

# Reviewing the Effectiveness of Sanitation Fiscal Instruments and Governance in Enhancing Rural Development



FINANCIAL  
AND FISCAL  
COMMISSION

*For an Equitable Sharing  
of National Revenue*

## EXECUTIVE SUMMARY

Improving sanitation reduces the risk of infection from excreta-related diseases, especially for children under the age of five. Since 1994, the government has introduced programmes to reduce the high sanitation backlogs in South Africa. Sanitation backlogs have decreased overall but remain high in rural areas. To understand some of the reasons for the slow progress in reducing sanitation backlogs in rural municipalities, the Financial and Fiscal Commission (the Commission) undertook a review of constraints within the current intergovernmental fiscal relations system and weaknesses of current institutional arrangements. The study found that backlogs remain high in rural municipalities because the Rural Household Infrastructure Programme

is underperforming, and municipalities are under-spending the Rural Household Infrastructure Grant. Reasons for this include the design of the grant (as an indirect grant), the failure by municipalities to submit business plans on time and to prioritise sanitation infrastructure by including it in their integrated development plans and maintenance plans. The Commission recommends that rural municipalities prioritise the delivery of sanitation infrastructure, explore waterless technologies, and develop a complete delivery plan that includes relevant technologies, and scheduled and costed periodical maintenance. Government should also undertake a comprehensive evaluation of the impact of sanitation grants and provide capacity-building to rural municipalities.

# Policy Brief 9

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## BACKGROUND

Adequate sanitation infrastructure and services are important because of their impact on people's health and dignity. Improving these infrastructure and services, and educating households on the importance of good sanitation practices, reduces the risk of infection from excreta-related diseases (including diarrhoea) particularly in children under the age of five years.

Since 1994, government has introduced specific programmes to reduce the sanitation backlogs, such as (since 2010) the Rural Household Infrastructure Programme (RHIP), which is implemented through the Rural Household Infrastructure Grant (RHIG). Other funding sources that are used for sanitation infrastructure and services include the Municipal Infrastructure Grant (MIG), the local government equitable share, conditional grants and own revenue collected by the local authorities. Despite these initiatives, sanitation backlogs remain high in rural areas. To understand some of the reasons for the slow progress in reducing sanitation backlogs in rural municipalities, the Commission undertook a review of constraints within the current intergovernmental fiscal relations system and the institutional arrangements that are undermining government's efforts to reduce these backlogs.

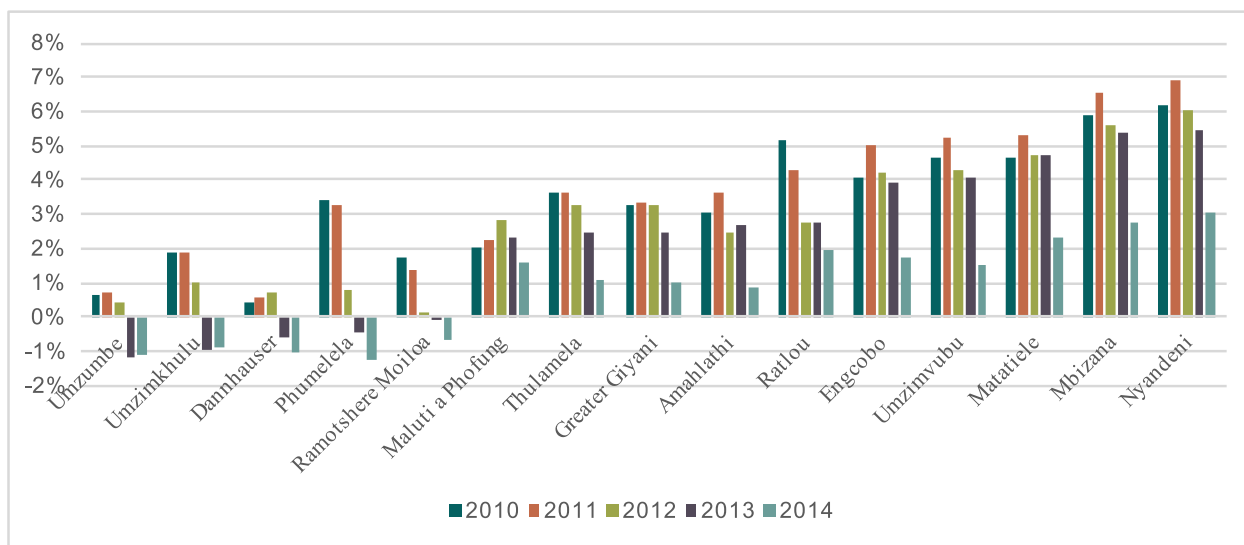
## RESEARCH FINDINGS

Backlogs may be declining nationwide, but rural municipalities have high backlogs compared to non-rural municipalities. Figure 1 shows the year-on-year change in the sanitation backlogs across the rural municipalities that were part of the RHIP. An analysis of RHIG grant recipients in 2012 found that backlogs were still high in 2013, with a marginal reduction or increase in some municipalities. This implies that the RHIG has been ineffective in reducing sanitation backlogs.

Rural municipalities have limited revenue-raising capacity and so rely heavily on transfers for their operational and capital expenditure. However, the main grant, the RHIG, has been underperforming, in large part because it is designed as an indirect grant. This means that the national government (or its agents) spends all funds on behalf of municipalities, and no funds are transferred to municipalities (unless a municipality is acting as an implementation agent). Generally indirect grants perform worse than direct grants, which is why the Commission has recommended that they be used as a last resort. The RHIG is funded on an annual basis, and the research found that some municipalities receive funding for only one year, despite still having high sanitation backlogs. It is unclear why RHIG funding is terminated before achieving the grant's objectives. Some rural municipalities under-spend on the RHIG, mainly because business plans are submitted late or do not conform with Division of Revenue requirements, which results in funding being delayed.

Some of the challenges relating to institutional arrangements are the poor coordination of plans and poor communication between government spheres. Rural municipalities do not always include sanitation in municipal integrated development plans (IDPs), which means it is not prioritised, and do not have operational and maintenance plans in place.

Various technologies exist that can help improve sanitation in rural areas. For instance, many countries use ecological sanitation (EcoSan) or waterless toilet technologies, which are an environmentally friendly alternative to the ventilated improved pits commonly used in South Africa. And yet EcoSan is currently not considered an option, despite the presence of manufacturers in South Africa.

**Figure 1. Year-on-year percentage change in sanitation backlogs**

Source: Commission's computations based on data from IHS Global Insight (2015)

## CONCLUSION

Improved sanitation reduces the risk of infection from excreta-related diseases, particularly for children under the age of five. Although the sanitation backlogs have decreased since 1994, they remain high in rural areas despite government intervention programmes. These programmes, in particular the RHIP, are underperforming for a number of reasons, including the design of the RHIG as an indirect grant. There is also a lack of coordination of plans and poor communication between spheres of government. With respect to intergovernmental instruments and institutional issues relating to sanitation infrastructure in rural municipalities, the Commission makes the following recommendations:

- Rural municipalities that are water services authorities (WSAs) should prioritise the delivery of sanitation infrastructure, which must be reflected in their IDPs.
- Rural municipalities that are WSAs should explore and prioritise EcoSan waterless technologies where possible and develop a complete municipal sanitation infrastructure project delivery plan, which includes technologies for emptying toilet latrine pits, periodical maintenance, and full costs of maintenance and funding sources.
- The National Treasury, the Department of Planning, Monitoring and Evaluation and the Department of Water and Sanitation should undertake a comprehensive evaluation of the impact of the sanitation grants on rural municipalities before discontinuing the grants.
- District and rural municipalities that are WSAs should submit compliant business plans timeously to the national Department of Water and Sanitation. Should they fail to do so, executives should be held accountable. In cases where WSAs lack capacity, the national and provincial departments of water and sanitation should intervene and provide the required capacity.

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