The State of Service Delivery:

Backlogs, Constraints & Possible Solutions

CITY OF CAPE TOWN | ISIXEKO SASEKAPA | STAD KAAPSTAD

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Presentation to the INCA Summer School 2009

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Presentation Overview

- *Progress in the Provision of Services*
- *Backlogs*
- *Costs (and hidden costs of service delivery)*
- *Service Delivery Choices*
- *Infrastructure Development Support Programmes*
- *Funding for Infrastructure*
- *Alternative Revenue Sources*
- *Conclusion*

National Increase in Service Delivery

National Improvement between 2007 and 2008

- *Sewerage & Sanitation 17,4%*
- *Water 16,3%*
- *Solid Waste Management 15,6%*
- *Electricity 6,0%*

National Roll-out of Services since 2004

- *MIG: Water 835 093 household connections*
- *MIG: Sanitation 399 662*
- *INEP: Electricity 974 348*

Increase in Service Delivery (cont.)

Development Indicators

- *The **subsidised housing programme reached a cumulative total of 2.8 million units** completed or under construction in March 2009.*
- ***Access to water infrastructure** above or equal to the Reconstruction and Development Programme (RDP) standard **increased from 61.7% in 1994 to 91.8% in March 2009**.*
- *The number of **households with access to sanitation increased from 50% in 1994 to 77% (10 million) in March 2009**,*
- *The number of **children suffering from severe malnutrition decreased from 89 000 in 2001 to 26 000 in 2008.***
- ***Foreign direct investment increased from R18.127 billion in 2007 to R103.497 billion in 2008**.*
- ***House ownership increased from 70,4% to 75,8%,** with households receiving a **government housing subsidy increasing from 5,6% to 11,2%.***

National Access to Free Basic Services

Service	Consumer Units receiving Service	Consumer Units receiving Free Basic Services	% Consumer Units receiving Free Basic Services
Sewerage and Sanitation	9,0 m	3,1 m	32,63 %
Water	11,5 m	7,0 m	60,87%
Solid Waste	9,0 m	2,0 m	22,22 %
Electricity	8,1 m	2,8 m	34,57 %

Households earning equivalent of R1 080 per month dropped to **1 million** in 2008/09

Down from **3,4 million households** earning equivalent of R742 in 2001/02

Service Delivery Backlogs

Impact of Economic Conditions on Households

End August 2009: *Source: www.statssa.gov.za*

CPI	*August 2009 = 6,4% y/y [Aug 2008 – 13,7% y/y]*
PPI	*August 2009 = -4,0% y/y*
GDP	*2nd Quarter 2009 = -3,0% q/q*
Unemployment	*23,6% 2nd Quarter 2009 [267 000 jobs lost in 2nd q '09]*
Population	*(Census 2001) 44,8 million Night of October 9-10, 2001*
Population	*(Mid-year estimate) 49,32 million Mid-2009*

Growth in employee compensation ±9,7% in 2008; - skewed
11,7% in 2007; - skewed
10,6% in 2006

More than 13 million people now receive social grants, compared to 7,87 million in 2004/05

Number of people on welfare has tripled to 13,7% of the population

Service Delivery Backlogs (cont.)

Impact of Economic Conditions on Business

- ***Corporate Tax burden doubled since*** *1994, from* ***13% to 26%***
- ***PwC survey revealed*** *that for every* ***R1 in corporate tax, a further 54c paid*** *in other business taxes*
- ***21 taxes levied on companies***
- ***Liquidations for 1st 7 months of 2009 increased by 35,8%*** *1 752 to* 2 379
  - *July 2009 year on year liquidations increase of 33,8% (320 to 428)*
  - *28,8% increase in voluntary liquidations (Aug 2009)*
  - *32,9% increase in compulsory liquidations (Aug 2009)*
- ***Business Confidence Index declined*** *to 33 in 4th quarter of 2008, down* ***to 27 in 1st quarter 2009***

Activity Indicators Annual % change	2007	2008			
	Dec	Mar	Jun	Sept	Dec
Building plans passed	-15,0	-7,3	-24,9	-20,2	-32,6
New vehicle sales	-20,0	-11,0	-21,7	-24,6	-30,8
New passenger car sales	-19,0	-22,9	-25,2	-21,5	-24,7
Electric current generated	3,7	-2,1	-3,2	-0,5	-10,4

Service Delivery Backlogs (cont.)

Service	% of Households Receiving Service (13 104 966 hh)	Backlog
Sewerage and Sanitation	77,1%	**22,9%**
Piped Water	70,9%	**29,1%**
Solid Waste	60,5%	**39,5%**
Electricity	82,6%	**17,4%**

Costs & Hidden Costs of Service Delivery

Balancing the Provision of Services

*Balance the **economic development needs** vs **social investment needs***

- **Identification of the change in basic service needs** through natural population growth as well as the growth (or contraction) from migration,
- **prioritisation of specific service needs** or geographical service areas,
- **clarity on sustainable tariffs and ability of the community to pay** with clear and simple mechanisms of indigent support,
- **understanding of maintenance requirements** of current and future infrastructure developments, and
- **understanding of development initiatives** that are going to give rise to further investment, as well as
- the **identification of adequate resources** to address these issues.

Service Delivery Choices

Setting Service Levels

Service Type	Level 1 - Basic	Level 2 - Intermediate	Level 3 - Full
Water	Communal standpipes	Yard taps, yard tanks	In house water
Sanitation	Sewage collection/disposal	VIP Latrine Septic tanks	Full water borne
Storm water drainage	Earth lined open channel	Open channel lined	Piped systems
Electricity	5-8 Amp or non-grid electricity	20 Amps	60 Amps
Roads	Graded	Gravel	Paved/tarred & kerbs
Solid Waste disposal	Communal (Residents)	Communal (Contractors)	Kerbside

Infrastructure investment demands in three different areas:

- **Backlogs in access to basic municipal services** by the poor;
- **Expansion of infrastructure needs** due to a growing economy and
- **Refurbishment, replacement and maintenance of infrastructure.**

Infrastructure Development Support Programmes

- **PMU – with Excellent Project Management skills!**
- **PPP's - 23 month timeline!**
- **SPAID**
  - uHABs
  - Comprehensive Infrastructure Plans (CIP)
  - Municipal Project Expediting System (MPES)
- **Conditional Grants**
  - **MIG**
  - **PTI&SG**

Equitable Share & Conditional Grants

	2005/06	2006/07	2007/08	2008/09	2009/10	2010/2011	2011/2012
R million	**Outcome**			**Revised Estimate**	**Medium Term Estimates**		
National departments	192 425	210 168	242 632	288 277	343 077	352 788	361 255
Provinces	156 665	181 331	208 669	247 729	284 519	309 704	335 925
Local government	**16 682**	**26 501**	**37 321**	**43 620**	**49 698**	**57 722**	**64 964**
Equitable share1	**9 643**	**18 058**	**20 676**	**25 560**	**23 847**	**29 268**	**31 890**
Conditional grants	7 038	8 443	16 645	18 060	19 052	20 912	24 543
General fuel levy sharing with metropolitan municipalities				-	6 800	7 542	8 531
% share to LG	***4,6%***	***6,3%***	***7,6%***	***7,5%***	***7,3%***	***8,0%***	***8,5%***

1. With effect from 2006/07, the local government equitable share includes compensation for the termination of Regional Services Council (RSC) and Joint Services Board (JSB) levies for metros and district municipalities. From 2009/10 the RSC levies replacement grant will only be allocated to district municipalities.

Extracted from National Treasury 4th quarter Local Government Budgets statement

Funding for Infrastructure

Adequacy?

- Envelope of Indigent is growing
- Demands on LG to eradicate backlog by 2014
- Increases in bulk tariffs exceed the increase in equitable share
- Political pressure and realistic expectations managed when determining tariff increases
- Expectations of higher levels of Basic Services
- Increased demands on LG with reduced own revenue streams, etc.

- Grant Funding may not be certain due to economic challenges (falling national revenues)
- External pressures on other line items causing pressure on repairs and maintenance spending
- Infrastructure development funds don't come with operating provisions

Funding for Infrastructure (cont.)

Alternatives?

- Alternative Revenue Sources – Fiscal Powers & Functions Act - 12 to 18 month timeline!
- Capital Development from Revenue
  - Excellent Credit Control
- Capital Development from Borrowing
  - Bond Issues / Long term Borrowing (EFF)
  - Cost of Borrowing
  - Operating costs vs future income streams

Thank you