



PARLIAMENT
OF THE REPUBLIC OF SOUTH AFRICA

Policy Brief: Performance
on Transport Conditional
Grants

Parliamentary

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1. Purpose

To provide Members of the Finance and Appropriations Committees with an evaluation of the structure and performance of the Transport Conditional Grants in 2019/20.

2. Introduction

Members of the Appropriations and Finance committees are required to determine value for money and progress with the implementation of policy priorities funded through the division of nationally raised revenue. The monitoring of the implementation of the budget, inclusive of conditional grants is part of the legislative process and reports are submitted to Parliament on a quarterly basis.

The reporting on conditional grant outputs is, however, not institutionalised for the reporting on a quarterly basis. This means government departments and entities may choose not to report on conditional grants separately, and many chose not to. Required performance, in a specific financial year, is included in the schedules to a Division of Revenue Act (DORA) two years beyond the performance period. Annual performance is also reflected in Annual Reports of the specific department administering the conditional grant for evaluation purposes of the specific year. The information provided in Annual Reports is often not complete, as in the instance of the Transport Conditional Grants in 2019/20.

The Parliamentary Budget Office has started a process to assist Members with their oversight role, specifically to determine the efficiency and effectiveness of the expenditure of nationally raised revenue. Due to the size and importance of priority funding, the PBO started a series of assessments on the information available in the schedules to the Division of Revenue Act (DORA). The assessments showed that the information provided in the DORA is not adequate to determine effectiveness.

The PBO analysis, on the progress with the implementation of conditional grants; therefore, mainly rely on the information provided in annual reports. This report continues the process by analysing the performance information reflected in the Annual Report of the Department of Transport, evaluating the performance on four Conditional Grants that comprised almost 40 per cent of the funding for transport in 2019/20.

3. Background

Nationally raised government revenue is divided between the three spheres of government in the form of an equitable share and conditional grants for specific purposes. The equitable division of revenue (according to a formula) raised nationally among spheres of government is divided among the national, provincial and local spheres of government.

Conditional allocations to provinces and municipalities from the national government's share of revenue are allocated to provinces and municipalities to supplement the funding of programmes or functions funded from provincial/municipal budgets; specific-purpose allocations to provinces/municipalities; and allocations-in-kind to provinces/municipalities for designated special programmes. Other conditional grants include funds that are not allocated to specific provinces/municipalities, that may be released to provinces/municipalities to fund an immediate response to a declared disaster. In the financial year 2019/20, four conditional grants were transferred to provinces and municipalities by the National Department of Transport.

The **Provincial Road Maintenance Grant** has three components. The largest component enables provinces to expand their maintenance activities, while the other two allow provinces to repair roads damaged by floods and rehabilitate roads that are heavily used in support of electricity production. The component for heavily used roads came to an end in 2019/20. Grant allocations are determined using a formula based on provincial road networks, road traffic and weather conditions. These factors reflect the different costs of maintaining road networks in each province. The grant requires provinces to follow best practices for planning, and to use and regularly update road asset management systems.

The **Public Transport Operations Grant** subsidises commuter bus service. It helps ensure that provinces meet their contractual obligations and provide services efficiently.

The **Public Transport Network Grant** administered by the Department of Transport, helps cities to create or improve public transport systems in line with the National Land Transport Act (2009) and the Public Transport Strategy. This includes all integrated public transport network infrastructure, such as bus rapid transit systems, conventional bus services, and pedestrian and cycling infrastructure. The grant also subsidises the operation of these services.

Since 2016/17 the allocations are determined through a formula, used to determine 95 per cent of the allocations, and a performance based incentive component introduced in 2019/20, which accounts for the remaining 5 per cent. A base component accounts for 20 per cent of the total allocations and is divided equally among all participating cities. This ensures that smaller cities in particular have a significant base allocation to run their transport system regardless of their size. The bulk of the formula (75%) is allocated based on three demand-driven factors, which account for the number of people in a city, the number of public transport users in a city and the size of a city's economy. The weighting of train commuters is reduced as trains are subsidised separately through the Passenger Rail Authority of South Africa (PRASA).

To qualify for an allocation from the performance incentive, a city must have an operational municipal public transport system approved by the national Department of Transport and they must have spent more than 80 per cent of their grant allocation in the previous financial year. Incentive allocations are then calculated based on the coverage of costs from fares, passenger trips and the city's own financial commitment to the system. Cities must exceed the minimum threshold in at least one of these three indicators.

The Department of Transport administers the **Rural Roads Asset Management System Grant** to improve rural road infrastructure. The grant funds the collection of data on the condition and usage of rural roads in line with the Road Infrastructure Strategic Framework for South Africa. This information guides investments to maintain and improve these roads. District municipalities collect data on all the municipal roads in their area, ensuring that infrastructure spending (from the municipal infrastructure grant and elsewhere) can be properly planned to maximise impact. As data becomes available, incentives will be introduced to ensure that municipalities use this information to plan road maintenance appropriately. The municipal infrastructure grant stipulates that municipalities must use data from roads asset management systems to prioritise investment in roads projects.

4. Methodology for the evaluation of the Transport Conditional Grants 2019/20

The level of quality and completeness of performance information affects oversight bodies' ability to evaluate performance outcomes on expenditure. To be able to determine efficiency, performance indicators should be specific, relevant and linked to the budget. Effectiveness can be determined only by measuring change over time by measuring impact indicators. Impact indicators are mainly measured over a 5-year period and reflected in the Medium Term Strategic Framework of Government.

Performance information from the 2019/20 Annual Report of the National Department of Transport is reflected in tables 1 to 4 (Annexure) and are arranged according to the purpose of the conditional grants and expected outputs. Due to incomplete performance information in the Annual Report, the 2021 DORA was used for audited financial outcomes and actual service delivery performance. The data used for the analysis is clearly stated in the tables.

5. Findings

The PBO's assessment of the information as presented in tables 1 to 4 shows that:

Provincial Road Maintenance Grant (PRMG)

The goal of this grant is to ensure efficient and effective investment in provincial roads to implement the Road Infrastructure Strategic Framework for South Africa in line with the S'hamba Sonke road programme and other related road infrastructure asset management programmes.

Table 1 shows that, of the R11.1 billion allocated for this grant, R1.4 billion was spent by provinces by the end of the national financial year. This expenditure amount reflects under spending. According to the Department, the under spending was due to unforeseen project delays during implementation and/or in some cases due to planning delays or procurement related delays.

Table 1 also shows the performance within four categories of outputs namely:

- Planning - Final Road Asset Management Plan (RAMP)
- Network conditions - actual delivery related measures against 2019/20 targets defined in the final RAMP and APP for each province
- Job creation - performance measures planned based on national job creation indicators
- Contractor development programme- reporting on the provinces' contractor development programme

Although accumulated targets were not determined based on the provincial RAMPs and Annual Performance plans, the Department reported total actual outputs. Without the provision of targets, it is; therefore, not possible to determine whether the planned outputs were achieved.

To be able to determine efficiency (as required by the goal) a target for cost per m² or km would be useful to compare an actual output with, over time or to do a comparison between provinces.

Although the actual outputs show that 934 km surfaced roads were rehabilitated, 1809 km surfaced roads were resurfaced, 556 km of blacktop patching (including pothole repairs) were done and 3 743 km of gravel roads were re-gravelled, etc. creating 142 908 it is not possible to determine the effectiveness of this investment, without knowing the actual need in terms of

the Road Asset Management Plan. An output indicator to determine the percentage of the needs addressed will be useful to determine the effectiveness as required by the goal of this grant.

Public Transport Operations Grant (PTOG)

The purpose of this grant is to provide supplementary funding towards public transport services provided by provincial departments of transport.

Table 2 shows that the Department has spent R6 billion of the transferred funds amounting to R6.3 billion. This expenditure amount reflects an under spending of R300 million. Reduced spending emanates from some contracts being relinquished by operators in Gauteng (Boksburg), including the interruption of services specifically in North West Transport Investment as well as penalties imposed for non-performance in other provinces.

Despite under spending on this grant, table 2 shows that the provincial departments of transport has made progress with the provisioning of six (6) outputs of this grant:

- 6 353 vehicles subsidised
 - Passengers per vehicle 3 561.3
- 76 239 cumulative annual vehicles subsidised
- 5 705 862 trips operated
 - Passengers per trip operated 47.6
- 271 508 666 passengers subsidised
 - Subsidy per passenger R22.21
- 225 349 765 kilometres subsidised
 - Subsidy per kilometre operated R26.76
- 13 104 employees
 - Employees per vehicle 2.1

However, there was no reporting on the progress made with the number of scheduled trips. No targets were set for outputs for this grant. Non setting of targets makes it difficult to measure non-financial performance of this grant.

Public Transport Network Grant (PTNG)

The goal of this grant is to support the National Land Transport Act (Act No. 5 of 2009) and Public Transport Strategy (PTS) and Action Plan in promoting the provision of accessible, reliable and affordable integrated municipal public transport network services.

Of the R6.5 billion allocated for this grant, R6.4 billion (98.6%) was transferred to municipalities. An amount of R98 million for Nelson Mandela Bay was not transferred, following an instruction to the Department of Transport from the National Treasury not to transfer. This means that R6,3 was transferred. Table 3 shows that the municipalities spent R3,1 billion of the transferred amount, leading to an under spending of 49 per cent. The municipal sphere's financial year annually runs for three more months after the end of the national financial year therefore, the unspent funds are likely to be spent thus increasing the expended amount to date.

Table 3 also shows that municipalities that received the grant are making progress with the provisioning of the Network Infrastructure Component, however there is no reporting on the progress made with the provisioning of the Network Operations Component, which should include reporting on:

- Number of average weekday passenger trips carried on Public Transport Network Grant (PTNG) funded networks
- Number and percentage of municipal households within a 500m walk to an Integrated Public Transport Network (IPTN) station or stop that has a minimum peak period frequency of 15 minutes or better
- Percentage uptime for network operating systems as a proportion of the network's public operating hours
- Passengers per network vehicle per average weekday

Rural Road Asset Management Systems Grant (RRAMS)

The goal of this grant is to ensure efficient and effective investment in municipal roads through development of the Road Asset Management Systems (RAMS) and collection of data.

Table 4 shows that the Department has spent R66.6 million of the transferred funds amounting to R108 million. The Department indicates that municipalities spent an average of 61.7 per cent of the funds that were transferred. Slow spending was due to the capital nature of most of the expenditure.

Table 4 lists the expected outputs as per annual report as follows:

- Road condition data (paved and unpaved)
- Traffic data
- Data on condition of structures as per Technical Methods for Highways (TMH) 19 (including bridges and culverts)
- Prioritised project list for roads to inform Municipal Infrastructure Grant project selection

The Department indicated in the annual report that, districts municipalities were at various stages of data collection in compliance with the asset management data collection frequencies as per the RIFSA; therefor actual service delivery performance as reflected in 2021 DORA were used for the analysis:

- 16 017 kilometres of paved road network assessed
- 21 644 kilometres of unpaved road network assessed
- 13 568 structures identified by the programme in the district municipalities receiving the grant
- 164 graduates were recruited into the programme

The main purpose of this grant is to assist district municipalities to develop RAMS to guide infrastructure maintenance and investment. It should be noted that no traffic or safety assessment data were included in the 2021 DORA service delivery for 2019/20. The collection and reporting on traffic and safety data needs to be encouraged to improve spatial integration, social infrastructure development and to reduce motor vehicle accidents.

6. Conclusion

In the financial year 2019/20, four conditional grants were transferred to provinces and municipalities by the National Department of Transport. Provincial Road Maintenance Grant, Public Transport Operations Grant, Public Transport Network Grant and Rural Road Asset Management Systems Grant.

The analysis of the information on the conditional grants shows:

- Performance outputs/indicators were not well defined
- There was a mismatch between expected outputs and actual outputs
- Poor or no reporting on actual non-financial information
- No targets were set for outputs
- There was incomplete performance information in the Annual Report

The lack of proper performance information on conditional grants in the Annual Reports of departments, in general, makes it difficult for Parliament to determine the effectiveness of expenditure and impact of the outputs delivered by provincial departments. The Department of Transport, however, stated that at the time of compiling the annual report, not all provinces were able to provide their detailed reports due to office closures during the COVID 19 Lockdown restrictions.

Annexure

Table 1: Provincial Road Maintenance Grant (PRMG)

Purpose of the grant	Expected outputs	Actual outputs (Annual Report & DORA 2021)
<ul style="list-style-type: none"> • To supplement provincial investments for road infrastructure maintenance (routine, periodic and special maintenance) • To ensure that all roads are classified as per the Road Infrastructure Strategic Framework for South Africa and the technical recommendations for highways, and the Road Classification and Access Management guidelines • To implement and maintain Road Asset Management Systems (RAMS) • To supplement provincial projects for the repair of roads and bridges damaged by unforeseen incidents including natural disasters • To improve the state of the road network serving electricity generation infrastructure • To improve road safety with a special focus on pedestrian safety in rural areas 	<ul style="list-style-type: none"> • Final Road Asset Management Plan (RAMP) and tabled project list for the 2019 medium term expenditure framework (MTEF) in a Table B5 format by 29 March 2019 • Network condition assessment and determination of projects priority list from the RAMS • The following actual delivery related measures against 2019/20 targets defined in the final RAMP and annual performance plan (APP) for each province: <ul style="list-style-type: none"> ○ Number of m² of surfaced roads rehabilitated (quarterly) ○ Number of m² of surfaced roads resurfaced (overlay or reseal) ○ Number of m² of blacktop patching (including pothole repairs) ○ Number of kilometres of gravel roads re-gravelled ○ Number of kilometres of gravel roads bladed ○ Number of kilometres of gravel roads upgraded (funded from provincial equitable share) • The following performance measures were planned based on national job creation indicators <ul style="list-style-type: none"> ○ Number of jobs created ○ Number of full time equivalents created ○ Number of youths employed (18 – 35) ○ Number of women employed ○ Number of people living with disabilities employed • Reporting on the provinces' contractor development programme <ul style="list-style-type: none"> ○ Number of small medium micro enterprises contracted • Updated road condition data (paved and unpaved) including instrumental/ automated road survey data, traffic data, safety audit report and bridge conditions 	<ul style="list-style-type: none"> • All provinces developed/updated the Road Asset Management Plan • 22 232 kilometres (km) of surfaced roads visually assessed as per the applicable TMH manual • 26 575 kilometres (km) of gravel roads visually assessed as per the applicable TMH manual • 3267 714 of m² of surfaced roads rehabilitated (effectively 934 km) • 6 330 463 of m² of surfaced roads resurfaced (overlay or reseal) (effectively 1809 km) • 1 947 598 of m² of blacktop patching (including pothole repairs) (effectively 556 km) • 3 743 kilometres (km) of gravel roads re-gravelled • 378 458 kilometres (km) of gravel roads bladed • 190 kilometres (km) of gravel roads upgraded (funded from provincial equitable share) • 142 908 number of jobs created • 56 659 number of full time equivalents created • 45 452 number of youth employed (18 – 35) • 94 701 number of women employed • 504 number of people living with disabilities • 340 number of small medium micro enterprises were contracted
Audited financial outcomes	Transferred amount per amended DORA R11.1 billion	Amount spent by provinces R1.4 billion

Source: Annual Report National Department of Transport, 2021 DORA

Table 2: Public Transport Operations Grant (PTOG)

Purpose of the grant	Expected outputs	Actual outputs (Annual Report & DORA 2021)
<ul style="list-style-type: none"> To provide supplementary funding towards public transport services provided by provincial departments of transport 	<ul style="list-style-type: none"> Number of vehicles subsidised Number of cumulative annual vehicles subsidised Number of scheduled trips Number of trips operated Number of passengers subsidised Number of kilometers subsidised Number of employees 	<ul style="list-style-type: none"> 6 353 vehicles subsidised Passengers per vehicle 3 561.3 76 239 cumulative annual vehicles subsidised 5 705 862 trips operated Passengers per trip operated 47.6 271 508 666 passengers subsidised Subsidy per passenger R22.21 225 349 765 kilometers subsidised Subsidy per kilometer operated R26.76 13 104 employees Employees per vehicle 2.1
Audited financial outcomes	Transferred amount per amended DORA R6.3 billion	Total Amount spent by the provinces R6 billion

Source: Annual Report National Department of Transport, 2021 DORA

Table 3: Public Transport Network Grant (PTNG)

Purpose of the grant	Expected outputs	Actual outputs (DORA 2021)
<ul style="list-style-type: none"> To provide funding for accelerated construction and improvement of public and non-motorised transport infrastructure that form part of a municipal integrated public transport network and to support the planning, regulation, control, management and operations of fiscally and financially sustainable municipal public transport network services 	<p>Network Operations Component</p> <ul style="list-style-type: none"> Number of average weekday passenger trips carried on Public Transport Network Grant (PTNG) funded networks Number and percentage of municipal households within a 500m walk to an Integrated Public Transport Network (IPTN) station or stop that has a minimum peak period frequency of 15 minutes or better Percentage uptime for network operating systems as a proportion of the network's public operating hours Passengers per network vehicle per average weekday <p>Network Infrastructure Component</p> <ul style="list-style-type: none"> Public transport network infrastructure including dedicated lanes, routes and stops/shelters, stations, depots, signage and information displays, control centres and related information technology, fare systems and vehicles (if the national Department of Transport (DoT) in consultation with National Treasury approves use of grant funds to purchase vehicles), non-motorised transport (NMT) infrastructure that supports 	<ul style="list-style-type: none"> Buffalo City: 2.48km of Qumza Highway upgraded from a two lane into a four lane road, sidewalks on both sides of the road with total length of 4.96km Cape Town: A cumulative total of 33.9 km of bi-directional dedicated BRT busway has been constructed and 31.5km is fully operational; All 42 IRT stations are complete and upgrades at Mitchells Plain PTI are complete and fully operational; 4 of the stations have been rendered inoperable due to significant damage inflicted during protest action and subsequent theft, All Phase 1A & 1B depots, i.e. Stables, Atlantis and the Inner City, are fully operational; A cumulative total of 778 bus stops are operational, 686 are complete and 82 temporary bus stops are planned for construction as part of future contracts of which 25 temporary bus stops in Mitchells Plain form part of the D04 Kapteinsklip extension (N2 Express) Ekurhuleni: 80 per cent of all ITS equipment procured i.e. validators & gates, Construction of the turn-around facilities at Winnie Mandela and Tembisa Hospital completed. Construction of feeder routes in Tembisa and Southern complimentary route to Vosloorus completed. Leralla interim depot construction (earthworks, layer works & surfacing, area lighting and fencing) completed. Construction of all pedestrian bridges completed, Construction of two of the five stream crossings completed. Business Value Surveys for Phase 1 A has been completed eThekweni: Corridor 2 – 7 of 27 kilometers roadway and 4 of 14 stations completed; Corridor 3 – 24 of 26 kilometers and 14 of 17 stations completed;

	<p>network integration (e.g. sidewalks, cycleways, cycle storage at stations, etc.)</p> <ul style="list-style-type: none"> Plans and detailed design related to IPTN infrastructure and operations 	<p>Existing depots and temporary terminus completed; Conversion of Scania busses completed; IFMS system installation – completed in 10 stations</p> <ul style="list-style-type: none"> George: Road rehabilitations on Caledon, Mission and Merriman streets completed, Installation of 14 new bus shelters together with 56 LED shelter lights on existing permanent shelters, Sidewalk improvements as part of road rehabilitations completed, Traffic signals upgrade system on main corridors completed, New radio repeater, Hand held radio equipment procured for field monitors and Phase 4B route boundary fencing erected Johannesburg: Road rehabilitation for critical section concluded, BRT road rehabilitation completed, BRT stations rehabilitation completed, Phase 1C(a) network installation completed Mangaung: Fort Hare Trunk Route Section 1: Construction progress 43 per cent; Fort Hare Trunk Route Section 2: Construction Progress 27 per cent; Chief Moroka Link - Construction Progress 19 per cent; Moshoeshoe Trunk Route - Part A: Construction Progress 29 per cent; Moshoeshoe Trunk Route - Part B: Construction Progress 19 per cent; Bus Depot Phase 1 Civil Works Construction Progress 30 per cent; Phase 1c Bus shelters and Stops -Detail Designs 100 per cent complete Mbombela: Dr Enos Mabuza - road widening to Hohana drive, construction 23 per cent; Kaapschehoop Road Widening Phase 2 - Construction 10 per cent; Univercity Public Transport Precinct (D725) - Construction 95 per cent; Upgrade Bridge Structure at Kanyamazane EXT1 – Construction is at 35 per cent; Expansion of Chris Hani Road - Kanyamazane - Construction is at 45 per cent; Secondary PT Stops Riverside -Construction 100 per cent; Secondary PT Stops Hazyview - Legogote - Construction 100 per cent Msunduzi: Upgrading, widening and re-alignment of the existing Moses Mabhida Road from 5.5 kilometers to 6.5kilometers to include BRT lanes and stations in the median – completed; Upgrading, widening and re-alignment of the existing Moses Mabhida Road from 6.5 kilometers to 7.5 kilometers to include BRT lanes and stations in the median – 12 per cent complete; upgrading, widening and re-alignment of the existing Moses Mabhida Road from 7.5 kilometers to 8.8 kilometers to include BRT lanes and stations in the median – 53 per cent complete; Upgrading, widening and re-alignment of the existing Moses Mabhida Road from 8.8 kilometers to 10.3 kilometers to include BRT lanes and stations in the median – 76 per cent complete Nelson Mandela Bay: Upgrade of N2/Stanford road bridge and pedestrian bridge – practical completion in March 2020; Depot and Terminal – concept design 80 per cent complete; Resurfacing of IPTN routes – 90 per cent complete Polokwane: Construction of trunk transitions – 95 per cent complete, Installation of UTC on Nelson Mandela trunk – 99 per cent complete, Renovation of the Daytime lay-over facility building – 70 per cent complete, Main bus depot construction – 70 per cent complete
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		<ul style="list-style-type: none"> • Rustenburg: ITS Equipment on stations and buses – 10 percent completed; Interim Service Agreement, negotiations in progress – 50 per cent completed; Conclusion of funding model for Buses Phase 1A – 100 per cent complete • Tshwane: Belle-Ombre Phase 2 (overflow car park, electric fencing etc.) – 8 per cent complete; Capital Park Bridges – 50 complete, Wonderboom Intermodal Facility Building Works – 55 per cent complete, Completion of Wonderboom Temp Turn Around and Taxi Holding Area – 100 percent complete, Menlyn Taxi Interchange 50 per cent complete, Atteridgeville taxi interchange – 42 per cent complete
Audited financial outcomes	Transferred amount per amended DORA: R6.4 billion	Amount spent by the municipalities: R3.1 billion

Source: Annual Report National Department of Transport, 2021 DORA

Table 4: Rural Roads Asset Management Systems Grant (RRAMS)

Purpose of the grant	Expected outputs	Actual outputs (DORA 2021)
<ul style="list-style-type: none"> • To assist district municipalities to set up rural RAMS, and collect road, bridge and traffic data on municipal road networks in line with the Road Infrastructure Strategic Framework for South Africa (RISFSA) 	<ul style="list-style-type: none"> • Road condition data (paved and unpaved) • Traffic data • Data on condition of structures as per Technical Methods for Highways (TMH) 19 (including bridges and culverts) • Prioritised project list for roads to inform Municipal Infrastructure Grant project selection 	<ul style="list-style-type: none"> • 16 017 kilometres of paved road network assessed • 21 644 kilometres of unpaved road network assessed • 13 568 structures identified by the programme in the district municipalities receiving the grant • 164 graduates were recruited into the programme
Audited financial outcomes	Transferred amount per amended DORA: R108 million	Amount spent by the municipalities: R66.6 million

Source: Annual Report National Department of Transport, 2021 DORA