise version – the final version is dated 5 February 2004) as well as the sector-specific conditions. The researcher will provide a brief background on the management of the grant.

Section 40 of the Constitution of RSA (Act 108 of 1996) (RSA, 1996a) provides the basis for the distinctive, interdependent and interrelated spheres of government. Corporate Governance and Traditional Affairs (CoGTA), as the custodian of the grant, does not work in isolation. All spheres of government are involved in the management of the municipal infrastructure grant (MIG). However, the MIG Management Unit (MIGMU), which is situated at the CoGTA, implements and/or regulates all the policies

related to infrastructure delivery. In addition, there are established forums and entities that provide support to municipalities in need. All the Director-Generals of the sector departments participating in the execution of the MIG, form part of the Municipal Infrastructure Task Team (MITT), which reports to the Inter-Ministerial Committee (IMC). The success of the relationship between all the stakeholders involved depends on the effective coordination of intergovernmental relations.

Every province then establishes and coordinates its Provincial Municipal Infrastructure Task Team (PMITT), which comprises sectoral representatives from both the provincial and local spheres of government. They further established the Provincial Programme Monitoring Unit, which is known as the Project Monitoring Unit (PMU at a municipal level). At the provincial level, they ensure that all the financial reports at a municipal level are submitted on time and are satisfactory and comply with the conditions of the grant. However, there are municipalities that do not have PMUs and are solely responsible for managing their grant. In this instance, the accounting officer assumes the responsibility of managing the grant. This is the tier of government in which the project implementation takes place. The municipality implement based on the projects that are approved with the involvement of the community, water boards and other relevant stakeholders. It is, therefore, important to plan the IDP with the community as it ensures that the service addresses the community's needs. The IDP must address the sectoral plans as noted on the MTSF, as well as the NDP. It also makes provision for the MISA to support and assist municipalities with the implementation of infrastructure projects

Corporate Governance and Traditional Affairs (CoGTA) works closely with MISA to realise the objectives of the Back-to-Basic programme, which makes provision for the maintenance of the infrastructure and the accelerated delivery of services. Pillar two of the Basic-to-Back service advocates the consistent delivery of high-quality municipal services. Therefore, they provide technical support to municipalities, particularly those in distressed areas and who are unable to deliver services as required by the Municipal Infrastructure Grant.

3.4 IMPLEMENTATION OF THE MUNICIPAL INFRASTRUCTURE GRANT

The Municipal Infrastructure Grant (MIG) funding is a conditional grant, therefore, it is disbursed and based on meeting on the binding conditions stipulated by the Division of Revenue Act (DoRA) (RSA, 2012a). This fund is split between the Special Municipal

Infrastructure Fund (SMIF) and the municipal allocation for infrastructure based on a formula mechanism.

Many stakeholders are involved in the process of allocating and implementing the grant and play a vital role in the successful implementation of the project. Prior to implementing the grant, there is community profiling, where the community is given an opportunity to choose the service it needs; this process is prescribed in the 1996 white paper for local government, where it addresses the process of the Integrated Development Plan (IDP).

The National Treasury administers the legislation that regulates the financial affairs of all government institutions. In this instance, the most important act is the municipal financial management act (MFMA), as it regulates the budgeting and tariffs setting processes of local government. It also has legislation that has an implication with regard to the municipal infrastructure grant, the Division of Revenue Act (DoRA) (RSA, 2012a). DoRA ensures that municipalities observe and operate within the macroeconomic framework driven by the national government. The Division of Revenue Act provides the basis for the conditions of the Municipal Infrastructure Grant, that is, cross-cutting.

If the municipality infringes on any of the conditions stipulated in the DoRA, serious actions by the National Treasury will be taken, such as, re-allocating the funds to the well-deserving municipality. The municipalities need to spend the grant on the budgeted projects and ensure that they comply with all the reporting procedures stipulated by the transferring officer concerned.

The sector departments (Water and Sanitation) in this instance, are responsible for policy-making, including the setting of norms and standards for water services infrastructure. It ensures that all the water service development plans and interventions with regard to water service-related activities are in place.

The municipality has had challenges with implementing the grant. Based on the report of the select committee on appropriations on the oversight visit to the OR Tambo District Municipality during the period from 30 July to 03 August 2018, an amount of R90 million was withheld in the 2016/17 financial year (PMG, 2017). This is in compliance with the Division of Revenue Act 3 of 2016 (RSA, 2016). According to the report, the National Treasury halted these funds due to improper reporting, non-registered projects, and the slow take-up of projects.

The reports also suggest that the municipality had been spending MIG fully in the 2017/18 and 2018/19 financial years, but there is concern about whether monitoring and evaluation were done properly to ensure that there is value for money (PMG, 2019). It further notes the appointment of the same contractors for various projects. This exposes favouritism and possible corrupt activities within the procurement department. One of the final observations of this report highlights the illegal appointment of the Amatola Water Board as an implementing agent. Figure 3.1 below illustrates the overview of the whole project cycle.

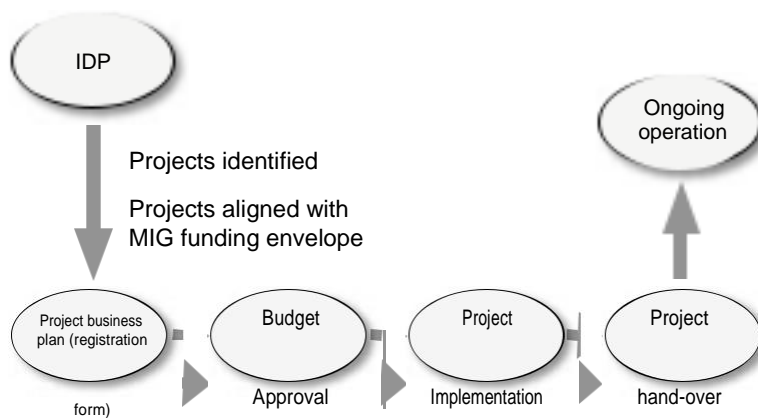


Figure 3.1: Overview of the project cycle

(Source: Annex B – MIG Introductory Guide)

3.5 OVERVIEW OF EASTERN CAPE FINANCIAL ADMINISTRATION AND WATER AND SANITATION CHALLENGES

Table 3.1: MIG Expenditure across the Districts' Municipalities

Infrastructure Grants (R'000)	Total Available 2017/18	Expenditure as at 30 June 2018	Expenditure as a % of Total Available	Total Available 2018/19	Expenditure as at 30 June 2019	Expenditure as a % of total available	Total Available 2019/20	Expenditure as at 30 June 20120	Expenditure as a % of total available
OR Tambo District	645 218	645 218	100,0%	619 684	644 014	103,9%	633 395	292 911	46,2%
Sarah Baartman District	24 764			36 776					
Amathole District	436 439	407 235	93,3%	399 232	398 565	99,8%	428 272	16 396	3,8%
Chris Hani District	292 340	253 294	86,6%	270 880	184 932	68,3%	287 034	268 580	93,6%
Joe Gqabi District	159 725	159 725	100,0%	153 554	153 554	100,0%	156 868	20 769	13,2%
Alfred Nzo District	373 989	473 647	126,6%	347 914	347 914	100,0%	376 009	224 004	59,6%

Source: OR Tambo District Municipal Infrastructure Grant Expenditure Report- September 2020

Based on the above table (Table 3.1), none of the district municipalities spent the whole allocation in the 2019/20 financial year. Chris Hani District has the highest expenditure of 93.6%, followed by the OR Tambo District with 46.2%. The Sarah Baartman District did not report in the year under review. These data are extracted from the report of the select committee on appropriations on the oversight visit to the OR Tambo District Municipality during the period of 30 July to 03 August 2018.

The decline in the performance of the OR Tambo District raises concerns about whether they have attended to the resolutions of the select committee and carried the recommendations out. It is not clear whether the municipality applied for a rollover as they currently do not have a municipal manager and one of the conditions of the division of revenue bill indicates that this is the responsibility of the accounting officer. provides for the presence of a municipal manager (RSA, 2018c). In addition, they reported that some of the projects were at a standstill due to cashflow challenges, yet the municipality allowed the funds to return to the National Treasury.

The Eastern Cape Province is one of the most rural and previously disadvantaged provinces with minimal service delivery. The EC is the only province in South Africa with potential surplus water resources, with the Umzimvubu River in the OR Tambo

and Alfred Nzo district municipalities as the largest underdeveloped water resource in SA (WRC 2280). The issue of water and sanitation is one of the most prominent services demanded by the citizens of the provinces. In the past few months, the province has been affected by strike action, demanding basic service delivery from the current government of the day.

Water is an extremely sensitive issue throughout the country and needs to be addressed. In addition, the City of Tshwane in Gauteng has water and sanitation challenges as Hammanskraal is drinking milky water, and the government of the day is still trying to find the means to resolve this challenge. The water was declared unfit for human consumption by the South African Human Rights Commission (SAHRC) and was also confirmed by the independent sample analysis done by the CSIR. It stipulated that some of the drinking water determinants are not compliant with SANS: 241 and can cause chronic health conditions to the residents. (eNCA, 7 August 2019).

Within the province, the Makhanda Municipality issue has confirmed that there are serious challenges with regard to the management of funds for water and sanitation. After it was put under administration in 2014, the municipality was unable to enforce sound financial management. It was confirmed by *Business Live* on 18 April 2019 that the CFO is trapped in overtime and incorrect budgeting with regard to the capital budget, and which resulted in the unacceptably low spending on basic services and large infrastructure projects, such as the roads and water infrastructure. In 2018, almost 50% of capital funds remained unspent.

In addition, the Mquma Municipality, which falls under the Amathole District, is facing considerable challenges regarding water and sanitation. Some areas have been without water for six months; this includes the Walter Sisulu University. In 2016, the municipality had the same challenge for a longer period of six months; during that period, the Mquma residents were denied their own right to basic water and sanitation. The effective and efficient management of financial resources is one of the reasons for the inadequate provision of water and sanitation in the municipality. The ANC MPL, Thabo Matiwane confirmed that an amount of R350m allocated for the pipeline that is transporting water from Ngqamakhwe to Butterworth, was returned to the National Treasury during the 2017/18 financial year because the Department of Water and Sanitation failed to spend the allocation (Dispatch Live, 12 August 2019).

The water and sanitation challenge regarding the mismanagement of public funds has always been a problem in the province, and there is a need for all the stakeholders to take the initiative with regard to curbing the problem.

3.6 OR TAMBO DISTRICT MUNICIPALITY: WATER AND SANITATION, FINANCIAL ADMINISTRATION AND GOOD GOVERNANCE

The OR Tambo District Municipality (ORTDM) is one of the previously disadvantaged municipalities situated in the former Transkei of the Eastern Cape and is one of the four Integrated Sustainable Rural Development Programme (ISRDP) nodes. The ORTDM is situated in an extremely slow-growing economy in the Eastern Cape and has 2.7% of the South African population (Parliamentary monitoring group 24542) (PMG, 2018). The local municipalities that comprise the ORTDM include, the King Sabata Dalindyebo LCM, the Nyandeni LCM, Ingquza Hill LCM and Port St John's LCM and Mhlontlo LCM.

The municipality strives to balance the apartheid gaps by providing adequate service delivery to all. The cabinet has appointed the OR Tambo District Municipality as the water service authority and water service provider of all its five local municipalities (Daily Dispatch, 04/02/20). It is designated to be the national priority municipality in terms of economic development and improved service delivery, and President Cyril Ramaphosa has listed it as the national priority municipality, together with the eThekweni and Waterberg municipality for the district-based development project during SONA in February 2020 (Ramaphosa, 2020). This district-based development model seeks to adopt an integrated approach to service delivery with regard to SONA 2020. It includes but is not limited to the refurbishment of pump stations to stop sewage spilling in the streets, building roads and laying water pipes, and providing water and toilets to the local schools.

According to the government performance index on good governance 2019, all the local municipalities under the OR Tambo District Municipality (ORTDM) were listed as the worst-performing municipalities. This government performance index provides measures based on service delivery, economic development, and administration. Two of the ORTDMs, that is, the Nyandeni Local Municipality (194) and Port St. Johns Local Municipality (211) are listed at the bottom 20 municipalities in the country against these measures. This clearly shows that ORTDM is operating under distressed conditions and needs a national intervention to improve its performance.

3.6.1 Challenges encountered by the OR Tambo District Municipality in administering the municipal infrastructure grant

The local government plays a pivotal role in service rendering and community economic and social development. Singo (2012) assumes that the factors contributing to major challenges in the delivery of services include the lack of administrative and technical expertise in municipalities, the lack of transparency and accountability, and the service delivery backlog. The OR Tambo District Municipality is no exception. They have also been demanding the accelerated delivery of services through mass action. This is the case wherein Lusikisiki informal settlements residents demanded water, sanitation and electricity (Ground up; 6 May 2019) and the recent strike by the municipality to get rid of Ms Nomakhosazana Meth pending the AG allegations of the mismanagement of funds and irregular expenditure. For this reason, the researcher would like to believe that there are service delivery challenges and a lack of proper funds management in the district.

3.6.1.1 Financial management in OR Tambo District Municipality

The OR Tambo District Municipality has been in the headlines for poor public sector management and finance management. This includes the strike action organised by the King Sabatha Dalindyebo Local Municipality (KSD LCM). Although the municipal workers demanded pay and jobs, they noted that the National Treasury had instituted a forensic report into claims of maladministration, fraud and corruption in the municipality (Timeslive, 01 April 2019 15:06 by Sikho Ntshobane).

The OR Tambo District Municipality (ORTDM) has reportedly been amongst the top five (5) worst-performing municipalities that owed R150 billion in unpaid debt Eyewitness News 08/11/2019 (EWN, 2019). According to the Parliamentary Monitoring Group 29413 (PMG, 2019), the municipality had accumulated R4.3 billion of irregular expenditure. The other

municipalities that were part of the worst performing municipalities and contributed to the irregular expenditure included the Nelson Mandela Bay Metropolitan Municipality (NMBM) R12.5 billion from the Eastern Cape and Matlosana municipality R2.7 billion from the North West, Mogalakwena R17 billion Rand from Limpopo as well as the City of Johannesburg municipality and R17 billion from Gauteng (Parliamentary Monitoring Group 29413) (PMG,2019). This is the consequence of irregular expenditure, and that will have a negative bearing on revenue. It was also noted that these municipalities

also owed R150 million in unpaid debts. For this reason, the researcher assumes that many technical problems within the municipality need to be addressed.

According to the Parliamentary monitoring group 29413 (PMG, 2019), the municipality was disadvantaged by the increase in debt, the non-collection of revenue as well, and being highly dependent on the infrastructure provided by the national government. The financial woes of the OR Tambo District Municipality (ORTDM) have been continuing for a long time, as they appealed against the stoppage of the Municipal Infrastructure Grant (MIG) allocation in 2017, which amounted to R90 million. These were the funds allocated for the Municipal Infrastructure Grant, but the municipality was unable to spend the full allocation and did not comply with a number of MIG conditions.

The researcher wanted to explore the impact the financial management of this grant has had on the community as well at the municipality at large. In addition, this ensures that the Intergovernmental Relations is well coordinated. The OR Tambo District Municipality (ORTDM) needs to establish the means to effect sound financial management.

3.6.1.2 Provision of basic services: Creating decent living conditions

The Constitution of the Republic of South Africa, Act 108 of 1996 (RSA, 1996a) provides the basis for the adequacy of basic services for all. There are a number of challenges that can be tackled in addressing service delivery, including water and sanitation, the provision of housing, electricity and proper roads and infrastructure. However, the researcher focused on the provision of water and sanitation in the municipality. The Good Governance Africa report on the local government performance index (GGA, 2019), indicates that the Nyandeni local municipality has the lowest number of people with access to piped water with an average of 0.4%. It is also indicated that the Nyandeni LCM is the lowest performing municipality on the water reticulation indicator. There is still a long way to go for the municipality to recover from these challenges, as most of the recommendations by the AG and the former minister remain unaddressed.

In May 2018, the former minister of CoGTA, Dr Zweli Mkhize added the King Sabatha Dalindyebo Local Municipality to the list of municipalities that must partake in the back-to-basics programme. This decision followed the discovery that the municipality was faced with a considerable backlog regarding the provision of reliable water and

sanitation services, housing and recreational facilities, as well as the high demand for new roads, upgrading and the maintenance of the existing infrastructure.

The ORTDM is one of the municipalities that is implementing the Municipal Infrastructure Grant programme. Bulk infrastructure is also provided for in the MIG. The operating grants, with regard to water and sanitation, include the water service operating grant and the regional bulk infrastructure grant; these are the grants that address the water issue in the municipality. Through the Water Service Infrastructure Grant (WSIG), the municipality is currently building the water supply in one of the rural areas called “Mdeni” in Ngqeleni, which will cover the Ngqeleni surrounding communities. The ORTDM, together with the Nyandeni LCM, has been implementing a project entailing the installing of water pipes for outside steps in Ngqeleni households, at the time this report was written, the programme had not been completed yet and the different service providers had been changing, and none of them ever finished the project. Presently, the project is still standing still and the community has not stopped fetching contaminated water from the river. They are still using pit toilets even in learning institutions, including primary schools, although the basic education department has adopted a policy condemning the use of pit toilets in schools. This follows several incidents where students fell into and died in those toilets.

In realising the right to clean drinking water and dignified sanitation, the government must ensure that there is proper provision of the basic services, such as sustainable water and water schemes, sanitation services must be made available in rural areas as well, together with an improved water supply in the OR Tambo DM. Furthermore, the upgrading and maintenance of the water infrastructure in the district, as well as completing the incomplete and poorly constructed water resources in the rural areas of the Nyandeni Local municipality in the OR Tambo District, is of crucial importance.

3.6.2 Other challenges that hinder the successful implementation of the municipal infrastructure grant

There are other challenges that contribute to the unsuccessful implementation of the MIG. These challenges pertain to communication, maladministration, institutional capacity, project management, procurement management as well as the public participation challenges. The researcher will unpack all these concepts below.

3.6.2.1 Communication

Prior to a disclaimer to withdraw R90 million that was intended for the municipal infrastructure grant in the OR Tambo District Municipality, the municipality challenged the provincial and national offices of the Cooperative Governance and Traditional Affairs (CoGTA), as well as the provincial and national office of the Treasury (Parliamentary Monitoring Group 24542) (PMG, 2017). However, the Provincial Treasury claims that they were not aware of the withdrawal of the grant from the ORTDM and that after receiving the news, they arranged a meeting at the National Treasury, which the ORTDM senior employees did not attend. This shows that there was a communication barrier between the parties involved.

The report of the Select Committee on Appropriations on the oversight visit to the OR Tambo District Municipality during the period 30 July to 03 August 2018 suggests that some of the local councillors were not aware of the reports that were presented before the committee. This implies that there was no clear flow of communication in the municipality.

Communication is one of the critical tools one can use to disseminate information. The poor coordination of information among the spheres of government involved in the management of the MIG, as well as the community may result in poor or failed delivery of services. The White Paper on Transforming Public Service Delivery (RSA, 1997c) provides the basis for effective service delivery so that the proper communication channels are followed. It further outlines that service standards must be published and displayed at the point of delivery and communicated as widely as possible to all the potential users so that they know what level of service they are entitled to expect and can complain if they do not receive it.

All the stakeholders involved in the municipal infrastructure grant should communicate promptly and there should be mutual respect and honesty amongst them.

3.6.2.2 Maladministration

There is no exact definition of maladministration as it varies depending on a person's act or institution. However, it manifests as a result of a lack of transparency, as well as accountability. The White Paper on Transforming Public Service Delivery, Government Gazette No.18340 of 1997 (RSA, 1997c) provides for the Batho Pele principles. The Batho Pele principles aim to improve efficiency and accountability to the public in order to improve the quality and accessibility of government services (RSA, 1997c). Thomas (2016:33) identifies the unauthorised use of public funds, bias,

neglect, arbitrariness with no redress, broken promises, abuse or misuse of administrative discretion, misleading statements, wrong advice, discourtesy, mistakes and delays, as examples of maladministration. Other examples are corruption, fraud or accepting bribes, extortion by a public or government officer, the refusal to carry out a lawful duty, scandalous conduct or electoral offences.

The King Sabatha Dalindyebo residents have shown little or no confidence in the leadership of the mayor, Dumani Zozo, who was being investigated by the National Treasury for allegations of maladministration, fraud and corruption at the troubled council) (Ntshobane, 2019).

Sonny (1999:48) has identified managerial, legal and political remedies for public maladministration.

- Managerial

An increase in "effectiveness, efficiency, and economy" is the goal of the managerial approach to public maladministration, which calls for management-oriented reforms. To address the managerial causes of bad administration, modern scientific management strategies in the areas of hiring, promoting, and functional specialisation can be used.

- Legal perspective

Administrative laws can be passed to restrain the authority of bureaucrats, especially "street-level" bureaucrats who frequently engage directly with the residents and who have a great deal of latitude in their job. The ability of the judiciary to restrain the executive power and defend individual rights is a prerequisite for the legal approach to public maladministration.

- Political perspective

The political approach to public maladministration strongly emphasises governmental openness and responsiveness, the legislature's assertiveness in stopping any arbitrary action committed by the state, and citizen participation in choosing representatives who can convey their grievances and viewpoints to the governing authorities. According to Alm and Boex (2002), political concerns in the choice of the allocation variables and political influence over the execution both contribute significantly to the final distribution of transfer resources. The power to choose the type of service needed and how well it will be provided, is granted to elected political office holders (white paper on local government transformation, 1998c). It is a fact that, the

durability of the project is impacted negatively by the elected official turnover. The new official will need to familiarise himself or herself with the project and offer inputs as well. He/she is responsible for both the efficient management of public funds and the execution of policies.

3.6.2.3 Institutional capacity

A well-capacitated municipality provides effective and efficient service to the people it is serving. During the state of the nation address, the president noted that it is empirical to address the challenge of capacity at the local sphere of government as it is at the heart of the people. This provision is outlined in section 154 of the Constitution of RSA (RSA, 1996a). According to Langaas, Odeck and Bjørvig (2007) institutional capacity building involves (i) skills upgrading, (ii) procedural improvements, and (iii) organisational strengthening. It is for that reason that the president sees the need for the provincial and national government to double their support and strengthens the capacity of the municipalities.

The OR Tambo District Municipality has been proven to be among the municipalities that need to be well-capacitated. According to the oversight report on the MIG from 30 July to 30 August 2018, the municipality is over-reliant on consultants instead of making optimal use of the Project Management Unit (PMU) in executing its projects. The National Treasury also added that appropriate teams must be capacitated adequately to drive the planning and implementation of catalytic projects as reflected in the spatial development framework.

Poor workmanship hampers the delivery of efficient, effective and sustainable services. Inevitably, this situation results in a considerable service delivery backlog and there is usually a slow response or even a lack of a plan to address this problem. This also impacts the public negatively that is waiting for government services, and also contributes to little or no trust in the current governing body. After studying the operational frameworks for the MIG spending in the North West Province, Kopung et al. (2016) conclude that underqualified personnel for project management is one factor contributing to the underutilisation of the MIG. It is, therefore, important for the OR Tambo District Municipality to ensure that it improves the capacity and transfer of skills to its employees and promotes skills development in the communities.

3.6.2.4 Public participation

Public participation includes involving citizens in all the policy and planning documents. This is a crucial pillar of democracy, as the citizens are directly involved

in decision-making. In the case of the municipality, the residents must be involved in the integrated development planning (IDP) of the municipality and must also participate through *izimbizos* and other gatherings. This provides an opportunity to be closer to the people they are serving and to know and understand their needs. The community also gets an opportunity to choose the service that it wants.

All municipalities must establish a public participation strategy that will reduce the delivery of services that are not a priority for the residents. Gittel and Tainsh (1984) suggest that public participation enhances the sense of efficacy of the public and it encourages further participation. This means that local government will be encouraged to find skills and do well for themselves and the community.

3.6.2.5 Project management

Scheepers (2015:26) assumes that adequate personnel that can control and direct the project are fundamental for the implementation of sound financial, economic as well commercial projects. Jason (2006:47) concurs and adds that the necessary experience that is required for proper and effective project management can be measured by:

- The type of projects the candidate has managed.
- The industries in which the projects were undertaken.
- The size and level of complexity of the projects undertaken,
- The number of years the candidate has spent managing the project.

He further identified personality and the ability to define appropriate quality targets and standards as necessary when providing technical support. At the OR Tambo District Municipality (ORTDM), there was evidence of poor and substandard reports being tendered by the project manager. This proves that there were no proper management and regular visits to the construction sites (PMG: ATC180912) (PMG, 2018).

During the February 2020 SONA the president assured the public that they had established the Project Management Office, the Infrastructure and Investment Unit and the Policy and Research Services to address obstacles to reforming and improving the government delivery (Ramaphosa, 2020). In effect, with the improved and strengthened capacity of the local government and the well-established project management office, there could be a successful implementation of projects and accelerated service delivery.

3.6.2.6 Procurement management

The municipalities should ensure that their procurement planning is properly designed in order to improve their supply chain management. A proper procurement plan enhances effective and efficient service delivery. Procurement challenges are usually the result of a lack of capacity in finance. Delays in the supply chain management process and approvals have been identified as factors contributing to the successful implementation of the MIG (Lifa, 2019). It was noted that the OR Tambo District Municipality (ORTDM) was using the same contractor in almost all the MIG projects they were implementing. This pattern creates concerns about whether their supply chain process is fair and just. Section 217 of the Constitution of RSA, Act 108 of 1996 (RSA, 1996a) provides for a fair, equitable, transparent, competitive and cost-effective procurement system. All public institutions must ascribe to the principle of a good procurement management system.

The OR Tambo District Municipality indicated that procurement delays are one of the reasons for underspending. Municipalities need to begin with their supply chain process in the last quarter of each financial year to allow the process to be carried out transparently and effectively. Kopung et al. (2016) also recommend that procurement must be linked to the IDP and budget as there are unanticipated changes in the process. This will also prevent delays in the implementation of the grant.

3.7 LOCAL GOVERNMENT FINANCIAL MANAGEMENT

Sound financial management in the local sphere of government advocates the effective and efficient utilisation of resources so that institutional objectives and financial sustainability are achieved. There is legislation that regulates financial management in the local sphere of government, which includes the Municipal Financial Management Act (MFMA) (RSA, 2003) supported by the Division of Revenue Act (DoRA) for the relevant financial year. Financial management involves the proper planning, reporting and controlling of financial resources in an institution. The Auditor General South Africa's general report assumes that the strict control of public funds is necessary to make sure that the services provided to our citizens benefit them and that the money is spent in a way that gives them the greatest value for their money. Venter (2007) believes that councillors or municipal officials, irrespective of the level at which they specialise, can contribute to the more effective, efficient, proper and sound financial management of municipal money received from the public.

The Growth, Employment and Redistribution policy (GEAR, 1996) advocates a new South Africa with a competitive and fast-growing economy, which creates sufficient jobs for all work seekers, which entails:

- The redistribution of income and opportunities in favour of the poor.
- A society in which sound health, education and other services are available to all.
- An environment in which homes are secure and places of work is productive.

It further stresses the need for improved water and sanitation to be treated as the first priority of rural communities. Accordingly, for the government to achieve such a country, there is a need for effective and efficient management of state resources. It is also imperative for government bureaucrats to ensure transparency and accountability in government institutions.

3.8 GENERIC FUNCTIONS OF PUBLIC ADMINISTRATION

There are generic functions that constitute Public Administration, and Cloete (1967:58) identifies them as policy-making, organising, staffing, financing, determining work methods and procedures, as well as controlling. They are referred to as generic as they are performed in all public institutions. Cloete (1967: 88) maintains that it is paramount that administrative functions institute a system before the other groups of functions can be put into effect. These functions are linked to one another; therefore, you cannot perform one function and overlook another function. It is, therefore, important that public officials abide by the public administration functions; political office bearers must also recognise them as public administration and politics coexist. The researcher will only focus on the functions related to this study and assume that the OR Tambo District Municipality did not apply them. These are financing and controlling.

3.8.1 Financing

This function must be performed in order to provide value for money. Legislators prepare directives on financial matters such as spending and reporting requirements through legislation. Everyone must account for their spending through certain platforms, such as the auditing of public funds. The spending of these funds and reporting on financial affairs is of great importance in the public sector. Failure to comply with these conditions may hamper the progress of the project. If this function is ignored, the financial heads may face serious consequences as set out in both the

Public Financial Management Act 1 of 1999 (PFMA, 1999), Municipal Financial Management Act of 2003 (MFMA, 2003) as well as on the MIG management processes and procedures (DPLG, 2006).

The OR Tambo District Municipality was identified by the Auditor General as one of the municipalities that had incurred irregular expenditure. An estimated 4.3 billion Rand was incurred by the municipality contributing to the total of R71 billion irregular expenditure incurred by all South African municipalities (Parliamentary Monitoring Group 29413) (PMG, 2019). It needs to be stressed that the municipality needs to respect and adhere to the financial legislation.

3.8.2 Controlling

Controlling ensures accountability to the executive authority through measures such as the inspection, auditing and reporting of public accounts. According to Matabane (2017), municipal accountability in the MIG administration includes submitting monthly and annual reports, implementation plans, cash-flow budgets to the national office via the provincial office, and financial statements to the Treasury. Municipal accountability in the MIG administration includes submitting monthly and annual reports, implementation plans, cash-flow budgets to the national office via the provincial office, and financial statements to the Treasury. MIG is provided for by the Division of Revenue Act, which outlines the responsibility of both the transferring and the receiving officer. In addition, the MIG conditions provide rewards and penalties for municipal performance in utilising the MIG funds. Failure to comply with the stipulated conditions may result in the stoppage of or withholding of the funds.

The OR Tambo District Municipality has shown noncompliance with the conditions of the MIG several times. This is evident in the instance where the National Treasury indicated its intention to withhold the grant due to underspending in 2017 (PMG, 2017).

It is, therefore, evident that these functions are equally important and cannot be replaced by any other function. Public institutions should ensure that they comply with these functions for well-coordinated service delivery.

3.9 Conclusion

The chapter first provided a brief overview of the MIG and the ways in which it is disbursed. The researcher then provided the statutory frameworks for financial administration and water and sanitation from the perspective of the MIG. The researcher further highlighted the planning tools for the delivery of services in South

Africa, namely, the National Development Plan (NDP), the Medium-Term Strategic Framework (MTSF) and the Integrated Development Plan (IDP).

An overview of the financial administration and water and sanitation in the Eastern Cape Province compared with the other municipalities in the province was also provided. The researcher concluded by discussing the OR Tambo District Municipality challenges with administering funds and the water and sanitation woes in the district that may hamper the effective implementation of the MIG with evidence from the media and official documents.

CHAPTER 4: RESEARCH DESIGN AND METHODOLOGY

4.1 INTRODUCTION

This study explored the research design and methodology employed in guiding this research study. The researcher employed a qualitative research method with a descriptive approach in exploring the financial administration of the municipal infrastructure grant concerning water and sanitation in the OR Tambo District Municipality. This chapter describes the data collection methods and techniques utilised in this study. Furthermore, this chapter will provide a detailed description of the data analysis and interpretation employed and conclude by outlining the ethical issues that were considered by the researcher throughout the data collection process.

4.2 ASSUMPTIONS

The study assumes that OR Tambo District Municipality has difficulties with administering the municipal infrastructure grant (MIG) funding properly, particularly in relation to water and sanitation projects. In this regard, the ORTDM has been summoned several times by the portfolio committee to the parliament to account for the administration of MIG. At some point, there was an intention to invoke section 19 of DoRA (RSA, 2018b) due to the underutilisation and misuse of funds that were intended for the water and sanitation projects. In 2019, two local municipalities under ORTDM topped the list of underperforming municipalities in South Africa, with the Nyandeni Local municipality at the 194th position and the Port St. Johns Local Municipality at the 211th place (Government Performance Index 2019) (GGA, 2019).

4.3 RESEARCH DESIGN

The researcher tried to understand the perspectives of the participants on the financial administration of Municipal Infrastructure Grant (MIG), specifically on water and sanitation projects in the OR Tambo District Municipality (ORTDM). The meaning the management ascribed to the MIG and the challenges faced by the municipality in implementing the MIG were explored. Lastly, the researcher observed the whole process of MIG, starting from the allocation of the grant by the transferring officer till the implementation of the grant. This is to identify the possible obstacles that result in the underutilisation of the grant, which amounts to the prolonged ineffective and

inefficient delivery of services. The research methodology and procedure to be used in the study is discussed in the next section.

4.3.1 Qualitative research paradigm

A qualitative research method comprises a holistic approach that often involves rich data collection from various sources to gain a deeper understanding of individual participants, including their opinions, perspectives and attitudes (Nassaji, 2015). It seeks to understand and explore rather than to explain and manipulate variables (Nassaji, 2020). This implies that a qualitative researcher does not depend entirely on a single source of data collection to obtain data. Crossman (2018) also emphasises that this paradigm allows for the in-depth and further probing and questioning of respondents based on their responses, where the researcher also tries to understand their motivation and feelings.

The different types of research methods that a qualitative researcher can use, include observations, focus groups, in-depth interviews, ethnographic research, case studies as well as content analysis (Crossman, 2018). All these are reliable methods pertaining to the qualitative data collection. In this study, the researcher made use of in-depth interviews to gain rich descriptive data on the challenges faced by the OR Tambo District Municipality on the financial administration of the municipal infrastructure grant.

4.4 RESEARCH METHODOLOGY

The researcher employed a descriptive approach as she deemed it necessary to examine and understand the processes and procedures pertaining to the municipal infrastructure grant's financial administration and determine whether the officials in charge were spending it according to the DoRA requirement. The aim was to determine whether the municipality required capacity support with regard to the procurement and financial management unit to avoid the stalling of projects and the underspending at the end of the reporting period.

4.5 SAMPLING

As a sample is referred to as a small part that need not necessarily be representative of the broader population, it is difficult to know how far we can generalise the results obtained. (Patton & Cochran, 2002). The sampling technique used in the study was

purposive sampling, and the target population for the study was the senior management responsible for the disbursement and management of the municipal infrastructure grant fund, specifically on water and sanitation projects at the OR Tambo District Municipality as well as the Department of Corporate Governance and Traditional Affairs (CoGTA).

4.5.1 Target population

Chauke (2017) maintains that in order to provide a sample, the target population should be described. He further explains that the target population is described in terms of people, place and sometimes time. The target population for this study was the senior management of both the OR Tambo District Municipality (ORTDM) and CoGTA responsible for the disbursement and management of the MIG with regard to water-related projects. This included the ORTDM Accounting Officer, the MIGmu and the Project Management Unit (PMU).

4.5.2 Purposive sampling technique

Purposive sampling entails identifying and selecting individuals or groups who are knowledgeable about the phenomenon of interest (Creswell, 2011). Its goal is to concentrate on the characteristics of a population of interest, allowing the researcher to answer the research questions (Lard dissertation). This implies that the researcher selected participants deliberately based on their knowledge and experience in terms of the financial management of the Municipal Infrastructure Grant. The Municipal Infrastructure Grant Management Unit (MIGmu) at the Department of Corporate Governance and Traditional Affairs, the MIG Management officials at the Eastern Cape Department of Cooperative Governance responsible for the OR Tambo region and the Municipal Infrastructure Support Agent official responsible for MIG were selected to participate in the research study. Other entities selected were the National Treasury official responsible for MIG budgeting, the Chief financial officer, and the Project Management Unit (PMU) officials at the OR Tambo District municipality were selected to participate in the research study. The researcher selected these participants as they were the champions of effective and efficient service delivery. They were also responsible for the sound financial management of the Municipal Infrastructure Grant and also the effective management of projects.

4.5.3 Sample size

The sample consisted of nine participants instead of the 12 originally envisaged. The data were collected from three (3) officials from the PMU in OR Tambo District Municipality (ORTDM) and the Chief Financial Officer within the municipality. The researcher did not receive feedback from the office of the Municipal Manager due to the suspension of the senior manager within the office, and the acting municipal manager was changed constantly, and they refused to participate in the study with the reasoning that they just assumed the office. The participants included a Municipal Infrastructure Grant Management Unit (MigMU) official from the Department of Corporative Governance, two officials from the Eastern Cape Department of Corporative Governance and Traditional Affairs responsible for the OR Tambo Region, the National Treasury official responsible for MIG Budgeting as well as the Municipal Infrastructure Support Agency official.

4.6 DATA COLLECTION

The researcher collected data by means of structured interviews with the CFO and three (3) officials from the PMU in the OR Tambo District Municipality, one official from the National Department of Cooperative Governance within the MIG management unit, two officials from the Eastern Cape Department of Cooperative Governance and Traditional Affairs responsible for managing the grant in the National Treasury official responsible for MIG Budgeting as well as the Municipal Infrastructure Support Agency official. The researcher chose these participants as they were directly involved in the municipal infrastructure grant management process and were convinced that they would have the required information for the study.

Data were also collected from the international findings and examples in the form of research articles, journals and existing government legislature, as well as books, to compare how intergovernmental grants are governed in Brazil, Germany, Indonesia, Ethiopia, Nigeria, Tanzania and lastly, in South Africa. The intention of collecting these data was to discuss and confirm the effectiveness of the financial administration and good governance of intergovernmental grants globally. In addition, these sources could highlight the challenges these various countries encountered in managing their intergovernmental grants, particularly with regard to water and sanitation projects. Accordingly, a comparative analysis of these countries assisted in identifying the common challenges and finding the means to address them through platforms, such as the sustainable development goals (UN: 2015) and the African Agenda 2063 (AU, 2019). It also assisted in finding the areas where a country needs to strengthen its governance by learning from other countries' management styles.

4.6.1 Interviews

The researcher collected data by using interviews and emailed the interviewee the research information sheet before the day of the interview to ensure that the interviewee was not off the topic on the day of the interview. Furthermore, the researcher explained the content and the purpose of the research to the interviewee prior to the interview. This afforded the interviewee an opportunity to decide if he or she still wanted to participate in the research project. If the researcher intends to audio-record (that is, 'tape'), video record that is, 'film'), or photograph any participant, their specific permission must be obtained in advance (Kara & Pickering 2017). The researcher also informed the interviewee whether she would be recording the interview, taking notes or both, and sought the interviewee's permission in the process.

During the COVID-19 pandemic, the researcher considered conducting some interviews through Microsoft Teams. However, factors such as the inability to interpret body language, the less formal structure, the impersonal rapport, the poor network connection as well as the prevalent office distractions due to the new MTSF year targets and priorities, were also taken into consideration. The researcher adopted the means to address most of the challenging situations noted. This arrangement was efficient in saving time and the costs of travelling.

4.7 DATA CAPTURING, INTERPRETATION AND ANALYSIS

The researcher summarised and interpreted the data in order to draw a conclusion, following which, recommendations were formulated based on the research findings.

4.7.1 Data analysis

Data analysis is the process of scrutinising, verifying, and analysing the data to determine whether or not the information provided is accurate. Patton and Cochran (2002:23) state that the most common method for descriptive qualitative projects is identifying the common issues that recur and identifying the main themes that summarise all the views you have collected, known as the thematic approach. Nowell et al. (2017) maintain that only by documenting, systematising, and revealing the analytical procedures fully, the qualitative researcher may show that the data analysis was performed precisely, consistently, and exhaustively, thereby ensuring the validity of the data. For this reason, the data analysis process will be explained thoroughly.

The thematic analysis of the data was employed in accordance with the research objectives outlined in Chapter 1.

4.7.1.1 Thematic networks

The researcher applied thematic networks as a presentation method. Thematic networks are not a data analysis method, but a technique that can facilitate data analyses. They enable the coding and grouping of data for analysis. Attride-Stirling (2001) describes the thematic networks as robust and highly sensitive tools for systematising and presenting qualitative analyses. Stemmet (2008) adds that thematic networks are graphical representations, aimed at removing a conception of hierarchy, and providing flexibility to the themes, subsequently accentuating the interconnectedness throughout the networks. This allows the in-depth exploration of the phenomenon studied and enables the researcher to organise the ideas with a better understanding of the concept.

4.7.1.2 Thematic data analysis

Thematic data analysis is a method employed in the coding of qualitative information. Fryer (2014) regards this method of data analysis as an accessible and flexible approach to providing a detailed, rich and intricate data description. The thematic data analysis process involves the identification of themes with relevance specific to the research focus, the research question, the research context and the theoretical framework (Roberts, Dowell & Nie, 2019).

The researcher created codes and reread the transcribed material with the selection of the significant data sections. Accordingly, the researcher coded the data at the beginning of the coding process to save time and avoid confusing the data. The researcher believed that thematic data analysis was suitable for this study as it assisted in analysing and reporting the qualitative responses to identify the appropriate themes.

4.7.2 Documentation

While collecting the data, the researcher jotted the notes down during the interview. When preparing for the study, the researcher conducted a desktop search on the administration of the Municipal Infrastructure Grant in the OR Tambo District. The researcher also purveyed the relevant legal and policy documents, academic publications, newspaper articles related to the study, as well as books on the research topic.

Documentation is essential in qualitative research for a number of reasons, including the need to manage the volume of notes, tapes, and documents that increase the ability to develop and outline the analytical process, and it encourages the ongoing conceptualisation and planning of the text.

4.7.3 Examining relationships and displaying data

This process is the heart of data analysis. Although some scholars believe that qualitative research does not prove any significant relationships among variables, a qualitative researcher can prove graphically or through qualitative software that there may be some relationships among the variables. This entails the exploration of the variables by the qualitative researcher to seek insight into the relationships that may exist in the study. Through this process, the researcher was able to understand the relationships among and the significance of all the matters affecting the financial management of the Municipal Infrastructure Grant in the OR Tambo District Municipality.

4.7.4 Authenticating conclusions

This process involves considering the respondents' biasness and credibility in concluding the study. The respondent's information can be assessed in terms of at least three criteria (Becker, 1958; Miles et al., 2014:331). These criteria are: 1. How credible was the informant? 2. Were statements made in response to the researcher's questions, or were they spontaneous? 3. How does the presence or absence of the researcher or the researcher's informant influence the actions and statements of other group members? The researcher took note of these criteria to ensure that the conclusion was authentic.

The ability of a qualitative researcher to provide a credible explanation for some aspect of social life contributes to the authentic conclusions reached by the researcher (Miles et al., 2014:331).

4.8 VALIDITY

Validity refers to the relevant interpretations regarding the scores obtained in a test used for a specific purpose, as well as their compatibility with scientific evidence and theories (Vakili & Jahangiri, 2018). There are three types of validity that a researcher must take into account when validating and concluding data. The validity of a study can be achieved by ensuring that both internal and external validity are achieved. The

researcher ensured that the study met the requirements of scientific research and ensured both internal and external validity. Furthermore, the researcher ensured the validity of the research findings and conclusion by taking both content validity and construct validity into account.

Content validity- is perceived to be one of the most common assessment methods for the reliability of researcher-made instruments, which is often determined at the initial stage of developing the instrument (Vakili & Jahangiri, 2018). Drost (2011) describes it as the qualitative means of ensuring that indicators tap the meaning of a concept as defined by the research. Content validity can be assessed as both a qualitative and quantitative tool. The researcher ensured content validity by ensuring that distinct questions were posed so that reliable evidence was provided at the end of the study. A lack of content validity can affect all the other measurement properties (Terwee et al., 2018)

Construct validity- involves accumulating evidence for six validity types: face validity, content validity, concurrent validity, predictive validity, convergent validity and discriminant validity (Drost, 2011). Construct validity is often employed to determine whether the research instrument that they are using is logically and empirically tied to the concepts and theoretical assumptions that are being used (Bothloko, 2017). The researcher employed measurement instruments from the previous studies and literature on the management of the municipal infrastructure grant.

4.9 RELIABILITY

The researcher also took note of the reliability of the study. Reliability is concerned with the findings of the research study and relates to the credibility of the findings (Bothloko, 2017). A reliable study can be repeated by another researcher and will still yield the same results. For reliable results, the researcher applied the scientific methods correctly to the qualitative data collection process.

4.10 ETHICAL CONSIDERATIONS

The application of ethics in a professional context often takes the form of a written code, document or agreement that stipulates the morally acceptable behaviour of individuals within an organisation or profession (Kara & Pickering, 2017). It is a requirement that a researcher applies for ethical clearance before commencing with

the study, particularly in studies involving human participants. Therefore, the researcher applied for ethical clearance and also sought approval to conduct the study from the required authorities before commencing with the ethical clearance application process.

Haines (2017) emphasises that a thorough consideration of the ethical issues related to the topic relevance and design, recruitment, collection of data and portrayal of participants in the eventual case report is required. Prior to their participation in the research, the researcher discussed the measures with the participants that would be taken to protect their privacy and guaranteed that the confidentiality of the sensitive information would also be prioritised.

The researcher also informed the participants of the risks of participating in the study. They were informed that they could withdraw at any time if they felt their safety was threatened, or if they did not feel comfortable about continuing with the study. Accordingly, the participants participated willingly in the study and were aware of their rights.

4.10.1 Informed consent

The rights of research participants include the right to informed consent, knowledge of the study's purpose, and the right to withdraw at any time (Ryen, 2016). In order to do so, the researcher first had to obtain authorisation from the study area, in this case, the OR Tambo District Municipality (ORTDM), as well as from the Department of Corporative Governance and Traditional Affairs (CoGTA).

The decision to participate should be taken voluntarily by the participants and should be supported by sufficient information and comprehension of the research and its implications (Kara & Pickering, 2017). The researcher must provide as much information as is reasonable and appropriate, in a meaningful manner to the participants. Furthermore, information must be provided regarding the following topics: the objectives and nature of the research, who will be conducting it, who will be funding it, when it will likely be completed, why it is being conducted, the potential outcomes of the research, and how the findings would be disseminated (Research Ethics Handbook of Principles and Procedures, 2018). The participants would be told of the study's objectives truthfully and that the investigation was being conducted solely for academic purposes with no expectation of financial reward for the researcher. The researcher must provide as much information as is reasonable and appropriate, in a

manner that is meaningful to the participants, regarding the following topics: the objectives and nature of the research, who will be conducting it, who will be funding it, when it will likely be completed, why it is being conducted, potential outcomes of the research, and how the findings will be disseminated (Research Ethics Handbook of Principles and Procedures, 2018). The participants were told truthfully of the study's objectives and that the investigation was being conducted solely for academic purposes with no expectation of financial reward for the researcher.

4.10.2 Anonymity

True anonymity is hardly achieved in the qualitative research study (Roth & Von Unger, 2018). In this study, this was because the researcher interacted directly with the participants, and their identities were revealed. However, the researcher ensured that the participants' identities were protected by assigning a number or pseudonyms to every participant's name. This strategy is important, especially in the case of vulnerable participants, who may experience negative consequences due to their responses. The participants were also informed of this measure, prior to the study, so that they could provide honest and unbiased information during the interviews.

4.10.3 Confidentiality of Information

The non-disclosure of information should be guaranteed regarding all the private or personal matters or views, or when any such undertaking is given (Kara & Pickering, 2017). He further alluded to the fact that data must be stored securely and safe from unauthorised access. The confidentiality of sensitive information was guaranteed to the participants, and this included the protection of personal information. The information shared by the research participants was stored safely and was made available to the researcher only.

4.11 LIMITATIONS OF THE STUDY

The study was limited to the Municipal Infrastructure Grants on accelerating water and sanitation in the OR Tambo District Municipality (ORTDM). The financial administration of the MIG by municipalities was the core subject. Moreover, the primary reason for this study was to focus on the underutilisation and misusing of the MIG. The study was cognisant of the impact this fact had on the grant recipient as well as on the day-to-day operations of the project. Furthermore, this study focused on the

PMU for data collection and the national and provincial sector departments involved in the grant.

4.12 CONCLUSION

The purpose of this chapter was to outline the research methodology and design that was employed by the researcher in this study. The researcher employed a qualitative method with a descriptive approach. The target population and the sampling technique that was employed were also identified.

The chapter further outlines the data collection method and techniques used in detail. An interview guide was used when preparing for the interviews. The data analysis and interpretation techniques were also detailed. It was necessary to employ these data analysis techniques for the validity and reliability of the research process.

Lastly, the chapter concluded by providing a brief description and outline of the ethical considerations that guided the research.

CHAPTER 5: PRESENTATION OF RESULTS, FINDINGS AND COMPARISONS

5.1 INTRODUCTION

This chapter focuses on the presentation of the findings from the data collected in the form of semi-structured interviews from the OR Tambo District Municipality and the Department of Cooperative Governance, including the MISA. The chapter will also present the research findings derived from the data obtained in official government documents aimed at addressing the performance of the municipality in relation to the Municipal Infrastructure Grant. Scholarly articles and journals on grant administration were also reviewed on this topic.

This chapter first outlines the biographical information of the research participants. At the beginning of the study, the participants were requested to state the number of years they had been in the department and or municipality. They were also requested to indicate their level of employment as well as their gender as will be illustrated and discussed below. The chapter also discusses the experience shared by the researcher during the data collection process to provide a background to and understanding of the participants.

This chapter concludes by presenting the key findings and a summary of the study emerging from the data collected and intends to discuss the themes in the summary and recommendation chapter to follow.

5.2 DEMOGRAPHICS

The researcher managed to interview five officials from the OR Tambo District Municipality. Four officials, including one official from the MISA from the Department of Cooperative Governance, were interviewed. Two officials were from the Eastern Department of Cooperative Governance, one was from the National Department of Cooperative Governance and the last one was from the MISA. A participant from the National Treasury was also consulted as he was responsible for transferring the grant.

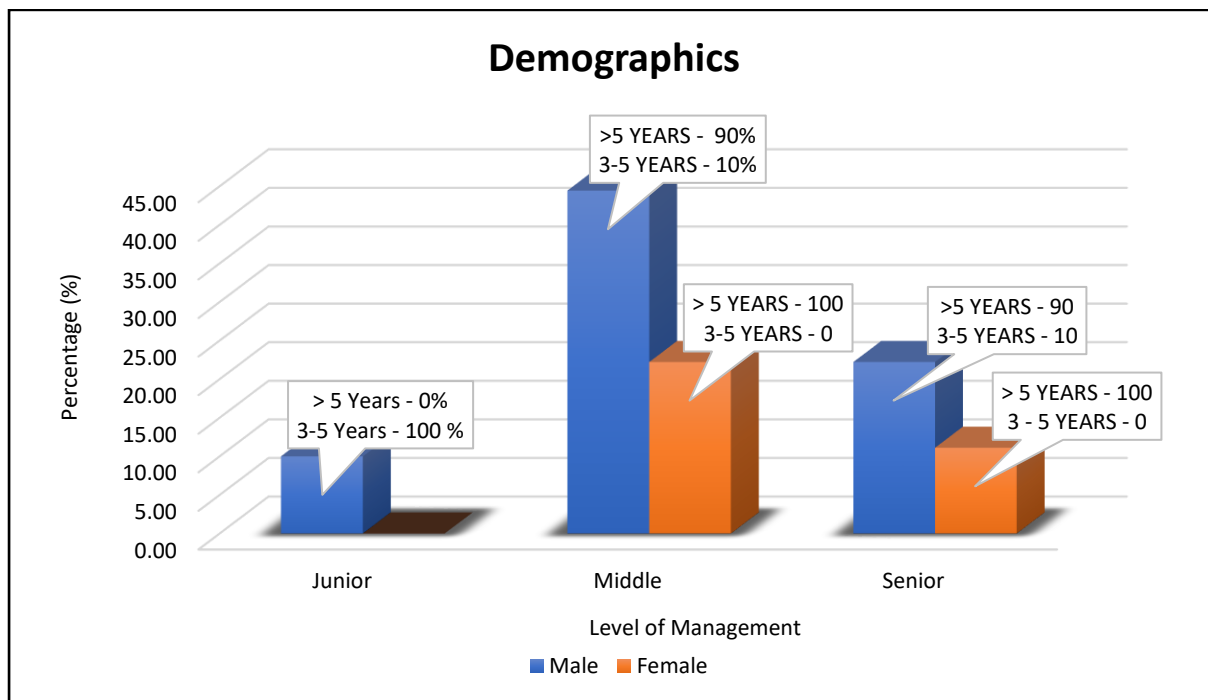


Figure 5.1: Gender representation of the participants per level of management and period of experience

(Source: Author, 2022)

Figure 5.1 above illustrates the gender representation of the participants per level of management and the period of experience within the municipality and the department. No participants were interviewed with work experience from one to three years.

Ten per cent of the participants had three to five years’ work experience at the junior management level, and 100% of those officials were males.

Sixty-six per cent of the officials in middle-level management had five years’ and above experience. Forty-five per cent of the male officials had work experience of five years and above, while 21% of the female officials had five years’ and above work experience.

Twenty-four per cent of the officials had five years’ and above work experience at the senior management level, while 20% of the participants were males and four per cent were female.

5.3 EXPERIENCE WITH THE DATA COLLECTION PROCESS

The researcher interviewed nine of the twelve research participants on the topic under study. The interviews were scheduled via email and conducted via MS Teams. It was difficult to get officials to participate in the study, particularly in the OR Tambo Municipality, due to political and capacity issues within the municipality. Consequently,

the researcher did not manage to interview the municipal manager (MM) as the manager had been suspended a week before the interviews. This MM had been absent for almost two years; at the same time, it must be pointed out that they changed the acting MM often. When the researcher contacted the acting MM, the AMM indicated that she was busy and that no one from the office could assist except for the AMM.

The researcher did manage to interview four officials, including one official from the MISA, instead of six from the DCoG. Two officials were from the Eastern Cape Department of the CoGTA, one from the national DCoG and the last from the MISA. There was also a participant from the National Treasury that was consulted as they are responsible for transferring the grant.

5.4 PRESENTATION OF THE RESEARCH FINDINGS

The research findings are based on the objectives and research questions of the study. They are outlined clearly in the first chapter. This study aimed to investigate the financial administration of the MIG concerning water and sanitation in the OR Tambo Municipality.

The study employs quotations to present the responses of the respondents directly and which are presented in italics and follow a sequence according to the name of the participant followed by the number. For instance, the ORTDM official 1 or DCoG official 1 is listed after each of the responses.

Research question 1: What challenges are affecting the ORTDM In administering the MIG

Figure 5.2 below highlights the challenges faced by the municipality in administering the MIG.

Whilst 10% of the ORTDM respondents indicated that the municipality had no challenges with administering the grant, 90% of the respondents revealed a myriad of challenges faced by the municipality in administering the MIG. Below are the responses of all the participants.

The interviewees had different views regarding the challenges affecting the administration of the MIG in ORTDM. ORTDM official 1 highlighted the issue of the terrain or topography:

The access to the site by the contractors where the local terrain does not provide easy access to sites affects the expenditure because the project's cost becomes high as they must handle the materials twice during the implementation of the project. For example, for a project that is in remote areas, the material gets to be offloaded in a different area, and the contractor ends up hiring a different mode of transport to transport the material to the desired project area. In that, the project exceeds the budgeted amount (ORTDM Official1).

ORTDM Official 2 contended that the policies and legislation that were legislating the grant, contradicted the engineering laws:

Most sections of the MFMA contradict the engineering laws. However, the MFMA stipulates that if there is any clause that contradicts the MFMA, the MFMA stands. For instance, if you have planned to use Eskom in your project, the Eskom policy requires upfront payments and that is regarded as an advance payment in terms of the MFMA and must be approved by the Treasury (ORTDM official 2). This derails the implementation of the project.

In addition, MISA official 1 assumed that there was a lack of financial controls within the municipality:

The municipality does not have proper financial controls as there was a report from the CFO, who didn't know what the engineering was doing around project implementation and only saw claims coming through (MISA 1).

To corroborate the above, ORTDM official 6 also confirmed that there was non-compliance in terms of the payment conditions on the MFMA:

The technical division has been doing pre-payments, which they were hiding from the accounting officer, and that compromised the service delivery (ORTDM official 6).

Although that is the case, the majority of the interviewees highlighted that most of the problems that the municipality faced in administering the MIG emanated from the supply chain management.

The municipality normally loses money due to non-compliance with one of the conditions. The MIG provides that after six months, the municipality must have utilized 40% of the grant. However, the municipality does not start in time, and in July. they start the procurement process rather than implementing the project (ORTDM official 6).

ORTDM official 1 indicated that the COVID-19 lockdown regulations had a negative impact on their BID Committee which led to the delay of projects:

The BID Specification Committee did not sit for three months due to the Covid-19 outbreak, they were supposed to sit in June but ended up sitting in September, so that the advertisement was published in November. Also, the ORTDM officials were on strike and that added to the SCM delay. For that reason, the projects were re-advertised after the 90-day period had elapsed. Some of those projects are currently being awarded, although it is towards the

end of this financial year, but before the 31 April 2021. The municipality will be applying for a rollover of those projects as some of them meet the requirements and the contractors have been introduced on site and are working {ORTDM official 1}.

The National Treasury official 1 asserted that the supply chain challenges were caused by the municipality's inability to plan in time.

The OR Tambo Municipality performance, in terms of the MIG, is fluctuating. The funding is allocated for a particular financial year, and mid-year, they have not started to spend the money, they run the risk of losing money even if they are going to spend it. By the beginning of the financial year, the municipality should be done with the appointment of contractors. Therefore, the procurement process should be done a year before the financial year starts (NT official 1).

The ORTDM Official 3 also concurred that the supply chain delayed the spending of the grant:

The municipality has systems in place, thus, there are no challenges in the administration. However, the municipality has challenges in adhering to the spending conditions pertaining to the grant. The municipality normally encounters these spending challenges due to the late appointment of contractors (ORTDM official 3).

However, ECCoGTA Official 1 argued differently in terms of administering the infrastructure delivery:

The municipality does not have a system so that they can determine the areas of intervention. This will assist in preventing the duplication of projects in communities (ECCoGTA 1).

Proper planning is one of the important factors in project management, and it has been argued that the municipality is lacking in this regard. To add to the above respondent's perception of planning, the officials interviewed indicated that:

Planning has not actually matched the amount of money they are receiving as their allocation is close to a billion rand. The plans are not talking to the issues that are on the ground, and that has brought it to the situation where they are addressing reticulation whilst bulk matters are not yet tackled (DCoG Official1).

The official further articulated that the municipality had a project that had been operating for more than five years, which was asymptomatic of planning.

Delivering infrastructure that is not functional indicates that there is something wrong with the planning or implementation. There is no systematic and programmatic way of delivery. They are overwhelmed with challenges related to backlogs with no way of eradicating them (DCoG Official 1).

In justifying the above statement, the DCOG official further noted that the municipality must invent solutions that are applicable to the terrain/topography:

The ORTDM is mostly rural, thus cross-planting solutions that are more in urban to rural areas. These solutions become more expensive; they are costly in terms of O&M and are costly in terms of rolling out certain infrastructure, where villages are far apart. Cross-planting solutions that are more modernised or technologically advanced and are not going back to basics, find ways to deal with matters in a cost-effective way and in a manner that will bring easier solutions (DCoG Official1).

Furthermore, some of the systems or infrastructure that we had are not necessarily outdated, they are still relevant, since there are still rural areas with a few communities that are not cost-effective and there is still an aftermath of maintaining that infrastructure.

DCoG official 1 recommended that:

Instead of building infrastructure that is more resilient and reliable, they end up opting for expensive infrastructure that is more costly due to the lack of guidance and planning of their need (DCoG official1).

Some interviewees argued that supply chain management challenges are common with regard to the competency and skills shortages in the technical division within the municipality:

Supply chain challenges emanate from the technical division as they do not start in time. The project management unit is still lacking as they do not have prominent project management skills. They are normally appointed because they studied engineering and not because they have project management skills. In that regard, there are still skills shortages. The technical division had been doing pre-payments and were hiding it from the accounting officer and that compromised the service delivery (ORTDM official 6).

The National Treasury official highlighted the issue of senior officials being the “information libraries.” The official also emphasised the effect of senior managers that were withholding information and stressed the need for shadowing for junior officials to equip them with the necessary skills and knowledge.

In the 2015/16 financial year, the municipality had a challenge of the organogram structure because that they lost most of their senior managers. They left with their skills as they didn't train the staff under them (NT 1).

Some of the interviewees flagged overreliance on contractors and consultants as one of the prominent challenges within the OR Tambo municipality. They further elaborated that having skilled and professionally registered project managers ensures the successful completion of the MIG projects.

The municipality does not appoint experienced personnel to implement their projects, even the project managers are not always on site. The municipality must recruit people with skills to do their designs, and they must be registered with ECSA because sometimes the consultants overprice the municipality, and no-one will question it as they are not aware of the actual price (ECCogta official 1).

In corroboration of the above, the MISA official indicated that:

The municipality lacks the internal capacity to deliver projects that are aligned to the MIG. They resort to consultants of which some are only acquiring profits and that results in the municipality not being in control of the project delivery, and not aligning it with the NDP. This affects the quality of projects, expenditure, and the time it takes to implement the projects (MISA 1).

The ORTDM official 1 adds that the consultants are unreliable and that they do not always have the best project interests at heart:

The consultants are not finishing their designs for the state of project readiness to be implemented due to the lack of capacity as well as the ability and capability to plan from their side. Some of the contractors are not finishing their projects in time, and some of the projects are abandoned (ORTDM official 1).

It is evident from the responses above that the municipality is facing myriad challenges with regard to the MIG financial administration and that some of their predicaments could be ascribed to capacity-related matters. Although that is the case, some of the interviewees highlighted that political interference and delegation were the root causes of all the challenges that they were currently facing.

The DCoG official indicated that there was a lack of leadership skills within the Project Management Unit:

There is also a fluidity within the technical division of the municipality wherein the head of the department does not necessarily have a say and that they are not in a position to be firm in their approach. There is no leadership that is willing to take decisions and provide a way forward on what needs to be done and direct their plans; as such, instead, the municipality keeps on changing its PIP. These changes affect the mode and pace of infrastructure delivery (DCoG official 1).

To add to the above statement, the DCoG official further elaborates that:

They do not follow-up on what needs to be done, and that includes identifying plans. There is a Presidential KSD and Mqanduli project that has been going on for a long time, but there is still no progress. The municipality should be dealing with issues related to the ground water, however, that is not the case, as the focus is on coming up with a bilper line and crossing one area to another (DCoG official 1).

The ECCoGTA Official 2 also emphasised the need for the presence and functionality of the key office bearers for the well-coordinated financial administration of the grant and argued that:

There is instability within the municipality, administratively. The municipality has not had a municipal manager for more than a year. The decisions that should have been taken by the MM were not taken. Some of the things that require the presence of the MM, such as the application of rollovers requires a MM to

request the National Treasury to approve, so the municipality loses out on that (ECCoGTA official 2).

DCoG official 1 highlighted that all the political instability in the ORTDM has led to all the current challenges:

Currently, the ORTDM challenges are politically related (DCoG official1).

The MISA official 1 also confirmed that the political office bearers had the most influence in determining the success of the municipality.

In the projects and programmes that are planned for the MIG, if the council does not approve the project for a certain reason, the priority changes (MISA official 1).

In addition, ECCoGTA official 1 contends that there should be a clear separation of roles between the political office bearers and officials:

Councillors interfere with the administration, resulting in the municipality not spending [the funds] fully. Politicians must leave the technical work to qualified people. In December, they lost around R150m due to not spending the money and they did not advertise in time; they advertised in March whilst the financial year started in July. This was because the MM was suspended, and the acting MM had no power, as the politicians were the actual decision-makers. For that, they did not comply with the 40% allocation as per the DoRA requirements (ECCoGTA 1).

Research question 2: What is the impact of these challenges?

The above challenges have a bearing on both the project completion and the quality of the lives for the communities of the OR Tambo Municipality. The interviewees were requested to share their impressions of the impact of these challenges. Below are the responses of each interviewee.

When the participants were asked to provide their views of the impacts of these challenges on the municipality, the respondents responded that:

Possible economic opportunities will be eroded, and the local economic growth will become stagnant as the municipality will lose out on opportunities for people to pay for the water (NT official1).

In the same vein, the ORTDM official 4 also contended that:

“Delays in investors to come and invest in those areas” (ORTDM official 4).

“Communities also suffer in terms of job creation and the local economic development is weakened as local contractors [normally] get appointed, and skills are developed” (ORTDM official 3).

“There are no functional skills, and there are delays on the implementation as there is no project monitoring from the municipalities due to capacity issues” (ECCoGTA official 1).

ECCoGTA official 2 highlights the impact of utilising external personnel for the implementation of projects:

“Services will be provided at high rates, as they will be sourcing from external people” (ECCoGTA official 2).

ECCoGTA official 1 indicated that there would be project overruns, which consequently, led to over-expenditure on the project:

“The projects will take longer than it was budgeted for” (ECCoGTA official 1).

MISA official 1 asserted that:

“The cost and schedule overruns contribute to them not providing services fully to their communities” (MISA official 1).

ORTDM official 3 indicated that the minimum number of projects were delivered for the financial year.

“It impacts negatively as the municipality will not be able to provide basic service to the communities. Also, there will be a need to reduce the number of projects to be delivered in that financial year” (ORTDM official 3).

In corroboration of the above statement, ORTDM official 1 confirmed that mass actions evolve due to the delay in project delivery.

“Delays in the projects result in community unrest as the community is eager to receive the services that they were promised, and they are not aware of the administrative part of the project” (ORTDM official 1).

The interviewees also outlined the impact these challenges would have on the local communities.

“It delays the eradication of backlogs” (ORTDM official 4).

“Direct implication for local communities if there is no proper planning, including the engineering design” (NT official 1).

“There won’t be service delivery to people” ECCoGTA official 1).

“It impacts negatively as the municipality will not be able to provide basic services to the municipality” ORTDM official 3).

“Services won’t go to municipalities” ECCoGTA official 2).

The communities do not have continuity and a reliable and consistent supply of water and sanitation service. The municipality appeared on television with

communities that are not fully serviced, fetching water from afar, and some are displayed with a low-quality water supply, or the infrastructure is unable to deliver clean and portable water. Women and young girls are the ones that suffer the most as they are sometimes expected to leave school and fetch water” (DCoG official 1).

Furthermore, DCoG official 1 alluded to the failure to provide clean water and dignified sanitation to communities that poses a health hazard:

“This has a bearing on the health as there will be spillages if the infrastructure is not of a good quality, and those spillages are health hazards for communities. Women and young girls, at some point, must fetch water from afar and in the process, they get raped because of walking through the fields. The quality of water is questionable as they consume water in the same places where animals drink and others wash their clothes in the same river/dam. Lastly, no one knows who is polluting the river” (DCoG official 1).

Whilst most of the interviewees unanimously expressed the view that the poor service delivery of the communities had a negative impact on the above challenges, ORTDM official 2 assumed that things were improving.

“Previously it used to delay the quality of life for people, however, it is slowly catching up” (ORTDM official 2).

MISA official 1 highlighted that the quality of the projects to be implemented would be compromised:

“It affects the quality of projects implemented. If the municipality does not spend the allocation as required by the DoRA, it reduces the impact of projects that would have been achieved to provide basic services to communities and these schedule overruns are doing a disservice to the communities” (MISA official 1).

The priorities of the municipality as listed in the IDP should also be mentioned in the MTSF document, which is also addressing the commitments and mandate of the NDP. DCoG official 1 highlighted that the municipality was failing to honour the commitments made.

“In 2017, the MTSF, the country committed that by 2019/20 financial year, 90% of the country should have a reliable and consistent supply of water, however, the OR Tambo has not managed to achieve that goal. That means that the OR Tambo is consistently failing its communities in that aspect” (DCoG official 1).

To add to this, MISA official 1 emphasised the constant failure to address the above challenges:

“The NDP targeted to eradicate water and sanitation backlog by 2019, yet in 2021, there are still backlogs in the ORTDM” (MISA official 1).

Research question 3: Has the municipality experienced challenges in complying with the conditions of the MIG?

The participants were asked whether the municipality experienced challenges in complying with the MIG conditions.

“The OR Tambo District Municipality is a non-delegated municipality, but there were instances where they did not meet the expenditure targets, that were set by the National Treasury and the DCoG, resulting in them losing some of their funding or sometimes reduced” (MISA official 1).

Adding to the above assertion, DCoG official 1 also highlighted how the municipality lost its allocations for several years.

“The municipality has experienced challenges in complying with the MIG framework and DoRA numerous times. In 2018/19, an allocation of R95m was stopped due to non-compliance in terms of reporting requirements. Also, they were reporting on projects that were not included in their PIP. Their PMU had also been rejected as the municipality had failed to submit the business plan for the project management unit to the transferring officer.

In the 2020/21 financial year, an allocation of R158m was stopped due to the late reporting and the instabilities within the municipality. The municipality failed to comply in terms of reporting and registration” (DCoG official 1).

NT official 1 added:

“Yes, but not all the years. In some years, they spent their allocation fully; however, in 2020, the municipality lost close to R500m due to irregular expenditure, which came from the 2019/20 FY. They failed to comply in the precious year, and the NT took money either from their future allocations or revenue” (NT official 1).

ORTDM official 1 highlights the late registration of projects as one of the challenges:

“The municipality has a challenge of late registration of projects and late approval from the side of the Department of Cooperative Governance” (ORTDM official 1).

ECCoGTA official 2 also concurred with the above statement and indicated that:

“In most cases, the municipality does comply; however, in some instances, there are project delays for registration with CoGTA. The municipality is often afforded time to register those projects, but there will be delays in the implementation” (ECCoGTA official 2).

ECCoGTA official 1 referred to the procurement delays as signifying non-compliance by the municipality:

“By July, the municipality must be done with the procurement process. However, in most instances, the municipality is still in the procurement phase in July rather than in the implementation phase. The municipality did not spend its grant fully by June 2021 (this is not yet gazetted). Furthermore, they would

dump money on service providers for materials as prepayment to make it seem that they had spent as required” (ECCoGTA official 1).

“In many instances, the municipality fails to comply with the provision that it is required to spend 40% of its grant by December” (ECCoGTA official 2).

“Yes. There is normally poor expenditure for the whole year and only picks up (peak of expenditure) towards the last month of the MIG. The provision of the MIG provides that there should be 40% expenditure by December” (ORTDM official 2).

The MISA official stressed non-compliance in terms of the business plan:

“They also don’t spend according to the approved business plan, and they don’t inform anyone when they change their business plan” (MISA official 1).

ORTDM official 3 contended that:

“In the business plan for the last three years, the municipality was required to appoint data capturers, but that condition has not been adhered to up to date. The PMU submitted the need for those data capturers to the corporate services department, but they have not prioritised it up to date” (ORTDM official 3).

ORTDM official 1 highlighted that budget maintenance is one of the non-compliance matters within the municipality:

“The municipality does experience challenges with regard to budget maintenance. Due to unforeseen problems, such as topographic access, which may exceed the project budget as articulated above. In some instances, the application for budget maintenance is rejected” (ORTDM official 1).

MISA official 1 added reporting as one of the compliance shortcomings within the municipality:

“There was a non-submission of section 71 reports that the municipality had to submit [them] on a monthly basis, resulting in them not meeting this condition fully” (MISA official 1).

ORTDM official 1 argued that this is especially the case when there is a new project that is introduced mid-way:

The reporting of expenditure is a challenge with regard to the MIGMIF reporting system, particularly if there is a sub-contractor that is introduced at a later stage of the project.

ORTDM official 4 concluded that:

“This is the the result of the inherent skills shortages of project managers as well as poor planning” (ORTDM official 4).

Research question 4: Is the OR Tambo District Municipality equipped with the required institutional capacity required to manage the MIG effectively?

When asked if the OR Tambo District Municipality is equipped with the required skills to manage the MIG effectively, the respondent answered as follows:

“In terms of the required personnel for the implementation of the MIG, the municipality is well capacitated” (ORTDM official 3).

In addition, ORTDM official 1 indicated that:

“The municipality is equipped with the required capacity, although there is a need to improve in some areas” (ORTDM official 1).

Elaborating on the above statement, ORTDM official 1 highlighted that:

“Some training is required for the staff with regard to the effective management of the MIG” (ORTDM official 1).

In support of the above statement, ORTDM official 2 responded as follows:

“Our team is well equipped, particularly with regard to engineering and project management skills. The only thing that is lacking could be equipping the municipality in terms of the contract law as there many frustrations concerning contractors” (ORTDM official 2).

In contrast, ORTDM official 4 indicated that the municipality was not well-capacitated to manage the grant:

“No, there are no project management skills” (ORTDM official 4).

“The project managers have qualifications, but they are not registered with ECSA. And they do not have extensive experience on the job. They need more experience and skills so that they can transfer them to the existing personnel” (ECCoGTA official 1).

DCoG official 1 elaborated that:

“The municipality does not have the capacity and capability to roll out the infrastructure at the scale that it is expected to. The numbers are there, but there are no skills and capacity to implement the process and understand the challenges in the area of jurisdiction, to come up with solutions and maximise the resources that are available within the community. Also, the municipality does not have the capability to come up with solutions that will be applicable within this municipal space” (DCoG official 1).

In turn, the ECCogta official 2 highlighted that:

“Five per cent of the MIG goes to the PMU, therefore, they have enough money to ensure that they have the capacity or the equipment that they require” (ECCogta official 2).

“In terms of the MIG policy, the municipality is allowed to use 5% of the allocation towards the establishment of the project management unit (PMU). The PMU has been created to ensure that the municipality has the right capacity to plan, prepare, package, implement, monitor and report, but they have not been able to deliver as required” (DCoG official).

The MISA official concurred with the above statement and added that:

“There is a sufficient provision that is made by the DCoG and the National Treasury to capacitate the municipalities, but in most instances, the level of experience and the level of performance of the staff that the municipality appoints, are not aligned to the requirement” (MISA official 1).

“Their organogram suggests that they have people that they are paying, claiming that they have the skills to administer the MIG. The competency skills of those officials suggest that they can deliver, but they take the MIG and give it to Amatola for delivery, whilst 5% of the MIG is allocated to capacitate the municipality. Amatola charges an agency fee. The municipality spends that 5% and takes the difference from certain projects and gives it to the Amatola Water Board, stipulating that they must help the municipality to deliver and administer the MIG” (NT official 1).

“Furthermore, Amatola also appointed a service provider that actually does the work. The money sourced from other projects was actually intended to address the water challenges within the municipality. There are VAT implications associated with that arrangement, as it is not only wrong, but illegal, as only ORTDM must deliver the service. If the ORTDM wishes to appoint an organ of state, to deliver the service, it must be approved by the National Treasury. The ORTDM challenges are mostly political, but also pertain to the administration as well” (NT official 1).

Research question 5: How has the political influence contributed to the management of the MIG in the OR Tambo District Municipality?

The participants were requested to describe the influence of politics in the management of the municipal infrastructure grant in OR Tambo District. The participants shared the following different views:

“The MIG is a highly politicised grant, and it requires strong administrators who do not only know the law but are able to uphold it and advise their political principals accordingly and avoid political principals pushing them to act against the various pieces of legislation” (NT official 1).

“The involvement of politicians in the management of the MIG is minimal as it is only at ward level” (ORTDM official 2).

In addition to the above statement, ORTDM official 3 concurred that:

“Politics have a minimal influence. If the IDP is approved, the PIP serves as an annexure to the IDP document in that the council is in no position to disown its decision” (ORTDM official 2).

Whilst the above interviewees indicated that there was minimal political influence in the MIG management, other participants argued that:

“There is a political imbalance in the municipality, and it affects the management and administration of projects negatively” (ORTDM official 1).

MISA official 1 added that:

There is political turmoil that is currently taking place in the ORTDM with the instability of the council and is reflecting negatively on the performance of the

MIG. They are not spending fully and are not completing their projects. The council is responsible for approving the IDP, and if the IDP is not aligned to the needs of the community, then it affects the performance of the programme itself” (MISA official 1).

There has been political instability and political factions for a very long time, and neither the province, or the national office has not been assisting in addressing this issue. Due to these internal instabilities, the performance of the municipality has declined, consequently, it has lost funds pertaining to the MIG, RBIG and WSIG in the last financial year.

The municipality managed to spend about 76% of their allocation and decisions take long to be taken due to this infighting. Instability, COVID-19 restrictions and fights made it almost impossible for the municipality to perform and spend [the money]” (DCoG official 1).

“The political office bearers are supposed to lead and provide direction on how to manage the MIG. They are also supposed to provide oversight over what has already been implemented in terms of the MTSF commitments, however, sometimes the incoming political office bearer does not want to embrace the outgoing official’s priorities and introduces his/her own projects for implementation” (ORTDM official 1).

“In the 2018/19FY, the municipality lost R95m allocation and even in the years in between, there was no value added in terms of the money that was invested or spent and the officials carrying the political oversight out are not asking relevant questions to encourage accountability. The political players within the municipality are not doing any oversight, and the technocrats are expected to run everything.

In the 2018/19 financial year, the select committee on appropriation visited the ORTDM, and one of the conclusions made following that visit was that there was no monitoring and oversight by the politicians concerning projects implemented by the ORTDM” (DCoG official 1).

Lastly,

“Procurement has always been one of the stumbling blocks for the MIG and because of these instabilities, people have been under investigation, and they are sceptical about participating in bid committee or any other committee or taking decisions about which service providers are to be procured for a particular service” (DCoG official 1).

“The municipality has not performed well in the past few years due to the political decision of spreading the allocation to various municipalities and benefiting more than one community without making an impact as there is no focused approach on infrastructure delivery” (DCoG official 1).

Research question 6: Are intergovernmental relations well-coordinated between the stakeholders involved in the implementation of the MIG?

The participants were asked whether IGR coordination between all the stakeholders involved in the implementation of the MIG is effective. The participants shared different, yet somewhat similar views, as most of the participants indicated that the IGR are well coordinated, although there is room for improvement.

ORTDM 1 official identified and explained the role of each stakeholder involved:

“DCoG is assisting in administering and coordinating the MIG by ensuring that all the necessary support is provided in administering the MIG whilst the Department of Water and Sanitation is assisting in evaluating and recommending water-related projects. There is also the MISA who provides support with regard to the MIG when there is a need. The National Treasury assists in ensuring that the municipality is regulated in terms of the Division of Revenue Act for the financial year and Municipal Financial Management Act (SA, 2003). These stakeholders are all actively and effectively involved in the administration of this grant” (ORTDM official 1).

At the beginning of each financial year, all the sector departments involved, meet in the presence of the municipality” (ECCoGTA official 1).

ORTDM official 3 added that the COGTA officials were available throughout the project, whilst the other stakeholders only availed themselves when there were challenges during the implementation of the grant:

“[The]IGR is well coordinated during the planning stage, however, during the implementation only CoGTA becomes visible and other departments become visible only when the municipality encounter challenges” (ORTDM official 3).

ORTDM official 2 concurred with the above statement and flagged the delays in approving Eskom prepayment by the National Treasury as the poor IGR:

“[The] IGR is well coordinated. The DWA is a regulatory body, so before the water projects are funded, they must approach their technical committee for approval. However, the main challenge has been bringing Eskom to the party as they require pre-payment and that is categorised as an unauthorised advance and can only be authorised by the National Treasury. Sometimes the Treasury would sit with the invoice for over a month and Eskom changes its quotation on the other side” (ORTDM official 2).

In turn, ORTDM official 4 argued that:

“The framework was well researched, but the pitfalls were the conduct of the officials” (ORTDM official 4).

MISA official 1 added that the municipality had its own preferences regarding with whom it wanted to work:

“In terms of section 154 of the Constitution, sufficient support is provided in terms of the intergovernmental support from the provincial and national spheres of government. However, there are challenges that are in-line with the support provided, resulting in them not functioning. For instance, in terms of the DDM, there is a hub that is placed in the ORTDM, but the level of interaction is not satisfactory, because the municipality chooses who to work with” (MISA official 1).

“There is a structure called the ‘District Wide Infrastructure Forum’ where all the sector departments involved in the implementation of the MIG usually meet and engage quarterly to ensure that all the conditions are met. However, for some reasons, the forum does not sit as they rely on the municipality to convene

them. Sometimes there are things that the municipality is hiding so they choose not to convene” (ECCoGTA official 2).

To support the above argument, DCoG official 1 identified gaps between the three spheres of government as well as between the OR Tambo Municipality and its local municipalities:

“No, as there are still gaps that needs to be filled. The national office cannot communicate directly with the municipality as the province has to play a critical role as the bridge between these spheres and the sectors of government. The province has not performed the role of linking the municipality to the national sphere and other sectors as required. In some instances, the national office interacts directly with the municipality without contacting the province.

There are also gaps within the municipality as well as with its local municipalities. Legislatively, the ORTDM has been given the role to capacitate its local counterparts, however, its role of capacitating and supporting the local municipality is minimal” (DCoG official 1).

The National Treasury official 1 indicated that the IGR was gradually improving and posited that:

“It used to be horrible, but over the years, it has improved drastically. When the municipality flaunts the conditions, the intergovernmental relations system provides an early warning. The intergovernmental coordination structures have improved drastically, particularly at the level of monitoring the allocations, but there is still a need to improve at the outcome or output level as they cannot claim with confidence that the service is of a good standard during the implementation process” (NT official 1).

OR Tambo official 1 highlighted the numerous reporting systems on different systems as a challenge:

“There are combined monthly meetings where the municipality reports on the projects that they are implementing. The reporting system is bloated as we have to report the same thing in various sector departments with different reporting systems” (ORTDM official 1).

In conclusion, the DCoG official noted that:

“through the DDM, there will be one plan, which will assist in ensuring that the IGR processes are strengthened through the DDM model” (DCOG official 1).

Research question 7: Do the conditions of the MIG allows the municipality to plan and budget effectively?

The interviewees shared their opinion on whether the grant allowed the municipality to plan and budget effectively.

“They are clearly articulated in the grant framework. The Municipal Systems Act (SA, 2000), the Municipal Structures Act (SA, 1998), as well as the Municipal Financial Management Act (SA, 2003), provide the basis for the guidelines on

how the municipality must budget before the commencement of procurement and implementation. Regula training and support are provided by the Provincial Treasury and the Provincial COGTA through the MISA” (NT official 1).

“The municipality plans from the IDP to the three-year plan, and in this three-year plan, the project must be registered in the MIGMIS. It must be approved by the council. Then reduced to a one year plan based on the priority projects for that financial year. For the next financial year, the municipality must submit the implementation plan by the end of March, and the final implementation plan must be submitted for the projects that will be implemented in July” (ECCoGTA official 1).

“In terms of the business processes and procedures, the grant allows the municipality to do forward planning and proper budgeting to ensure a clear understanding of the roll-out plan and approach. That is whether the project will be rolled out within a year or through a multi-year approach. The MTEF is given out beforehand, that allows the municipality to pre-plan and budget for the outer year and carry out all the necessary studies to understand and roll the project out. Also, the municipalities are given a window in July 2021 to submit their projects to the sectors for approval for the 2021/22 financial year. By the November 2020/2021 financial year, all the projects that will be implemented in the 2021/22 financial year need to be registered to ensure that they are ready in terms of design, registration and that there are consultants on board” (DCoG official 1).

“The MIG plans in the form of a feasibility study, a business plan and designs and funds are allocated for these processes during the planning stage. Also, it allows the municipality to budget as it is assisted in terms of a capital plan through the MTEF plan” (ORTDM official 1).

“There are set timelines by which that one must indicate the intentions before the beginning of the financial year through the draft PIP and submit them to the DCoG four months before the beginning of the financial year. The MISA then interrogates by checking if the business plan has been submitted. The framework is reviewed yearly to meet the demands and conditions of the municipalities. The conditions are set to assist the municipalities, yet some municipalities find a way of working around these conditions to their detriment. One of the ORTDM municipalities changed the projects that were there, to suit their current priorities, for that reason, they will not be able to report on the MIG system. The expenditure was not realised by the National Treasury” (MISA official 1).

The conditions of the MIG allow the municipality to develop a three-year plan. That is, they plan for two outer years in advance. There is a process of registering those projects and allowing the municipalities to appoint service providers two years before the implementation of the projects so that all the required issues, such as the environmental impact assessment and designs are dealt with in good time (ECCoGTA official 2).

In terms of planning and budgeting, the municipality is 100% committed to the 2020/21 FY and the next financial year. They also indicated that by the October/November 2021/22 FY projects will be approved and will be included in the PIP in January 2022 and after failing to comply with that requirement, the municipal manager will be removed (ORTDM official 2).

The municipality submits project implementation plans yearly to COGTA. The municipality first submits a draft to the department and later submits the final document in March. The municipality is given enough time to plan, and budget as these projects are mostly extracted from the IDP process” (ORTDM official 3).

Research question 8: What does the municipality do to ensure that the constitutional goal of ensuring that all South Africans have access to basic services is achieved?

Through the infrastructure delivery. Ensuring that all projects are implemented. There is a massive rollout of VIP toilets in the ORTDM. Through the the MIG framework, the municipality is allowed to tackle other priority matters, such as, repairs and refurbishment, as they are currently not maintaining their existing infrastructure, so that the municipality can have a consistent supply of water. However, the pace of implementation of such programmes is too slow as it's also affected by the instability (DCoG official 1).

The projects are identified in areas with backlogs through the IDP, and they are subjected to the MIG processes to acquire funding for implementation. During the implementation, there are oversight committees that ensure those projects are implemented accordingly, and there is value for money with regard to those projects. COGTA also receives reports and visits those projects quarterly for the monitoring and evaluation of those projects. That is to ensure that the plans and budgeting are reflected in the projects that are on the ground (ORTDM official 3).

The municipality evaluates backlogs and manages projects that are to be implemented through the Water Service Development Plans (WSDPs), the target that they have set for the municipality to achieve. They also ensure that they fund Operating & Maintenance (O&M) to ensure that the existing infrastructure operates well and makes forward payments for new projects. These are implemented to ensure that people access basic services (ORTDM official 1).

For a proper management of the grant, you should be in the position to determine the progress on the work done (that is, the status quo) and be able to identify what is lacking and in which area in terms of water and sanitation services and identify the means to resolve those challenges. And this can be done through the master plan. The municipality indicated that the status quo in terms of water supply and bulk infrastructure services, KSD (Mtata and Mqanduli) is better, Nyandeni is at 50%, whilst rural Port St Johns, Mhlontlo and the Ingquza Hill local Municipality are suffering. However, once the Umzimvubu project is implemented, the Mhlontlo region will be covered. Some water projects are still at the feasibility study stage (ORTDM official 2).

It is through the IDP, which is aligned to the long-term goals of the country. It is also assessed by the province before adoption to see if it has incorporated all the necessary things. The only challenge is the execution of the plan. The plan is done for the sake of compliance. During the tendering process, they will discover that the designs are wrong, and they start complaining about them. They sometimes compile those plans with no proper methodology as they do not have the required skills. Sometimes they work against time and compile them for the sake of doing it (NT official 1).

How does the MIG ensure that the national government's priority for sustainable access to basic service delivery is achieved?

When the participants were asked how the MIG ensures that the national government's priority for sustainable access to basic service delivery is achieved, they all highlighted the MIG process from the planning to the implementation stage.

"Through the formula that is informed by the various variables like the poverty levels and access to infrastructure for the population in ORTDM. MISA works those variables out and comes up with a formula on how much can be allocated to that municipality, and that can assist in ensuring that there the infrastructure and basic services are rolled out, and the basic intention is to ensure that there is a reduction in the backlog that is existing in a particular municipality. This has to be done in line with the NDP to ensure that there is a basic service by 2030" (MISA official 1).

The OR Tambo official 2 indicated that:

"According to the DoRA, the grant is administered in the sense that it must provide a basic level of services (namely, communal taps and VIP toilets in rural services). In town, it shifts to a high level of services" (ORTDM official 2).

To add to the above statement, the DCOG official 1 contended that:

"The MIG targets poor households. The MIG is a multi- sectoral grant, thus ensuring that the community has proper roads to travel on and accept economic activities, ensures that there are street lights to address the issue of safety and security, halls, public facilities and multi-purpose centres like parks to ensure that the government is able to access them in connecting with communities in those areas, water and sanitation to ensure that the communities the right to clean water and dignified sanitation is addressed, Early Childhood Development Care (b ECDC) to ensure that kids are taken care of well. The MIG is a grant that enables that communities to access a bucket of services and ensure that in relation to the SDG, the community are given those kinds of services. It also ensures that communities are given those services and have access to socio-economic services. The MIG provides a holistic approach to ensure that the community can thrive and be economically healthy through introducing those services in the poorer communities" (DCOG official 1).

However, the ORTDM official 1 highlighted that the national government's priorities are achieved through:

"It is through the objective of providing basic services to communities and eradicating the backlogs that the community is faced with, as its primary goal through their strategic document (IDP), which entails the projects that need to be implemented for a five-year plan. Within that five-year plan, there is a three-year plan, the MTEF that is the cost project management plan. The IDP also serves as a consultative document through which people can get input on the projects that need to be consolidated and form part of the IDP as they are prioritised to ensure that the priorities are met. They also review it yearly to ensure that the projects that are listed there, are still relevant" (ORTDM official 1).

“The national government ensures that projects that are on the PIP, appear in the IDP, before they make a payment and that during implementation, they provide oversight and sometimes through the provincial department” (ORTDM official 3).

“The council goes to the communities to identify problems, and those projects are registered in the IDP and are then narrowed down to the three-year plan and later the implementation plan. Most of the ORTDM projects are multi-year projects. Due to the COVID-19 outbreak, projects took longer than they were budgeted for as there were lockdown restrictions that impacted negatively on the implementation of the programme. The provincial COGTA ensures project monitoring from the beginning till the completion of the project. Sometimes the project is finished, but there is no running water. Community unrest assisted in determining the actual project status. The province must capacitate the monitoring team and add reasonable and manageable projects to each manager” (ECCoGTA official 1).

“The MIG is divided into two, 5% of the grant each year goes to project management unit, whilst 95% goes to capital funding for the projects. The funding is managed by CoGTA to ensure that the municipality complies with the conditions of the grant to provide basic services to communities. The DCoG in collaboration with other sector departments, established a forum where they engage and monitor municipalities including ORTDM to ensure that they implement the projects and report to the national government” (ECCoGTA official 2).

NT official 1 outlined the composition of the government structure and the allocation of the grant with the government sectors involved:

“There are three spheres of government that are interdependent. The national government makes money available to municipalities based on the powers and functions that they have to deliver services to communities to meet a policy need. Accordingly, if the municipality does not have the powers and functions to deliver a service, such as water and sanitation, roads, refuse removal, electricity, cemetery services, public hall, for example, it will not receive an allocation. The role of municipalities is to implement projects on behalf of the national government with the monies received and under the conditions attached to the allocation. The municipality will then be required to plan for the project, budget and implement the project. It will also be expected to follow the normal procurement process in terms of the relevant legislation, for example, the MFMA for delivery. If the national government is satisfied with the budgeting, the municipality is then engaged on the state of readiness by the National Treasury, DCoG and DWS. If the municipality is ready, the NT releases the money and ensures that it does proper monetary monitoring and evaluation, whilst the DCoG and the DWS provide project monitoring and evaluation. The municipality will then report monthly and sometimes quarterly, and if it is struggling, the DCoG and the DWS will intervene, and the NT will intervene later if the matter is not resolved. This will be done by stopping the allocation and reallocating the money to a better-performing municipality to protect the money, whilst it is still trying to find ways of assisting the municipality with the challenges it is facing” (NT official 1).

“In terms of the Division of the Revenue Act, when you are about to embark on a new financial year, there are legislated processes that requires you to prepare

a project implementation plan and must be political led. A draft PIP must be submitted to the DCoG and councillors in January. That is also linked to the budget in terms of the municipal charts of accounts so that when the budget is tabled in March, those projects must also be part of the projects that are in the IDP. When the budget is tabled 90 days before the beginning of the financial year, there must be public participation by the key stakeholders, indicating how the projects will be implemented to the places of residence and how the Treasury will be consulted as the key stakeholder. The approved PIP draft must be done by April and by executing the procurement” (ORTDM official 4).

Research question 9: Has the municipal infrastructure grant successfully addressed the fiscal imbalances in municipalities, particularly the OR Tambo District Municipality?

When the participants were asked whether the grant had addressed the fiscal imbalances within the municipality, 67% of the respondents agreed that the MIG was addressing fiscal imbalances in the ORTDM, whilst 22% disagreed and 11% partially agreed. The inputs relating to the subject matter above are discussed in detail below.

“You can never fully fund people’s needs, but rather ensure that you provide universal access by ensuring that communities have access to the basic services. The national government must be informed of the needs of all the communities and attend to their needs, and this is the responsibility of Statistics SA and municipalities with their indigent policy. The MIG allocation to the ORTDM is adequate for a particular year. Over a three-year period, the ORTDM is getting close to two billion Rand therefore, with proper planning, the municipality should be able to plan and deliver adequately. Whilst their allocation may not be adequate to eradicate their needs, they must be able to plan and deliver” (NT official 1).

“The ORTDM is one of the municipalities that is receiving the highest amount of MIG, close to a billion annually only for water and sanitation with the MIG only, and they are receiving other grants, such as the WSIG to complement their funds for the services. The money is sufficient to ensure that the municipality is well resourced, and the backlogs are addressed in its communities” (DCoG official 1).

If the municipality feels that the allocation is not enough, there is always scope for growth as the government is responsible for providing social infrastructure funding, while the municipalities must grow their local economies through their own funding. Not everyone in the ORTDM is poor, therefore the municipality must service them to reduce the plights of poor people in the future so people can start paying for services over time” (NT official 1).

The Eastern Cape provincial COGTA official argued that:

“The MIG is not addressing the fiscal imbalances successfully in the municipality as its target ends with providing in the basic needs, however during the time of the nomination of projects; there are fiscal benefits that the community gets through the MIG, that is employment creation, poverty alleviation and local community development that are contributed to by the project in the specific community. Small businesses also benefit during the implementation of the project. The ORTDM views capital projects as the capital

investment that would lead to community development in that area” (ORTDM official 1).

“It’s a programme that has a focused view and through which the backlogs can be eradicated fully. The ORTDM is one of the poor municipalities in South Africa, and the backlogs are considerable, therefore, it will take a lot of time to address as there are hindrances such as corruption and poor performance by contractors (MISA official 1).

“To eradicate the existing backlog in the ORTDM will take approximately 20 to 30 years. The population is growing daily, there are new developments, and the squatter camps are growing in numbers too. It will be very difficult to address backlogs in a single financial year” (ECCoGTA official 1).

The OR Tambo district municipality is one of the areas where no development took place during the apartheid regime. More than 90% of the municipality is rural, and less than 10% is urban, thus, the level of development is different, the MIG is trying to bridge that gap. The rural areas were never catered for in planning during apartheid; for that reason, the lack of resources is a huge challenge in the municipality. Previously, the municipality embarked on a mission to build dams; however, those dams are not big enough to sustain the number of villages. There is also a classification of dams that a municipality can undertake, taking the level of expertise into consideration and that of operating and maintenance” (ORTDM official 2).

Research question 10: Is the grant appropriate for capacitating the municipality fiscally?

The participants had different views about the above research questions. All the views are presented below:

“The municipality has the highest MIG in the country, although there are backlogs” (ORTDM official 4 & DCoG official 1).

“The grant is appropriate because the variables that are used to ensure that they provide what is within the capacity of the municipality, within that particular financial year. Taking into cognisance the performance of the grant in the past financial years, it is only in the last financial years that the municipality has struggled to utilise its allocations. Also, how the municipality structures its grant is not in accordance with the guidelines provided by the National Treasury and other stakeholders. The grant is sufficient, it’s only a matter of apportioning it to meet the needs in the municipalities properly. Most municipalities, including the ORTDM invest more in administrative personnel rather than capacitating the technical division, resulting in more spending on unnecessary areas rather than on core departments for service delivery. The municipality needs to restructure and repurpose the funding that is provided to it” (MISA official 1).

The NT official added that:

“The municipality needs to grow itself as the MIG is not a capacity grant, but rather a capital infrastructure rollout grant. The municipality needs to capacitate itself through an equitable share. However, the 5% contribution by the MIG can assist the cause” (NT official 1).

However, ORTDM official 2 and 1 noted that the grant was partially appropriate for capacitating the municipality fiscally. ORTDM official 2 emphasised that:

“Based on the master plan that the municipality drafted, we are looking at sixteen billion Rand to address the current challenges. The amount would not necessarily address all the challenges as there are other resources that must be harnessed. In the case of water, there is a need to build dams, treatment plants and bulk lines to various areas before facilitating the provision of taps. Therefore, even if the sixteen billion Rand can be availed, they will not be able to eliminate all the backlogs in the next five (5) years” (ORTDM official 2).

To conclude, ORTDM official 3 argued that the grant was inadequate:

“The grant is not enough to cover the needs of the municipality. fact, the multi-year projects would be implemented within one financial year if the budget was adequate. As a result, they break their projects into three-year periods” (ORTDM official 3).

ECCoGTA official 2 added that:

“The grant is not adequate as there is a considerable backlog, within the municipality, notwithstanding this fact, they do not use the minimal available budget” (ECCoGTA official 2).

5.5 DOCUMENT ANALYSIS

The researcher consulted various scholarly articles on document analysis to determine whether or not it is appropriate to employ document analysis in a study. However, Bowen (2009:28) advises that to seek convergence and corroboration through different data sources and methods, qualitative researchers are expected to employ multiple sources of evidence.

Quoting Yanow (2007: 411), Owen (2014:8) explains that document analysis may either corroborate observational and interview data or may refute them. Be that as it may, the researcher obtained evidence that could be used to either provide clarity or may challenge what is being posited.

Furthermore, corroborating findings across data sets can reduce the impact of potential bias by examining information collected through different methods (Triad, 2016).

In this case, the researcher utilised document analysis as the secondary data collection method to corroborate the findings derived from on the interviews undertaken. The documents included the DCoG annual reports from 2019/20 to the

2020/21 financial year, the Municipal Financial Management Act (RSA, 2019b) reports on local government from the 2018/19 to the 2019/20 financial year.

5.5.1 Official government reports

To examine the performance of the MIG in South Africa and that of municipalities on matters related to achieving the sustainable development goals, the researcher consulted different government reports. These documents included the DCoG Annual reports from the 2019/20 to 2020/21 financial year, and the Municipal Financial Management Act (RSA, 2018c) reports on the local government from the 2018/19 to the 2019/20 financial year.

5.5.1.1 Department of COGTA annual reports for the 2020/21 financial year

The department had a planned annual target of 75% of the MIG receiving municipalities spending 90% of the MIG allocation for the 2020/21 financial year (DCoG, 2021) but achieved only 44% of the target. The 31% deviation was due to the suspension of contraction work on projects imposed by the COVID-19 lockdown.

Fifty-six per cent of the MIG-receiving municipalities had spent 60% of the MIG allocation by 31 March 2020

Nineteen per cent of the MIG-receiving municipalities had not spent 60% of the MIG allocation due to poor planning and project preparations, and delayed procurement processes resulting in the late implementation of the project. The COVID-19 lockdown also impacted the timeous preparations of the MIG projects (DCoG, 2021).

5.5.1.2 Department of COGTA annual reports for the 2019/20 financial year

The department had aimed to support 183 municipalities on the MIG spending for infrastructure development by 31 March 2020. The programme did achieve the set targets for the year.

In terms of the MIG spending, an amount of R14,816,103 was allocated to the municipality for the 2019/20 FY. Only 58,1% of the allocation had been spent by the end of 31 March 2020 (DCoG, 2020).

Project monitoring is undertaken by the DCoG, provinces and sector departments through spot checks on projects and expenditure monitoring with the submission of proof of payments by the municipalities on projects, verified by the provinces and confirmed nationally through the MIG-MIS. This was done to check the reason for the 41.9% unspent funds for the 2019/20 financial year (DCoG, 2020).

5.5.1.3 MFMA report on the local government 19/20 FY

Following the allegations of financial misconduct, the council of the OR Tambo District suspended the municipal manager in June 2020. The allegations included the approval of advance payments to an implementing agent and other service providers for goods or services that were not received in connection with the district's delivery of water and sanitation infrastructure projects.

Regional bulk infrastructure funds and municipal infrastructure grants totalling R105 million were used to fund the projects. Furthermore, the performance of the contractors in charge of carrying out these projects was not monitored sufficiently by the municipality. As a result, some projects were delayed, while others cost more than what was originally agreed upon (MFMA, 2020).

The quality of the infrastructure projects is also a cause for concern, as some of them were said to be finished but did not provide communities with water services, and others did not function as expected. No feasibility assessment was carried out at the Qokolweni Water Supply Scheme Project to determine whether there was water in the area before the project started. Despite it being claimed that the project was finished, it was not functional, leaving the town without water.

5.5.1.4 MFMA report on the local government 18/19 FY

The auditor general's report on local government for the 2018/19 financial year highlighted that "the widespread lack of financial controls and project monitoring was an ongoing culture of a lack of accountability as well as a tolerance of transgressions resulting in a further regression in audit outcomes in the province" (AGSA 2019a).

AGSA (2019a) also regards the issue of the senior management level vacancies in municipalities as a factor contributing to the dysfunctional control environment. The Eastern Cape municipalities reported that the fact that 49% of the senior level management posts were vacant at the ORTDM was no exception, as they had not had a municipal manager for over a year. For that reason, the AGSA reported that only 24% of municipalities had complied with supply chain management requirements.

According to the outcomes of the report, non-compliance with the supply chain regulations led to irregular expenditure. The Eastern Cape had over R2.5 billion in irregular expenditure. The OR Tambo District Municipality is listed as one of the ten worst-performing municipalities with irregular expenditure for the year. Irregular

expenditure amounting to 0.98 billion Rand due to procurement non-compliance within the OR Tambo Municipality, was reported for the year.

5.5.1.5 Journals on coordination and implementation of the MIG

Clean water and dignified sanitation is the constitutional right of everyone. However, it has been proven that not everyone has equal access to it within the municipality. Urban areas within the district are prioritised, whilst rural counterparts do not receive enough attention in terms of water service provision (Roboji, 2019:135).

The OR Tambo District is mostly rural and is one of the municipalities that depends solely on grants for infrastructure delivery. Most of the residents are poor, so the municipality cannot generate its own revenue.

The research has proven that the municipality did not maintain the existing infrastructure. Santi (2018:132) highlighted that the municipality lacked a maintenance programme to assist it in dealing with the problems brought on by the outdated infrastructure and a lack of funding. That, according to the author, also leads to unnecessary spending.

Capable and capacitated officials are necessary for the smooth and well-coordinated implementation of the MIG. Mokgethi (2017:109) concurs and adds that successful planning, coordination, monitoring, reporting and oversight of the MIG projects are compromised by the lack of experienced staff. In the same vein, Chipu (2011:71) contends that the demands placed on the local government sector in terms of service delivery, management, finances, and accountability are considerable. The author comments that this causes significant delays because poorly planned projects cannot be budgeted for; budgets are often underestimated; funds are not made available on time; and procurement activities are not planned meticulously (Pillay & Steyn, 2013:111).

One of the requirements for MIG funding is that 5% must be allocated for capacity building; however, the municipality is still incapacitated and relies on service providers for the implementation of MIG projects. Santi (2018:117) concurs and asserts that unskilled workers are a problem for the OR Tambo Municipality, which is another factor that influences how well they perform in providing water services.

It is evident that the effective and efficient financial administration of the MIG with reference to water and sanitation in the OR Tambo municipality is still a work in

progress. The municipality must address many challenges to perform at its optimal level.

5.6 KEY FINDINGS AND SUMMARY OF THE STUDY

The findings of the study are summarised briefly below and will be discussed fully in Chapter 6. Based on the research findings, the municipality experienced challenges in administering the MIG. Planning is found to be one of the challenges experienced by officials within the municipality, and it affects service delivery adversely. The study also found that the completion period of the project was extended, which affected the project quality and increased the expenditure on the project. Political interference in administrative matters, including procurement processes, was also one of the findings of this study. Lastly, the study found that there was a lack of skills in the technical division. Figure 5.2 presents the challenges that affect the administering of the MIG in the ORTDM in line with the findings above.

The challenges that affected the municipality in administering the MIG were:

- Planning
- Terrain/topographic challenges
- Overreliance on service providers
- Policies and legislation
- Cross-planting solution
- Political instability
- Supply chain management
- Leadership
- Delegation to municipalities

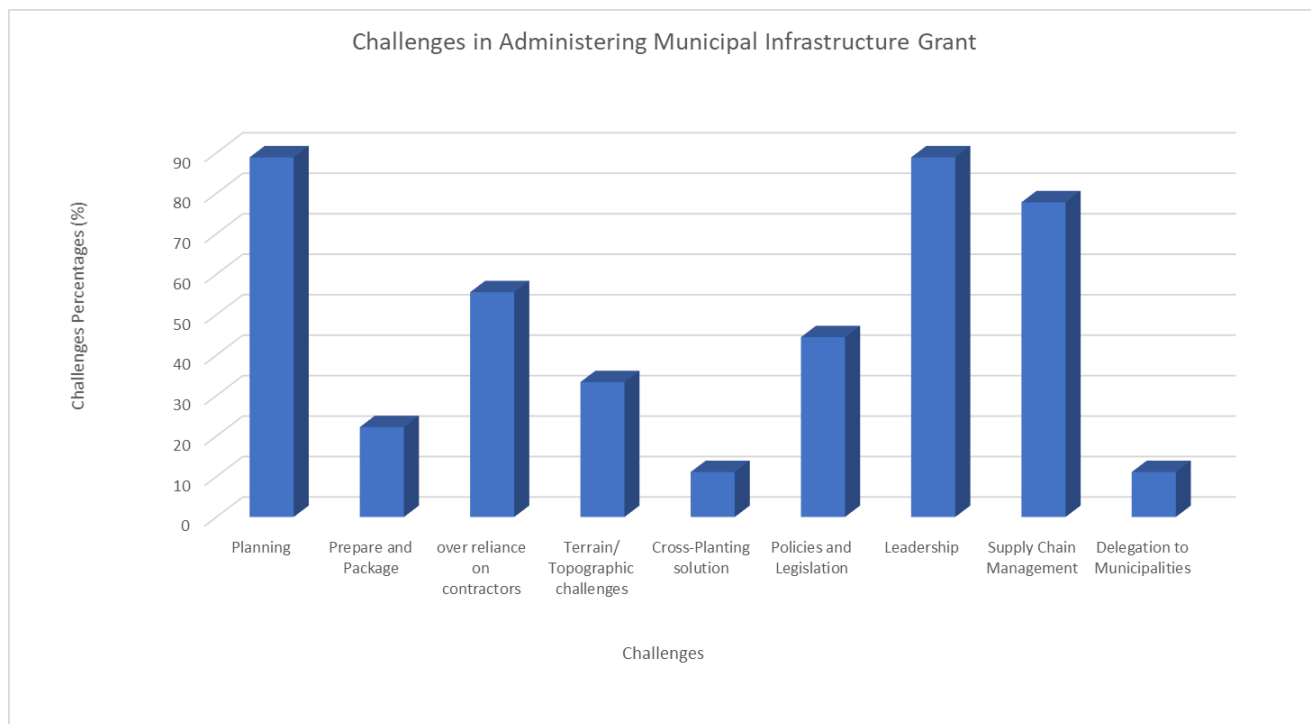


Figure 5.2: Challenges that affected the municipality in administering the MIG
(Source: Author, 2022)

5.6.1.1 Capacity and capability to plan

The municipality was receiving the highest allocation in the country in terms of the MIG grant, five per cent was allocated to the PMU capacity building. The study revealed that their planning was not on par with the amount of money they were receiving. Most challenges that faced by the municipality were due to poor planning. For instance, the involvement of the municipal personnel during the environmental impact assessment and other studies allowed the municipality to be able to foresee challenges that the municipality could encounter and take remedial actions.

The study also noted that the municipality did not have a systematic way of delivering the projects; accordingly, they sometimes delivered dysfunctional infrastructure. Some projects had been under construction for more than five years, which indicates a lack of thorough planning.

5.6.1.2 Overreliance on service providers

The municipality utilised Amatola as a service provider. The study revealed that this arrangement was illegal. In addition, the study revealed that the technical division had staff with the required qualifications but who lacked the necessary skills to implement

the grant. Therefore, training current employees is necessary, as well as employing highly skilled personnel.

Furthermore, the consultants were not finishing their designs, so the projects were not ready to be implemented. This was due to a lack of capacity as well as the capability to plan by the contractors. They also noted that the contractors were not finishing their projects on time, and some projects were being abandoned. This impacted the delivery of services negatively as the municipality had no control over the implementation of the projects.

5.6.1.3 Terrain/ topographic challenge

One of the challenges that led to over-expenditure by the municipality was the access to sites by the contractors. The project's cost increases due to the double handling of material during the implementation. The municipality should include the estimated cost of the topographic challenges during budgeting, including the additional transport modes

5.6.1.4 Cross-planting solution

The respondents highlighted that the ORTDM is mostly rural; however, the municipality was cross-planting solutions that were more feasible for urban areas than in rural areas. These solutions were costly in terms of operating, monitoring, and rolling out certain infrastructure, where the villages are far apart. In addition, the municipality is adopting cross-planting solutions that were more modernised and/or technologically advanced instead of going back to the basics and finding ways of dealing with matters cost-effectively and in a manner that would bring easier solutions.

The respondents indicated that some of the systems or infrastructure that they had, were not outdated; they were still relevant since they were in rural areas with fewer communities and that were not cost-effective. However, there was still a need to maintain that infrastructure. Instead of building more resilient and reliable infrastructure, the municipality ended up choosing expensive infrastructure that was more costly due to the lack of guidance and planning.

5.6.1.5 Policies and legislation

The study revealed that most sections of the MFMA contradicted engineering laws. However, the MFMA stipulates that if any clause contradicts the MFMA, the MFMA stands. For instance, if you have planned to use Eskom in your project, the Eskom

policy requires upfront payments, which are regarded as advance payments by the MFMA and must be approved by the Treasury. These hamper the progress of the project. The municipality needs to be capacitated in terms of contracting. This will assist in addressing the challenges related to the contractors.

5.6.1.6 Leadership

The researcher noted that communities were still suffering in terms of water and sanitation owing to operation and maintenance. Two years after building the infrastructure, it was no longer functional. These issues require strong leadership with sound governance that will ensure the smooth implementation of the grant and that the infrastructure is well maintained for a long time. They further outlined that the technical and political leadership was a challenge within the municipality.

- **Technical leadership**

This study revealed that there was fluidity within the technical division of the municipality where the head did not necessarily have a say and as not in a position to adopt a firm approach. The reason could be that the manager did not have real organisational power. Therefore, no leaders were willing to make decisions and indicate the way forward regarding what needed to be done and what directed its plans. Hence, the municipality kept on changing its PIP.

These changes affected the mode and pace of delivering the infrastructure. They did not follow up on what needed to be done, which included identifying plans for the project. One of the projects mentioned above has been going on for a long time, with little progress with regard to the Presidential KSD and Mqanduli projects. The municipality should be dealing with issues related to ground water; however, that is not the case. The focus is on coming up with a bilper line and crossing one area to another.

- **Political leadership**

The researcher noted that project delivery is a challenge in the ORTDM. This is revealed in instances where councillors are always trying to serve many communities with the few resources available instead of focusing on one community and moving to the next one upon completion.

Regarding the projects and programmes planned for the MIG, if the council did not approve the project for a certain reason, the priority changed, although it already

appeared in the PIP. They also indicated that the council did not meet, so they would not be able to adjudicate certain decisions/motions.

Another respondent highlighted the issue of dishonesty, among politicians. They indicated that they must be honest and frank in their assessment appraisals and be able to recognise honest employees and not threaten them. Furthermore, they had to listen to and value everyone's input.

5.6.1.7 Supply chain management

The municipality faces problems in administering the MIG, including supply chain management. They noted that the BID Specification Committee had not sat for three months due to the Covid-19 outbreak; they were supposed to sit in June 2020 but ended up sitting in September 2020; accordingly, the advertisement was published in November 2020. In addition, there was strike action by the officials, which added to the SCM delay. For that reason, the projects were re-advertised after the 90-day period had lapsed. Some of those projects were being awarded at the time of writing, although it was near the end of the current financial year in which this research took place, but before 31 April 2021. The municipality indicated that they would be applying for a rollover for those projects, as some of them met the stipulated requirements. They also noted that contractors were present on the site and were working.

The municipality also indicated that there was a challenge with the SMMEs that were demanding a 30% payment. They were not clearly informed of the composition of the 30% regulation and to what amount it applied.

The researcher noted that no one was willing to take responsibility concerning this aspect as the technical department identified the SCM as a challenge, whilst the SCM personnel indicated that the technical division did not plan properly for their project and approached the SCM when it was already late.

5.6.1.8 Delegation

The study revealed that the national government, including the politicians, did not delegate the most resourced personnel in terms of skills and maturity; they reserved them for the national and provincial levels of the government. In addition, when the national department sent junior staff members to act as municipal managers because of the discrepancy in titles, and, in most instances, those leaders could not apply a Pythagoras theorem.

“There have to be intergovernmental relations in terms of the fiscus, and sometimes the people doing oversight have less knowledge of the programme. Consequently, those are problems when one is overseen by incompetent and unskilled junior officials” (ORTDM official 4).

“The issue of rank is also one of the challenges, as the senior official with the same rank as officials at the national level, undermines senior personnel of the same rank, from the local sphere of government and regards their work as mediocre” (ORTDM official 4).

5.6.2 Impact of the challenges faced by the municipality in administering the MIG

The community did not have continuity with regard to a reliable and consistent supply of water and sanitation services. The municipality was usually associated with communities that were not fully serviced, that had to fetch water from far, and that some had a low-quality water supply. In some instances, the infrastructure was unable to deliver clean and portable water. Women and young girls suffered the most as they were expected to fetch water for the household.

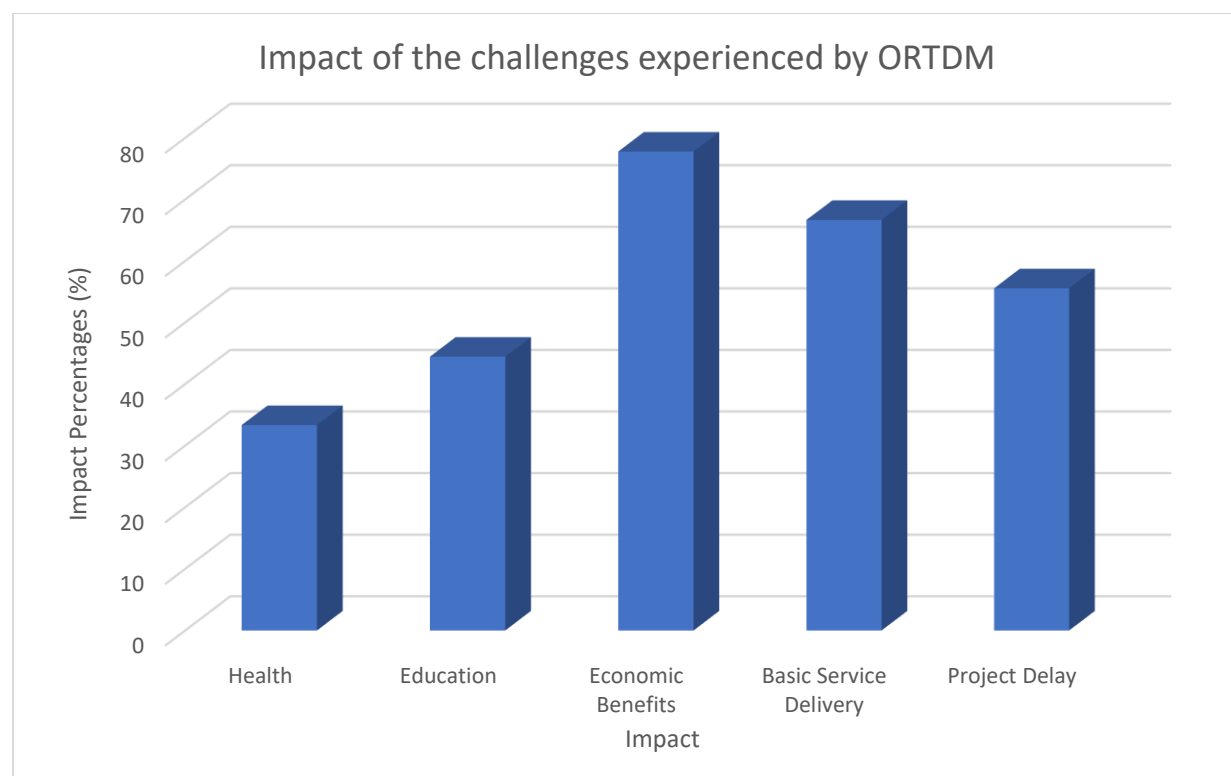


Figure 5.3: Impact of challenges experienced by the municipality in administering MIG

(Source: Author, 2022)

5.6.2.1 Health

The respondent noted that this response had a bearing on health as there were usually spillages due to the compromised quality of the project and the poor maintenance of the infrastructure, and those spillages were health hazards for communities. The quality of the water from the river was also suspect as people consumed water in the same places where animals drank, and others washed their clothes in the same river/dam. In addition, one knew who was polluting the river on the other side of the river.

Women and young girls must fetch water from afar on a regular basis, and in the process, they get raped because they have to walk through the fields. Post 2021 local government elections, the Qunu residents were reported to be fetching water from the ponds, where dogs could be seen drinking the same water. They indicated that their taps had been dry for an extremely long time, and they had never had a proper water supply since the passing of the late president, the Honourable Nelson R Mandela.

5.6.2.2 Education

The respondent indicated that this compromised the teaching and learning programme, as in some rural schools, learners had to leave school to fetch water from the river. Some households even allowed children to be absent on some days to fetch water.

In 2017, the MTSF committed to the country that by the 2019/20 financial year, 90% of the country would have a reliable and consistent water supply. However, although the OR Tambo district municipality is striving to achieve this goal, it is far from achieving it due to the considerable backlogs.

5.6.2.3 Economic benefit

One of the respondents indicated that when proper planning was absent, including engineering designs, the contractors would deliver work that had no economic benefits and within a period of two years, the structure would be dilapidated. Possible economic opportunities would be eroded, and local economic development would become stagnant. Consequently, the municipality lost out on opportunities for people to pay for the water. Lastly, they lost out on investors to invest in those areas.

Communities also suffered in terms of job creation and skills development because when the local contractors are appointed, skills are developed.

5.6.2.4 Basic services

If the municipality does not spend the allocation as required by the DoRA (RSA, 2012), it reduces the impact of projects that would have been achieved to provide basic services to communities. The schedule overruns are a disservice to the communities. The cost and schedule overruns contribute to the municipality not being provided fully with services to their communities. The NDP aimed to eradicate the water and sanitation backlog by 2019, yet in 2021 there are still backlogs in the ORTDM.

5.6.2.5 Projects delay

The municipality was unable to provide a basic service to the community as promised. They would also need to reduce the number of projects that were to be delivered in that financial year and also revealed that there were delays in project implementation due to the lack of capacity regarding project monitoring from the provincial government. Regular project monitoring is fundamental for the successful implementation of the project. Lastly, there would be over expenditure and services would be provided at a high rate as they would be sourcing external people.

These challenges affected the lives of the OR Tambo District community negatively. One of the ORTDM officials indicated that the community was not kept abreast of the administrative challenges faced by the municipality; consequently, such service delivery delays led to community unrest. The researcher believes this is because of little or no trust and little interaction between the municipality and the communities.

5.6.3 Challenges in complying with the MIG

Based on the above responses, it is evident that the municipality experienced challenges in complying with the MIG requirements. One of the challenges includes budget maintenance. The budget may be exceeded due to difficulty in accessing the project site. In some instances, the municipality applied for budget maintenance, but it was rejected. It is evident from the responses above that the municipality registered their projects late, and sometimes the Department of Cooperative Governance approved the municipal submissions late. This caused a delay in the project implementation. They also highlighted the reporting of expenditure on the MIGMIF reporting system, particularly when a sub-contractor was introduced at a later stage of the project.

As indicated above, in some years, they spent their allocation fully; however, in 2020, the municipality lost close to R500m due to irregular expenditure, during the previous financial year. They failed to comply with the requirements during the previous

financial year, and the National Treasury took money from either their future allocations or the revenue. The municipality also experienced challenges in complying with the MIG framework and the DoRA requirements numerous times. An allocation of R95m was stopped in the 2018/19 financial year due to non-compliance in terms of the reporting requirements. It was also reported that the municipality was reporting on projects that were not included in their PIP. Their PMU had also been rejected as the municipality had failed to submit a business plan for the project management unit to the transferring officer.

In the 2020/21 financial year, an allocation of R158m was stopped due to late reporting and instability within the municipality. The municipality failed to comply in terms of reporting and registering projects. The municipality was often afforded time to register those projects, but this caused delays in the project implementation. The provision of the MIG stipulates that there should be a 40% expenditure by December. However, the municipality normally has poor expenditure for the whole year and only picked up at the peak of the MIG expenditure.

It was further indicated that the ORTDM is a non-delegated municipality, but there were instances where they did not meet the expenditure targets that were set by the National Treasury and the DCoG resulting in them losing some of their funding or sometimes it was reduced. Their non-submission of the section 71 reports that the municipality had to submit monthly resulted in them not meeting the conditions fully. In addition, they did not spend according to the approved business plan and did not inform the relevant stakeholders when they changed their business plan.

The MIG requirement provides that by July, the municipality must have completed the procurement process, but in most instances, the municipality is normally busy with the procurement phase in July rather than with the implementation phase. The municipality did not spend fully in June (this is not yet gazetted). They transfer money to service providers for materials as a prepayment to make it seem as if they had spent the money as required. This results from the inherent skills shortages of the project managers and poor planning.

Ten per cent of the respondents from the municipality indicated that the municipality did not experience compliance challenges. However, regarding the business plan for the last three years, the municipality was required to appoint data capturers, but that condition has not been adhered to up to date. The PMU submitted a request that indicated the need for those data capturers to the corporate services division, but they

have not prioritised it to date. This setback is due to the negligence of the corporate service division.

5.6.4 Political influence in the management of the MIG in the OR Tambo District Municipality

In terms of the political situation of the municipality concerning administering the MIG, the respondents indicated that there was a political imbalance, and it affected the management and administration of projects negatively. Furthermore, it deprived the political office bearers of their role to lead and provide direction on managing the MIG. The politicians were supposed to provide oversight on what had already been implemented regarding the MTSF commitments. However, sometimes the incoming political office bearer did not want to advance the outgoing official's priorities and introduced their own projects for implementation. In addition, the respondents highlighted that this caused conflict between the municipality and the community as they suddenly stalled the ongoing projects and introduced new projects.

Whilst that is the case, CoGTA believes that there was a lack of political guidance within the municipality as they had not performed well in the past few years due to the political decision to spread the allocation to various municipalities and benefit more than one community without making an impact. They further outlined the following factors as one of the reasons for the negative impact of politicians in the management of the grant:

5.6.4.1 Instability

There was no focused approach regarding infrastructure delivery. The political arena within the municipality was not carrying out any oversight plans, and the technocrats were expected to run everything. In the 2018/19 financial year, the select committee on appropriation visited the ORTDM, and one of the conclusions reached during that visit was that there had been no monitoring and oversight by the politicians in relation to projects implemented by the municipality.

In terms of the political space in the municipality, it was found that there had been instability/factions for a very long time, and both the province, and the national office had not been assisting regarding this matter. Due to these internal instabilities, the performance of the municipality was found to be unsatisfactory; accordingly, they lost funds in both the MIG, RBIG and WSIG in the 2019/20 financial year. The municipality managed to spend about 76% of its allocation. The instability, COVID-19 restrictions,

and infighting made it almost impossible for the municipality to perform, as well as the length of time it took to make decisions.

Procurement has always been one of the stumbling blocks for the MIG in the municipality. Some of the officials were still under investigation, therefore, they were hesitant to participate in the bid committees or any other committee. They were also sceptical about taking decisions about deciding which service providers to procure for a particular service.

5.6.4.2 Technical work

The council is responsible for approving the IDP, and, if the IDP is not aligned with the needs of the community, it affects the performance of the programme itself. The municipality is not spending its grant fully and is not completing its projects. The projects are stagnant because the political office bearers are interfering with the technical work. The technical division only implements the existing projects as the politicians are challenging the new projects resulting in them not implementing any new projects as the council refuses to endorse them.

According to the respondents, in the 2019/20 financial year, the municipality had only spent 63% of its grant by the end of the financial year. By the beginning of the 2020/21 financial year, the municipality was already behind in terms of its projections. While some of the projects have not commenced fully, there are also capacity challenges, and the personnel are moved from the programme to attend to another programme with the instructions of the politicians. For that reason, the respondents concluded that political oversight and monitoring were not helping to enhance the performance of the municipality concerning the MIG.

5.6.4.3 Accountability

“The MIG is a highly politicised grant, and it requires strong administrators who do not only know the law but are able to uphold it and advise their political principals accordingly, to avoid political principals from pushing them to act against the various pieces of legislation” (NT official1).

The respondents highlighted the absence or lack of accountability by the politicians. They further exposed unethical behaviour, such as the taking of bribes by political heads. This is because the politicians are sometimes more interested in projects, rather than the quality of the projects delivered.

No value was added between the 2018/19 financial year and the time this research was conducted, in terms of the money that was invested or spent, and the political officials are not asking the relevant questions to encourage accountability. The council changed the plans of the municipality mid-year, and it took longer to plan for new projects. These delays resulted in them not spending the grants fully, and later, they lost the money.

5.7 CONCLUSION

This chapter provided an analysis and interpretation of the data collected through semi-structured interviews, document analysis and journal articles. The research findings were also discussed in terms of the different perspectives of the participants on the financial administration of the MIG with reference to water and sanitation in the OR Tambo District Municipality

To answer the research question, the municipality faced a multitude of challenges in administering the grant. These challenges included planning, packaging, and project preparation, terrain/topographic factors, overreliance on contractors, policies and legislation, cross-planting solutions, political instability, supply chain management, delegation to municipalities as well as the technical skills required to administer the grant.

The researcher formulated recommendations based on the above data. The recommendations will be discussed in detail in Chapter 6.

CHAPTER 6: SUMMARY OF FINDINGS, RECOMMENDATIONS AND CONCLUSION

6.1 INTRODUCTION

Chapter 5 presents the findings, results and summaries based on the interviews conducted with the officials from the OR Tambo District Municipality, the Department of Cooperative Governance (national and provincial, including MISA), and a National Treasury official. The study employed a qualitative research method to collect this data. This included semi-structured interviews, consulting official departmental documents, published journals, and published and unpublished theses and dissertations.

This chapter revisits the chapter outline of the study. A summary of the findings based on the objectives of the study on the administration of the municipal infrastructure grant with reference to water and sanitation will be discussed in detail.

This chapter also provides recommendations for the successful administration and implementation of the MIG within the municipality. This will assist in improving the overall grant implementation process. The chapter then presents the conclusions of the study based on the findings.

6.2 CHAPTER OUTLINE

Chapter 1 deals with the general introduction of the study, the background of the study, the problem statement, the objectives of the study, the rationale of the study, the literature review, the research design and methodology, the sample description, the data analysis, delimitations of the study, ethical considerations, conclusions and referencing.

Furthermore, the financial administration of the MIG within the municipality is discussed in this chapter. The chapter visits the challenges the municipality faces in administering the grant. The problem statement of the study sought to identify a multitude of challenges the municipality faced in administering the MIG. This raises the question regarding whether the administration of the grant is better suited at that level of government, considering that it is highly political.

Chapter 2: This chapter provides a literature review on the international perspective of intergovernmental grants at the local government financial administration. It further

provides the reader with a brief overview of the SGDs and the AU vision of 2063 on good governance. The following countries, namely, Brazil, Germany, Indonesia, Ethiopia, Nigeria, Tanzania and lastly, South Africa, are discussed in detail. South Africa, in general, is discussed to highlight the challenges in managing its intergovernmental grants regarding water and sanitation. Furthermore, it highlights and discusses the theories related to the grant and selects the most suitable theory. The researcher also provides a clear and concise description of South Africa on intergovernmental grants.

Chapter 3: This chapter aimed to explore and review the literature on the financial administration of the MIG, with reference to water and sanitation, in the OR Tambo District Municipality. This chapter describes the statutory frameworks for good governance and financial administration as well as water and sanitation. It provides a brief overview of the planning tools utilised by the South African government to achieve the set goals for a long period of time. A discussion of the MIG financial administration, good governance and water and sanitation is provided from the perspective of both the Eastern Cape province as well as the OR Tambo District Municipality. The chapter further notes and discusses the challenges affecting the implementation of MIG in the OR Tambo. Lastly, the need for the applicability of public administration generic functions is encouraged.

Chapter 4: The chapter aimed to explore the research design and methodology employed in guiding the research study. The researcher employed a qualitative research method with a descriptive approach in exploring the financial administration of the MIG regarding water and sanitation in OR Tambo District Municipality. It then attempts to provide a clear description of the data collection methods and techniques employed. Lastly, the chapter provides a detailed description of the data analysis and interpretation undertaken and concludes by outlining ethical issues to be considered by the researcher throughout the data collection process.

Chapter 5: The chapter focuses on the presentation of findings and the interpretation of the data. This chapter focuses on the presentation of findings from the data collected in the form of semi-structured interviews from the OR Tambo District Municipality and the Department of Cooperative Governance, including MISA. The chapter also attempts to present research findings from the data obtained from official government documents that address the municipality's performance in line with the financial administration of the MIG.

Chapter 6: This chapter summarises the main outcomes of the study conducted based on the research objectives. It aims to determine whether the research objectives were achieved and attempts to provide applicable recommendations on the sound financial administration of the MIG concerning water and sanitation in the ORTDM.

6.3 SUMMARY OF FINDINGS BASED ON RESEARCH OBJECTIVES

The research objectives are outlined shortly to determine whether they have been achieved.

Research Objective 1: To describe the Intergovernmental grants awarded to the OR Tambo Municipality regarding water and sanitation.

Finding 1: It was found that, with reference to water and sanitation, the municipality receives three grants The **Water Service Infrastructure Grant**, the **Regional Bulk Infrastructure Grant**, and the **Municipal Infrastructure Grant (MIG)**, with MIG being the largest.

The study also found, in **finding number 2**, that WSIG replaced the Municipal Water Infrastructure Grant during the 2017/18 financial year. Although the objectives and the purpose of the grant are still the same. The MWIG allows the implementation of the grant in project phases for the MTEF, whilst the WSIG ensures that once a skill is implemented, the project must be finished and complete and ready for use.

Finding 3 indicated that the municipal infrastructure grant is administered because it provides a basic level of services to poor communities and entails a holistic approach to ensure that the community can thrive. Furthermore, it enables the community to become economically healthy by introducing basic services in poorer communities.

Research Objective 2: To evaluate how intergovernmental grants are used with reference to sanitation in the OR Tambo District.

Finding 4 noted that they were implemented through the IDP, which is aligned to the country's long-term goals. The council goes to the communities to identify projects, and those projects are registered in the IDP that then narrows them down to a three-year plan and later converts them into a project implementation plan. The IDP is assessed by the province before adoption to see if it has incorporated all the necessary aspects. The municipality then tries to implement those plans in the targeted areas

and provides funding to various districts and wards to ensure that services are rendered to the people. Most of the ORTDM projects are multi- year projects.

Finding 5 revealed that the MIG targets the poor, and the funding must be administered in the sense that the municipality must provide a basic level of services, namely, that is, communal taps and VIP toilets in rural areas and a high level of services in towns. It further notes that the MIG is a multi-sectoral grant, and one of its objectives is to ensure that the community has access to water and sanitation, thereby, ensuring that the right of the community to clean water and dignified sanitation is addressed.

There is infrastructure delivery in the ORTDM, and they are ensuring that all projects are implemented. There is an extensive rollout of VIP toilets in the municipality, and the grant framework allows the municipality to tackle other priority matters, such as repairs and refurbishment, as they are currently not maintaining their existing infrastructure so that the municipality can have a consistent supply of water and dignified sanitation.

To ensure that people have access to water and sanitation, **finding 6** indicated that the municipality evaluated the backlogs and managed the projects to be implemented through the Water Service Development Plans (WSDPs), the target they have set for the municipality to achieve. They also ensured that they funded operating and maintenance (O&M) to ensure that the existing infrastructure operates well and that forward payment is done for new projects.

In contrast with the above finding, **finding 7** pointed out that there were considerable backlogs and people still had no access to water and dignified sanitation. The municipality normally honey-sucked the toilets as a means of maintenance. Sometimes a backlog was created by the municipality with regard to the erection of the toilets, which were also not sustainable after a few years, or they collapsed after five to ten years.

Research objective 3: To examine the extent to which the OR Tambo district complied with the MIG statutory requirements.

Finding 8 noted that with regard to maintenance, there were contrasting views. Whilst most of the participants shared the view that the municipality experienced a multitude

of challenges with compliance. Only one participant believed adamantly that the municipality had no problem with compliance.

Finding 9 pointed the compliance challenges out that were experienced by the, including **budget maintenance**, which resulted in either over-expenditure or under-expenditure, **delays in the registration of projects** by the municipality and **late approval** by COGTA, procurement delays as well inherent skills shortages. Although the municipality was often given time to register those projects, they still delayed their implementation

The municipality's planning requirements were not up to standard, affecting the grant's effective and efficient administration. Although the officials from the finance department and the PMU blamed each other, proper planning, including the environmental assessment and a feasibility study, would yield successful implementation of the grant. They could ensure that they have all the required personnel with the requisite skills.

To add to the above, **finding 10** revealed the municipality's non-compliance with the National Treasury and Department of Cooperative Governance's spending requirements. At times, the municipality did not comply with the provision that they had to spend 40% of the allocation by December. The municipality showed traces of irregular expenditure, and the transferring officer penalised them.

Finding 11 found that the municipality did not comply in terms of reporting in most instances. This pertained especially to the non-submission of the section 71 reports that the municipality had to submit monthly. In addition, they reported on projects that were not on the approved business plan. The municipality sometimes changed the business plans and did not inform the relevant personnel of the change.

Research objective: To determine other challenges the municipality encountered in administering the grant.

Finding 12 pointed out that the planning, budgeting and implementation challenges encountered by the municipality in administering the MIG, were the key challenges. The municipality was then required to plan for the project, budget and implement it; however, it was weak in those areas. These challenges resulted in over/under expenditure, delayed project registration and other late reporting. The municipality needed to indicate if they needed assistance, but they failed to do this.

Finding 13 highlighted the skills shortage within both the municipality and the service providers expected to implement the MIG. The participants complained about the unskilled PMU personnel and advised that the municipality should employ highly skilled, and ECSA registered personnel to minimise reliance on contractors.

Five per cent of the allocation is to assist with regard to the PMU staff, but the municipality assumed that they had the skills required to administer the grant, yet they only had qualifications. The sector departments were only visible when they had to penalise the municipality. They should be visible throughout the implementation of the programme, particularly in those areas in which they are the most lacking.

Finding 14 focused on the separation of duties between public officials and political office bearers. The politicians did not endorse the projects, so they would not benefit personally. They also wanted to appease various communities and implement projects in each community, but never completed them. The power of the politicians must be minimised, and there must be a clause that prevents them from altering the approved plans. The political office bearers are supposed to be the cornerstone of development in the municipality; however, they have proved to be dishonest and have caused instability.

6.4 RECOMMENDATIONS

Based on the findings and discussions, the study provides recommendations on the effective and efficient administration of the MIG regarding water and sanitation and provides the means to address the challenges the municipality faces. Some of the recommendations are from the participants that were interviewed.

6.4.1 Governance

- In order to dissolve the current council inside the municipality, the government must invoke section 139 of the Constitution. This will allow for the installation of new councillors that will strive to take the municipality to new heights with the interests of both the community and the municipality at heart and that would benefit them.
- The municipality's capacity to stabilise the community has suffered since the municipal manager has been absent for the past two years. Therefore, the municipality must prioritise the filling of vacant positions permanently, particularly that of the Municipal Manager.

- The investigations that are currently being conducted, must be finalised; this will help to ensure that the municipality is headed in the correct direction. This will improve the supply chain processes as the committee will participate freely. Subsequently, the municipality must entrench zero tolerance as well as a performance culture. Furthermore, CoGTA must equip their monitoring and evaluation staff and give each manager fair and doable projects.

In addition, the municipality should spend money on advancing their employees' skills rather than relying only on consultants. The target should not specifically be senior officials but the skills of all core and non-core officials. This will be done in terms of the Skills Development Act of 1998 (RSA, 1998b).

6.4.2 Classification of powers and functions

- The OR Tambo District Municipality must grant the local municipalities the capacity to act as water service authorities and take charge of their own affairs, particularly regarding reticulation, while leaving the district in charge of larger issues. The OR Tambo district serves as both the WSA and the WSP. It either defines the functions and ensures that the relevant authorities carry out their duties or that the local governments assume the WSP role. This is due to the district's extremely limited capacity to handle water service authority and service provision tasks. Sometimes the municipality's capacity and ability to handle them were insufficient.
- For continuity and timely delivery of quality projects, politicians should focus on their line of work and allow administrators to perform the tasks they are qualified to perform.

6.4.3 Create their own revenue

- The municipality must realise its economic potential and must be able to develop its own sources of income and support. Some of the difficulties the municipality faced are a sign that it relied too heavily on donations rather than on generating its own income. They must take a thorough approach to handling bulk infrastructure, by making sure that they are aware of the problems in their areas and that billing systems are in place to ensure proper and efficient tax collection.
- This can be achieved through intensifying the credit control policy of businesses and those that can afford to pay within the municipality.

- Additionally, the sector departments need to devise ways of helping the municipality with metering residential connections and identifying who is responsible for paying the bill.

6.4.4 Improvise planning

- Governments must devise a differentiated strategy to fund the municipalities differently rather than using a one-size-fits-all strategy. In this way, the focus will be on specific economic problems in certain communities, which will have a knock-on effect on job creation and investment.
- It is necessary to develop an economic resilience strategy, whether through agricultural means or another method.
- In order to change the landscapes of such locations, the municipality must discover ways of bringing all the sectors together. KSD is the only liveable town in the ORTDM; the others have not yet been established.
- The municipality must implement and improve forward planning to increase spending and speed up service delivery to the areas. Proper planning will allow the municipality to improve its project design, implementation and monitoring to ensure value for the money spent.
- The monitoring and evaluation personnel must also ensure that the municipality follows through on those plans.
- Financially and professionally capable contractors must be appointed.
- Realistic planning should take these considerations into account. When developing strategic plans, observers of planning should be present.
- The Eastern Cape Province CoGTA must equip its monitoring team and give every manager enough doable projects.

6.4.5 Improve procurement processes

- It is clear that the technical division's poor planning is to blame for the supply chain problems. The municipality must improve the supply chain management processes, so that project managers are trained and equipped to work with SMMEs and/or contractors to ensure high-quality services are provided.
- The municipality needs to enforce supply chain management policies and implement consequence management in instances whereby they are flaunted.

6.4.6 Indicate when they need support

- The municipality does not appear to be making full use of the assistance **it is** receiving. It needs to get rid of the "know-it-all" attitude and ask for help when needed.
- Along with being able to punish the municipality, the government must also be present and offer the municipality all the help it needs. This may be accomplished by monitoring support, implementation, or incubation.

6.4.7 Back to basics

- The municipality must start from scratch, overhaul the whole technical division of the municipality, and make sure that a properly constituted project management unit is in place to handle the grant administration. Here, planning is defined as making sure there is a master plan.
- The infrastructure that is currently in place and the pipeline that will eventually support it should be analysed.
- To plan properly for asset management and implement the proper maintenance and operation for the current infrastructure, it is necessary to measure the expected lifespan of the infrastructure.
- The master plan must account for the number of backlogs, ensure that it details what is available and unavailable, and establish a timeline for when each resource (financial or human) will be eliminated. To do this, it must include accurate expenditure financing projections and resourcing it once more by including and ensuring the appointment of qualified project personnel.
- The municipality must follow the plan and appoint service providers as required by the Municipal Financial Management Act of 2003 (RSA, 2003) on supply chain management in order to complete the indicated scheduled activities and deliverables. In ORTDM, plans are merely made for compliance reasons, but they are not properly adhered to or managed.
- The municipality must implement back-to-basics interventions to ensure that it is fully capable, accepts interventions, and carries out checks and balances to ensure that it sticks to the plan and the master planning for infrastructure provision, and to achieving these plans.

6.4.8 Dichotomy of politics and administration

- Political office holders and administrators, especially technocrats in the municipality, should have distinct lines of demarcation.
- Politicians' abilities and areas of expertise must be considered when they are used.
- The council has the final word over project approval and execution, but sector departments must be firm regarding requiring municipalities to carry out the existing plans and prevent the incoming council from changing them.
- Unfinished projects are the outcome of the council's ability to change its focus in the middle of a project. (Since the council has approved the three-year plan, there should be a condition prohibiting the incoming council from changing the PIP, especially regarding projects already in the execution stage.)

6.4.9 Compliance matters

- The municipality must enhance risk management, early risk detection, and the monitoring of risk management measures.
- To be able to audit projects on the ground, oversight mechanisms, such as audit units, must be equipped.
- Trustworthy individuals who profit from outcomes rather than accepting bribes must be appointed.
- The municipality must enhance its ethical behaviour, professionalism, and planning.

6.5 AREAS FOR FUTURE RESEARCH

The researchers note the gap in studies on **generating revenue by the local government**. The study should explore factors, such as enforcing laws on metering, electricity bills, and traffic fines. This is mostly the case in the ORTDM.

6.6 CONCLUSION

Sustainable Development Goal 6 ensures access to water and sanitation for all. The Water Action Decade 2018- 2030 reveals that three out of ten people lack access to safely managed drinking water services and six out of ten people lack access to safely managed sanitation services. The OR Tambo is no exception, as the study has proved that the municipality is struggling to provide basic-level services to its residents, particularly in its rural counterparts. Although the MIG caters specifically for that, the

administration and management of the grant prove to be a challenge within the municipality.

Based on this study, the researcher concludes that for the municipality to administer the grant effectively, it needs to ensure proper planning and include relevant personnel during its early stages so that it can identify risks in time. This will also assist in ensuring that the project implementation plan is accurate and well-researched.

The participants revealed that the municipality is fully capacitated in terms of qualifications in line with the MIG requirements. However, they are not skilled. The municipality needs to employ skilled, and ECSA registered personnel. This is appropriate for project planning, reporting and implementation and will motivate the municipality to refrain from using consultants. It will also minimise any traces of irregular expenditure and over-expenditure. Lastly, the existing PMU personnel must be trained in terms of skills development Act 97 of 1998 (RSA, 1998b).

The study notes the involvement of politicians in administration matters, particularly procurement. The roles and responsibilities must be clearly defined, and administrators must be protected by employing the relevant policies. This will help curb local government corruption and avoid appointing incompetent contractors.

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APPENDICES

APPENDIX A: CERTIFICATION BY LANGUAGE EDITOR.



CAROL JANSEN LANGUAGE EDITING SERVICES

P.O.Box 428
BRONKHORSTSPRUIT
1020
14 December 2022

To whom it may concern

Certification of language editing done.

I hereby declare that I have edited the language, grammar and reference list of the dissertation of Aseza Pongco entitled:

"An analysis of Financial Administration of Municipal Infrastructure Grant in OR Tambo District Municipality with reference to Water and Sanitation."

SUPERVISOR: MR BC LEKONYANE

I am an experienced language practitioner who has edited many theses and dissertations for Unisa, the Tshwane University of Technology (TUT) as well as the University of Pretoria.

A handwritten signature in black ink, appearing to read 'Carol Jansen'.

Carol Jansen

Language practitioner

Cell no: 082 9200312

MA (Linguistics Stellenbosch University)

BEd (Unisa)

BBibl (Hons) (Unisa)

APPENDIX B: ORTDM INTERVIEW SCHEDULE

INTERVIEW SCHEDULE FOR THE OR TAMBO DISTRICT MUNICIPALITY

Analysis of Financial Administration of Municipal Infrastructure Grant in OR Tambo District Municipality with Reference to Water and Sanitation.

Rules of Interviews

1. This interview is based on research about Financial administration of municipal infrastructure grant in OR Tambo District Municipality with reference to water and sanitation.
2. You have been invited to participate in this study because of your extensive experience about the topic under study
3. You are kindly requested to answer the interview questions as honestly and completely as possible.
4. The interview will take a maximum of 60 minutes to complete.
5. Participation is anonymous: You are not requested to disclose your identity. Your privacy will be respected.
6. No one will be able to connect you to the answers you give.
7. The information collected from you will be treated with strict confidentiality and used for research purposes only.
8. You have the right to withdraw your participation at any time. Hence, your participation is regarded as voluntarily.
9. You will not receive any payment or reward, financial or otherwise, and the study will not incur undue costs to you.
10. The survey data will be stored in a locked cupboard and the data stored in a computer will be protected by the use of a password.
11. The survey data will be destroyed when it is no longer of functional value (after five years).
12. A copy of the dissertation will be available in the library at the Muckleneuk Ridge Campus of the University of South Africa (Unisa), Pretoria.

SECTION A: DEMOGRAPHICS

Please answer the questions below by ticking the correct answer in the box.

1. How long have you been employed at OR Tambo District Municipality?

Less than 1 year		1-3 years		Between 3 – 5 Years		5 years and above	
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2. What is your current level of employment?

Junior Management		Middle Management		Senior Management	
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SECTION B: INTERVIEW QUESTIONS-QUALITATIVE

1. What are the challenges faced by the OR Tambo District Municipality in administering Municipal Infrastructure Grant?

2. What is the impact of these challenges?

3. Has the municipality experienced challenges in complying with the conditions of the MIG effectively? Please motivate.

4. Is the OR Tambo District Municipality equipped with the required institutional capacity required to manage MIG?

5. How has the political influence contributed to the management of the MIG in OR Tambo District Municipality?

6. Are intergovernmental relations well-coordinated between the stakeholders involved in the implementation of MIG? Please explain your answer.

7. Do the conditions of MIG allows the municipality to plan and budget effectively? Please motivate your answer.

8. What does the municipality do to ensure that the constitutional goal of ensuring that all South Africans have access to basic services is achieved?

9. Has the municipal infrastructure grant successfully addressed the fiscal imbalances in municipalities, particularly OR Tambo District Municipality?

10. Is the grant appropriate in capacitating the municipality fiscally?

End of the questions.

Thank you for your participation.

Appendix C: DCOG Interview schedule

INTERVIEW SCHEDULE FOR THE DEPARTMENT OF COOPERATIVE GOVERNANCE

Analysis of Financial Administration of Municipal Infrastructure Grant in OR Tambo District Municipality with Reference to Water and Sanitation.

Rules of Interviews

1. This interview is based on research about Financial administration of municipal infrastructure grant in OR Tambo District Municipality with reference to water and sanitation.
2. You have been invited to participate in this study because of your extensive experience about the topic under study
3. You are kindly requested to answer the interview questions as honestly and completely as possible.
4. The interview will take a maximum of 60 minutes to complete.
5. Participation is anonymous: You are not requested to disclose your identity. Your privacy will be respected.
6. No one will be able to connect you to the answers you give.
7. The information collected from you will be treated with strict confidentiality and used for research purposes only.
8. You have the right to withdraw your participation at any time. Hence, your participation is regarded as voluntarily.
9. You will not receive any payment or reward, financial or otherwise, and the study will not incur undue costs to you.
10. The survey data will be stored in a locked cupboard and the data stored in a computer will be protected by the use of a password.
11. The survey data will be destroyed when it is no longer of functional value (after five years).
12. A copy of the dissertation will be available in the library at the Muckleneuk Ridge Campus of the University of South Africa (Unisa), Pretoria.

SECTION A: DEMOGRAPHICS

Please answer the questions below by ticking the correct answer in the box.

1. How long have you been working at the Department of Cooperative Governance?

Less than 1 year		1-3 years		Between 3 – 5 Years		5 years and above	
------------------	--	-----------	--	---------------------	--	-------------------	--

2. What is your current level of employment?

Junior Management		Middle Management		Senior Management	
-------------------	--	-------------------	--	-------------------	--

SECTION B: INTERVIEW QUESTIONS-QUALITATIVE

1. What are the challenges faced by the OR Tambo District Municipality in administering Municipal Infrastructure Grant?

2. What is the impact of these challenges?

3. Has the municipality experienced challenges in complying with the conditions of the MIG effectively? Please motivate.

4. Is the OR Tambo District Municipality equipped with the required institutional capacity required to manage MIG?

5. How has the political influence contributed to the management of the MIG in OR Tambo District Municipality?

6. Are intergovernmental relations well-coordinated between the stakeholders involved in the implementation of MIG? Please explain your answer.

7. Do the conditions of MIG allows the municipality to plan and budget effectively? Please motivate your answer.

8. What does the municipality do to ensure that the constitutional goal of ensuring that all South Africans have access to basic services is achieved?

9. Has the municipal infrastructure grant successfully addressed the fiscal imbalances in municipalities, particularly OR Tambo District Municipality?

10. Is the grant appropriate in capacitating the municipality fiscally?

*End of the questions.
Thank you for your participation.*

APPENDIX D: ORTDM APPROVAL LETTER COGT

O. R. TAMBO DISTRICT MUNICIPALITY

**OFFICE
ADDRESS:**

O.R. Tambo District
Municipality House
Nelson Mandela Drive



O.R. TAMBO
DISTRICT MUNICIPALITY

TEL: (047) 501 6400
(047) 501 7000

FAX: (047) 531 2700

E-mail: ortambodm@ortambodm.org.za

06 October 2020

TO WHOM IT MAY CONCERN

RE: LETTER OF CONSENT TO UNDERTAKE RESEARCH FOR Ms ASEZA PONGCO

I, **F. Mphako**, the undersigned, in my capacity as the Acting Municipal Manager of the O R Tambo District Municipality, hereby give permission for **Aseza Pongco** to conduct research at the O R Tambo District towards her Masters dissertation titled, *"Financial Administration of Municipal Infrastructure Grant in O.R. Tambo District Municipality with reference with Water and Sanitation"*.

She may collect data from the local municipalities under O.R. Tambo District Municipality provided that they agree to supply it and that it does not interfere with the normal operations of the municipality.

I am aware that dissertations and subsequent academic papers based on this data will be available in the public domain and that the work may be published in the public domain provided that the identities of municipalities contributing data are regarded as protected and strictly confidential.

A handwritten signature in black ink, appearing to read 'F. Mphako', is written over a horizontal line.

F. Mphako
Acting Municipal Manager

@ortambodm   O. R. Tambo District Municipality



APPENDIX E: DCOG APPROVAL LETTER



cooperative governance

Department:
Cooperative Governance
REPUBLIC OF SOUTH AFRICA

87 Hamilton Street, Arcadia, Pretoria, Private Bag X804, Pretoria, 0001, South Africa
Tel: (+27 12) 334 0600, Fax: (+27 12) 334 0603, Website: www.cogta.gov.za

Reference: 14/4/1/4/2

Ms Aseza Pongco
303 Troye Villa
169 Troye Street
Sunnyside
0002

Dear Ms Aseza Pongco

PERMISSION TO CONDUCT INTERVIEWS WITH DCOG'S MIG AND IGR STAFF OFFICIALS - MS. ASEZA PONGCO MA-STUDENT UNISA

The topic of your MA dissertation is very relevant to the Department of Cooperative Governance (DCoG). The management of the Municipal Infrastructure Grant (MIG) is a core element of the Department's responsibilities. Linked to the overall responsibility to manage the MIG, is the direct support that DCoG provides to provinces and municipalities to implement MIG projects. As you know the MIG aims to eradicate municipal infrastructure backlogs in poor communities to ensure the provision of basic services such as water, sanitation, roads and community lighting.

In your letter of 7 September 2020 you requested approval:

- a) To interview DCoG officials to obtain data to compile a MA thesis with the title: An analysis of the Financial Administration of the Municipal Infrastructure Grant in OR Tambo District Municipality with reference to Water and Sanitation;
- b) For DCoG to assist you with the selection of six senior management members responsible for the disbursement and management of the MIG fund, as well as the intergovernmental relations between the three spheres of government to be interviewed;
- c) That your proposal for the selection of officials from the following units in DCoG be used as guideline in the selection process of officials to be interviewed, namely:
 - The MIG management unit (MIGmu) — specifically those individuals responsible for the MIG funding of the municipalities of the Eastern Cape (exactly those dealing with the ORTDM);
 - Intergovernmental Relations and Policy officials; and The MIG financial transferring office/officer. You are correct to ask for the selection of these DCoG officials "as they are the champions of effective and efficient service delivery".

As such it is also correct that *they are also responsible for the sound financial management of the MIG, and also the effective management of MIG projects.*

Poor performance on the MIG must be rectified, but to do so we need reliable data on what is happening on the ground. This is where studies like yours can play a very positive role. It will highlight problem areas, but also bring to the fore where good things

PERMISSION TO CONDUCT INTERVIEWS WITH DCOG'S MIG AND IGR STAFF OFFICIALS - MS. ASEZA PONGCO MA-STUDENT UNISA

are happening. Without these types of information, we cannot hope to turn the fortunes of our municipalities around.

Ms Pongco, I am looking forward to seeing the end product of your studies. It is therefore an absolute pleasure to approve your request to interview our MIG- and IGR officials. An arrangement has been made that Ms C van der Westhuizen will introduce you to the relevant officials. Please contact her on 0727262371, or on her email Chemonevw@cogta.gov.za.

I wish you all the best in researching and writing your dissertation.

Kind regards



**MS A WILLIAMSON
DIRECTOR-GENERAL: COOPERATIVE GOVERNANCE**

DATE: 30/11/2020

Contact Ando Donkers: Director: Analysis and Reporting on Tel: (012) 334-0501 or email: ando@cogta.gov.za for more information related to this matter.