INFRASTRUCTURE DEVELOPMENT STRATEGY AND PLAN

DRAFT SCOPING REPORT
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1. INTRODUCTION

1.1 BACKGROUND AND OBJECTIVES

The availability of appropriate economic and social infrastructure represents a major platform for promoting economic growth and the universal goal of ensuring that people have access to sustainable and affordable basic services, such as water, sanitation and power.

Regardless of their specific contexts, all municipalities must play a central role in supporting economic development and alleviating poverty. The services they provide, such as water, sanitation and electricity, are critical inputs to social wellbeing and economic activity. The availability and reliability of these services impact on local economic performance and can significantly affect the quality of life of poor households. Municipalities can also guide private investment decisions through the spatial location of their own infrastructure investments and their powers to regulate spatial development. The location of major roads, for example, can determine which areas become preferred locations for private investment. These spatial choices can also significantly influence the accessibility of poor households to economic opportunities and thus to productive livelihoods.

Municipalities must remain responsive to challenges and opportunities presented by social and economic trends and by fiscal policy. A key justification for a system of local governance is that it is better able than national or provincial governments to respond to local trends, needs and priorities.

Metsimaholo Local Municipality (MLM) is facing many challenges to improve infrastructure for economic development and service delivery. Despite the efforts from the local government, social and economic infrastructure in the area is under pressure. This is attributed by the backlog of municipal infrastructure development in certain communities, attributed largely to increasing population growth and urbanisation.

Accordingly the development of an integrated framework for the provision of infrastructure is one of the major focal areas of Metsimaholo Local Municipality. The purpose of the scoping study is to consider how MLM should take infrastructure forward in an integrated way at a strategic level and to help scope further work to inform its local socio-economic strategies and plans. It is envisaged that this scoping study is the first part of an integrated infrastructure development strategy and plan for MLM to enable infrastructure to influence future locational decisions and develop a better understanding of the impact of higher levels of growth on the municipality’s infrastructure.

The overall aim of the infrastructure development strategy and plan is to enable infrastructure needs, constraints, opportunities and investment implications to proactively shape decisions about long-term future development patterns in the local municipality and to establish clear priorities for regionally and sub-regionally significant infrastructure investment.

This scoping study has been commissioned by MLM to consider how the region should take infrastructure forward in an integrated way at a strategic level, and help scope work to inform its local development strategies and plans.
1.2 STUDY PROCESS

This study has been undertaken by Mothei Consulting Engineers and a team of economists and development planners working together with the Municipality focusing on historical trends and the status quo regarding infrastructure planning and project execution.

The process has comprised: gleaning information directly and indirectly from a range of organisations, including the Municipality; local industry players; and consulting with, among others, SASOL, Anglo America, Chemcity, and OMNIA on draft outputs.

It has become clear from this process that there is lack of communication between the Municipality and local industry players. Hence there is a misalignment of infrastructure investment objectives between the two key players in the municipality. Clearly this represents a major challenge for the Municipality to address.

1.3 APPROACH TO THE PROJECT

The process towards strategy development and planning follows a four staged approach. The benefit of this approach to infrastructure assessment and planning include: establishment of a robust evidence base; more informed planning; added value from common methodology/framework (i.e. gaps less likely); and partnership working likely to avoid tensions at a later stage.

The approach is briefly explained below:

1.3.1 Phase One – Scoping Report

This scoping study is the first phase of four intended phases of work towards an integrated infrastructure development strategy and plan. This scoping study focuses on ‘taking stock’ of the existing legal, delivery and financing structures for infrastructure delivery. It signposts where infrastructure constraints and opportunities might exist that are relevant to the development of spatial options for the Municipality. The scoping study provides a common framework for the delivery of Phases Two, Three and Four of the work.

1.3.2 Phase Two – Prefeasibility Study

Having established a common framework it is envisaged that, Phase Two of the process will look to identify and explore infrastructure projects that of economic and strategic importance to the Municipality and the area. The economic viability of the identified projects will also be assessed at this stage.

At this stage ‘scenario-testing’ will also be undertaken. This will assist in exploring and appraising infrastructure delivery options and to extract more detailed and locational specific information as to capacity and constraints within infrastructure provision.
1.3.3  Phase Three – Stakeholder Consultations

Phase three of the study process will entail stakeholder consultation. It is one of the very important elements of project management to get the right level of engagement with, and to manage the aspirations of stakeholders.

At this stage the outcomes of the pre-feasibility report will be communicated to the local industry players; provincial, district and local government representatives; and various funders of infrastructure projects including Development Finance Institutions such as the Development Bank of Southern Africa. The aim would be to get a buy-in on the proposed infrastructure projects strategic to the local government and to agree and set up an institutional framework for implementation.

1.3.4  Phase Four – Feasibility Study

This is the final phase of the project. The feasibility stage of the project would entail assessment of technical, economic and financial viability of the selected infrastructure projects. A key requirement at this stage will be to spatially map the infrastructure assessment work and related implications.

2.  CONTEXT FOR INFRASTRUCTURE PROVISION AND PLANNING IN MLM

2.1  POLICY CONTEXT

2.1.1  The National Development Agenda

The South African Government’s broad developmental strategy aims to promote and accelerate economic growth along a path that generates decent and sustainable jobs in order to reduce poverty and extreme inequalities that characterise the South African society and economy. In view of that, the strategy identifies and prioritises high impact sector strategies that are crucial to place the economy on a higher growth and developmental path.

Government’s growth path acknowledges that the lack of adequate social and economic infrastructure is a critical impediment to job creation and reduced poverty levels. Consequently, the strategy calls for a higher level of capital spending in general and public investment. It further stresses that gross fixed capital formation needs to reach approximately 30% to fuel the country’s growth path aspirations and positively impact on household services.

2.1.2  New Growth Path

The New Growth Path (NGP) sets a goal of 5 million new jobs by 2020. The document identifies structural problems in the economy to be overcome and points to opportunities in specific sectors and markets, i.e. jobs drivers. According to the document the first jobs driver is infrastructure, which should lay the basis for higher growth, inclusivity and job creation. The document identifies investments in five key physical and social infrastructure areas, namely energy, transport, communication, water and housing.
The NGP sees the infrastructure programme as a trigger to build a local supplier industry for the manufacture of components for the build-programme. Specific measures, particularly changes to procurement policy and regulations, are identified to ensure this is achieved.

2.1.3 SA Industrial Policy Strategy Framework

South Africa’s National Industrial Policy Framework (NIPF) aims to facilitate diversification of the country’s current industrial product mix by promoting the production of high value added, manufactured goods. The strategy acknowledges that appropriately placed industrial infrastructure can play a fundamental role in generating new economic activity. Such infrastructure supports clustering of firms to take advantage of an existing resource such as a port, airport, specific telecommunications infrastructure or a university or science council.

The NIPF further points out that an Industrial Infrastructure Programme needs to support a range of types of infrastructure such as industrial development zones, industrial parks, hi-tech and science parks and catalytic project-specific infrastructure such as cold chain facilities to unlock particular types of agro-processing activities.

2.1.4 Free State Growth & Development Strategy

The Free State Provincial Growth and Development Strategy (PGDS) serves as an overarching planning instrument articulating the development agenda and strategic direction for the province. The PGDS also guide local governments in the development and implementation of integrated development plans (IDPs) and programmes for sustainable development. Thus, the PGDS is a critical instrument to shape and coordinate the allocation of national, provincial and local resources, and private sector investment to achieve sustainable development outcomes based on provincial development needs and priorities.

By 2030, the PGDS aims to have “a resilient, thriving and competitive provincial economy that is inclusive, with immense prospects for human development anchored on the principles of unity, dignity, diversity, equality and prosperity for all.” In order to give effect to this vision, the PGDS has identified the 11 areas that need to be addressed by 2030:

- Increasing the provincial economy by 7% in 2030;
- Increasing the contribution of non-petro-chemicals subsectors to the manufacturing sector to 50%;
- Increasing the provincial contribution to the South African economy to 15% by 2030;
- Reducing provincial unemployment rate to 6% by 2030;
- Increasing the availability, affordability and speed of broadband from the 256 kilobytes per second in 2011 to at least 2 megabytes per second in 2030;
- Increasing the percentage of people with access to electricity to 100% by 2030;
- Developing integrated, cost-effective and environmentally sustainable public transport system;
- Increasing the percentage of people with access to water in their dwelling to 100% by 2030;
- Increasing the percentage of people with access to flush or chemical toilets 100% by 2030;
- Reducing the housing informal settlement backlog to 0% by 2030; and
• Increasing the number of people living closer to their places of work to 20% by 2030.

2.1.5 MLM Spatial Development Framework

A Spatial Development Framework (SDF) Plan is intended to guide decisions relating to the location and the nature of physical development while ensuring the protection of the natural environment. This is to determine a better forward outlook on the physical future of a municipality. Spatial Planning is therefore critical in ensuring that current physical disparities, as a result of decentralisation of activities, inadequate settlement patterns are reorganized to inform the future in a way that will ensure efficient, effective and equitable settlement patterns.

2.2 LEGAL AND REGULATORY CONTEXT

2.2.1 Constitution

The Constitution of South Africa shows that MLM has executive authority in respect of, and has the right to administer the local government matters, especially infrastructure listed in Part B of Schedule 4 and Part B of Schedule 5 as follows:

• Electricity delivery
• Water for household use
• Sewage and sanitation
• Storm water systems
• Refuse removal
• Municipal health services
• Decisions around land use
• Municipal roads
• Municipal public transport
• Parks and recreational areas
• Libraries and other facilities
• Local tourism and related facilities

National or provincial government can also delegate other responsibilities to municipalities. When municipalities are asked to perform the role of another sphere of government, clear agreements should be made about who will pay the cost.

2.2.2 Municipal Systems Act

The Municipal Systems Act (MSA) No.32 of 2000 was enacted with the aim of providing for the core principles, mechanisms and processes that are necessary to enable municipalities to move progressively towards the social and economic upliftment of local communities, and ensure universal access to essential services that are affordable to all. The MSA requires a review by all municipalities of their IDP in order to assess their performance and as well as look at the changing circumstances. A review of the
strategic development plan is another requirement of the Act to ensure that the needs of the various stakeholders are being addressed in the municipality’s plans.

The IDP as outlined in Section 26 of the MSA is a process that entails an assessment of the existing level of development and the identification of key development priorities. The introduction of an Infrastructure Development Plan into this strategic planning process is essential if the cost implications of maintenance, operations, refurbishment, upgrading and eventual replacement of infrastructure are to be reflected in the IDP. A consequence of this is that municipalities need to plan for long term maintenance of assets as well as acquisition of new ones in a manner that is in accordance with the Municipal Systems Act No. 32 of 2000 which states that ‘municipal services must be regularly reviewed with a view to upgrading, extension and improvement’.

2.2.3 Municipal Planning and Performance Management Regulations, 2001

The Municipal Planning and Performance Management Regulations set out in detail the requirements for municipal performance management system. The Regulations state that any performance management system must entail a framework that describes and represent how the municipality’s cycle and process of performance management, including measurement, review, reporting and improvement will be conducted. The system must also comply with the requirements of the Systems Act and be linked to the municipality’s IDP.

As an integral component of the IDP, the Infrastructure Development Plan must also adhere to the requirements of the Municipal Planning and Performance Management Regulations.

2.3 SOCIO-ECONOMIC CONTEXT

Metsimaholo is situated within the Free State Province and is located within the Fezile Dabi District Municipality with a total area of 1,717 km$^2$. Included in the municipality’s area of jurisdiction are Deneysville, Metsimaholo, Oranjeville, Refengkgotso, Sasolburg, Vaalpark and Zamdela.

2.3.1 Population Growth

Metsimaholo Local Municipality has an estimated total population of 179,305. According to the MLM SDF, the population projections indicate that the population in the municipality is growing by 1% annually. The SDF further projects that with the current population growth rate in the Municipality it is estimated that by 2021 there will be 209,724 people living in the municipality.

2.3.2 Regional Economic Growth

According to the PGDS, the Free State spatial economy exhibits increasing levels of economic concentration, with Metsimaholo and Mangaung having increased their share of the provincial economy. For example, in 1996 these two municipalities contributed approximately 45% to the province’s economy, compared to 55% in 2010. Mangaung, Metsimaholo and Moqhaka are the only three municipalities in which the gross value added contribution to the Free State economy exceeds its population share of the province. The PGDS also points out that Metsimaholo is also the municipality
with the largest economic growth rate of 4.6% per annum between 1996 and 2010. A growth rate of 6% per annum was also recorded for Metsimaholo for the period 2003–2010. Accordingly the provincial government has earmarked Metsimaholo as a developmental nodal point for the coming 20 years. This status is important as it marks the development vision determined by the provincial administration for the next 20 years and allows the municipality to assemble resources to achieve its developmental vision with the assistance of the national and provincial governments.

The MLM IDP also shows that Sasolburg will remain the main town and growth point of the region due to its commercial and industrial activities, while Deneysville and Orangeville will continue to serve as small towns with limited economic growth potential. Both towns are envisaged to serve as tourism and agricultural hubs for the region.

Planning for growth and change will thus require an understanding of the constraints and capacity of the current infrastructure.

2.3.3 Migration and Urbanisation

The spatial distribution of the MLM population indicates that there are more people staying in urban areas than rural areas and the majority is located in urban townships and suburbs. Similar to provincial dynamics, the general tendency of migration from rural to urban areas is also occurring in Metsimaholo. Migration into the municipality is focused towards Sasolburg, Deneysville and Orangeville areas due the existing mining activities and the proximity of these areas to retail, factory, and industrial work opportunities better than those in the rural areas. It is envisaged that this trend will continue for the foreseeable future.

3. INFRASTRUCTURE PROVISION IN METSIMAHOLO LOCAL MUNICIPALITY

This scoping study considers a number of different types of infrastructure, in varying detail subject to the likely relevance for spatial planning. In broad terms, infrastructure can be categorised into two sets, as set out below.

3.1 CRITICAL INFRASTRUCTURE

Critical infrastructure is that considered essential for development, and tends to comprise physical infrastructure such as transport, water and electricity, sanitation, roads, etc. The delivery of critical infrastructure is often a pre-requisite to the delivery of new residential and commercial development, and often requires significant upfront capital investment.

Critical infrastructure has been traditionally within the control of the public sector. Accordingly, the public sector maintains an important co-ordination and regulatory role in many types of critical infrastructure.

MLM 2011/12 IDP shows that approximately 120 planned infrastructure projects were either not completed or partially completed between 2007 and 2010. The majority of these projects were in the following infrastructure sectors: Electricity, Roads and Storm water, and Sanitation. The reasons for
partial/non-implementation of these projects vary from augmentation of bulk supply, MLM awaiting approvals of loan funding, to MLM further liaising with other government departments at the district, provincial and national levels.

The sectoral dynamics are discussed below:

3.1.1 Water

In Metsimaholo currently there exists a water backlog of 35 ml a day. In terms of the millennium goals the municipality will have to provide access to needy families of about 5,000 connections annually to reach to the 2015 goal. Water is currently provided in the municipality as piped water, borehole water. The following are the current bulk provisions in the municipality:

- Sasolburg which has a current capacity of 40 ml a day, services the rest of Zamdela and Vaal Park;
- Orangeville which has current capacity of 1 ml a day, services Metsimaholo as well;
- Deneysville which has a bulk capacity of 2.6 ml a day services Refengkgotso as well. A new reservoir with a capacity of 5.2 ml a day is planned for Deneysville and this is to accommodate the new developments within the town and in Mooiplaats; and
- Mooidraai has a dedicated reservoir that has capacity of 5 ml a day.

All industrial and mining areas in the municipality are supplied water directly by Rand Water and maintain their own infrastructure.

Since 2007, the following water infrastructure projects were either partially completed or not completed:

- Upgrading of water reticulation infrastructure for Ward 14 and 18
- Strengthening of reticulation network for Ward 14 and 18
- Upgrading of water supply in Ward 5
- Land for sites with full infrastructure for Ward 3 and 4

Planned water projects for 2011/12 included the following:

- Plant and Reservoir (100% and 50%) Mooiplaats, 3,000 erven Mooidraai (Business Plan for bulk line)
- 100% completed Purification Works and 50% Complete 9ml Reservoir by end of June 2012
- Develop a business plan for bulk line in Mooidraai by June 2012
- Water Connections to 300 infill stands in Zamdela and Metsimaholo
- Development and approval of WSDP by end of Dec 2011
- Development of water maintenance plan by end of July 2012
- 4 x Zonal/Isolation valves installed by end of June 2012

At the time of writing this report it was yet to be established if the abovementioned projects were completed or not.
3.1.2 Sanitation

In Metsimaholo currently the predominant sanitation systems used is waterborne, septic tanks in temporary establishments and long drops. In particular, the MLM SDF shows that Sasolburg predominantly uses waterborne sewage and limited long drops in the informal areas and septic tanks in the small holdings and farms, whilst, Deneysville and Orangeville uses septic tanks. On site infrastructure is provided by individual property owners and the Municipality is responsible for emptying the septic tanks. The new developments within Deneysville such as new areas of the suburb and the township are all supplied with waterborne sewage. In the informal areas temporary long drops or septic tanks are provided to families to use as a community.

Since 2007, the following sanitation infrastructure projects were either partially completed or not completed:

- Sewer infrastructure and waterborne toilets – Ward 1
- Upgrading of sewer connections to RDP houses – Ward 6
- Upgrading of house to main sewer connections - Ward 7
- Upgrading of sewer network behind stand no. 6440 – Ward 9
- Upgrading of sewer connections to RDP houses – Ward 13
- Upgrading of sewer reticulation infrastructure – Ward 14 and 18
- Planning of sewer system; Completion of sewer network in town – Ward 5
- Piped water-borne sewerage system – Ward 5
- Need houses with toilets inside – Ward 8

Planned sanitation projects for 2011/12 included the following:

- Sewer network provided to the following backlog areas:
  - 366 in Metsimaholo by June 2012
  - 925 in Gortin by June 2012
  - 3 500 in Amelia by June 2012
- 500 stands in Harry Gwala (x9) by June 2013
- 100% of sanitation maintenance plan developed and approved by end July 2011
- 100% of sanitation master plan (WSDP) developed and approved by Dec 2011
- 100% completed extension of water purification plant in Metsimaholo by March 2013
- 3 km collapsing outfall sewer line replaced by end of June 2012

At the time of writing this report it was yet to be established if the abovementioned projects were completed or not.

3.1.3 Roads and Storm Water

In Metsimaholo there is currently 216 km of surfaced roads and 300 km of dirt roads. Storm water management of roads is linked to the surfacing of roads. On all surfaced roads the municipality requires that storm water channels are constructed which are linked to the required system in order to alleviate
the increase damages coursed by storm water runoff. Dirt roads and poorly maintained and developed surfaced roads are a serious course for increased storm water runoff and cause road and property damages in the municipality.

Since 2007, the following sanitation infrastructure projects were either partially completed or not completed:

- Tarred or paved roads with storm water channels and upgrading of existing storm water channels – Wards 1 to 13
- Roads at Berlin Park
- Upgrading of Angola and Protem streets and paving alongside roads to cater for pedestrians and cyclists
- Straightening of dangerous curve (bulge) north of Paardeberg and Oliviershoek streets – Ward 14
- Tar all internal streets – Wards 1, 3, 4, 5, 8, 10, 11
- Tarring of Union street from Main street to LDYC – Ward 5
- Tarring of Hospital street from Horace – Ward 5
- Tar all main roads – Ward 5
- Tarring of Scot, Model, Oranjevilleweg and Henly road – Ward 5
- All internal streets to be paved – Ward 6
- Overhead bridge at railway station – Ward 6
- Passage between wards 8&9 needs to be worked on
- Construction of roads and streets – Ward 9
- Tarred street near passage next to 6440 to prevent illegal dumping – Ward 9
- Completion of passage in Somerspot area – Ward 10
- Water drainage system for Midville – Ward 11
- Tarring of street near Bofula-Tshepe school – Ward 1
- Storm water drainage system in Midville (House no. 21) – Ward 1
- Maintenance of all roads, e.g. corner AME Church and Old road leading to Ebenezer Church - Ward 1
- Paving all internal streets in Zamdela (preference to Midville, Thubelitsha, Safripol and Bofula-Tshepe Primary School - Ward 1
- Provision of bridging rails around Midville garages - Ward 1
- Improving water drainage system around Thubelitsha area - Ward 1
- Upgrading of storm water channel pipes around Zamdela area - Ward 1

Planned roads and storm water projects for 2011/12 included the following:

- 100% roads maintenance plan developed by end July 2011
- 100% of roads master plan developed by end Dec 2011
- 6 km’s of roads and storm water upgraded in Gortin (June 2012)
• 3km of roads upgraded to benefit critical roads (5km Deneysville and 2km Oranjeville) by end of June 2012
• 3km roads sealed in Zamdela and 4km in Vaalpark by end of June 2012
• 50km gravel roads maintained in priority areas by end of June 2012
• 100% of storm water management plan developed and approved by end of Dec 2011
• 5km in Zamdela Stormwater channel and pedestrian bridges across ward 7, 8, 9 and by June 2012
• 1km in Amelia, Refengkgotso/Deneysville, smallholdings and farms by June 2012

At the time of writing this report it was yet to be established if the abovementioned projects were completed or not. Nonetheless, the huge backlogs signify the challenges regarding project execution by the Municipality.

3.1.4 Electricity

The municipality aims to eradicate electrification backlog by June 2012 and intends to provide electricity to newly developed areas and continuous maintenance and up-keeping on the existing electricity infrastructure.

According to SASOL\(^1\) a new power station to provide industries and domestic consumption with power is under consideration.

Since 2007, the following electricity infrastructure projects were either partially completed or not completed:

• Electricity vending machine – Wards 1, 6 and 13
• Street lighting/High mast lights – Wards 1, 6 and 13
• Street lighting/High mast lights – Wards 3, 4, 9, 10-12
• Underground cabling of electricity connections to prevent cable theft in area – Ward 6
• Upgrading of electricity sub-station and high mast lights – Ward 8
• Upgrading of electricity sub-stations and street lights at Paardeberg and Jan Haak intersection - Wards 15, 16 and 17
• Electricity; Street lights in main road from Deneysville and Oranjeville – Ward 5
• Upgrading/maintenance of high mast lights – Wards 8, 14 and 18
• Street lighting at intersection of Paardeberg &Oliviershoek Streets - Wards 14 and 18
• Electricity for Mooiplaats – Wards 3 and 4
• Electric boxes – Ward 13

Planned electricity projects for 2011/12 include the following:

• 100% of households in formalized areas receive free basic electricity including farms areas by June 2012
• 100% of electricity master plan developed and approved by end of Dec 2011

\(^1\) Interview with Dr. Ivor Zwane, SASOL
• 100% of electricity maintenance plan developed and approved by end of July 2011
• 4 electricity transformers replaced / repaired by Dec 2011
• 80% of street and high mast lights maintained by Dec 2011
• Bulk supply line
  o 30% of substation and bulk supply line completed by June 2011
  o 60% of substation and bulk supply line completed by June 2012
  o 100% of substation and bulk supply line completed by June 2013

At the time of writing this report it was yet to be established if the abovementioned projects were completed or not.

3.1.5 Housing

To date the municipality has provided 8,000 houses by developing new peripheral settlements or by infill developments in existing townships. Despite the efforts of the municipality to meet the current backlog for housing, which is estimated at 40,000, which is also growing by 3,000 units annually (in line with the population growth presented under section 3.1), the demand for housing in poor households is increasing as a result of large numbers of people migrating from the 391 farms in the area to the townships because of the perceived opportunity for gaining secure tenure in these areas.

In Zamdela which includes Harry Gwala and Walter Sisulu there is an estimated poor household need for housing of 15,000 units, in Refengkgotso there is an estimated need of 10,000 units and in Metsimaholo 5,000 units. On the farms there is an estimated need for security of tenure and housing of about 1,000 units.

Since 2007, the following housing infrastructure projects were either partially completed or not completed:

• Provision of houses - Wards 1,3,4,5 & 13
• Repair newly built RDP houses – Ward 9
• Upgrading Hostels 2, 3 and 4 into proper residential unit – Wards 9 & 12
• RDP houses – Wards 2,5,6,8, 9
• Turn hostel into CRUs – Wards 3 & 4

Planned housing projects for 2011/12 included the following:

• 100% feasibility study completed by end of June 2012
• 100% of Housing Sector Plan updated by end of Dec 2011
• 40% of serviced erven closer to services created for residential purposes in Zamdela by June 2012
• 100% of RDP Houses completed by June 2012
• Hostel 4 (420 units) by June 2012 and Hostel 2 (70 units) by June 2012
At the time of writing this report it was yet to be established if the abovementioned projects were completed or not.

3.1.6 Transport

The road network linking Sasolburg proper to rest of the municipality is well established although some areas of the road network are in a very poor state of maintenance which affects mobility and have a negative impact of travelling times.

Since 2007, the following transport infrastructure projects were either partially completed or not completed:

- Taxi ranks, public transport and railway stations – Wards 2,5,6,1,4 & 18
- Taxi rank – Ward 15,16 & 17

Though there are no planned transport projects for 2011/12, the Municipality aims to develop an Integrated Transport Plan for the area by June 2012. At the time of writing this report the Municipality did not commission the study to develop the plan.

3.1.7 Local Economic Development

Metsimaholo Local Municipality aims to facilitate decent employment through inclusive economic growth by stimulating the growth of SMMEs to contribute towards the reduction of unemployment and poverty in the region. Moreover, the municipality aims to continue to effectively contribute a higher proportion of economic growth rate within District and by extension to the province.

Since 2007, the following LED infrastructure projects were either partially completed or not completed:

- Development of industrial area and shopping centre/complex – Ward 1
- Shopping centre/complex – Wards 2,3,4,6& 7
- Poverty alleviation projects in terms of municipality's strategy - Ward 7
- A filling station – Ward 12
- Upgrading of buildings next to Tsatsi School as a centre for projects, e.g. Sewing – Ward 12
- Business centre (incubator) – Ward 6
- Shopping complex – Ward 13
- Upgrading shopping complex – Ward 11

Planned LED infrastructure projects for 2011/12 included the implementation of a Bricks and Paving Project (Sasol Mining) and Poultry and Piggery Project by June 2011 and December 2011, respectively. The Municipality further aimed to have an approved LED Strategy by March 2011. However, all these projects have not been achieved.
3.2 SOCIAL INFRASTRUCTURE

Social infrastructure helps to support the functioning of society. Although capital investment forms part of social infrastructure, the revenue element of social infrastructure tends to be more significant. It includes the provision of public services, such as health, social services, education, police and fire services.

Social infrastructure tends to be almost exclusively in the public sector, certainly with regard to specification and procurement. However the actual delivery of some aspects of service delivery of social infrastructure is undertaken by the private sector (mainly through their Corporate Social Investment programmes).

In general terms, social infrastructure is not a barrier to growth. However, the long-term planning of social infrastructure needs to be undertaken in association with regional, sub-area and local spatial planning to ensure services are available and responsive.

In many cases, at the local level, it is important to understand the capacity of local social infrastructure in order to ensure that development contributes to the necessary physical upgrades to capacity. It is generally assumed that the revenue implications of additional service provision will be covered by commensurate increase in the local tax base and/or service charges.

A number of aspects of social infrastructure are co-ordinated and even delivered on a regional and provincial basis, including aspects of the health service. Where these regional and provincial structures exist it is important to ensure dialogue is taking place.

3.2.1 Sports and Recreation Facilities

According to MLM IDP, the municipality aims to provide access to new and upgraded multi-purpose sport and recreation facilities for all wards. Thus, the municipality planned to erect Multi-Purpose Sports Centres in the following areas by 2013: Oranjeville/Deneysville, Refengkgotso and Amelia. Furthermore, there will be an upgrading of: Abrahamsrust sports facilities, Penny Heyns Swimming Pool, Zamdela Swimming pool, Zamdela Stadium and other recreational facilities.

Since 2007, the following sports and recreation infrastructure projects were either partially completed or not completed:

- New sports facilities and parks – Wards 1, 3, 4, 5, 7, 10, 11, 12, 13, 14, 17 & 18
- Multi-purpose sports centre and stadium – Wards 6 & 8
- Swimming pool – Wards 14 and 18
- Fencing of Highveld garden – Wards 15, 16 and 17
- Upgrading of sports facilities – Ward 17
- New sports centre – Wards 2, 3, 4 and 5
- Stadium (Deneysville)
- Indoor sports centre - Ward 5
• Upgrading recreational facilities – Wards 5 and 15
• Community hall - Ward 12
• Multi-Purpose Centre - Ward 13
• Sports centre for the youth – Ward 7
• Youth centre - Ward 9
• Upgrading of park near Methodist Church to recreational centre – Ward 12
• Upgrading of paving at De Villiers – Ward 16
• Community Hall – Wards 1 and 6
• Develop dumping site into recreational facilities – Ward 8
• Sports centre in ward 8
• Need recreational facilities – Wards 15, 16 and 17;
• Develop open space next to De Villiers stadium into track for quad bikes and scramblers - Wards 15, 16 and 17

Planned sports and recreation infrastructure projects for 2011/12 included the following:

• Ten soccer playgrounds completed by June 2012
• Moses Kotane swimming pool by June 2012

At the time of writing this report it was yet to be established if the abovementioned projects were completed or not.

3.2.2 Public Facilities

The municipality plans to provide for sufficient public facilities such as halls and continuous upgrading and maintenance of the existing facilities. Planned public infrastructure projects for 2011/12 included:

• 100% completed MPC in Harry Gwala township by June 2012
• Refengkgotso/Deneysville Hall (storm water drainage upgraded by June 2012
• 3 x Community parks by June 2012

At the time of writing this report it was yet to be established if the abovementioned projects were completed or not.

3.2.3 Health

In the rural area of Metsimaholo health facilities are provided with mobile clinics and for major health services, people are required to go to the clinics that are in Deneyesville, Orangeville and Sasolburg. There are no public hospitals in the area, there is only one major private hospital in the area and it is in Sasolburg (Vaal Park hospital). MLM intends to support a long and healthy life for all citizens by facilitating access to primary health care services and facilities to communities, such as clinics, community health centres and ambulances, in partnership with the Provincial Department of Health.
Since 2007, the following public infrastructure projects were either partially completed or not completed:

- New clinics - Wards 1, 2, 14 & 18
- New clinic or provision of regular mobile clinic - Wards 7 & 13
- Upgrading of hospital - Ward 11
- Upgrading of hospital - Ward 12
- Upgrading of clinic - Ward 17
- Repair and upgrading of clinic building - Ward 5
- Upgrading of clinic - Ward 6
- New clinic - Wards 9, 14, 18
- Mobile clinic - Ward 1
- Clinic for new section - Wards 3 & 4

3.2.4 Education

Infrastructure provision in Metsimaholo in many of the schools is very limited with some schools operating in unsafe structures, others without any water, sanitation and electricity. In the Municipality there are currently 35 schools with a total number of 29,403 learners. The strategic objective of the municipality is to promote the raising of the level of literacy of communities by interacting with the Department of Basic Education on the development of physical infrastructure required to cater for the educational needs and demand in Metsimaholo and supporting initiatives linked to entrepreneurship, science and technology, life skills orientation, and adult basic education.

Since 2007, the following education infrastructure projects were either partially completed or not completed:

- School for disabled kids – Ward 9
- Library– Ward 5, 7, 13, 14 & 18
- High school – Ward 13
- Schools and libraries – Wards 5, 9, 13, 14, and 18
- Library-educational centre for after hours – Ward 6
- Schools; (ward 1- crèches) - Wards 1, 6
- School or centre for skills development – Wards 3 & 4
- Crèche – Wards 15, 16 & 17

Planned education infrastructure projects for 2011/12 included the following the functioning and well-equipped libraries in Sasolburg, Zamdela, O/Vile, D/Ville & Refengkgotso by December 2011. At the time of writing this report it was yet to be established if the abovementioned projects were completed or not.
3.2.5 Special programmes

The strategic objective of MLM with regard to special programmes is to embark on programmes focusing on vulnerable groups such as youth, women, elderly, disabled, and children. There are no planned infrastructure projects for special programmes in 2010/11. However, since 2007 the following public infrastructure projects were either partially completed or not completed:

- Orphanage and old age home – Ward 8
- Old age home and orphanage – Wards 2,3,4
- SASSA pay point – Ward 1
- Youth skills development and training centre – Ward 8
- Old age home – Ward 13

There was no planned special programmes infrastructure for 2011/12.

3.2.6 Safety and security

The municipality’s objective with regard to safety and security is to facilitate the provision of adequate facilities and resources (police stations) in partnership with SAPS to improve police visibility and community safety. Table 13 shows planned safety and security infrastructure projects for 2011/12.

Since 2007, the following safety and security infrastructure projects were either partially completed or not completed:

- Robot for Naledi Park entrance - Wards14&18
- Road signs; Street names – Ward 16
- Speed humps (near all schools) - Wards7,11, and 15
- Speed humps - Wards1,6,16 & 17

Planned safety and security infrastructure projects for 2011/12 included the following:

- 100 traffic signs maintained and erected by Dec 2011
- 10 information boards erected by June 2012

At the time of writing this report it was yet to be established if the abovementioned projects were completed or not.

3.2.7 Cemeteries

The municipality aims to ensure that all existing cemeteries are well-managed, maintained and upgraded to provide sufficient and accessible burial sites and facilities according to the current and future needs.

Since 2007, the following cemeteries infrastructure projects were either partially completed or not completed:
- Graveyard closer to the people – Wards 6
- Fencing of graveyard – Wards 13
- Upgrading, maintenance and fencing of graveyard – Wards 15, 16 & 17
- Fence graveyard with wall not palisades – Wards 3&4;
- Palisade fencing -Ward 11
- Fencing for graveyard – Ward 5

Planned cemeteries projects for 2011/12 included the following:

- Fencing of Zamdela cemetery by June 2012
- Maintenance of all cemeteries

At the time of writing this report it was yet to be established if the abovementioned projects were completed or not.

3.3 INSTITUTIONAL GOVERNANCE

Metsimaholo Local Municipality is seen as lacking in capacity and expertise, with infrastructure planning and local economic development departments overstretched and high staff turnover generating instability and delay. This is a particular concern for infrastructure projects, as capacity issues and perverse incentives can induce local authorities to take an anti-development stance. Independent evaluations by Mothei Consulting Engineers provide support for this assessment. In its discussion with various local industry players, it was noted that local government is not doing enough to extract public value from developments, due to capacity issues; with a need to have greater expertise, wherewithal and resources to optimise funding.

In addition, where there is scope for the local municipality to jointly coordinate and implement infrastructure projects with key local industry players, such structures are not seen as vital.

4. THE STATE OF MLM FINANCES

4.1 INCOME STRUCTURE

Table 1 shows sources of operating income for MLM, on average, growing over the period 2011/12 to 2014/15. Water, electricity, transfers and grants continue to be the main contributors to the municipality’s revenues.

Rates and service charge revenues comprise 87% of the total revenue mix. This increases to R442.5 million, R470.6 million and R516.8 million in the respective financial years of the Medium Term Revenue and Expenditure Framework (MTREF). A notable trend is the increase in the total percentage revenue generated from rates and services charges which increases from 84.9% in 2011/12 to 86.7% cent in 2013/14. This growth can be mainly attributed to the increased share that the sale of electricity contributes to the total revenue mix, which in turn is due to rapid increases in the Eskom tariffs for bulk electricity.
Table 1: Trends in sources of income of MLM, 2011/12-2014/15 (R'000)

<table>
<thead>
<tr>
<th></th>
<th>2011/12</th>
<th>2012/13</th>
<th>2013/14</th>
<th>2014/15</th>
<th>Av. Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operational Income</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property rates</td>
<td>84,208</td>
<td>90,245</td>
<td>96,654</td>
<td>102,330</td>
<td>6.75%</td>
</tr>
<tr>
<td>Electricity</td>
<td>170,163</td>
<td>205,117</td>
<td>217,260</td>
<td>227,400</td>
<td>9.72%</td>
</tr>
<tr>
<td>Sanitation</td>
<td>15,956</td>
<td>32,599</td>
<td>35,022</td>
<td>37,470</td>
<td>30.12%</td>
</tr>
<tr>
<td>Water</td>
<td>144,177</td>
<td>152,123</td>
<td>164,164</td>
<td>173,975</td>
<td>6.61%</td>
</tr>
<tr>
<td>Refuse removal</td>
<td>24,500</td>
<td>37,112</td>
<td>40,081</td>
<td>42,486</td>
<td>18.87%</td>
</tr>
<tr>
<td>Other service charges</td>
<td>6,437</td>
<td>8,440</td>
<td>8,000</td>
<td>8,176</td>
<td>6.86%</td>
</tr>
<tr>
<td>Fine/penalties</td>
<td>8,472</td>
<td>18,007</td>
<td>19,007</td>
<td>20,007</td>
<td>30.11%</td>
</tr>
<tr>
<td>Interest – external investments</td>
<td>1,467</td>
<td>2,300</td>
<td>2,400</td>
<td>2,400</td>
<td>16.41%</td>
</tr>
<tr>
<td>Interest – debtors</td>
<td>7,250</td>
<td>16,002</td>
<td>17,175</td>
<td>18,475</td>
<td>33.34%</td>
</tr>
<tr>
<td>License &amp; penalties</td>
<td>100</td>
<td>163</td>
<td>171</td>
<td>181</td>
<td>20.06%</td>
</tr>
<tr>
<td>Rentals of facilities</td>
<td>6,509</td>
<td>4,503</td>
<td>9,101</td>
<td>9,207</td>
<td>19.05%</td>
</tr>
<tr>
<td>Transfers</td>
<td>63,599</td>
<td>107,206</td>
<td>109,508</td>
<td>117,692</td>
<td>20.53%</td>
</tr>
<tr>
<td>Other</td>
<td>24,404</td>
<td>20,695</td>
<td>24,132</td>
<td>25,360</td>
<td>2.73%</td>
</tr>
<tr>
<td>Gains on disposal of PPE</td>
<td>11,333</td>
<td>9,000</td>
<td>5,000</td>
<td>7,500</td>
<td>-16.69%</td>
</tr>
<tr>
<td>Grants</td>
<td>93,627</td>
<td>107,206</td>
<td>109,508</td>
<td>117,692</td>
<td>7.33%</td>
</tr>
<tr>
<td><strong>Total Operational Income</strong></td>
<td>662,202</td>
<td>810,718</td>
<td>857,183</td>
<td>910,351</td>
<td>10.63%</td>
</tr>
<tr>
<td><strong>Capital Income</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Government grants</td>
<td>104,222</td>
<td>54,757</td>
<td>52,213</td>
<td>70,087</td>
<td>-11.64%</td>
</tr>
<tr>
<td>Public contributions &amp; donations</td>
<td>9,042</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Borrowing (external loans)</td>
<td>27,417</td>
<td>43,000</td>
<td>7,000</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Internally generated funds</td>
<td>21,618</td>
<td>71,376</td>
<td>53,822</td>
<td>53,401</td>
<td>27.51%</td>
</tr>
<tr>
<td><strong>Total Capital Income</strong></td>
<td>162,299</td>
<td>169,133</td>
<td>113,035</td>
<td>123,488</td>
<td>-11.51%</td>
</tr>
<tr>
<td><strong>TOTAL INCOME</strong></td>
<td>824,501</td>
<td>979,851</td>
<td>970,218</td>
<td>1,033,839</td>
<td>6.92%</td>
</tr>
</tbody>
</table>

Source: 2011/12 MLM Annual Budget

In contrast to operational income, MLM capital income shows a decline trend from 2011/12 to 2012/15 – a significant decline of 11.51%. The table further shows that the municipality is reliant for funding from government grants and subsidies to sustain its capital investment and infrastructure delivery programme. Though capital from internally generated funds (accumulated surplus), shows an increasing trend over the period under the review such funds can only be used based on the availability of cash.

4.2 EXPENDITURE PATTERNS

As with operational income in Table 2 above operational expenditures show a growth trend from 2011/12 to 2014/15 – an average increase of 12%. According to Table 2 more money goes to operational rather than capital expenditure.
Table 2: Trends in expenditure of MLM, 2003/04-2009/10 (R’000)

<table>
<thead>
<tr>
<th></th>
<th>2011/12</th>
<th>2012/13</th>
<th>2013/14</th>
<th>2014/15</th>
<th>Av. Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operational Expenditure</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employee costs</td>
<td>178,573</td>
<td>230,564</td>
<td>251,102</td>
<td>273,897</td>
<td>14.67%</td>
</tr>
<tr>
<td>Remuneration of councillors</td>
<td>12,402</td>
<td>12,863</td>
<td>14,020</td>
<td>15,119</td>
<td>7.04%</td>
</tr>
<tr>
<td>Bad debts</td>
<td>42,000</td>
<td>45,000</td>
<td>47,000</td>
<td>47,000</td>
<td>3.88%</td>
</tr>
<tr>
<td>Repairs and maintenance</td>
<td>33,369</td>
<td>53,628</td>
<td>57,648</td>
<td>61,542</td>
<td>21.03%</td>
</tr>
<tr>
<td>Bulk purchases – electricity</td>
<td>126,211</td>
<td>154,594</td>
<td>184,345</td>
<td>227,426</td>
<td>21.44%</td>
</tr>
<tr>
<td>Bulk purchases– water</td>
<td>86,631</td>
<td>101,938</td>
<td>110,093</td>
<td>118,901</td>
<td>10.81%</td>
</tr>
<tr>
<td>Contracted services</td>
<td>13,003</td>
<td>16,092</td>
<td>18,088</td>
<td>20,481</td>
<td>15.95%</td>
</tr>
<tr>
<td>Finance charges</td>
<td>15,476</td>
<td>21,076</td>
<td>7,966</td>
<td>7,134</td>
<td>-28.08%</td>
</tr>
<tr>
<td>General expenses</td>
<td>96,051</td>
<td>110,495</td>
<td>118,651</td>
<td>121,045</td>
<td>7.95%</td>
</tr>
<tr>
<td>Transfers and grants</td>
<td>24,002</td>
<td>31,295</td>
<td>35,011</td>
<td>38,083</td>
<td>16.15%</td>
</tr>
<tr>
<td>Depreciation</td>
<td>70,805</td>
<td>78,084</td>
<td>68,107</td>
<td>67,474</td>
<td>-2.77%</td>
</tr>
<tr>
<td><strong>Total Operational Expenditure</strong></td>
<td>698,523</td>
<td>855,629</td>
<td>912,031</td>
<td>998,102</td>
<td>12.01%</td>
</tr>
<tr>
<td><strong>Capital Expenditure</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Exec. &amp; Council</td>
<td>1,401</td>
<td>16,236</td>
<td>512</td>
<td>360</td>
<td>-52.92%</td>
</tr>
<tr>
<td>Corporate Services</td>
<td>4,628</td>
<td>2,568</td>
<td>2,493</td>
<td>0</td>
<td>50.25%</td>
</tr>
<tr>
<td>Social Services</td>
<td>7,702</td>
<td>22,598</td>
<td>20,200</td>
<td>31,065</td>
<td>63.46%</td>
</tr>
<tr>
<td>Refuse Removal</td>
<td>2,235</td>
<td>6,904</td>
<td>4,328</td>
<td>13,436</td>
<td>133.63%</td>
</tr>
<tr>
<td>Public Safety</td>
<td>1,776</td>
<td>2,497</td>
<td>15,037</td>
<td>16,517</td>
<td>-50.94%</td>
</tr>
<tr>
<td>Sport and Recreation</td>
<td>2,537</td>
<td>7,018</td>
<td>508</td>
<td>567</td>
<td>-40.49%</td>
</tr>
<tr>
<td>Community Services</td>
<td>1,154</td>
<td>6,179</td>
<td>327</td>
<td>545</td>
<td>-3.95%</td>
</tr>
<tr>
<td>Technical Services</td>
<td>87,720</td>
<td>125,683</td>
<td>89,225</td>
<td>87,054</td>
<td>-3.59%</td>
</tr>
<tr>
<td>Streets and Storm water</td>
<td>13,700</td>
<td>29,370</td>
<td>16,000</td>
<td>15,000</td>
<td>-3.30%</td>
</tr>
<tr>
<td>Sewerage</td>
<td>14,673</td>
<td>36,782</td>
<td>27,905</td>
<td>21,775</td>
<td>9.51%</td>
</tr>
<tr>
<td>Water supply</td>
<td>23,735</td>
<td>24,420</td>
<td>12,750</td>
<td>12,995</td>
<td>-21.85%</td>
</tr>
<tr>
<td>Electricity supply</td>
<td>24,432</td>
<td>19,865</td>
<td>30,570</td>
<td>37,320</td>
<td>18.55%</td>
</tr>
<tr>
<td>Mechanical Workshop/Buildings</td>
<td>8,000</td>
<td>2,242</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Administration</td>
<td>3,180</td>
<td>13,004</td>
<td>2,000</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Financial Services</td>
<td>523</td>
<td>548</td>
<td>105</td>
<td>9</td>
<td>-74.94%</td>
</tr>
<tr>
<td>Economic Dev. and Planning</td>
<td>3</td>
<td>1,500</td>
<td>500</td>
<td>5,000</td>
<td>729.55%</td>
</tr>
<tr>
<td>Housing &amp; Urban Planning</td>
<td>3</td>
<td>1,500</td>
<td>500</td>
<td>5,000</td>
<td>729.55%</td>
</tr>
<tr>
<td><strong>Total Capital Expenditure</strong></td>
<td>101,977</td>
<td>169,133</td>
<td>113,035</td>
<td>123,488</td>
<td>1.73%</td>
</tr>
<tr>
<td><strong>TOTAL EXPENDITURE</strong></td>
<td>800,500</td>
<td>1,024,762</td>
<td>1,025,066</td>
<td>1,121,590</td>
<td>10.65%</td>
</tr>
</tbody>
</table>

Source: 2011/12 MLM Annual Budget

Figure 1 gives a breakdown of the main expenditure categories for the 2012/13 financial year. Electricity bulk purchases constitute a significant expenditure item. Other significant operational expenditure items include salaries and other unspecified expenditure. The budgeted allocation for employee related costs for the 2011/12 financial year totals R230 million, which equals 27% of the total operating expenditure.
The biggest single portion of capital expenditure is allocated to Technical Services which amounts to R125.7 million in 2012/2013 decreasing to R87 million in 2014/2015. Under Technical Services, roads and storm water receives R29.4 million in 2012/13 which equates to 17.4%, electricity at 11.8%, R19.9 million and sanitation 21.8%, R36.8 million. It is projected that capital expenditure will decrease over the
next three years. This is mainly due to delays in confirmation of funding from external sources (province and district government). This issue is continuously being addressed as part of the municipality’s budget reform programme.

Some of the salient projects to be undertaken over the medium-term includes, amongst others:

**Economic development projects**

- Brick and Paving Manufacturing Plant (Sasol Mining))
- Infrastructure Investment Plan 133 Stands Vaalpark (financed by loan)

**Projects financed through Conditional Grants**

- Gortin sewer - R1.5m(2012/13), R12.3 m(2013/14) R20.3m(2014/15)
- Metsimaholo sewer - R5 m(2012/13), R12.2m (2013/14) R1.1m(2014/15)
- Amelia sewer network - R21 m(2012/13), R1.9m(2013/14)
- Construction of roads & storm water - R1.3m (Gortin Roads)
- Augmentation of bulk water and purification works - R15.8m(2012/13), R1.8 m(2013/14)
- Refengkgotso water network, 2537 stands - R10m(2013/14), R12.6m (2014/15)
- Amelia/Gortin & Moodraai bulk electricity supply
  - R10m 2012/2013
  - R5m 2013/2014
  - R20m 2014/2015

**Projects financed through Municipality’s own funding**

- Weigh bridge in Sasolburg - R2.7m
- Drivers testing centre(paving) - R1m
- Planning and surveying of stands - R1.5m
- Water demand and conservation plan - R1m
- Integrated transport plan - R1m
- Storm water channel Chris Hani and Refengkgotso - R1.5m
- Roads - R15m
- Renovation of building - R1m

**Projects financed through Loans**

- Water and Electrical metering - R11m
- Roads and storm water - R10.5m

**Operational repairs and maintenance**

During the compilation of the 2012/13 MTREF operational repairs and maintenance was identified as a strategic imperative owing to the aging of the municipality’s infrastructure and historic deferred maintenance. To this end, repairs and maintenance was substantially increased by 23.1% in the 2012/13 financial year, from R 74.9million to R92.2million. During the 2011 Adjustment Budget this
allocation was adjusted slightly downwards to R 33.4 million owing to the cash flow challenges faced by the Municipality. Notwithstanding this reduction, as part of the 2012/13 MTREF this strategic imperative remains a priority as can be seen by the budget appropriations over the MTREF. The total allocation for 2012/13 equates to R92.2 million a growth of 23.1% in relation to the Adjustment Budget and continues to grow at 8.2 and 7.1% over the MTREF. In relation to the total operating expenditure, repairs and maintenance (excluding remuneration of staff) comprises of 6.3, 6.3 and 6.2% for the respective financial years of the MTREF.

Table 3 provides a breakdown of the repairs and maintenance in relation to asset class:

Table 3: Repairs and maintenance per asset class (R’000)

<table>
<thead>
<tr>
<th>Repair and maintenance per asset class</th>
<th>2008/09 Audit Outcome</th>
<th>2009/10 Audit Outcome</th>
<th>2010/11 Audit Outcome</th>
<th>Original budget</th>
<th>Adjust Budget</th>
<th>Full year forecast</th>
<th>2012/13</th>
<th>2013/14</th>
<th>2013/14</th>
</tr>
</thead>
<tbody>
<tr>
<td>Infrastructure Roads</td>
<td>13,086</td>
<td>11,900</td>
<td>20,859</td>
<td>16,648</td>
<td>18,937</td>
<td>16,392</td>
<td>32,864</td>
<td>35,718</td>
<td>38,663</td>
</tr>
<tr>
<td>Infrastructure Electricity</td>
<td>6,300</td>
<td>8,484</td>
<td>8,830</td>
<td>13,184</td>
<td>12,973</td>
<td>12,494</td>
<td>13,686</td>
<td>15,683</td>
<td>16,988</td>
</tr>
<tr>
<td>Infrastructure Water</td>
<td>10,214</td>
<td>9,961</td>
<td>6,978</td>
<td>14,008</td>
<td>12,797</td>
<td>12,597</td>
<td>14,152</td>
<td>15,439</td>
<td>16,570</td>
</tr>
<tr>
<td>Infrastructure Sanitation</td>
<td>3,899</td>
<td>6,436</td>
<td>6,707</td>
<td>11,308</td>
<td>9,597</td>
<td>9,405</td>
<td>10,968</td>
<td>11,599</td>
<td>12,506</td>
</tr>
<tr>
<td>Infrastructure Other</td>
<td>622</td>
<td>0</td>
<td>629</td>
<td>770</td>
<td>449</td>
<td>812</td>
<td>877</td>
<td>948</td>
<td></td>
</tr>
<tr>
<td>Community</td>
<td>237</td>
<td>64</td>
<td>0</td>
<td>704</td>
<td>411</td>
<td>193</td>
<td>203</td>
<td>210</td>
<td></td>
</tr>
<tr>
<td>Other assets</td>
<td>6,456</td>
<td>9,561</td>
<td>15,971</td>
<td>16,975</td>
<td>19,076</td>
<td>13,302</td>
<td>19,486</td>
<td>20,202</td>
<td>20,926</td>
</tr>
<tr>
<td>Total Operating expenditure</td>
<td>40,814</td>
<td>46,406</td>
<td>59,974</td>
<td>73,597</td>
<td>74,854</td>
<td>65,050</td>
<td>92,161</td>
<td>99,721</td>
<td>106,811</td>
</tr>
</tbody>
</table>

For the 2012/13 financial year, 78.6% or R72.5 million of total repairs and maintenance will be spent on infrastructure assets. Electricity infrastructure has received a significant proportion of this allocation totalling 14.9% (R13.7 million), road infrastructure at 35.7% (R32.9 million), and water at 15.4% (R14.2 million) and sanitation at 11.9% (R10.9 million). Community assets have been allocated R193 000 of total repairs and maintenance equating to 0.2%.

4.3 REMARKS

The discretionary scope on the capital budget is extremely limited, which might lead to increased levels of infrastructure deterioration in the Municipality. Increasing grant dependence and a trend of declining ability to take up higher levels of own and borrowed funding further reduce discretionary capital availability. For all practical purposes Municipality could become almost completely grant dependent to finance its capital projects. This will mean that the Municipality might not have little discretion to prioritise since its capital budget priorities would largely be determined by grant conditionality.
5. TOWARDS AN INTEGRATED INFRASTRUCTURE DEVELOPMENT STRATEGY AND PLAN

5.1 DEFINING INFRASTRUCTURE OF STRATEGIC IMPORTANCE TO MLM

In order to provide for improved infrastructure planning, there is a need to define those elements of the Municipality’s infrastructure that are significant to the development of the strategy. Different elements and components of the Municipality’s infrastructure (or absence of it) are more likely than others to be of strategic relevance in terms of size, type and location.

It is important to understand why different elements of infrastructure are important to the task in hand – i.e. what elements of infrastructure are important to the development of MLM. Generally, something will be of strategic importance if it relates to broad areas of more than just local or site specific importance. To be strategically important to the development of Metsimaholo, infrastructure would need to be an influencing factor on the development and implementation of spatial development and local economic policies. A series of questions therefore needs to be considered to help establish strategic importance. The types of questions that will lead to an understanding if a given aspect of infrastructure is of strategic importance to MLM should include, inter alia:

- is the infrastructure investment/intervention of more than local or regional significance (i.e. raises cross-boundary issues)?
- would failure to deliver infrastructure investments/interventions impact on MLM service delivery?
- is the scale of investment/intervention necessary to support the socio-economic and spatial aspiration unlikely to be delivered privately in any event?
- is the scale of investment or planning horizon in commensurate with the likely scale of development (i.e. the investment will not be self-funding)?

It is also important to note that the current MLM IDP focuses planned infrastructure development on existing urban areas. This is mainly attributed to increasing urban migration and the concentration of economic activities in the urban areas. The combined result of these factors means that areas such as Oranjeville, and Deneysville have significant strategic capacity to accommodate future growth.

5.2 PLANNING FOR INFRASTRUCTURE

Developing an understanding of what is strategically important infrastructure relates to the policy-making task in hand. It therefore follows that understanding strategic infrastructure at the local government level must be informed by an idea of where growth and change is being planned. This information can then be used to assess the impact, if any, on infrastructure capability and capacity on those proposals.

Figure 3 provides a model for testing and integrating the viability of growth options in relation to infrastructure issues.
Figure 3: Integrating growth options with infrastructure

**ESTABLISH A GROWTH/DEVELOPMENT OPTION IN CONTEXT WITH OTHER POLICY DRIVERS***

**THEN**

Establish the nature of the existing infrastructure to form a baseline. Is there existing infrastructure capacity to accommodate the planned growth easily?

**YES**

PROCEED WITH GROWTH OPTION in partnership with local players

**THEN**

Develop delivery plan with local players and assemble necessary funding package with partners

**THEN**

Determine appropriate level of growth that can be accommodated in line with the necessary investment required

**YES**

Determine levels of investment and changes needed to accommodate growth. Are these realistic and deliverable?

**YES**

Are these likely to be sufficient to accommodate the planned level of growth?

**NO**

Are there any planned or programmed infrastructure changes or upgrades?

**YES**

Are these likely to be sufficient to accommodate the planned level of growth?

**NO**

**THEN**

Is it worth considering revised levels of growth?

**YES**

ABANDON GROWTH OPTION

**NO**

**NO**

**Note:** * Ideally growth options should be informed by a broad understanding of infrastructure capacity*
Figure 3 presents an idealised approach to integrated infrastructure planning in relation to infrastructure investment. The one-to-one meetings with the key local industry players are therefore likely to focus on options testing on the basis of identifying and then testing a long-list of specific locations for possible growth and change, with a range on the scale of this growth. In each case, it will be necessary to establish for those locations:

- what is the existing infrastructure like;
- what the planned/committed improvements to the infrastructure in that location are;
- what the future infrastructure capacity will be;
- the ability to accommodate future growth;
- the timescales and costs associated with addressing shortfalls in capacity; and
- the potential need to revise growth plans in that location.

The next section builds on this idealized approach and indicates infrastructure that is of strategic importance to the Municipality.

5.3 CRITICAL INFRASTRUCTURE

5.3.1 Water

The Council and communities place high priority on water infrastructure as an important condition for development to occur. The municipality’s target with regard to water access is to have metered connection to stands in terms of backlog by June 2012 and rapid provision of water to newly developed areas as and when development occurs.

The availability of water resources in the Municipality influences the development of industry and settlements. Thus, water infrastructure projects should be prioritised and executed accordingly.

Any new developments and density increases must consider the impact such proposals will have on the current bulk capacities in the municipality and appropriate upgrades must be done accordingly. Detail for required new capacity for new developments is to be detailed in the planned Water Services Development Plan.

5.3.2 Sanitation

The IDP places second priority to sanitation. The municipality’s target is to maximise utilization of Municipality Infrastructure Grant (MIG) and District Municipality Funding for the projects to reach its targets, and where shortfall of funds is experienced, plan to augment with own generated funds. Hence, sanitation infrastructure projects should also receive the highest priority.

5.3.3 Roads and Stormwater

The maintenance of the existing infrastructure is a cause for great concern and many existing roads may not be sustainable. In order to maintain and upgrade existing road infrastructure as well as prepare for the expansion of the road network within MLM, a major roads plan needs to be prepared, developed
and implemented. Apart from that, rehabilitation programmes for the rural roads, tarred roads, sidewalks and bridges of MLM need to also be prepared and implemented.

In terms of priority area, roads and storm water are ranked third in the IDP. According to the IDP, there is an estimated backlog of 500km in roads in the inhabitable, high density populated area in the municipality. The municipality plan to use two types of road surfacing, i.e. tar or paving with adjacent storm water channels in all backlog areas by June 2013.

5.3.4 Electricity

The municipality and the community accord electricity provision as the fourth area of priority. To this end, the municipality intends ensuring access to electricity for all communities by: providing, maintaining and upgrading infrastructure and networks; increasing electricity distribution and accessibility; and improving the management of distribution networks.

The electricity infrastructure requires urgent attention as there are huge backlogs in this sector. This type of infrastructure is of strategic importance to the growth and development of the area.

5.3.5 Housing and Human Settlement

The MLM IDP calls for provide sustainable human settlements and improved quality of household life through accelerated delivery of housing opportunities and access to basic services. This entails, *inter alia*, acquisition of land for formal settlement purpose and completed surveying on the already available land and provision for future settlement needs.

It should also be noted that all housing construction projects in the municipality are still being planned and managed directly by the provincial government. Thus, coordination at the provincial level is critical for integration and accelerated execution at the local government level.

5.3.6 Public Transport

Transport is based on two pillars – the infrastructure such as roads, railways and other infrastructure facilities and secondly public transport operations. The IDP includes both parts and these parts will form the basis for an integrated transport plan for MLM. An efficient public transport system is also an important precondition for sustainability. To achieve this there is a need for integrated transport planning giving guidelines for:

- design of public transport networks;
- organisation and legal framework for public transport operations; and
- investment in infrastructure.

5.3.7 Local Economic Development

LED infrastructure would seek to take advantage of Metsimaholo’s competitive factor conditions in sectors that are growing and have long term potential in order to grow the local economy. The IDP points to development of SMMEs, introduction of incentive schemes, development of downstream
industries, tourism development and agro processing as key areas for local economic development. Central to LED is the need to establish links between sustainable livelihoods, larger projects and the broader regional economy. The MLM SDF comprehensively provides this link, whereas the IDP is very silent.

As a first step, the Municipality should draft a Local Economic Development Strategy that should serve as a basis for informing investments in economic infrastructure.

5.4 SOCIAL INFRASTRUCTURE

5.4.1 Sports and Recreation

The scarcity of safe parks and play grounds, facilities for people with disabilities and other related recreation facilities is evident in the municipal area. The importance of infrastructure investment in sports and recreation infrastructure is stressed in the IDP. However, the number of projects not executed in this infrastructure sector since 2007 shows a serious neglect by the municipality to deliver on these important projects. Though sports and recreation infrastructure tends to respond to growth patterns, acceleration and execution of the planned projects should be top priority.

5.4.2 Health

Health care facilities and concomitant services generally respond to spatial patterns of growth. Thus, they appear not to be a major issue in considering future growth of the Municipality. However, it would be helpful for the Municipality to ensure dialogue with the National Department of Health occurs with regard to the main spatial options at a local level to ensure integrated planning, especially with planned future projects. There is also scope for dialogue on district and provincial level to ensure better co-ordination of health plans.

Moreover, secondary healthcare (i.e. hospitals) tend to operate as a scale economy, and need critical mass to be viable; its ability to generate more journeys than primary healthcare means that there is a need to identify such secondary facilities and seek to ensure that growth occurs in these places wherever possible so as to reduce journeys and maximize use of public transport.

5.4.3 Education

Primary and secondary education is not generally major constraints on future growth options. Instead, major new residential development tends to increase the demand for school infrastructure. Education is generally planned for at a national government level and can vary significantly on the basis of wider national education policy choices. Given that secondary education tends to operate as a scale economy, and needs critical mass, its ability to generate more journeys than primary education means that there is a need to identify such secondary facilities and seek to ensure that growth takes place in these areas wherever possible so as to reduce journeys and maximum use of transport.
5.5 PROPOSED INSTITUTIONAL RE-ORGANISATION

5.5.1 Internal

To accelerate and ensure implementation of the planned infrastructure projects the Municipality cannot continue with business as usual. It requires a new approach and a commitment to placing economic development at the heart of the municipal programme. This also requires cooperation between the Municipality, the province and surrounding municipal areas in the district. These networks will be an important resource for maximising the impact of investments. In addition, similar networks into the private and non-profit sectors are needed. All this needs to be coordinated in the Municipality by the Technical Services and LED Directorates. Thus, the capacity in both units will need to be expanded to manage the workload.

5.5.2 External

Fundamental to both the short-term and longer-term success of integrating infrastructure and spatial and economic planning is meaningful engagement with local industry players and other interest parties (e.g. Development Finance Institutions).

For example, industry players generally have a detailed understanding of their own required infrastructure networks, the current demands and demand characteristics, and the capacity of the main constraining elements of the network. However, questions remain about the extent to which industry plan for the following:

- the most up-to-date population forecasts for the area;
- the necessary levels of infrastructure demand for the area;
- the impacts of the disproportionate growth in the number of households above and beyond population growth;
- the likely spatial distribution of population and urban growth; and
- the changing spatial patterns of employment and migration in the area.

All the industry players tend to make assumptions regarding these issues, but it is reasonable to suggest that there is significant gap between local government planning and industry players’ planning in terms of content and process. The reasons for this include: non-representation of industry players on local government planning forums and other related forums; absence of genuine plan-led growth in the area; lack of communication between the industry players and local government and the relative autonomy (especially financially) of industry players.

Establishing the necessary level of dialogue between local industry players and local government planners is therefore at the heart of the recommendations for moving forward.
6. CONCLUDING REMARKS

In Metsimaholo, most infrastructure provision is highly backlogged and appears to be earmarked for urban areas. The backlog also reveals that there is clearly a considerable disconnection between strategic spatial and economic planning and infrastructure provision, which is in the interests of neither the local government nor the local industry players.

The municipality needs to identify and prioritise infrastructure that is of strategic importance to its economic and development needs. It also needs to build better relations with local industry players and other interest parties.

The path towards an integrated infrastructure development provides an opportunity for the Municipality to do this.
APPENDIX A: FUNDING INFRASTRUCTURE

There are numerous sources for financing infrastructure that vary across national, provincial, district and sectors. These sources, current and proposed are examined below:

DIRECT NATIONAL CASH TRANSFERS FOR INFRASTRUCTURE

The Municipal Infrastructure Grant (MIG) is a conditional grant to support municipal capital budgets to fund municipal infrastructure and to upgrade existing infrastructure, primarily benefiting poor households. The MIG gives effect to earlier Cabinet decisions and policy positions on the establishment of a single consolidated funding mechanism to support municipal infrastructure.

The MIG has been set up to rationalize and phase out the following funding programmes over a three year period (beginning 2003 to 2006) with the following budget allocations:

Consolidated Municipal Infrastructure Programme, in support of internal bulk, connector infrastructure and community facilities to poor households;

- Water Service Capital Fund, in support of bulk, connector and internal infrastructure for water services at a basic level;
- Community based Expanded Public Works Programme, in support of the creation of community assets in rural, historically disadvantaged communities;
- Local Economic Development Fund, in support of planning, and implementation of job creation and poverty alleviation;
- Building support for Sport and Recreation Programme to sustain sport and recreation facilities within disadvantaged communities; and
- Electrification funding in support of addressing the electrification backlog of permanently occupied residential dwellings that are situated in historically under-supplied areas.

Direct National Cash Transfers for Capacity Building

In order to build capacity to undertake new roles and develop new management systems, specialised cash transfers are made from national government to local government in the from of capacity building and restructuring grants. These include:

- Municipal Systems Improvement Grant (MSIG)
- Financial Management Grant (FMG)
- Restructuring Grant

Municipal Systems Improvement Grant (MSIG)

The MSIG is used mainly for establishing Project Implementation and Management Support Systems (PMISS) centres to fund routine running costs and capacity building and support activities (also known as training). The PMISS centres reside in district municipalities and consist of development professionals whose primary role centres around the development and review of IDPs as well as the establishment of performance management systems. Funding for the MSIG are in part based on the operating costs of
PMISS centres as well as proportionate to the number of served by the district and was discontinued during the 2005/06 financial year.

**Financial management Grant (FMG)**

The FMG is funded from the national Treasury budget. The grant is aimed at putting in place financial management systems as defined in the Municipal Finance Management Act (MFMA).

**Restructuring Grant**

This grant is focused on putting in place in service delivery arrangements based on demand by large urban areas. Municipalities have to apply to National Treasury, strategically detailing their problems and how they intend to resolve them. However due to the complexity of the application process, very few municipalities have received grants thus far.

**National In-Kind Transfers**

There are two important national in-kind grants:

- Water Service Implementation Grant; and
- Water Operating Grant.

These are transferred to local government from the National Department of Water Affairs (DWA).

**Water Service Implementation Grant**

The Water Service Implementation Grant was established in the immediate post 1994 election period to fund the planning and implementation of local level water schemes in rural areas which did not possess dedicated institutional capacity to do so themselves.

**Water Operating Grant**

Transfer to municipalities involves transferring to actual water supply services. Allocations to individual municipalities are made to water schemes based on the operating costs of DWA-owned schemes located in the respective municipalities.

**Provincial Funding to Local government**

Promulgation of the Division of Revenue Act has brought to light the extent of provincial grant allocations going to local government, as it requires provinces to publish such allocations. These allocations are either **direct**-as they are funded out of provincial department’s own allocations, or **indirect**-as they are funded from conditional grants.

Two types of nationally-funded indirect local government funds are transferred to local government from the DPLG budget. These are:

- Consolidated Municipal Infrastructure Programme (CMIP) Provincial Management grant
• Local Government Capacity Building Fund (LGCBF)

CMIP Provincial Management grant

This grant funds the administrative roles of local government within the broader consolidated Municipal Infrastructure Programme and was incorporated into the Municipal Infrastructure (MIG) grant in 2005/06 financial year.

Local Government Capacity Building Fund (LGCBF)

The LGCBF provides funding for local government’s support for smaller local and district municipalities’ institutional development which is not covered by the Restructuring Grant. This grant is allocated by DPLG based on the plans submitted by provincial departments. The greatest challenge with this grant is that its funding role overlaps considerably with the MSIG though the LGCBF has flexible expenditure conditions.

FINANCING BY EXTERNAL PARTIES

Private partners are in a position to fill the funding and financing gaps on infrastructure services delivery. Private investors are willing to invest in municipalities with clear development plans. However, the owners of the infrastructure need to ensure better capital expenditure in the infrastructure networks and assets as well as avoid putting unnecessary barriers for private institutions that are keen to invest in the infrastructure sector. Part of the reason why there is a lack of private sector funding in municipal infrastructure is due to the history of under spending by the public sector. Therefore in order to attract private sector funding, there is need for stable regulatory frameworks, based on balance sheets or asset bases. Furthermore, the following factors, *inter alia*, are necessary for increasing the funding appetite of private investors:

• Evidence of project viability;
• unmet demand;
• The capability of generating and developing revenue from a project; and
• Evidence of strong political commitment towards the project