A sustainable funding model for roads infrastructure at municipal level, especially in rural areas

A discussion document

TABLE OF CONTENT

1. INTRODUCTION:

The South African Local Government Association (SALGA) Conference held on 18-20 July 2011 resolved that SALGA should, during the council term, work with National Treasury and Department of Transport to develop and implement a sustainable funding model for roads infrastructure at a municipal level, especially in rural areas.

The Municipal Infrastructure Investment Framework (MIIF 7) for South Africa indicates a huge discrepancy with regards to total municipal road length in South Africa. There is a huge discrepancy on two data sets from Department of Transport, the 2007 data set depicts that there are 231 907 kilometres while the 2010 data set shows a total of 405 992 kilometres of municipal road network. The table below represent the discrepancies in detail.

Table 1: Total Municipal Road Length in South Africa

	Department of Transport 2007	Department of Transport 2010	Difference %
Paved	86 730	89 373	3%
Gravel	118 483	316 619	118%
Tracks	26 694		
Total	231 907	405 992	75%

On work done by the SALGA's Municipal Infrastructure and Services (MIS) directorate in preparation of the SALGA National Executive Conference 2011, it is indicated that there are 168 000 kilometres of municipal road length and 221 000 kilometres of unproclaimed rural roads. These figures are derived from another Department of Transport report entitled the Roads Infrastructure Strategic Framework for South Africa (RISFSA), 2006. The table below indicates in detail the road network of South Africa according to RISFSA.

Table 2: Road network of South Africa

Road authority	Length	%
National (SANRAL)	6 700	1%
Provincial		
SANRAL	9 469	1%
Government Department	347 531	46%
Total Provincial	357 000	47%
Local	168 000	22%
Unproclaimed	221 000	29%
Total	752 700	100%

It is evident that a large degree of uncertainty still exists around the actual length of the municipal road network; the situation is compounded by the large number of unproclaimed roads. The state is also worsened by lack of clarity of which roads are urban or rural roads. However, the existing funding models and future proposals that will be discussed in this document will not only focus on rural roads but will assess all roads at municipal level; both urban and rural.

The discussion document will begin by outlining the background of the current municipal funding discourse in South Africa. It will further crystalize the problem statement that will be addressed. The document will go on to assess the current South African funding model for municipal roads and will in addition propose appropriate funding models. Therefore, it will conclude by discussing the implementation and timelines of the new funding proposal.

2. BACKGROUND

2.1 Objectives

The objective of this paper is to develop a discussion document on a sustainable funding model for roads infrastructure at municipal level, especially in rural areas.

2.2 Policy Background

Throughout all spheres of government, with the exception of tolled roads, the roads infrastructure is generally funded from tax. In the case of local government, conditional grants, equitable share to local government and property rates tax is used to fund municipal roads.

In rural areas there is no property rates tax payment. The national fiscus contributes on behalf of poor households, in the form of the Municipal Infrastructure Grant (MIG) and some limited amount for the provision of basic services infrastructure, including basic level of roads infrastructure. This means that the proportion of rural households that is not reflected in the Stats SA data as poor as well as businesses and institutions do not contribute to the costs of constructing and maintaining the roads infrastructure in their areas. Urban rate payers and poor rural households, who are paid for by the national fiscus, have to carry this unfair subsidy burden to the rural middle and high income households, businesses and institutions. Unfortunately, there is a limit to which a municipality can tax urban rates payers leading to situations where there is no financial provision for investment and maintenance of the rural roads infrastructure except for the small contribution made by the national fiscus on behalf of poor households.

However, in urban areas there is property rates tax payment but most of it is taken up by salaries, bulk payments for water and electricity and limited amount of funds is left for roads infrastructure and operations and maintenance. The national fiscus however, contributes some payment on behalf of poor households, in the form of the Urban Settlement Development Grant (USDG) for roads infrastructure.

2.3 Legislative Background

The Constitution provides the key parameters for the local government fiscal framework. Section 229 assigns significant revenue powers to all municipalities that, in addition to user charges, include rates on property and surcharges on fees for services provided by or on behalf of the municipality. Section 224 and 227 guarantee that municipalities should receive an equitable share of nationally raised revenues, based on their assigned functions, fiscal capacity and developmental needs, among other matters. However, Section 227(2) relieves national government of any obligation to compensate municipalities that do not raise revenue commensurate with their fiscal capacity and tax base, and prevents it from penalising those municipalities who demonstrate fiscal effort.

In line with Section 224 and 227 of the Constitution, the Division of Revenue Act (DORA) is the act administered by the National Treasury in order to perform all the transfers to local government. DORA regulates all the conditional and unconditional grants. The overall purposes of the act is to provide for the equitable division of revenue raised nationally among the national, provincial and local spheres of government for any financial year and the responsibilities of all three spheres pursuant to such division.

Consistent with Section 229 of the Constitution, the Municipal Systems Act 32 of 2000 and the Municipal Property Rates Act 6 of 2004 amongst other functions regulates the power of a municipality to impose rates on property.

3. PROBLEM STATEMENT

Road infrastructure for poor households in both rural and urban communities is funded through conditional grants. The assumption from the National Treasury is that road infrastructure for non-poor households together with the general maintenance of road infrastructure for the entire municipal road network should be paid for by municipal rates and taxes. However, municipalities are struggling to provide roads infrastructure for both rural and urban non poor households. Furthermore, municipalities are struggling to maintain their road network even though they get an equitable share to local government to assist with operations and maintenance. Contrary to popular belief that rural municipalities are the ones struggling with road infrastructure finance it is apparent that all municipalities are inundated by road infrastructure backlogs servicing both poor and non-poor households. There is therefore a need to address this problem and seek to identify a sustainable solution for all municipalities and not only focus on rural areas. This discussion paper will identify a sustainable funding model for road infrastructure and maintenance at municipal level.

4. FUNDING ASSESSMENT

There are pockets of funding streams for roads in the fiscal framework, equitable shares, MIG, Rural Roads Asset Management Grant (RRAM), Public Transport Infrastructure and Systems Grant (PTISG), and USDG. These funding streams are divided into road infrastructure development and road maintenance.

4.1 Road Infrastructure:

According to the MIIF 7 document 2009/10 for capital finance, municipalities are budgeting for 53% to be covered by grants, much the same as for 2006/07. But the level of commitment to borrowing has increased from a proportion of 18% in 2006/07 to 26% in 2009/10. The remainder (21%) is to come from other contributions and internal sources of funds (reserves and transfers from the operating account). The willingness to borrow is concentrated in the metros. Of the total amount on municipal budgets for borrowing of R10.7 billion, R7.9 billion (or 74%) relates to the six metros.

In 2004, government consolidated all the previous capital grants into the MIG to correct deficiencies and lack of coordination with the fragmentation of grants. MIG is intended to supplement municipal capital budgets so as to assist municipalities to address infrastructure backlogs related to basic services. The MIG is paid to all municipalities with the exception of metropolitan municipalities and is distributed by a formula and is intended to provide basic infrastructure to the poor. Infrastructure services including road infrastructure for non-poor households in all municipalities needs to be provided for from municipality’s own revenues.

According to the DORA, 2012 the MIG is allocated through a formula with a vertical and horizontal division. The vertical division allocates resources between sectors and the horizontal division takes account of poverty, backlogs, and municipal powers and functions. The five main components of the formula are described in the box below. A minimum allocation of R5 million ensures that a reasonable minimum allocation is made to poor municipalities.

$$MIG_{(F)} = C + B + P + E + N + M$$

C Constant to ensure increased minimum allocation for poor municipalities (this allocation is made to all municipalities)

B Basic residential infrastructure (new and rehabilitation of existing ones)

Proportional allocations for water supply and sanitation, electricity, roads and other (street lighting and solid waste removal)

P Public municipal service infrastructure (ring-fenced for municipal sport infrastructure)

E Allocation for social institutions and micro-enterprises infrastructure

N Allocation to all nodal municipalities

M Negative or positive allocation related to past performance of each municipality relative to grant conditions

Each component is allocated using data from the 2001 Census, however; with the availability of the 2011 Census the formulae will be revised to factor in the latest 2011 Census figures. Allocations for basic services subcomponents are based on the proportion of the national backlog for that basic service in each municipality. Other components are based on the proportion of the country's poor households located in each municipality. Table 3 below sets out the proportion of the grant accounted for by each component of the MIG formula.

Table 3: Municipal grant allocation per sector

Municipal infrastructure grant (formula)	**Component weights**	**Proportion of MIG per sector**
B Component	**75%**	
Water and sanitation	72.0%	54.0%
Roads	23.0%	17.3%
Other	5.0%	3.8%
P Component	**15%**	
Sports	100%	15.0%
E Component	**5%**	**5%**
N Component	**5%**	**5%**

Roads are under the B component with a component weight of 23.0% of the overall 75% allocated to the B component. However, in terms of the real allocations, the road proportion is just less than sports. There is something wrong with these allocations; roads cannot be 17.3% of the MIG allocation while other sectors such as water and sanitation receive 54.0% and sports receive 15.0%, a percentage almost equal to roads. Furthermore, there is an initiative by the National Treasury and the Department of Transport through the RRAM to collect data for roads in order to indicate to the country that the current allocations on roads are not enough.

At metropolitan municipalities road infrastructure for the poor is provided for through the USDG. The position of the National Treasury is that for the non-poor households metropolitan municipalities need to provide for their road development through their rates, taxes and unconditional allocations to municipalities. The USDG was introduced for the eight metropolitan municipalities in 2011/12 as an integrated source of infrastructure funding to upgrade urban informal settlements. The grant combines basic services funding (previously allocated through the MIG) with part of the basic services portion of the human settlements development grant (previously allocated to provinces). This shift reflects the importance of upgrading informal settlements and coordinating housing and basic services projects, and perhaps most significantly, government's policy to devolve more housing authority to cities. However, there is no provision in the USDG to address infrastructure backlogs on existing townships. There are many roads in old townships that need attention. The USDG needs to start to respond to this loophole and the grant framework conditions need to be amended.

The other road infrastructure grant in municipalities but having a very limited impact on general road infrastructure provision is the PTISG. The PTISG aims to help cities create new and improve existing public transport and non -motorised transport infrastructure. This includes the provision of bus rapid transit systems. The focus of the PTISG is in urban areas.

Regardless of the establishment of MIG as a consolidated capital grant for the provision of basic services over time other grants have been introduced by the National Treasury to service sector specific services, e.g. Integrated National Electrification Programme (INEP), USDG, Regional Bulk Infrastructure Grant (RBIG), Rural Households Infrastructure Grant (RHIG), Backlogs in water and sanitation at clinics and schools, Backlogs in the electrification of clinics and schools, Electricity demand-side management, etc . For example, the INEP aims to ensure all clinics and schools have access to electricity, and to extend access to poor households. Part of this grant is implemented directly by Eskom, who is the service provider in many rural areas. In the 2012 Budget Forum hearings it was proposed that a new conditional grant should be created on the vote of the Department of Water Affairs (DWA) to accelerate the provision of clean water to households that do not currently have access. The proposal is that monies will be shifted from MIG to this new grant. Funds will still be transferred to municipalities, but for specific projects that will provide access to water. Perhaps, there is a need to a have a special roads grant for both urban and rural municipalities to address roads infrastructure backlogs similar to what is happening in other sectors.

4.2 Road Maintenance:

For municipalities, just like in provinces, equitable share allocations and own revenues constitute a pool of funds from which municipalities are able to finance their road maintenance and they also have a discretion in determining the amount of resources allocated for roads. The MIIF 7 document 2009/10 indicates that with regard to operating revenue, in the case of municipalities, the aggregate municipal budgets show the revenue profile as follows:

- tariffs: 44% (up from 41% in 2006/07)
- property rates: 20% (up from 17% in 2006/07)
- transfers (subsidies and grants): 25% (same as in 2006/07
- other sources: 11% (down from 17% in 2006/07)

Municipal budget for road maintenance is provided for through revenue streams of municipalities and the Local Government Equitable Share (LGES) provided for by the National Treasury.

LGES allocations are unconditional and it is the choice of municipalities how they appropriate the funds in their budgets in order to meet their constitutional and legislative mandates and responsibilities. Despite the unconditional nature of the LGES, the LGES formula used to determine allocations is made up of components that are based on the particular functions and characteristics of municipalities.

The current LGES formula has the following structure:

$$\mathbf{LGES = BS + I + D - RRC \pm C}$$

Where:	BS	=	Basic Services Component
	I	=	Institutional Component
	D	=	Development Component
	RRC	=	Revenue Raising Capacity Correction Component
	C	=	Correction and Stabilisation Factor

The basic services component is worth 99.4 per cent of the value of the equitable share and provides for the cost of free basic services for poor households as well as municipal health services.

The component takes account of five services, namely:

- Electricity
- Water
- Sanitation
- Refuse
- Municipal Health

Even though the LGES allocations are unconditional and it is the choice of municipalities how they appropriate the funds in their budgets it is however concerning that roads and stormwater are not part of the basic services component. Given the important developmental role of roads infrastructure, roads and stormwater should be part of the basic service component of the LGES. There is currently a process within the National Treasury to review the LGES formulae and SALGA is advocating for the inclusion of the roads and stormwater as part of the basic component. That is why it is important that if indeed a special roads infrastructure grant is developed that it also caters for maintenance.

According to the National Treasury, road maintenance for other households except poor households, municipalities need to provide for through own revenue streams. According to the MIIF 7 document 2009/10, the total budgeted operating expenditure of all municipalities was approximately R139 billion. Repair and maintenance budget was very minimal compared to salaries, wages and allowances; electricity and water bulk purchases.

Furthermore, the National Treasury reported that in 2008/09, total provincial and municipal roads infrastructure expenditure was R20.1 billion. Of this, municipalities spent R7.3 billion or 36 per cent and provinces spent R12.8 billion or 64 per cent. Of the R7.3 billion spent by all municipalities, metros account for R5.2 billion, or 71 per cent of all municipal roads expenditure. For the smaller municipalities, the fact that expenditure on roads and storm water infrastructure is as low as R200 000, is an indication that this is not being prioritised. However, it is also understood that there is not enough funds for maintenance as they compete with other social services. Furthermore, there is a need for municipalities to focus more resources and budget more funds for roads especially repair and maintenance. It is also equally important that municipalities need to know the extent of their assets in order to budget properly for their maintenance. The current RRAM is the step towards the right direction in order to assist municipalities with road network data collection.

The outcomes of the RRAM will be improved data on rural roads to guide infrastructure investments and reduce vehicle operating costs and extended lifespan of rural roads. The benefits of municipalities to know the conditions of their roads will help them to budget appropriately for road maintenance. There are serious consequences for municipalities who do not maintain their road network. Neglected road maintenance can result in municipalities having to completely rebuild their road network. Complete rebuild is eighteen times more than the costs for routine maintenance. In other words a decision not to spend money on maintaining a road in time is actually a decision to spend 18 time more in the near future on the same road.

There is a misunderstanding amongst road bureaucrats that the current MIG can be used for road maintenance. Critically, MIGs are grants designated specifically for the expansion of basic infrastructure to poor households, and to alleviate poverty. In fact, MIGs cannot be used for infrastructure that is used by communities that are not poor (municipalities are obliged to use own capital funds for this type of infrastructure provision). Where MIGs are efficiently spent, an administration is demonstrating its commitment to providing infrastructure to its poorest residents. The Department of Cooperative Governance and Traditional Affairs (CoGTA) together with the National Treasury are in the initial stages of reviewing the MIG formula. SALGA needs to advocate for MIG to be also used for road maintenance as the current provision does not allow together with the increase of the percentage share allocated to roads.

From the work of the MIS directorate of SALGA, the following conclusion can be made with regards to roads expenditure for the period of 2003/04 to 2009/10 financial years.

Table 4: Road Expenditure for the Period of 2003/2004 to 2009/10

Sphere of Government	R million	%	Ave R/km
Local Government	26, 278	19%	156,417
Provincial Government	92, 079	66%	257,924
National Government	20, 211	15%	3,016,567
Total	138, 568	100%	184,095

From the table above it is clear how much disproportion there is with regard to road allocation between the three spheres of government.

Furthermore, many municipalities are not conforming to the requirements of the Municipal Finance Management Act No. 56 of 2003 (MFMA), Municipal Systems Act No. 32 of 2000 (MSA) and other legislation that they should ensure that adequate provision is made for the long-term maintenance of infrastructure assets.

The two principal causes of the on-going failure of many municipalities to recover maintenance backlogs, run a preventative maintenance programme and deliver a reliable, sustainable service are:

- Inadequate revenue and budgets and
- Inadequate skills.

The Department of Transport under the burner of S'hamba Sonke "Know your Network" has developed a draft Roads Infrastructure Asset Management Policy in order to help municipalities to know the actual length of the municipal road network. The policy is also intended to address the two principal causes of the on-going failure of municipalities with regards to road maintenance indicated above. However, in light of the work that is being done by the Department of Transport there is more that municipalities can do to conform to the provisions of the MFMA and MSA and as such are advised to budget more for roads maintenance. But on the main even though municipalities are not spending what they should be spending on road maintenance there is a clear indication that there is a funding challenge with regards to road maintenance. There is a need for a ring-fenced road maintenance funding stream to safe guard road infrastructure investments.

5. APPROPRIATE FUNDING MODEL

Even though the concept of consolidated infrastructure funding is a good idea the reality is that it does not seem to be working on the ground. As seen in the sections above, MIG was formed in order to consolidate the many grants that were being administered by different departments. However, over time the situation has gone back to what it was before the advent of MIG. A precedent has been created whereby monies which were part of MIG were taken by line departments as separate grants. The most recent case in this regard indicated in the sections above is the proposed grant from DWA to accelerate the provision of clean water to households that do not currently have access.

If the Department of Corporative Governance and Traditional Affairs (COGTA) the administering department of MIG still feels strongly about a consolidated infrastructure fund, a detailed study would need to be conducted to determine the reason why MIG has been disintegrating. Bringing back MIG to its original intended purpose would take years as there are already established grants contrary to the concept of a consolidated infrastructure grant that still need to be rolled out for years to come. It is for this reason that the municipal road sector is proposing a separate grant to deal with road backlogs similar to other grants in other sectors.

The proposed municipal roads infrastructure grant is to address both infrastructure development and maintenance. The infrastructure allocations must never be separated from maintenance allocations. As indicated above most municipalities do not have money from their revenues to do maintenance as advocated by the National Treasury and use the equitable share to local government for maintenance of assets. It has also been seen that the same equitable share is used for salaries and paying for bulk electricity and water services and a small portion is located to operations and maintenance. The details and percentages of the split between infrastructure and maintenance allocations will be a subject of a formula that would need to be developed to manage this grant. The grant would need to be administered by the Department of Transport as either a schedule 4, 6 or 7 grant.

The proposed municipal roads infrastructure grant should be funded through monies from MIG, USDG and the sharing of the general fuel levy and need it needs to be a conditional grant. According to the National Assembly, the sharing of the fuel levy with metros, based on 23 per cent of the revenues from the general fuel levy, was introduced from the 2009/10 financial year. To facilitate the smooth transition from the RSC levy replacement grant system to the sharing of the general fuel levy system, implementation has been phased-in over three years. In 2011/12, metros received 25 per cent of the former RSC levies grant and 75 per cent of the sharing of the general fuel levy. Allocations in 2012/13 were based on fuel sales only. The sharing of the general fuel levy was treated as a general revenue source given that its primary purpose was to replace the former regional services council (RSC) and joint services board (JSB) levies that were abolished from 1 July 2006. Municipalities were however encouraged to use such funds to boost budgets for roads and transportation infrastructure given the link between fuel sales and road usage. However, the reality on the ground is the sharing of the general fuel levy is not being used for roads and transportation infrastructure.

The proposed municipal roads infrastructure grant should not only be limited to poor households but it must seek to address road backlogs in all municipalities in both poor and affording households. The introduction of the sharing of the general fuel levy as one of the funding sources to this grant will make it impossible for the grant to focus of poor households as most cars are driven by affording households. There is a strong link between fuel sales and road usage. For the sustainability and meaningful contribution of the proposed municipal roads infrastructure grant the per cent of the revenues from the general fuel levy systems given to municipalities as part of the new grant would need to be increased. There would need to be robust discussion with all stakeholders of how much the percentage would be.

The most important point of the proposed grant would be to ensure that funds are allocated to the right line item and there is no interference and tempering with the allocations by municipalities. The science of ensuring that funds are allocated to the right line item is embodied in the municipalities' Integrated Development Plans (IDPs). Municipalities need to utilize the IDP tool for the reason it was intended for. The IDP is a planning tool of municipalities formulated in consultation with its constituents and must reflect the priorities of the municipality and funds must be allocated to agreed priorities. To ensure that there is no interference and tempering of funds, infrastructure funds from the national fiscus needs to be rolled out to municipalities as conditional grants. Secondly, the other important factor is that municipalities must be alleviated of administrative burdens associated with reporting to the National Treasury as part of the conditional grant framework conditions.

The institutionalization of a designated municipal roads infrastructure grant alone will not solve the problem of road funding at municipal level. The grant is a good intervention towards the right solution, however, for a sustainable funding model, municipalities would also need to seek private partnerships and raise funding in the municipal areas themselves in the form of property rates and taxes. The situation lies in all three but the National government priority should be the implementation of the municipal roads infrastructure grant while the priority of the municipalities is to promote public private partnerships while they are also making a point that they invest on roads infrastructure and maintenance from their own funds.

6. IMPLEMENTATION AND TIMELINES

The implementation of the municipal roads infrastructure grant together with road public private partnerships and own municipality revenue stream as sources of a sustainable funding model for roads infrastructure is a remedy that needs to be implemented at the same time. The MIS directorate of SALGA on 13 November 2012 tabled an item to the SALGA National Executive Committee (NEC) urging municipalities to take decisive actions with regards to roads infrastructure development. It was resolved at this NEC meeting that the Chairperson of SALGA and the Minister of Transport jointly issue an advisory circular to municipalities regarding the need to prioritise road maintenance and allocate appropriate budgets for repair and maintenance of road networks in the current planning cycle.

There is a need to urgently and actively lobby National Treasury for the establishment of the municipal roads infrastructure grant. However, while the National Treasury is being lobbied, the Department of Transport (DOT) and municipalities need to get their houses in order. DOT needs to conclude its process of resolving road ownership throughout the country. The 221 000 unproclaimed roads need to be proclaimed and thus allocated managing authorities. DOT also needs to conclude the process of quantifying the road backlog in South Africa, by this they need to identify the exact length and audit the conditions of South African roads. The RRAM discussed above is the right initiative by DOT to address the challenge of ownership and data collection in municipalities. However, timelines need to be set out as work started in 2006 with the RISFSA but little progress has been done to date.

The implementation of the municipal roads infrastructure grant would require jerked up municipal government sphere. The metros and some local municipalities are there only institutions that would be able to roll out the grant without much capacity challenges. The district municipalities will be the category municipality that would need maximum capacity injection and technical knowhow as little work is currently being done in so far as roads development is concerned. The assumption is that most of the 221 000 unproclaimed roads will be allocated to district municipalities. Section 84 (1) (f) of the Municipal Structure’s Act No 117, 1998 stipulates that a district municipality has a functions and powers with regard to municipal roads which form an integral part of a road transport system for the area of the district municipality as a whole . According to the MIIF 7 document 2009/10 the division of responsibilities related to roads between provincial and local government remains uncertain in some provinces. This needs to be resolved if there is to be increased investment into roads and improved maintenance. However, one of the most difficult institutional issues facing local government is the division of responsibility between district and local municipalities. The division between district roads and those which are the responsibility of local municipalities is uncertain in most districts even though the legislation is clear. The uncertainty is caused by the fact that in the previous dispensation there were no district municipalities and roads which would ordinarily be district roads in the current establishment were proclaimed provincial roads in terms of the governing ordinances in each of the four provinces and were taken to be part of the provincial network. However, in the new dispensation and with wall to wall municipalities, roads in the previous homelands and roads which performed defence functions outside towns would be deemed district roads but they are unproclaimed at the moment. This has not been confirmed as the road ownership exercise has not been finalized.

District municipalities encompass a number of local municipalities and are responsible for district wide integrated planning, including land-use planning, economic planning and development, and transport planning. Many of them have played an historical role as infrastructure development agents and bulk service providers. District municipalities are supposed to support the capacity of local municipalities through providing assistance and capacity building. However, this often does not happen. They also play a role where local municipalities have inadequate administrative capacity to manage particular services. In such instances, districts have been made responsible for the direct provision of services, such as water and sanitation provision in some provinces.

Once consultation with the National Treasury has been done the implementation date for the new grant would need to be communicated to all municipalities, however, the other two pillars for the sustainable funding model need to be implemented sooner than later.

7. CONCLUSION

The municipal roads infrastructure grant, public private partnerships and own municipality revenue streams allocated towards road infrastructure is a comprehensible fiscal strategy for the long term sustainability for providing road infrastructure services in South Africa. There should be increased and stable flow of funds for maintenance, rehabilitation and addressing backlogs in the long-term. The proposed municipal roads infrastructure grant should not only focus on infrastructure provision but also on rehabilitation and maintenance. Municipalities through their local government equitable share, their own revenues should allocate a substantial portion for road infrastructure, rehabilitation and maintenance. However, this first needs the local government equitable share formulae to recognize roads as one of the basic services components. Municipalities who are not maximizing their tax bases need to devise means to ensure that they collect what is due to them for the betterment of their communities. Once property taxes have been collected municipalities must invest back to their communities by upgrading and constructing road networks. Transport is the heartbeat of the economy; investing more on roads will bring economic benefits to local economies thus increasing the property base. Land use development is directly linked to available road infrastructure. Municipalities should be encouraged to approach the private sector and form public private partnerships. Amongst many, these partnerships should focus on the provision of road infrastructure. The FFC in its 2010 report to the Selected Committee on Appropriations on the Division of Revenue Bill recommended that there must be an introduction of a separate conditional grant specifically targeted at building technical capacity within the road management sector of sub-national governments. However, without necessary introducing a separate conditional grant on technical capacity, the introduction of the municipal roads infrastructure grant should have a portion which addresses roads technical capacity.