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Design and Implementation Evaluation of the Urban Settlements Development Grant (USDG) – Ekurhuleni Implementation Report

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Final

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1 Introduction

1.1 Background to the report

This report serves as an assessment of the Ekurhuleni Metropolitan Municipality's implementation of the Urban Settlements Development Grant (USDG) for the period that covers financial year 2011/12 until present. The Ekurhuleni assessment is one of four municipal research reports that form part of the broader design and implementation evaluation of the USDG for the Department of Human Settlements. The broader research project has three main components: an initial Design Review of the USDG; Implementation Assessments of four metros; and an overall Evaluation Report entailing cross-case analysis across the three spheres of government in relation to the original evaluation questions posed in the Terms of Reference for the project.

The Design Review of the USDG, completed as an earlier phase of the overall evaluation, provides a theoretical framework to understand the USDG, the outcomes it seeks to achieve, and the mechanisms through which the implementation of the grant should result in these outcomes. This framework, described below, serves as the basis for the implementation assessment of the Ekurhuleni Metropolitan Municipality. This report renders judgement on the municipality's collective interpretation and implementation of the grant against the intervention theory presented as part of the Design Review, to determine whether or not Ekurhuleni is implementing the USDG as designed. The research also seeks to understand the experiences of the municipality in the first two and a half years of implementation, in order to draw out implications for the grant design and the ability of the grant to achieve its outcomes.

The report begins by outlining the theoretical framework developed as part of the USDG Design Review against which the implementation is being evaluated. The report then proceeds to sketch a brief context of the built environment and human settlements in the city. An overview of the evaluation design and methodology employed for the Ekurhuleni assessment is then provided. The following section presents findings from the data collected during the assessment before providing an analysis of the data in relation to evaluation questions posed at the outset of the project. The report then closes with some conclusions and recommendations to be taken forward into the overall evaluation report.

1.2 Theoretical framework to evaluate the implementation of the USDG

The USDG Theory of Change documented in the Design Review serves as the road map against which municipal implementation is judged in terms of its fidelity to the broader processes and features of the USDG's design. A summary of the USDG Theory of Change is presented here to describe the defining features of the grant as well as the implementation processes, assumptions and intervening variables that represent the grant's intent as validated with USDG stakeholders during the Design Review phase.

1.2.1 Defining features of the USDG

The history of the grant's evolution meant that the defining features of the grant were dynamic, contested and evolved over time. The Design Review established the USDG design elements that defined the original intentions of the grant, for which

there was consensus from the Extended Technical Working Group. These elements have been labelled as 'primary features' and are:

- To promote the devolution of built environment responsibility to cities.
- To supplement the budgets of cities in order to enable them to meet their social development mandate.
- Integrate funding for infrastructure, and associated services, with land and secure tenure.
- Focus on access to housing opportunities for poor households.

However, there were also a range of features for which there was less congruence of opinion. In such instances the Design Review identified these as comprising subsidiary elements of the grant. These secondary features are:

- Incorporating spatial and land-related objectives
- Trigger change with housing arrangements
- Using the grant to gear in other investment
- The centrality of the Built Environment Performance Plan (BEPP) as an additional intergovernmental planning instrument

Since these primary and secondary features ultimately speak to the defining elements of the grant (although not necessarily its overall goals and objectives), they are considered an integral element of the intervention hypothesis against which the metro is judged in this report. However, they are not sufficient for assessing implementation and thus a more detailed and expansive Theory of Change was developed as part of the Design Review to describe all the steps that municipalities and other actors are required to undertake to implement the grant as designed. The Theory of Change therefore guides the assessment.

1.2.2 Representations of the Theory of Change

The Theory of Change representations for the USDG developed as part of the Design Review are based on widely recognised models for presenting development interventions according to a common logical sequencing of intervention happenings (Morra Imas & Rist, 2009:152). The following figure illustrates the basic logical elements present in a Theory of Change.

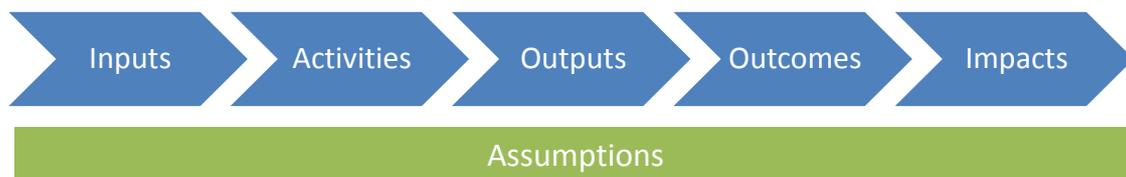


Figure 1: Basic Theory of Change diagram

In the case of the USDG, these elements of the Theory of Change are what the assessors have sought to test during the course of research in Ekurhuleni. Each of these elements is expected to be present in the implementation of the USDG. A breakdown of the elements of the Theory of Change for the USDG comprises:

Inputs- BEPPs and metro planning documentation, human resources and organisational arrangements, and the USDG funds.

Activities- Funding supplementation, leveraging of capital finance, informal settlement upgrading, acquisition of land, bulk service infrastructure development, hiring of labour, development of social and economic amenities, and processing of title deeds.

Outputs- Households with service access, well-located land acquired by the metro, jobs created, socio-economic infrastructure and amenities built, title deeds transferred, and households in informal settlements benefitted from upgrading.

Outcomes- A better managed built environment leading to a more efficient built environment.

Impacts- Sustainable human settlements with an improved quality of household life in the metro.

Critical to the linkages between the above elements in the realisation of the desired results are also those underlying assumptions on which the intervention elements are based. This includes the following assumptions:

- That the BEPP is consistent with and aligned to statutory planning at local and provincial level
- That the BEPP Panel provides a constructive intergovernmental influence on the development of the plan
- That the municipality has the organisational capacity to deliver on its existing capital works programme
- That there is well-located land available for acquisition in the metro
- That the municipality has accurate, reliable and timely administrative systems for processing of all outputs
- That all of the grant outputs will integrate under acceptable social conditions
- That other outcomes related to health, education, safety, economic growth and social cohesion are realised through concurrent interventions.

Further to the above assumptions, there are also key intervening factors that occur independent of the grant intervention but on which its realisation is predicated. These include:

- Implementation of other housing programmes according to the BEPP
- Delivery of top structures
- Realisation of accessible and safe public transportation throughout the metro

The research is intended to test whether these assumptions are valid and whether the key intervening factors are present to support the implementation of the USDG.

Additionally, there are three key process elements of the Theory of Change that have informed the design of the metro evaluations. These are presented below, along with a description of how these are intended to occur in the idealised implementation of the grant, which provides the benchmark against which the municipalities were assessed:

- **Built Environment Planning and the BEPP-** This is the process through which the Built Environment Performance Plan is developed, including its alignment and integration with existing statutory planning documentation. The grant design requires that the BEPP is fully aligned with other planning processes in the metro, including the development of the Integrated Development Plan (IDP), the Spatial Development Framework (SDF),

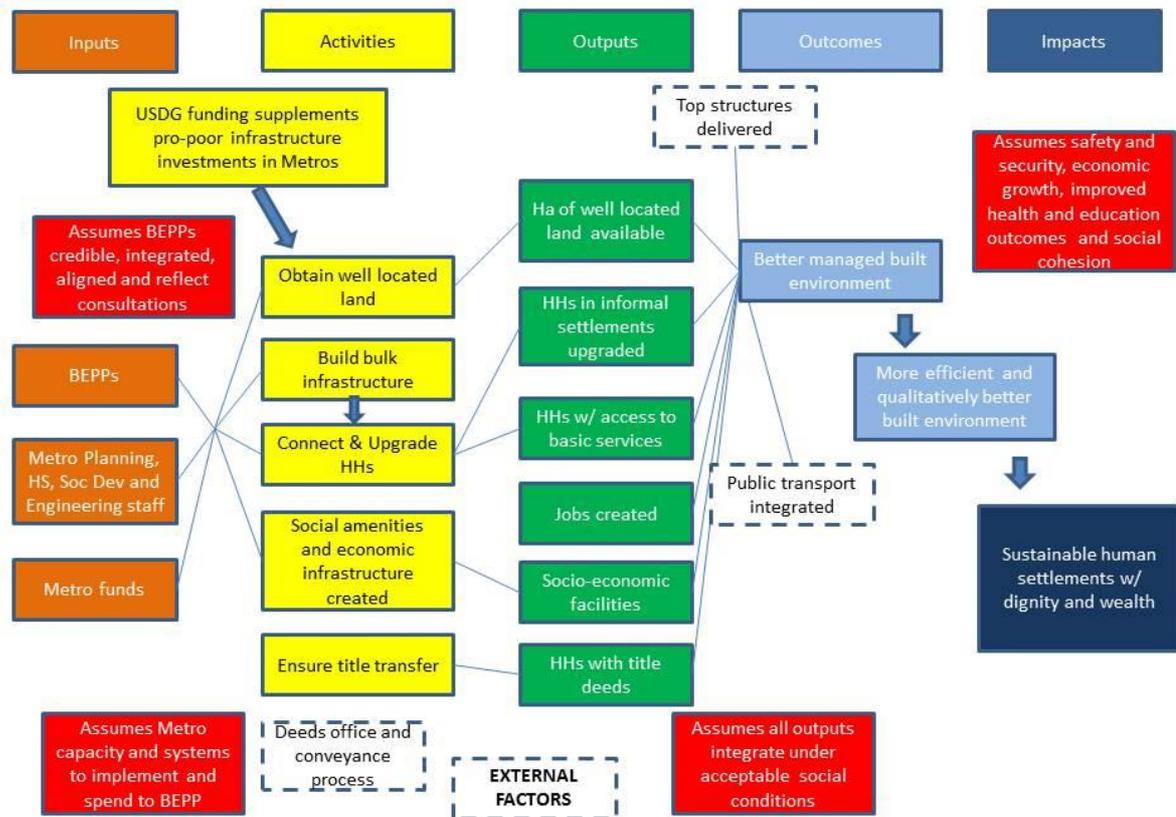
Housing Sector Plans and city budget processes, and that there is internal coordination around these plans. The grant design also requires that there is coordination and alignment in the built environment planning processes at local, provincial and national government levels.

- **Selecting projects and allocating funds-** This refers to the process through which projects are conceptualised, proposed and selected for the allocation of the USDG funds. The grant design assumes that following the allocation of supplementary funds to the capital budget, a process of project selection occurs in which projects that are consistent with the core activities identified in the Theory of Change (acquisition of well-located land, informal settlement upgrades, bulk and internal infrastructure construction, economic infrastructure and social amenity provision, and transfer of title deeds) are funded through the USDG allocation to the metro.
- **Leveraging capital finance-** This refers to using the supplementary USDG funds to attract additional capital funding for human settlements. The grant design assumes that the application of the USDG funds can draw in additional funds in any one of three ways: by attracting the allocation of the municipality's own funds to projects that have a human settlements orientation through co-funding of projects or spatial concentration of complementary projects; by attracting private sector capital finance through private-public partnership projects where the state pairs with a private developer to undertake a project beyond the means of either role-player individually; and by leveraging debt finance (borrowing) where USDG funds could be used as security to obtain external loans from commercial banks of Development Finance Institutions (DFIs).
- **Grant outputs and expenditure-** This refers to the process by which projects and the allocated funds are utilised and delivered in line with their desired intentions. The grant design has a clear expectation that funds will be spent to deliver a specific set of products and services necessary for a better managed built environment.

These key process elements shape the focus of the implementation assessment, inclusive of the broader assumptions and external factors identified supporting them. This process focus is understood in conjunction with the primary and secondary features of the grant identified above.

As this research is part of a design and implementation evaluation, the intended outcomes to impact (short to long term) of the Theory of Change are outside the scope of this assessment. The earlier elements of process which are the focus of the implementation are presented in a simplified form in the following figure and serves as a map against which different components of the metro's implementation of the USDG can be judged.

Figure 1: Logic model Theory of Change with assumptions and external factors



2 Context to the Ekurhuleni case study

2.1 Overview of the municipality and the built environment challenges

The metropolitan municipality of Ekurhuleni was created in 2000 and encompasses the geographical area from Germiston in the west to Springs and Nigel in the east (Ekurhuleni Metropolitan Municipality, 2013: 10). The previous local administrations of the nine towns in the East Rand (Alberton, Benoni, Boksburg, Brakpan, Edenvale/Lethabong, Germiston, Kempton Park/Tembisa, Nigel and Springs) were amalgamated with two additional councils (Kayalami Metropolitan Council and the Eastern Gauteng Services Council), into what is now the Ekurhuleni Metropolitan Municipality. The metropolitan municipality covers 15.6% of the Gauteng area’s land mass and comprises a visible number of informal settlements and informal trading activities (ibid).

Figure 2 and Figure 3 below show respectively Ekurhuleni’s location in Gauteng and the built up parts of the municipality in relation to the still undeveloped or rural parts of the municipality.

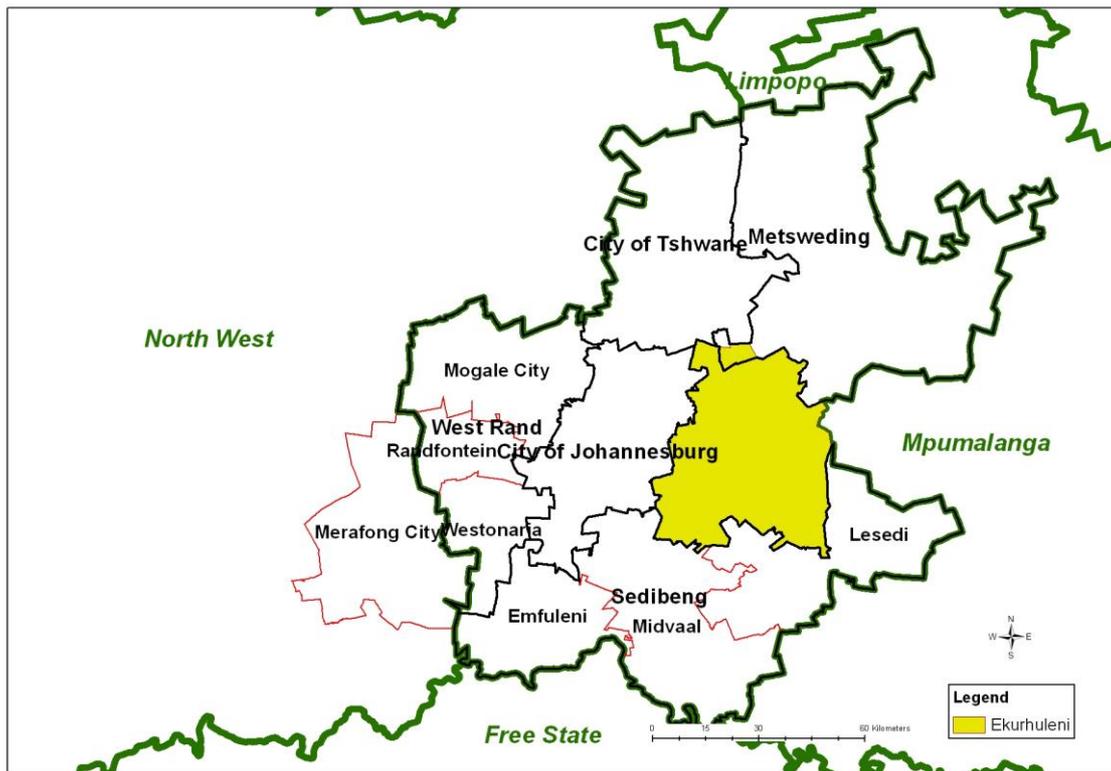


Figure 2: Location of Ekurhuleni Metropolitan Municipality in the Gauteng Province

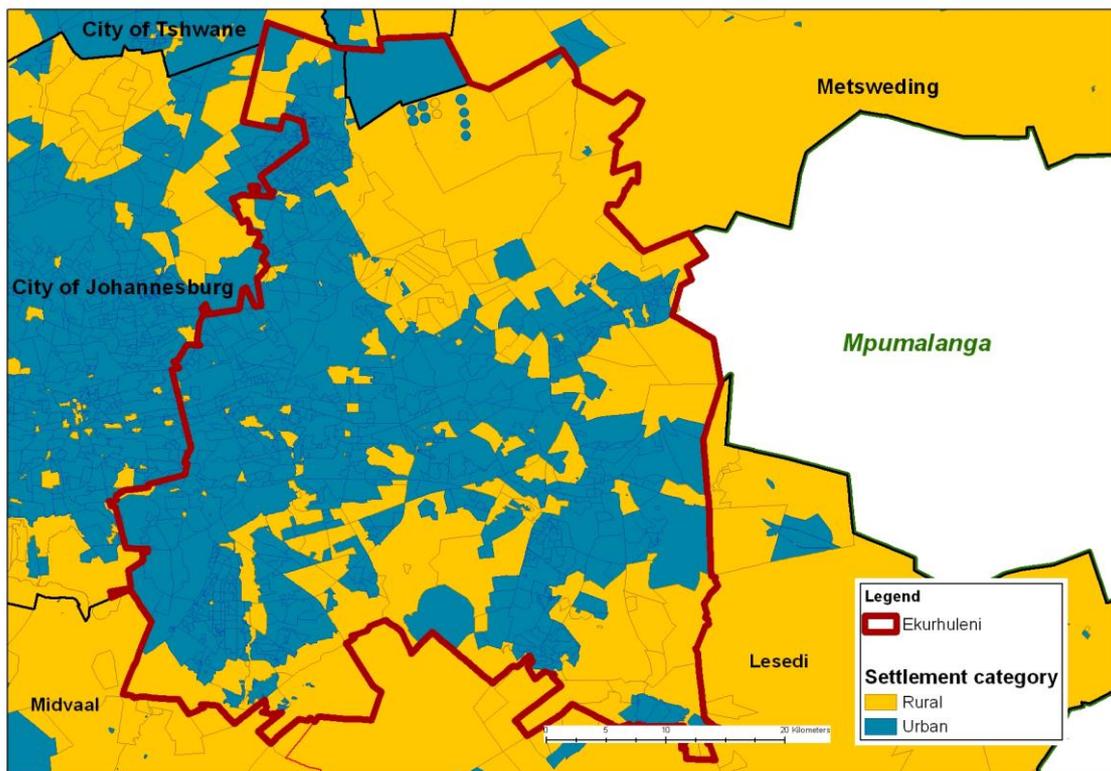


Figure 3: Settlement pattern in the Ekurhuleni Metropolitan Municipality

Ekurhuleni is the fourth most populous metropolitan municipality in South Africa after the City of Johannesburg, City of Cape Town and Ethekewini Municipality, with a population of 3.17 million (StatsSA, 2013). Of this population, 55% have a monthly household income of approximately R3 183 or less. The Statistics South Africa Census 2011 also indicates that 138 099 households live in informal settlements, while a further 80 160 households live in backyard shacks. The human settlements challenge in Ekurhuleni, relative to the average for all metros, is shown in the table below.

**Table 1: Housing and service challenges in Ekurhuleni and all metros
(Source: StatsSA, 2013)**

Indicator	City of Ekurhuleni	Average for all metros
Households living in informal settlements	14%	12%
Households living in backyard shacks	8%	6%
Households with no access to piped water within 200m	5%	5%
Households with bucket toilets, non-ventilated pits or no sanitation	11%	13%
Households without weekly refuse removal	12%	15%
Households not using electricity for lighting	18%	11%

2.2 Structure of the municipality

In August 2011, the Ekurhuleni municipal council adopted the separation of powers model whereby its executive and legislative functions are divided. The intention of the application of such a model was to facilitate a system of checks and balances whereby the legislature performs an oversight role on the work of the executive. This then allows for the realisation of the mandate of Local Government through the promotion of good governance (City of Ekurhuleni, 2012: 24). More specifically, this allowed for the establishment of clearly defined responsibilities including assigning the executive accountability for service delivery and development and allowing for independent and representative oversight by the legislative arm (ibid).

In terms of the administrative governance of the municipality, the day-to-day management and administration of the municipality is undertaken by the City Manager and his staff. In fulfilling his duties, the City Manager has established administrative committees within the Strategic Management Committees (SMT/EXCO) which comprise:

- Bid Specification, Evaluation and Adjudication Committees
- ICT Steering Committee

- Development Facilities Committees
- Governance, Risk and Compliance Committee and,
- IDP, Budget Assets and Liabilities Committees (IBALCO).

In effect then, the governance structure of the municipality is as reflected in the figure below.

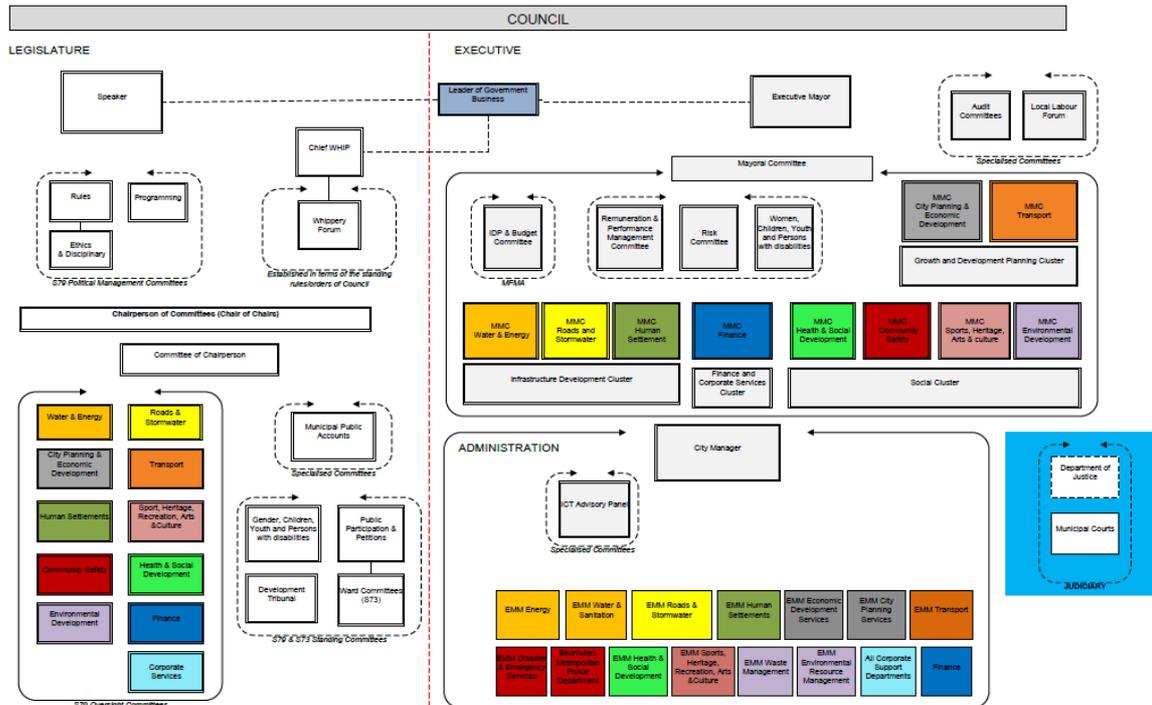


Figure 4: Ekurhuleni Governance Structures

(Source: City of Ekurhuleni Annual Report, 2012)

2.3 Responsibilities for the funding and implementing built environment interventions

An important change was initiated in Ekurhuleni at round the time of the advent of the USDG. The municipality established a separate department, reporting directly to the Municipal Manager, with the express mandate of managing the expenditure of the Ekurhuleni capital budget. This department is the Enterprise Project Management Office ('EPMO'). It now plays the key role in coordinating, managing, monitoring and reporting on capital budget expenditure across all municipal departments.

The Validation Workshop confirmed that the EPMO does not supplant the line departments. In line with Ekurhuleni's policy of 'end to end accountability' the departments are responsible for 'executing their mandates', with the EPMO there to 'manage and support at a corporate level'. The EPMO is not responsible for project management *per se*, but its mandate is to monitor and evaluate the departments' capital expenditure.

The proposed organisational top structure of the EPMO office is displayed below. Currently, only the Head of Department (HOD), the 4 Divisional Heads (including the Manager: Support Services) as well as 2 Administrative Support Staff are employed. The rest of the structure will be populated once this has been approved by council, which is expected in May 2014. In addition to the 4 Divisional Heads, there is a 5th Divisional Head who is working on Urban Management, which is being incubated under EPMO. In terms of the level of skills, the HOD and the 4 Divisional Heads have technical qualifications coupled with Masters Degrees in Business Administration or Masters Degrees in a technical field. For the rest of the organisational structure, a higher level of project management combined with business or finance skills will be required when these positions are filled.

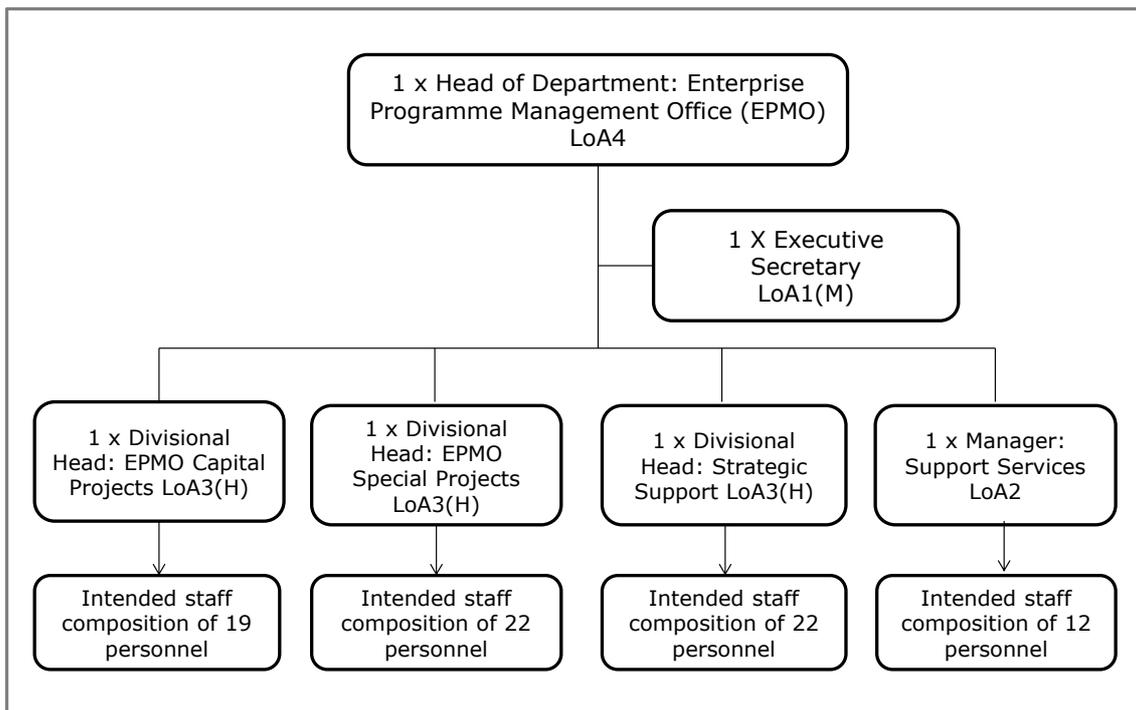


Figure 5: Enterprise Programme Management Office Proposed Organisational Top Structure

(Source: City of Ekurhuleni, 2014)

2.4 Financial importance of the USDG

The capital budget for the City of Ekurhuleni is 3.4 billion in 2013/14 according to the municipality’s BEPP which is a notable increase from its 2011/12 budget of 2.4 billion and 2012/13 budget of 2.6 billion. On average, between the 2011/12 and 2015/16 financial years the USDG contribution to the City’s capital is 45%. This is shown in the following table.

Table 2: Multi-year capital budget – summary per finance source (Sources: City of Ekurhuleni, 2012; Ekurhuleni Metropolitan Municipality, 2012; City of Ekurhuleni, 2013)

Financial year	2011/12		2012/13		2013/14	
	Budget Submitted (R'000)	Share of total capital budget	Budget Submitted (R'000)	Share of total capital budget	Budget Submitted (R'000)	Share of total capital budget
Developer's contributions	21 461	1%	18 750	1%	235 000	7%
Other Provincial Grants	42 946	2%	32 050	1%	7 000	0%
Other National Grants	79 276	4%	76 382	3%	284 948	8%
INEP	100 000	4%	73 000	3%	15 000	0%
HSDG	31 953	1%	49 683	2%	23 550	1%
Revenue	231 158	10%	262 461	10%	383 613	11%
Municipal Bonds	701 060	31%	975 845	37%	889 649	25%
Other Loan Funding	0	0%	0	0%	150 000	4%
Project Finance	0	0%	0	0%	150 000	4%
USDG	1 044 251	46%	1 162 537	44%	1 359 827	39%
Grand Total	2 252 104	100%	2 650 708	100%	3 498 588	100%

Table 3: USDG capital budget expenditure (Source: Own calculations using municipal capital expenditure project databases)

Department	2012-2013			2013-2014		
	USDG funding per department (adjusted budget in R'000)	Department share of USDG budget	No of projects per department	USDG funding per department (adjusted budget in R'000)	Department share of USDG budget	No of projects per department
Disaster & Emergency Management Services	13 000	1%	1	25 554	2%	5
Economic Development	0	-	-	24 850	2%	5
EMPD	1 800	0%	1	13 500	1%	4
Energy	238 774	24%	53	165 931	12%	36
Environmental Resources Management	19 400	2%	18	2 000	0%	1
Health and Social Development	0	-	-	66 860	5%	16
Human Settlements	53 708	5%	6	36 000	3%	2
Real Estate	0	0%	2	86 600	6%	16
Roads and Stormwater	403 050	41%	73	543 722	40%	56
Sport, Recreation, Art and Culture (SRAC)	34 850	4%	0	137 400	10%	17
Transport	20 000	2%	8	53 700	4%	8
Waste Management	2 700	0%	4	41 700	3%	5
Water & Sanitation	206 623	21%	42	161 200	12%	27
Total	993 906	100%	208	1 359 017	100%	198

3 Metro evaluation design and methodology

3.1 Rationale for the evaluation design

The evaluation design of the metro assessment should be understood in the context of the Ekurhuleni implementation assessment being one metro research report, assessing only the implementation of the grant in a single municipality which will

inform the broader evaluation of the USDG. The evaluation design for this assessment is focussed on the seven research questions posed in the Terms of Reference concerning the implementation mechanism (research questions 2.4 to 2.10), and does not cover the full suite of 14 evaluation questions for the overall evaluation of the USDG. However, the analysis and conclusions of the report are intended to inform the answering of all 14 research questions in the Evaluation Report.

The approach employed for the metro assessment assesses the implementation of the USDG in Ekurhuleni against the theoretical framework described above, and in relation to the relevant evaluation questions detailed here in the metro research protocol, which was approved by the extended technical working prior to the commencement of the implementation assessment.

3.2 Research protocol

The design features and Theory of Change set out above serve to frame the study in tandem with the research questions for the project. However, the research protocol for the metro assessment has been developed to respond to the seven relevant research questions insofar as they relate to the implementation of the grant in a single municipality. The aspects of these research questions that pertain to all three spheres of government, and a comparison across the four metro case studies, will only be answered in the overall Evaluation Report. The approach and methods employed to answer the seven research questions are described in the table below.

Table 4: Metro assessment research protocol

Research question	Approach and methods employed to answer the question
2.4 How has the USDG been interpreted at national, provincial and municipal levels?	This question is answered ¹ through data surfaced via a focus group engagement with the relevant provincial stakeholders as well as municipal stakeholder interviews, such as Portfolio Committee Heads and identified municipal officials. Documentary reviews of the metro BEPPs, BEPP assessment reports and relevant planning documentation will also be used to provide evidence of the interpretations of the USDG to date.
2.5 Is the grant being implemented according to the design?	The question is answered insofar as the design applies to implementation at the provincial and metro levels. Qualitative data from stakeholder interviews both internal to the municipality (e.g. Senior Managers, Portfolio Committee

¹ The national interpretation will not be addressed in the context of the individual municipality as this forms part of the overall evaluation report and national interpretations were not obtained on a metro by metro basis, but for the grant overall.

	Heads, etc.) as well as a focus group with provincial stakeholders complement performance information and financial data from metros to render a judgement around the implementation of the grant to date.
2.6 To what extent has the USDG through the Built Environment Performance Plans found its place within the suite of the development-planning framework? Do these planning instruments talk to one another across national, provincial and local departments involved in the implementation of the USDG?	This question is addressed for the local and provincial levels through documentary review of the BEPPs, BEPP assessment reports and other municipal planning and reporting documents as supported by interview data at the municipal level and insights from the provincial focus group.
2.7 As the USDG is being implemented, what are the important challenges/ changes that are occurring in terms of the roles and responsibilities of the relevant actors? How is this affecting programme delivery?	This question is answered mainly through interviews with municipal stakeholders and the provincial focus group, as supported by municipal and provincial reporting, municipal project selection documentation, and available performance information and financial data.
2.8 Are resources used efficiently? Is value for money obtained?	This question is answered insofar as possible based on the emerging accounts of resource utilisation in light of the implementation process described by metro stakeholders and with analysis of the metro financial data available.
2.9 How does the USDG interface with the municipal accreditation process and the City Support Programme?	This is answered through interviews with municipal senior managers familiar with the initiatives as well as some provincial focus group inputs, as supported by reference to relevant municipal documentation. Due consideration is given to validation workshop inputs in light of on-going developments since data collection.
2.10 What are the institutional issues/gaps that are coming to light as this programme is being implemented and how is it	An identification of institutional issues for the metro and province occurs based on data obtained from metro stakeholders and the provincial focus group in the main, as supported with performance data that

affecting delivery of the USDG?	corroborates and explains these in the BEPPs.
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In line with the research protocol detailed above, the presentation of findings is arranged in terms of the sequential process set out in the representations of the Theory of Change, with additional consideration of the research questions that go beyond the logic of the intervention design and explore dynamic and changing relationships as well as the means of accounting for the above process. While the above questions are addressed indirectly throughout findings, a consolidated analysis of each is provided as a separate section of the report.

In line with the Terms of Reference, a mixed-methods research approach has been employed. The manner in which the individual data collection methodologies mentioned in the research protocol have been applied in the case of the metro is detailed in the following section.

3.3 Semi-structured interviews

Primary qualitative data collection was undertaken through semi-structured interviews with key stakeholders and role-players in the municipality, as well as external stakeholders. Semi-structured interview guidelines were prepared with consideration of the theoretical framework described above, and structured to the seven evaluation questions. Interviewees were selected to ensure representation of all relevant role-players, including local political leadership, public servants, private sector interests, and members of civil society on behalf of beneficiary groups. A set of proposed interviewees, in terms of affiliation, department and position within the department, was approved in the design phase and sent to a key respondent in the municipality (see Table 5).

Table 5: General proposed municipal respondents

Name	Organisation
Municipal Manager	Metropolitan Municipality
Most Relevant Portfolio Committee Chair/s or MAYCO member/s	Metropolitan Municipality
Chief Financial Officer	Metropolitan Municipality
Executive Director: Planning and Development	Metropolitan Municipality
Executive Director: Housing / Human Settlements / Community Development	Metropolitan Municipality
IDP Manager	Metropolitan Municipality
BEPP manager	Metropolitan Municipality
Representative	Local Property Developer or organised formation

Representative	Civil Society & Beneficiary Groups
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Despite this generic list of interview respondents, the reality as to who in the metro felt knowledgeable or sufficiently informed to comment and provide an account of the USDG’s implementation varied considerably. Based both on the experience of the pilot study in the City of Cape Town and the advice of the Ekurhuleni Executive Director: Human Settlements, the people listed in the table below were identified for interviews:

1. Member of the Mayoral Committee for Human Settlements;
2. Head of Department: Ekurhuleni Project Management Office ('EPMO');
3. Divisional Head for Capital Projects at EPMO;
4. Executive Director: Human Settlements;
5. Divisional Head: Special Projects, City Planning;
6. Director, Human Settlements Department; and
7. Manager: Department of Finance.

In the end, six of the seven representatives from Ekurhuleni availed themselves for individual interviews either in their offices or telephonically. Only the Executive Director: Human Settlements was not available.

A set of semi-structured questions, customised to the different roles and positions of the various respondents, was prepared. Interviews ranged in duration from 40 minutes to 1 hour and 20 minutes. All interviews were recorded for reference purposes and transcribed during the session. All respondents consented to participate, gave permission to be recorded and acknowledged that their words may be attributed to them by signing a consent form stating their rights and decision to participate in the research. In this report, quotations and perspectives are attributed to respondents anonymously using a random numbering system to provide protection to the respondents.

3.4 Focus group

Subsequent to the Validation Workshop, a focus group with representatives of the Gauteng Department of Human Settlements was held in order to obtain a consolidated provincial perspective on the implementation of the USDG to date. It was attended by six senior representatives of the department including the head of department’s regional office for Ekurhuleni.

3.5 Documentary review

Documentary review was undertaken as a key data source for the metro research particularly as it pertained to the interpretation, planning, institutional arrangements and utilisation of USDG funds historically. The documentary review was particularly relevant for understanding the process of BEPP development and project selection, as well as its relationship to other planning frameworks. The municipal documentation that was selected for review comprised:

- BEPPs - to consider the plan in light of its intended role in the Theory of Change, to provide evidence of the municipal interpretation of the USDG, to assess alignment with other planning documents, and to gauge levels of inter-governmental coordination.

- Municipal planning and reporting documents pertaining to the built environment for the period concerned (IDPs, SDFs, SDBIPs, Annual Reports, and others) - to assess alignment with the BEPP.
- Municipal budgets for the period concerned - to assess the relative importance of the USDG, other sources of capital finance, levels of borrowing and relevant capital funding trends.
- USDG reporting documentation (internal and external) – to assess grant expenditure trends and delivery against performance information targets.

Provincial strategic planning and reporting documentation was also reviewed as part of the data collection process in order to assess levels of alignment and intergovernmental planning, as well as identification of some of the institutional issues and gaps arising from the current implementation. The documents reviewed comprised:

- Gauteng Province Annual Report 2012/2013
- Gauteng Province Department of Finance Revised Strategic Plan 2012-2014
- Gauteng Province Local Government and Housing Strategic Plan 2009-2014

National documents produced by the national Department of Human Settlements were also part of the process insofar as they provided metro specific analysis. The documents reviewed comprised:

- BEPP Assessment Reports – to validate the municipal own assessments of the plans, to assess the quality of the BEPPs, and to gauge the level of inter-governmental engagement with the plans.
- USDG Performance Evaluation Reports - to validate municipal and provincial perspectives of municipal performance and to verify quantitative expenditure and cross-validate non-financial data.

3.6 Financial and non-financial datasets

Use of existing municipal datasets included mostly quantitative secondary data relevant to financial allocations and spending for the USDG, the municipal capital budget, as well as performance information as set out in the SDBIP and USDG performance reporting.

3.7 Validation workshops

In line with the proposed report writing process, a draft report detailing the findings, analysis and emerging conclusions and recommendations was circulated to the metropolitan municipality for sharing with the participating stakeholders. A presentation was made by the researchers with an opportunity provided to all participants, as well as other affected municipal parties, to challenge, validate or offer alternative perspectives to the contents of the draft report and presentation. The Validation Workshop was well attended by representatives of the national Department of Human Settlements as well as the national Department for Performance Management and Evaluation. The Validation Workshop inputs were noted at the session and have since been incorporated into the findings section of the metro report so as to further balance and validate the report.

3.8 Limitations of the research

Since the interviews were semi-structured and questions customised to the respective positions or perspectives of the municipal or provincial respondents, there was some intentional variability in instrumentation which gives rise to potential bias towards favouring certain perspectives on specific subjects, although this is in line with the differentiation of roles and responsibilities within government. Further, the nature of the interviews required informed probing and a degree of respondent specific questioning that was at times improvised in order to extract maximum relevant data based on the respondents' exposure to and familiarity with the USDG and related processes. This limitation was mitigated by using senior researchers for the interviews who brought with them extensive experience and knowledge of municipal planning, monitoring & evaluation, finance and human settlements to probe and surface only the most relevant and useful data from the respondents engaged.

The inability to secure an interview with the Executive Director is a weakness in the research. Where one depends on a small group of high level respondents the absence of one crucial part of the puzzle is a problem.

Attempts to secure interviews with representatives of the land development industry and civil society were unsuccessful. Respondent 4, when asked for suggestions as to whom should be contacted in these categories, said that no names came to mind. Neither developers nor civil society representatives are, in the view of the respondent, able to contribute usefully to the evaluation of a programme that is 'government driven'. The respondent added that where developers and civil society are involved with capital projects in Ekurhuleni they are unlikely to know or be interested in the source of funding. Approaches to COSATU, Planact and the Socio-Economic Rights Institute of SA for possible civil society respondents in relation to the USDG in Ekurhuleni did not come up with any suggestions.

Subsequent to the Validation Workshop it became possible to secure a meeting of key officials in the Gauteng Department of Human Settlements in relation to the cases of both Johannesburg and Ekurhuleni. The meeting was brief and the representative of the regional office responsible for Ekurhuleni contributed very little to the meeting.

Some of the secondary data reported here is also internal reporting information that has not been subjected to tests of data quality, objective verification or an audit of performance information, making the veracity of the information potentially questionable. However, the presentation of this information back to the metro in the form of the validation workshop and the interrogation of the datasets in relation to other reporting has helped to ensure this limitation has been mitigated.

3.9 Challenges around data collection

The reliance on municipal officials to avail themselves and provide access to financial and non-financial data related to the USDG allowed a degree of discretion and resulted in some significant delays in obtaining documents and accessing respondents. Some respondents were also less knowledgeable about the USDG than others, with external stakeholders at a particular deficit in this regard. Further, the reluctance of some officials to engage at length in depth, particularly with regards to the provincial focus group, was also a challenge to data collection. However, the validation workshop as a forum to clarify data collection gaps, provide

further inputs and make additional referrals did help to limit the extent to which any of these challenges might impact on the credibility of the findings contained herein.

3.10 Analysis approach

In line with the theoretical framework developed as part of the Design Review, the documentary review occurred as the starting point of analysis by identifying important features of the USDG within the metro and the associated processes of implementation. Specific points of information and references relevant to the assessment were then extracted, grouped and organised in relation to the sequence of the intervention, consistent with the overall structure of the metro research report findings.

Initial review of the documentation provided some context and helped to later triangulate the data obtained during the course of the semi-structured interviews and the focus group. Qualitative data was analysed in relation to the section themes designated in the interview guideline, consistent with the current report structure, to determine areas of commonality or difference. Within thematic areas, internal and contrasting perspectives were checked against external stakeholder perspectives and alternative perspectives emerging from the validation workshop. Further evidence was sought from the documents reviewed that may support, reinforce or provide alternative perspectives to the qualitative data obtained through interviews and the focus group.

The analytical section presented here took on the synthesised findings and critically appraised them in relation to the research questions to render judgement on the implementation of the USDG in Ekurhuleni. Conclusions relating to the observance of key design features and highlighted process elements were then derived for this, along with implications for the grant going forward in the form of recommendations.

4 Findings

This section sets out the main responses received from the representatives of the municipality interviewed, as well as the provincial focus group, validated and triangulated wherever possible by evaluation reports, data sets and other documentation. Insofar as the interviews are concerned, the report sets out the initial responses to the set of questions put to respondents in relation to their overall understanding and interpretation of the USDG. These questions were the first to be posed, and in some cases the positions articulated at the beginning of the interview became more nuanced as the interview proceeded and more detailed questions were asked.

4.1 Understanding and interpretation of the USDG

4.1.1 Metro interpretation of the USDG

All the respondents indicated a positive understanding and interpretation of the grant: they concurred that Ekurhuleni is better off with the grant than it would be without it and that it is the specific attributes of the USDG that make it so attractive. Respondents felt that the USDG plays an important role in Ekurhuleni's overall capital expenditure as well as in meeting some of the specific intentions of the grant as set out in the Division of Revenue Act (such as, for example, the

'number of households in informal settlements provided with basic ... infrastructure' and the 'number of additional households receiving support in the access of basic municipal services' (DORA, 2013: 175)). The BEPP states at the outset that it understands the purpose of the USDG to be the same as that announced by the then Minister of Human Settlements:

"...is to allow for funding support to metropolitan municipalities in order that the national department's objectives for human settlement contained in outcome 8 are achieved." (Ekurhuleni BEPP, 2013: 7)²

Further on in the 2013 BEPP the emphasis of the USDG, in the view of Ekurhuleni is spelled out in more detail:

'the purpose of the USDG is to improve the efficiency of investments in the built environment by providing ... appropriate resources to address linkages between public housing and economic growth by integrating the release of well located land, developing infrastructure on such land. [It] focuses on the development of urban land and infrastructure that is intended to lay the foundation for local municipalities to gradually assume a greater role in managing built environment investments'. (Ekurhuleni BEPP, 2013: 90)

There were however clear differences in the particular aspects of the grant that are valued by the different personnel who were interviewed. For example respondent 1 saw it as primarily a means for addressing the municipality's informal settlement upgrading backlog, which the respondent identified as the primary challenge for, and a distinguishing feature of, Ekurhuleni:

'we have a lot of informal settlement backlogs and the grant is good for informal settlement upgrading; these are very good advantages for Ekurhuleni because we have lots of informal settlements here.'

This echoed the view expressed by respondent 4 that a distinguishing feature of Ekurhuleni in relation to the other large metropolitan municipalities is that it 'attracts poor people' and so has an exceptionally serious challenge of addressing informal settlements. Respondent 6 saw it in slightly broader terms, seeing the USDG as a means to realize the wider set of targets set by the national government's Outcome 8. Respondent 2, on the other hand, while emphasising most the value of the grant for informal settlement upgrading also pointed out its wider benefit to Ekurhuleni's overall capital expenditure programme as it means that the City is:

'able to plan more integrated, sustainable settlements as well as do informal settlement upgrading'.

² The national Department of Human Settlements' 2012 and 2013 Performance Evaluation Reports both consider the respective Ekurhuleni IDPs, on which the BEPPs are based, to have: *'been structured to support the attainment of National Outcomes ... The creation of sustainable human settlements (Outcome 8) is one of the fundamental priorities of Ekurhuleni...'* (2012: 8 and 2013: 7).

This respondent acknowledged that the wider the interpretation of the grant the greater the tension that is likely to arise between a municipality and the national department of Human Settlements:

'the department is not very happy with the EPMO's approach to spending the USDG ... they feel that Ekurhuleni is stretching the grant criteria'.

The BEPP however appears to steer the implementation of the USDG in the direction of prioritising previously disadvantaged areas when it asserts, citing the Ekurhuleni Growth and Development Strategy:

'as far as the upgrading of services is concerned, the focus will be on ensuring equity – the township areas and informal settlements will receive the bulk of the capital budget until this goal has been achieved' (underlining added, BEPP, 2013: 100).

Two respondents (respondents 3 and 4) expressed stronger misgivings about the relatively loose interpretation of the grant's application than the others. Respondent 4 was concerned about the relative lack of policy focus, citing the frequent amendments and revisions to the national policy framework for the grant and also pointing out that different recipient municipalities interpret the grant differently, leading to tensions between them. Respondent 3, similarly, expressed the need for greater clarification as to which types of projects should and should not be funded by the USDG. This respondent also argued that this clarification should take the form of a wider rather than a narrower interpretation of the grant's application. Respondent 5 was explicit in a concern that the overall framework for deciding the sort of projects on which the grant can be spent must be clarified:

'the grant is meant to meet Outcome 8, but what is the definition of Outcome 8? Is it just about housing? I can't build a house without a park, a clinic ... It's actually an unconditional grant with conditions. Is it the quantum issue: how much spending on sports issues is appropriate? This is what we need clarified by National Treasury and the national Department of Human Settlements'.

This point was reinforced by one of the participants in the provincial focus group, who made the point in relation specifically to Ekurhuleni that:

'the USDG is under Development Planning. By nature they do not plan for human settlements, the plan for development broadly. They include cemeteries and street lighting and all the other irrelevant areas that would support human settlements'.

This contention highlights the degree of confusion and frustration that exists around the purpose for which the USDG is intended to be used. This respondent's confusion over the institutional responsibility for the USDG in Ekurhuleni does not detract from the overall point that is raised.

Although one municipal respondent (respondent 1) argued that the USDG should be about more than supporting low-income housing, not one of the other respondents raised the potential role of the USDG in enhancing city efficiency; it is primarily seen as a grant that complements low-income housing projects, especially informal settlement upgrading.

4.1.2 Provincial interpretation of the USDG

The meeting with regional heads of the Gauteng Department of Human Settlements raised the following concerns about the use of the USDG by metropolitan municipalities in the province:

- The provincial department feels marginalised by the metro's exclusion of the province's concerns from the application and spending of the USDG;
- There is not enough coordination around planning;
- There is very little coordination between the spending of the HSDG and the USDG;
- The provincial department believes that the above-mentioned concerns could be addressed if the province was accorded a more formal role in the compilation and finalisation of the BEPP.

This perspective is reinforced in the 2011 BEPP/USDG report of the national Department of Human Settlements that confirms, in relation to intergovernmental relations, that 'the link with the HSDG was worst in Gauteng' (page 6).

At the Validation Workshop, although no representative of the provincial department attended, there was substantial debate around the province's interpretation of the USDG. The Workshop confirmed that there is an ongoing difficulty in engaging constructively with the provincial department of Human Settlements. There is thus 'still no alignment of the USDG and the HSDG'. Part of this problem, participants asserted, lies in the policy framework being 'silent' on the role of provinces, leaving provinces to build a role for themselves based on their constitutional duty to support local government. There was strong agreement that work is needed to identify an appropriate role for provincial government, especially in the light of the imminent assignment of housing functions to Ekurhuleni after which the province's role in supporting and monitoring local government will become even more important. Paragraph 6.3 of the draft Policy Framework does suggest a stronger role for Provincial governments than seems to have been the case in Ekurhuleni's experience. For example it states that provinces will specifically 'align provincial Human Settlement Plans with BEPPs and provide certainty through funding allocation/reservation ... to ensure coordinated planning and project implementation' (DHS, 2012b:26), which has not been the case in Gauteng. The draft Policy Framework goes on to suggest that provinces should also 'influence the development of the BEPPs by virtue of interacting with the municipalities through structured meetings facilitated by the NDHS as well as active participation during the BEPP Assessment Process via the BEPP Panel' (DHS, 2012: 26). These suggested roles for the province (and for the NDHS in facilitating meetings between the province and the metro(s)) appear not to have been taken up in the case of Ekurhuleni, thereby supporting the contention at the Validation Workshop that the Policy Framework is effectively 'silent' on the role of the provinces. In fact it is not silent, even if its proposed provincial functions are fairly limited, but from the perspective of the Ekurhuleni officials it may as well be.

There was important discussion at the Validation Workshop on some of the underlying reasons why there is tension between the metro and the province, with a DPME representative pointing out that when the USDG was established it was only possible through a reduction of the HSDG budget by around 15%. One of the

reasons why there has been a drop in housing delivery over the past few years, this participant contended, could thus be attributed to the USDG which has reduced the amount available to build houses. This led to extensive discussion in the Workshop on the expectation on the part of the provincial department that the money that was previously allocated to HSDG and was now under the USDG should be used exclusively for the provision of bulk infrastructure to support housing projects, which has not necessarily been the case. If the USDG is not providing the necessary bulk infrastructure and the Housing Code prohibits the use of the HSDG for that purpose, the discussion continued, there is a serious gap that has to be filled. The EMM representatives at the Validation Workshop re-emphasised the point that some of them had raised earlier, if less vigorously in the interviews, that the national department needs to be clearer on the rationale that informed the USDG as this will help metros understand how to spend the funds more effectively.

4.1.3 Perceived benefits and limitations of the grant design

Each of the municipal respondents was asked to contribute what they saw as the main benefits and limitations of the grant design. Their responses are set out in tabular form below. These responses obviously do not reflect the sum of each respondent's views, but rather an initial sense of what they value in the USDG and what they would like to see changed. In their responses to subsequent questions each respondent provided more nuance and detail that is covered elsewhere in this report.

Perceived benefits of the grant design

The chief benefits cited by the municipal respondents are set out in the table below, but can be summarised as being chiefly the scale of the grant combined with the flexibility that it affords the municipality. This combination of scale and flexibility is seen as beneficial by officials who are more used to battling against funding limitations and complying with what seem to be excessive policy prescriptions. The USDG offers relief from these two binding constraints.

Table 6: Perceived benefits of USDG

Benefits	Respondent
Flexibility for the municipality to do informal settlement upgrading	1, 5
The size of the grant.	2
'It provides the human settlements officials with comfort, to do integrated human settlements development'.	4
The capacity to acquire and unlock strategic land parcels for human settlements.	4
'First real opportunity to do integrated investment in housing and infrastructure'.	6

Perceived limitations of the grant design

Limitations identified by the respondents are set out in the table below.

Table 7: Perceived limitations of the USDG

Limitations	Respondent
'We only talk of previously disadvantaged areas, instead of looking at management of infrastructure across the city'	1
It does not cover sport and recreational infrastructure.	1
The municipality feels constrained by the scope of the grant dictated by national government.	2
It is too focused on human settlements, and is not available for other programmes of the municipality.	3
The reporting requirements are too onerous and there is too much duplication of reporting.	3
The purpose of the grant is too vague and this leads to conflict with other spheres and a mismatch between what is expected of the municipality and what it can achieve with the grant.	4, 5
'It has become a housing grant, with a human settlements focus.'	6
It does not 'lock in' the Human Settlements Development Grant, with the effect that integration of the municipality's and the province's human settlements programmes remains elusive.	6

These statements summarise well the range of specific issues that came out in the subsequent, more detailed questioning. They demonstrate the unanimous view of all municipal respondents that the USDG represents a significant opportunity for Ekurhuleni but that they, as officials, are unclear as to exactly how it should be spent. Each one of the limitations mentioned relate to the question: what can we use the grant for and where? It is the absence of answers to these questions that is the chief limitation in the minds of the municipal respondents.

4.2 Built environment planning

4.2.1 The Built Environment Performance Plan (BEPP)

The municipal respondents all felt that the BEPP process, while still new, was working relatively well. There was no real divergence of views on the BEPP. While there were initially problems with the alignment of the BEPP and the municipality's IDP and spatial development framework, these problems were, the respondents agreed, largely solved through the transfer of responsibility for compiling the BEPP to the City Planning department. However, the 2013 BEPP at page 127 asserts that a 'number of gaps and shortcomings have been identified in the MSDP and other Ekurhuleni planning and strategy documents' that, the BEPP continues, will be addressed with the support of the National Treasury.

The 2014 BEPP, while drawing heavily and directly on all the municipality's own statutory and other plans does not directly draw on provincial or national plans. It does not, for example, refer to the National Development Plan (approved in November 2011), nor does it refer to the Gauteng Growth and Development Strategy of 2008 as an example of a provincial scale plan.

An *ad hoc* committee operates in Ekurhuleni to finalise the BEPP, drawing on the officials responsible for the following constituent plans: Spatial Development Framework; Integrated Transport Plan; Human Settlements Plan; Biodiversity & Open Space Strategy; and Integrated Development Plan. These officials are required to inform the City Planning officials responsible for the BEPP of any changes that have occurred in the constituent plans (respondents 4, 5 and 6).

This position is confirmed in the 2013 BEPP Final Report of the national Department of Human Settlements:

'...the Ekurhuleni BEPP is compiled from a range of current Ekurhuleni planning and strategy documents and is thus not a new plan as such, but is rather a re-packaging of existing plans and information into a quantifiable format as required by National Treasury. The key Ekurhuleni documents integrated into this report that must be noted from the onset are:

- *the Metropolitan Spatial Development Framework...;*
- *the Comprehensive Municipal Infrastructure Plan...*
- *the Integrated Transport Plan ...;*
- *the Long Term Financial Plan ...;*
- *Ekurhuleni Growth and Development Strategy ...;*
- *Ekurhuleni Municipal Housing Development Plan ...;*
- *Ekurhuleni Budget ...; and*
- *Ekurhuleni IDP... .' (BEPP Final Report, 2013: 8).*

All respondents confirmed that there is no public participation in the compilation of the BEPP *per se*: as the BEPP is an integration of other plans, and each of these plans is compiled with public participation, it is not necessary in Ekurhuleni to engage in a further round of public participation simply on the draft BEPP. Respondent 6 was particularly emphatic that introducing BEPP-specific public participation would be inadvisable.

This respondent also contended that the current requirement that the BEPP is approved by the Council (i.e. by a vote of the full Council) is 'excessive and burdensome'. In effect it means that for a BEPP to be approved by the Council in May it has to be submitted to the Council decision-making process in February, which defeats the purpose of having a 'draft and a final BEPP'. The respondent pointed out that as the BEPP merely reflects the contents of other plans, each of which has itself been approved by the Council there is no need for a further approval of the BEPP by the Council.

Respondent 5 emphasised that the BEPP is:

'intended to bridge the gap between the IDP and the budget of a municipality, giving effect to the Spatial Development Frameworks. [It is] a critical instrument for investment prioritisation and focus on spatial targeting and integration, hence the metro has an approved Capital Investment Framework'.

These assertions of respondent 5 are important because they stress the centrality of the BEPP in the suite of plans that Ekurhuleni uses to guide capital investment (and other urban management decisions).

Respondent 6 conceded that recent changes in the National Treasury's requirements for BEPP approval are positive but the requirement that the Council approve the BEPP remains, and this continues to be a concern. The Validation Workshop did not raise significant issues in relation to the BEPP, other than confirming that the format and structure of the BEPP will change from 2014, in line with new guidelines from National Treasury. A key change that flows from these changes is that the three departments of Human Settlements, Economic Development and Transport will now drive the BEPP process.

The provincial focus group specifically raised the BEPP as an example of the province's marginalisation from the USDG planning and implementation. The province does not hold a formal position on the BEPP panel, they noted, and the BEPP was concluded between local and national government, without a provincial input, even though the province's spending is meant to be aligned with the USDG in terms of the draft Policy Framework:

'Even signing off what they are submitted to national. Up to date we have not engaged and got to a point where we have signed off on USDG plans. They submit to national and get approval and allocation but the province won't be involved. Or if we are involved it is after they have already presented to national and they will say this is what we have submitted. At that level we can't change anything. With reporting it is same thing: they will be reporting directly to national until the technical MEC structure and there is nothing you can do.'

This view is contrary to the role envisaged for provinces in the draft Policy Framework. Although the draft Policy Framework does indeed propose that provinces 'will not be responsible for the approval of the BEPPs or the transfer of the [USDG] funds' and that municipalities are not bound to report on USDG progress to provincial government it does suggest that the provincial departments should have 'active participation during the BEPP Assessment Process via the BEPP panel' and 'ensure that alignment of the Provincial Human Settlements Plans ... and Outcome 8 targets are addressed and prioritised in proposed BEPPs' (Draft Policy Framework, 2012: 26).

4.2.2 BEPP Panel and intergovernmental planning

The practice in Ekurhuleni is that City Planning officials represent the municipality at the BEPP panel, with support from Human Settlements officials. This is because the City Planning Department is responsible for drawing up the BEPP.

Only one respondent (Respondent 6) had a view on the engagement with the BEPP panel. The respondent's view was that this engagement is

'problematic and patchy, and the comment given depends on who attends the panel meeting. The national departments represented on the panel use it as an opportunity to bash local government, which then ignores the comment. National Treasury input is better and more positive'.

In addition when it is submitted by panellists, respondent 6 noted, any written comment 'arrives too late' to be addressed by the municipality:

'The process of BEPP approval is enormously frustrating. ... For BEPP approval in May the draft BEPP has to go to the Council in February. This makes a joke of the draft BEPP and Final BEPP [as the BEPP Panel comments only come in once the draft BEPP is already before Council]'. The input from national government that respondent 6 cited as more useful than that from the BEPP panel is that received directly from National Treasury.

The BEPP Final Report of the national Department of Human Settlements that summarized the panel's evaluation of the eight metros' BEPPs however records that Ekurhuleni, along with the other two Gauteng metros, did not submit a final BEPP for evaluation in 2013.

4.3 Allocation of funds and project selection

4.3.1 Method of project selection

Respondent 5 provided a comprehensive overview of the project selection method, which is set out below. It confirms the insights provided by other respondents but most importantly it reflects the consensus at the Validation Workshop on how projects are selected for USDG funding. The steps in the project selection process are set out below:

1. In September/October each year the individual departments are provided with the budgets for the coming financial year, as set out in the multi-year approved budget. The departments then submit their proposed changes to the budget, listing projects that require capital funding. They do not necessarily indicate at this stage whether or not the projects are for USDG funding, but simply for capital funding. This list is submitted to the Finance department.
2. A task force that is led by City Planning and includes representatives of Economic Development, EPMO, Human Settlements and Environmental Management, then evaluates the lists of proposed projects in terms of the municipality's Integrated Development Plan and, more specifically, the IDP's Capital Investment Framework. Again, there are no USDG-specific concerns at this point. This task force makes recommendations to the Finance Department which then compiles the final budget for capital investment in the forthcoming financial year. In effect this task force is updating the capital investment framework (respondent 4). Once projects are selected they are reflected in the targets set in the municipality's Service Delivery and Budget Implementation Plan.

3. At this point a smaller committee, consisting of representatives of the EPMO, Human Settlements and Finance evaluates the approved list of projects for capital investment in terms of the USDG Framework, 'notwithstanding confusion as to what can and cannot be funded by the USDG' (respondent 5) and earmarks those projects for which USDG funding will be allocated. There is a column next to the list of projects, in which the committee marks each project either with a Y or an N, depending on their compliance with the USDG Framework.

Ekurhuleni is testing a new Capital Prioritisation Model that is set out in the 2013 BEPP and is intended for roll-out in 2014-15. This model builds on the process outlined above but is more specific about the broad break-down of the USDG funds into the four categories. i.e.:

1. **Category 1 – Urban Restructuring:** 30% of the capital budget;
2. **Category 2 – Upgrading & Renewal:** 39% of the capital budget (including furniture, vehicles and equipment);
3. **Category 3 – Economic Development:** 30% of the capital budget;
4. **Category 4 – Local Interventions:** 1% of the capital budget (BEPP, 2013: 118).

4.3.2 Method of budget allocation to projects

The Validation Workshop raised a number of concerns with the approach to budget allocation adopted in Ekurhuleni. National government representatives pointed out, and weren't significantly challenged in this by the Ekurhuleni representatives, that in practice the main criterion for prioritisation is 'spade readiness', and that there are not any criteria related to poverty, social problems, vulnerability, crime etc. The EMM team conceded that the metro's budget is not easy to read for the purposes of identifying USDG impacts, because of the metro's 'reactive approach'. There was however an indication that this will change in the next financial year, where there will be greater emphasis on programme-based budgeting and implementation. The national officials reiterated their concern that the predominant question in Ekurhuleni seems to be whether the money can be spent quickly, and this needs to be addressed. If this pattern persists, they maintained, then there is no hope of the USDG leveraging other investment to address economic and spatial problems as the distribution of investment will be determined by the type of infrastructure service that lends itself to relatively easy spending.

There was also agreement at the Validation Workshop that EMM's use of the USDG is part of a bigger problem of budgeting in the metro and of the metro's overall financial position. The metro is pursuing the twin goals of a) building depleted capital reserves (through an extension to their current municipal bond) and b) by changing the ratio between capital and operating expenditure from 10:90 to 20:80.

The concerns raised at the Validation Workshop reinforced earlier concerns voiced by the municipal respondents. For example, one respondent described the process of budget allocation as one in which the municipality

'retrofitted [the] budget to see which projects already identified in other processes best fit Outcome 8; if they do then we allocate them to USDG' (respondent 6).

Respondent 3 confirmed that projects that match the USDG criteria are allocated USDG funding at the earliest opportunity so that the departments responsible for the projects can proceed with implementation speedily. Respondent 2 emphasised that Ekurhuleni has 'decided to prioritise USDG spending to avoid having to repay funds to National Treasury'. This perspective is not supported by the BEPP or other municipal planning documents.

4.3.3 List of USDG-funded projects by category

The quarterly spreadsheet annexed to the most recent quarterly 'non-financial report' submitted to the national Department of Human Settlements (Quarter 2, 2013/14) contains a list of the 198 USDG-approved projects being implemented in Ekurhuleni³, with projects listed under the following six categories, together with the budgeted cost per project.

1. Creation of sustainable settlements – physical infrastructure;
2. Creation of sustainable settlements – social infrastructure;
3. Economic development;
4. Renewal of existing assets;
5. Upgrading and renewal; and
6. Urban restructuring.

The tables below set out the distribution of projects between these six categories, as well as the share of the budget allocated to each category for each of the most recent financial years (2013/14 and 2012/13). However as the categories have changed over the two years it is difficult to draw detailed conclusions from these tables:

³ A more recent list of projects, dated 30 March 2014, lists 197 projects and is annexed to this report.

Table 8: USDG projects per category, 2013/14

Category	Number of projects per category	USDG funds per category
Creation of Sustainable Settlements - Social Infrastructure	2	R 1 230 000
Renewal of Existing Assets	1	R 2 000 000
Creation of Sustainable Settlements - Physical Infrastructure	2	R 3 000 000
Economic Development	6	R 26 950 000
Upgrading and Renewal	83	R 568 641 700
Urban Restructuring	104	R 757 195 510
Total	198	R 1 359 017 210

Table 9: USDG projects per category, 2012/13

Capitalisation Model / Project Category	Number of projects per model type	USDG funds per model type
Other	1	R 465 788
Cost Reduction	2	R 1 800 000
Good Governance Projects	2	R 6 035 000
Creation of Sustainable Settlements - Social Infrastructure	24	R 34 043 847
Income Generating	20	R 104 735 000
Renewal of Existing Assets	83	R 317 244 458
Creation of Sustainable Settlements - Physical Infrastructure	97	R 529 581 549
Total	229	R 993 905 642

The distribution of USDG funds between the different types of municipal ward is shown in the tables below, also for the 2013/14 and 2012/13 financial years, showing an average allocation of around 50% of funds to 'underdeveloped' wards, with a significant increase of 10% to this category between 2012/13 and 2013/14:

Table 10: USDG projects per ward type, 2013/14

Ward Category	Number of projects per ward type	USDG funds per ward type
CBD	6	R 60 500 000
CBD / Developed, Residential	14	R 73 263 300
All wards	11	R 79 300 000
Developed, Residential	52	R 388 776 000
Underdeveloped	6	R 757 177 910
Total	89	R 1 359 017 210

Table 11: USDG projects per ward type, 2012/13

Ward Category	Number of projects per ward type	USDG funds per ward type
Other	2	R 1 256 788
CBD	10	R 40 100 000
CBD / Developed, Residential	12	R 74 050 463
All wards	17	R 128 199 400
Developed, Residential	64	R 296 980 635
Underdeveloped	124	R 453 318 356
Total	229	R 993 905 642

4.3.4 Leveraging capital finance

Ekurhuleni tends not to combine USDG finance with other sources of finance. Projects are identified specifically and wholly for USDG funding. Respondent 3 made the point that:

'on the whole there is no counterfunding, although there are some cases of blending'.

Respondent 6 confirmed this by adding that:

'there are too many projects to identify which USDG-funded ones also received funding from other sources as 'co-funding is by programmes not project'.

There was insufficient feedback on this issue to form a firm view on the approach towards leveraging capital finance, whether from other sources of public funds, the private sector or individual households, through the USDG in Ekurhuleni. A core view expressed by respondent 3 and not disputed by other respondents is that:

'Ekurhuleni prioritises spending of the USDG and endeavours to spend the USDG first, before looking to other sources of grant finance.'

4.4 Grant expenditure and outputs

4.4.1 Grant spending against budget to date

In the *Non-financial report in respect of USDG allocation for the second quarter of the 2013/2014 financial year* submitted by Ekurhuleni to the national Department of Human Settlements on 28 January 2014 the following spending against budget is recorded, broken down by department:

Table 12: Spending against budget, end quarter 2, 2013/14

Department	Budget (Rands)	Actual Expenditure (Rands) to Date 31/12/2013	Total Actual Expenditure (Rands) + Commitment on Venus (Stores Orders, etc.)	Total % Actual spent	Total % spent (inc. commitment)
Disaster & Emergency Management Services	25,554,350	4,236,050	4,236,049.65	16.58%	16.58%
Economic Development	24,850,000	14,800,173	14,972,413.60	59.56%	60.25%
EMPD	13,500,000	-	-	0.00%	0.00%
Energy	165,931,000	68,889,337	80,288,902.28	41.52%	48.39%
Environmental Resources Management	2,000,000	244,434	244,433.60	12.22%	12.22%
Health & Social Development	66,860,000	31,932,495	33,836,543.14	47.76%	50.61%
Human Settlements	36,000,000	4,653,956	12,881,575.36	12.93%	35.78%
Real Estate	86,600,000	10,552,161	12,035,120.33	12.18%	13.90%

Department	Budget (Rands)	Actual Expenditure (Rands) to Date 31/12/2013	Total Actual Expenditure (Rands) + Commitment on Venus (Stores Orders, etc.)	Total % Actual spent	Total % spent (inc. commitment)
Roads and Stormwater	543,721,860	370,058,826	370,914,913.71	68.06%	68.22%
Sports, Recreation and Culture	137,400,000	48,220,705	50,391,027.98	35.10%	36.67%
Transport Planning and Provision	53,700,000	5,806,914	5,806,914.02	10.81%	10.81%
Waste Management	41,700,000	5,832,118	5,867,915.35	13.99%	14.07%
Water & Sanitation	161,200,000	44,218,809	44,275,808.83	27.43%	27.47%
Erwat - Wastewater treatment (Opex)	50,000,000	50,000,000	50,000,000	100.00%	100.00%
Chemical Toilets (Opex)	160,916,650	56,360,144	56,360,144	35.02%	35.02%
City Planning USDG (Opex) ⁴	15,000,000	-	-	0.00%	0.00%
Total	1,584,933,860	715,806,121	742,111,761	45.16%	46.82%

The table above shows that at the completion of the first six months of the municipal financial year the expenditure is just under 50%. This represents a marked improvement on the previous year's performance where at the same point

⁴ This provision for operating expenditure to be covered by the USDG (just under 1% of the total allocation) is inconsistent with both DORA and the draft Policy Framework for the USDG, both of which restrict the utilization of the USDG to capital expenditure.

in the financial year the spending was only at 30% of the budgeted provision (Report 8, Capital Expenditure Reporting, 31 December 2012)⁵.

The report cites a list of steps that the Ekurhuleni Enterprise Project Management Office department has taken to ensure that there are better spending patterns and, particularly, the steps taken to move away from the 'hockey stick expenditure pattern' which has characterised Ekurhuleni's expenditure in the past, where spending is slow in the earlier stages of the financial year and then picks up very steeply towards the end of the 12-month period. The steps listed in the report are set out below in full:

"The EPMO schedules monthly War Room Meetings with all departments and over and above the monthly meetings, one on one meetings are held with departments

The War Room meetings deliberate on the following matters:

- The capex expenditure progress, where departments report on performance of their capex expenditure and outline challenges and issues that need troubleshooting by the EPMO, Finance, COO's office and Bids Committees.*
- The cashflows projections, planned physical progress and actual progress, and overall target expenditure is monitored and where there are discrepancies an explanation is provided by departments.*
- The Departments are interrogated where there is a lack of progress i.e. financial and physical progress on their projects.*
- Where there are bottlenecks on the processing of payments the issues get resolved with the assistance of finance and if bottlenecks are with Bids Committees the issues get escalated for special attention by the City Manager.*
- Contractor and Consultants are also interrogated from time to time to get an explanation for none performance of their projects to ensure that everyone takes full responsibility of the progress of projects."* (Report 8, Capital Expenditure Reporting, 31 December 2012).

The 2013 BEPP however concedes that 'historic trends indicate that the municipality is not able to implement higher levels of capital budget' than the almost R2 billion that it is currently spending, albeit with spending patterns over the past two financial years that 'fall short of budgeted provisions' (BEPP, 2013:108). This point was however disputed in the Validation Workshop, where Ekurhuleni participants were clear that their institutional arrangements now are capable of implementing higher levels of capital budget.

In the most recent completed financial year, 2012/13, the municipality succeeded in spending 93.5% of the budgeted provision for the USDG which, interestingly, was better than the estimates given by some respondents, which varied between

⁵ However, it must also be noted that at the end of the third quarter in 2013/14 spending is at 55% (EMM Project list provided April 2014), which leaves a significant amount of spending to be achieved in the final quarter of 2013/14.

10 and 20% under spending⁶. The figure below shows, the month by month spending in relation to budget for 2012/13:

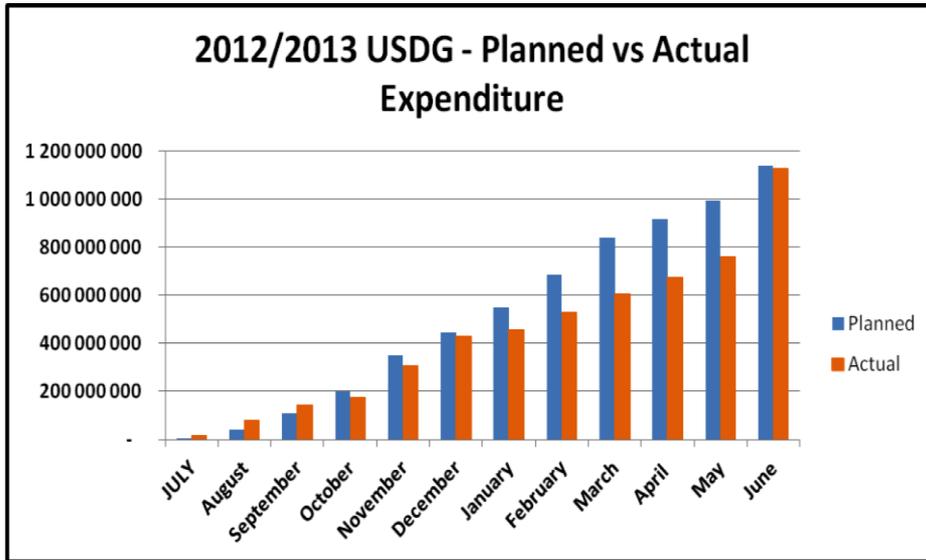


Figure 6: Spending vs. Budget, 2012/13

The Performance Evaluation Reports compiled by the national Department of Human Settlements for 2012 and 2013 do not raise specific concerns with Ekurhuleni’s capacity to spend against the budgeted amounts, although it can be implied from the remediation and rectification steps suggested in 2012 (DHS, 2012a:100) that there was a general concern that Ekurhuleni should not relax its efforts to sustain this capacity. The steps suggested then included the holding of one-on-one meetings between the EPMO and individual departments and the establishment of the War Room, both of which were taken up with good effect in the following financial year.

4.4.2 Spatial distribution of USDG projects

The map below shows the spatial distribution of USDG projects for the 2013/2014 financial year.

⁶ For example, Respondent 2 believed that the average rate of under-spending of USDG funds in Ekurhuleni is 15%, although this figure is not evident in the financial data provided.

The map below summarises the Ekurhuleni Capital Investment Framework for 2013/2014, enabling a comparison between the areas designated for capital investment, in this map, and those where USDG investment is taking place, in the previous map and also showing that there is a broad correlation between the Capital Investment Framework's proposed distribution of investment and the actual investment of USDG funds.

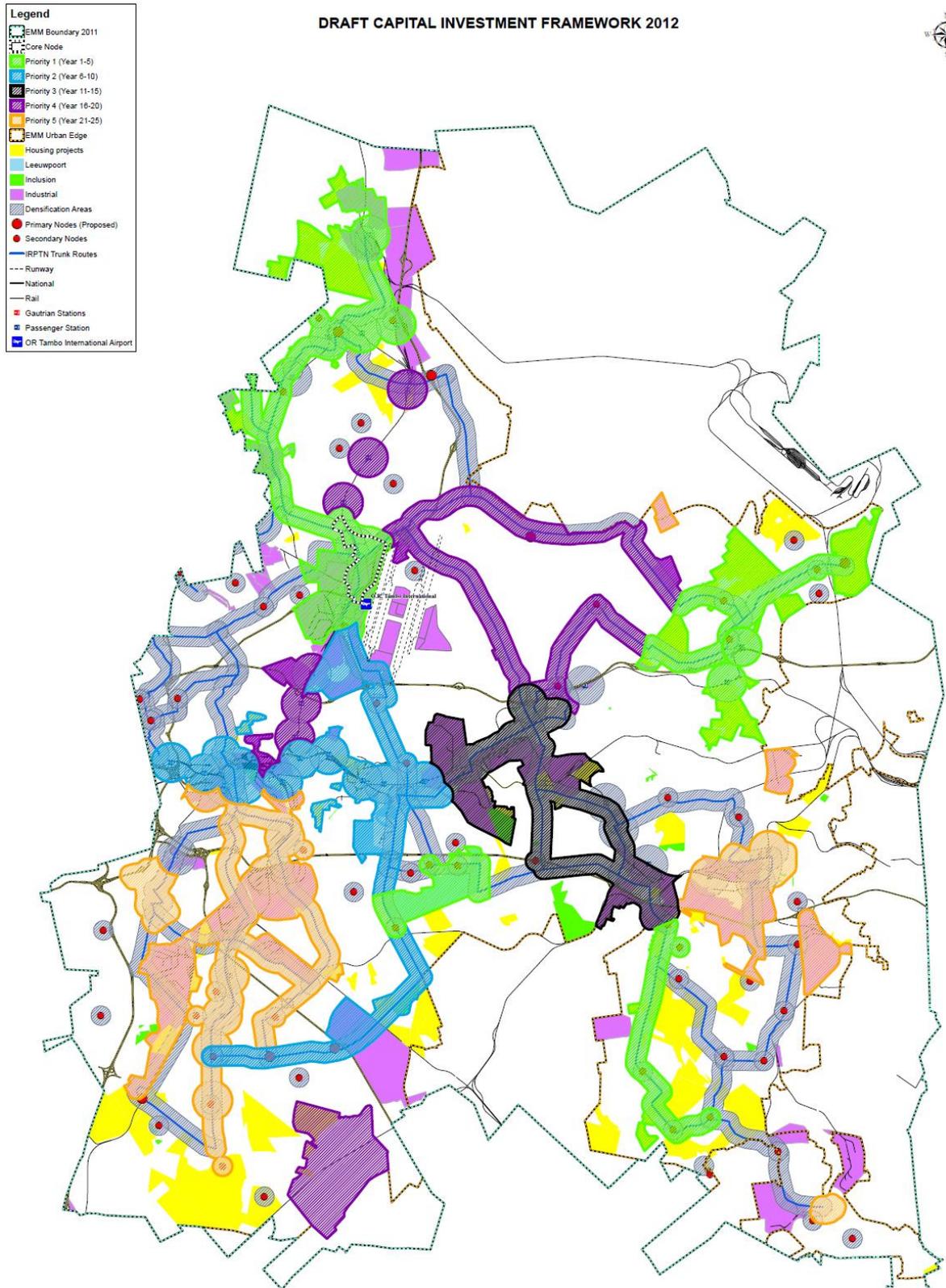


Figure 9: A representation of the Capital Investment Framework 2013/14⁷

Set out below is the map from the 2013/2014 BEPP for Ekurhuleni that shows the main spatial objectives that the City aims to achieve with its current IDP, as set out in the Spatial Development Framework (that forms part of the IDP). The emphasis in the SDF Framework on the 'service upgrading areas' (marked yellow) corresponds broadly with the targeting of investment shown in the maps depicting the location of USDG projects, which supports the general contention that Ekurhuleni allocates a substantial part of the USDG to former township and informal settlement areas.

⁷ Although the map indicates that it is a draft for 2012 it was provided by Ekurhuleni as the 2013/14 CIF map.

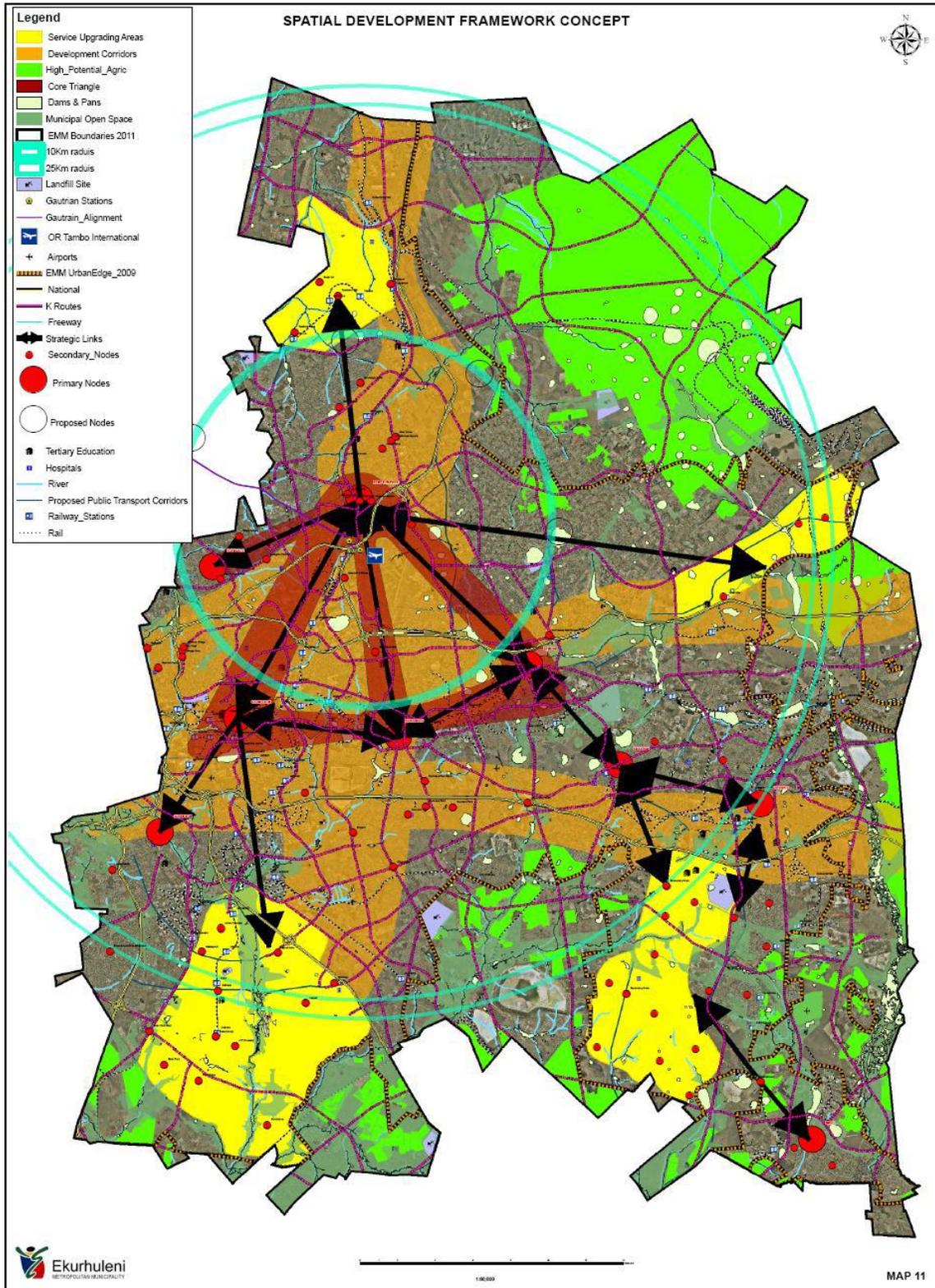


Figure 10: Spatial Development Framework Concept, 2013/14 IDP

Respondent 6 specifically pointed out that there could be better spatial targeting of the USDG, that it should be spent more in the currently developed areas and less

on the periphery. Respondent 6 did however concede that the trend in Ekurhuleni is towards less peripheral expenditure of the USDG, which was supported by respondent 4:

'after 2014/2015 there will be greater concentration, especially in relation to urban renewal projects and flagship projects such as Leeuwpoort⁸'.

Other respondents acknowledged that this is difficult to achieve in a municipality such as Ekurhuleni that is made up of numerous urban centres. Respondent 1, for example, emphasised the need:

'to spread capital investment across the nine towns that make up Ekurhuleni while at the same time reinforcing a common identity as 'one big city''.

This difficulty was endorsed by the participants at the Validation Workshop, where it was also pointed out that the officials feel that they are caught in the tension between the need on the one hand to address constitutional social, economic and environmental obligations, which all have different spatial manifestations, and on the other hand, the need to operate a financially sustainable municipality. The national Department of Human Settlement's BEPP Assessment Report of 2011 acknowledged that this is a particular challenge in Ekurhuleni, due to its particular historical spatial form. That report contended, in 2011 that:

'The budget of the city of Ekurhuleni is mostly invested on the periphery (the city is formalizing informal settlements along the urban edge) where there are no potential economic opportunities while the private sector seems to have taken a grip of the areas close to opportunity. This is a catalyst for an urban divide between the rich and the poor'. (BEPP/USDG 2011/12 Report, 2011: 35)

This statement summarises the challenges facing Ekurhuleni in its implementation of the USDG: the tension between the short term service delivery needs of the poor on the periphery and the longer term objective of creating a more efficient city form.

A key part of the USDG implementation strategy for Ekurhuleni (see Section C of the BEPP, 2013: 96) is the identification of strategic land parcels in accordance with the metropolitan spatial development framework ('MSDF') in general and specifically three sections of the MSDF:

1. Priority geographic areas;
2. Prioritisation of the Capital Investment Framework; and
3. Regional Spatial Development Frameworks (BEPP, 2013, page 96).

⁸ To contextualize this point though, the Leeuwpoort initiative was identified in the 2011/12 BEPP as Ekurhuleni's 'third highest priority' (BEPP/USDG Final 2011/12 Report).

The relevant parts of these three sections of the MSDF are 'repeated' in the BEPP, 2013 (Section C: Implementation).

4.4.3 USDG outputs: products and services delivered

The respondents listed their views as to what are the main outputs of the USDG in Ekurhuleni. These are listed in the table below:

Table 13: Respondents' perceived outputs of USDG

Respondent	Main outputs of USDG in Ekurhuleni
1	Land: '500ha purchased using the grant' ⁹ Roads High-mast lighting Solar alternatives in informal settlements
2	'In this order: 1) roads, 2) energy, 3) water & sanitation and 4) 'human settlements''
3	Land: '10-20% of the budget goes to land costs' ¹⁰ Roads Water and sanitation
4	Energy Water and sanitation Roads High-mast lighting
6	Water and sanitation Roads Electricity

The respondents have thus identified roads, water and sanitation and energy/electricity as the key outputs of the USDG. This is supported by the breakdown of the 2013/14 USDG by municipal department, set out in the table below, which shows that 64% of the USDG spend is indeed directed towards those services (shaded in Table 14 below).

⁹ This figure is presumably an estimate of the cumulative area of land acquired through the USDG as the figure for 2012/13 year alone was only 88 hectares (which was successfully acquired). In fact the total planned area of land to be acquired cumulatively from 2011/12 to 2014/15 was intended to be 787 hectares, according to the slides presented to parliament's portfolio committee for Human Settlements, 12 September 2012.

¹⁰ This figure does not correspond with the actual amount of the USDG spent on land acquisition in 2012/13, which was closer to 2.55% of the budget. In the current, 2013/2014 year, an amount of R32.4 million rand has been set aside for land acquisition for human settlements, which amounts to 2% of the allocated budget. By 30 March 2014 none of this money had been spent on land acquisition.

Table 14: USDG funding per municipal department, 2013/2014

Department	USDG funding per department	Departmental share of USDG budget	No of projects per department
Environmental Resources Management	R 2 000 000	0,1%	1
EMPD	R 13 500 000	1,0%	4
Economic Development	R 24 850 000	1,8%	5
Disaster & Emergency Management Services	R 25 554 350	1,9%	5
Human Settlements	R 36 000 000	2,6%	2
Waste Management	R 41 700 000	3,1%	5
Transport Planning and Provision	R 53 700 000	4,0%	8
Health & Social Development	R 66 860 000	4,9%	16
Real Estate	R 86 600 000	6,4%	16
SRAC	R 137 400 000	10,1%	17
Water & Sanitation	R 161 200 000	11,9%	27
Energy	R 165 931 000	12,2%	36
Roads and Stormwater	R 543 721 860	40,0%	56
Total	R 1 359 017 210	100%	198

The three charts below show that this breakdown of USDG expenditure has been consistent over the past three years.

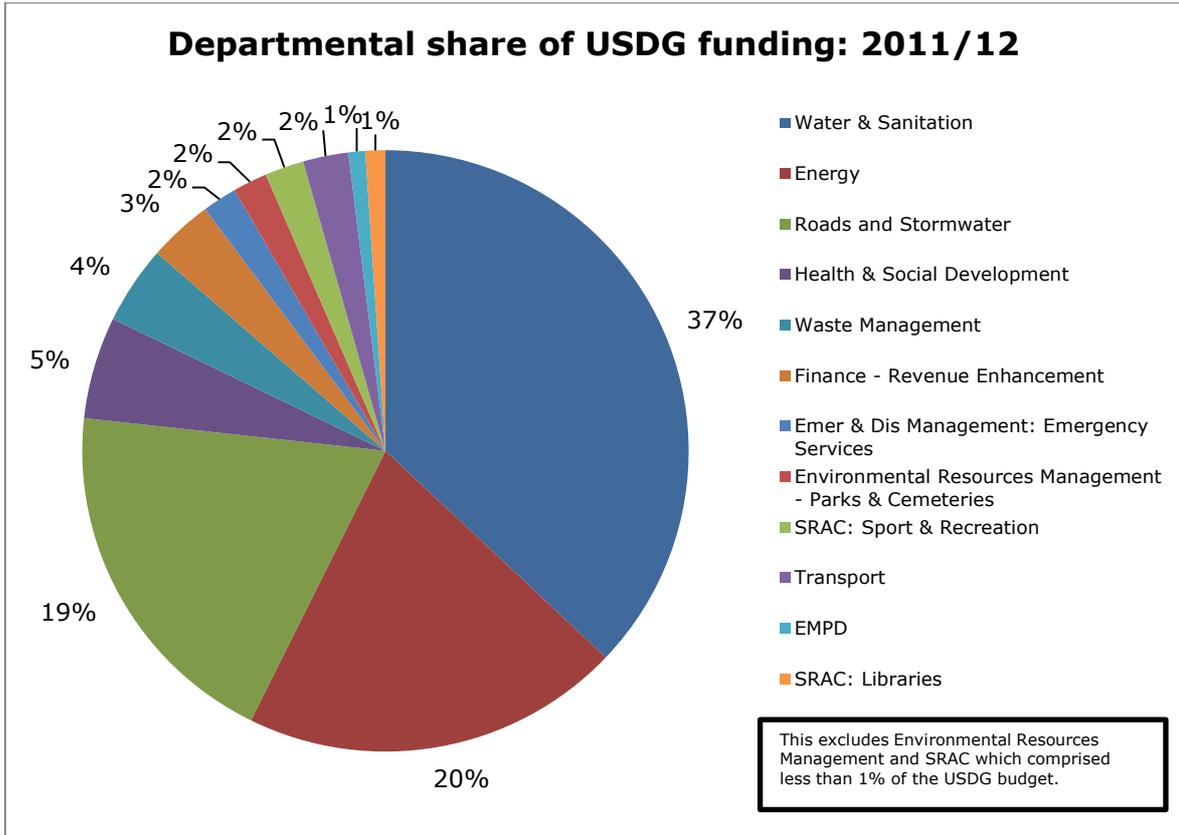


Figure 11: Departmental share of USDG funding: 2011/12

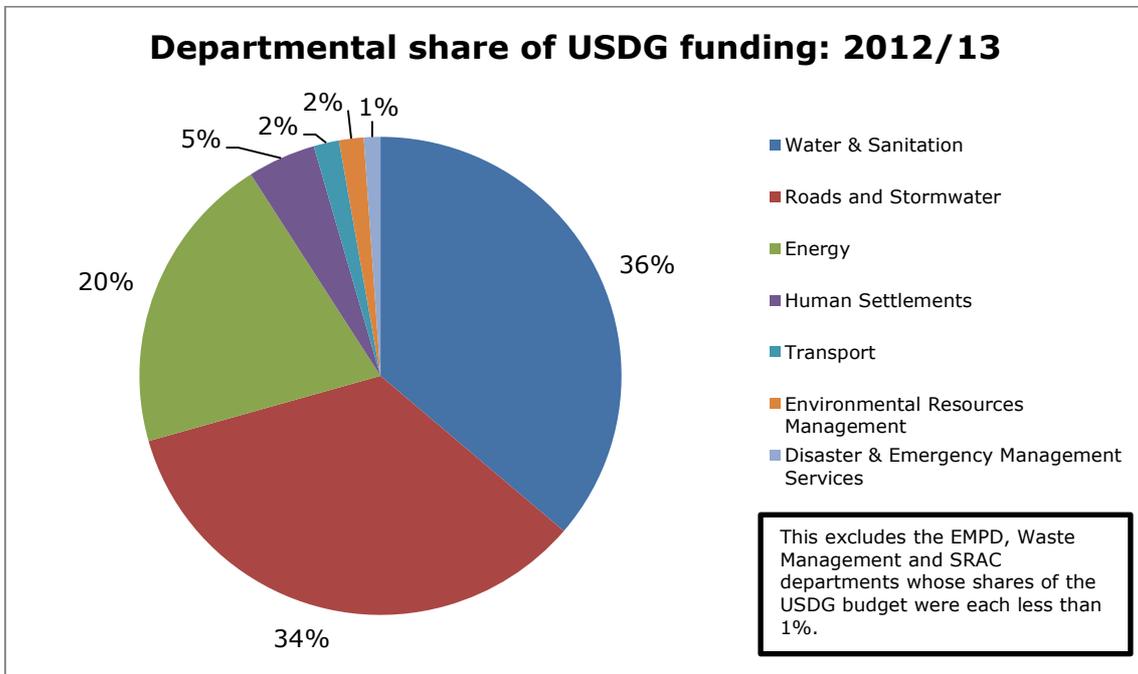


Figure 12: Departmental share of USDG funding: 2012/13

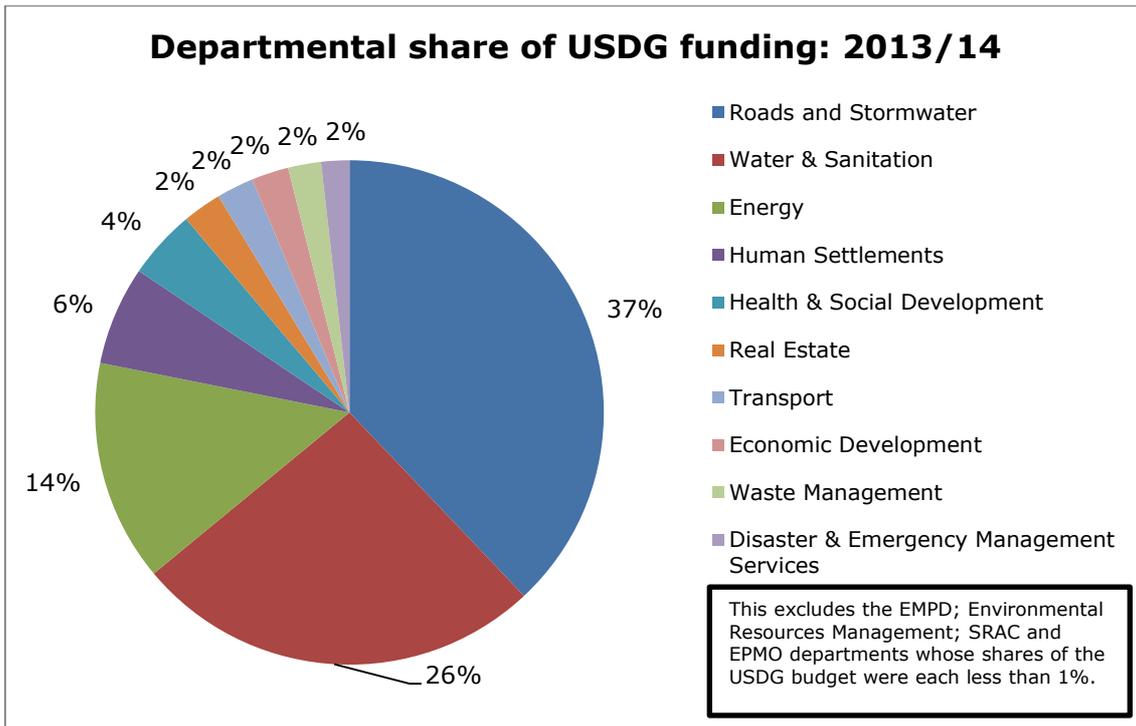


Figure 13: Departmental share of USDG funding: 2013/14

4.5 Housing accreditation, intergovernmental relations and interface with other interventions

4.5.1 The USDG and the Housing Accreditation¹¹ process

None of the respondents made specific comments on the impact of accreditation and assignment but there was general agreement that the likely impact of assignment, expected in July 2014, would be that the municipality would be able to achieve better integration of the expenditure on infrastructure (chiefly through the USDG) and the top structures (through the current HSDG). Respondent 4 made the point that:

'due to the prioritisation of addressing the backlog of top structures it is difficult now to align USDG and HSDG spending but that this should improve with assignment.'

Respondent 3 also felt that 'accreditation is a move in the right direction' and respondent 6 believed that after assignment Ekurhuleni would struggle less:

'to develop high-density residential development, as it does now, and that this should be the end result of accreditation, as splitting funds between top structures, land and infrastructure doesn't work: flexibility is what is important.'

¹¹ The Metro has already received Level 2 Accreditation. They are awaiting assignment. In some cases where respondents used the term 'accreditation' they were referring in fact to the next stage in that process, which is 'assignment'.

The BEPP is more explicit in that it states that:

'The City seems to have embarked on the drive for the servicing of sites without indicating where the Gauteng Province will develop top structures. This has been addressed with the accreditation where the City will service the sites and develop top structure' (BEPP, 2013: 81).

The view thus expressed in the BEPP is that accreditation will certainly help to address the problem of misalignment of USDG and HSDG expenditure.

4.5.2 The Cities Support Programme

Only one of the respondents was willing to discuss this, respondent 4. Nevertheless the respondent was still hesitant to make a comment, remarking only that:

'offerings are not sufficiently defined ... maybe it's not worth the trouble'.

There was however a concession that potential support from this programme should be better investigated and explored and that there is a hope that the Integrated City Development Grant ('ICDG') will 'solve lots of problems with the BEPP and USDG'. The discussion at the Validation Workshop revealed both a more informed understanding of the CSP and its 'offerings' as well as an appreciation that Ekurhuleni will need to draw on the resources available through the CSP if it is to successfully execute its human settlement mandates once full assignment of housing powers has been achieved.

4.5.3 Changing roles, challenges and gaps within the metro

The EPMO plays a central role in coordinating the capital expenditure of the different departments, as well as the reporting on expenditure progress to national and provincial government. It is a stand-alone department, with a Head of Department who reports to the Municipal Manager. Political responsibility for the EPMO lies with the Member of the Mayoral Committee responsible for Corporate Services (respondent 3). Political responsibility for the USDG however lies with the MMC for Human Settlements (respondent 5). Thus, while one MMC is responsible for the day to day support to the various departments' spending of the USDG (and, of course, other capital funds) another MMC is answerable to the Executive Mayor for the overall performance of Ekurhuleni in spending the grant. This does not appear to cause significant problems currently, but there is potential for unclear mandates to generate problems in the future especially as the scale of USDG spending increases.

Respondent 4 queried the long-term viability of a body such as the EPMO managing the spending of a growing pool of capital in Ekurhuleni: 'can it make sense for one department to manage more than R2 billion rand in a year?' The respondent felt that once the spending levels were improved in the municipality then greater responsibility for spending should be returned to the line function departments. This view was challenged in the Validation Workshop, where it was agreed that the respondent here was overstating the case. The EPMO role, the Validation Workshop agreed, is sustainable and capable of being scaled up to manage a larger capital budget.

In addition to the growing role of the EPMO, the role of the City Planning Department has also grown, as it is responsible for the compilation of the BEPP (respondents 3, 4 and 6). There are some frustrations within the department of Human Settlements concerning a perceived loss of control over the implementation of what are generally understood to be 'human settlements' projects.

4.5.4 Changing roles, challenges and gaps externally

Respondents agreed in general that the advent of the USDG has strengthened the municipality's capacity to achieve more integrated capital investment. However, a number of respondents indicated that they still experience frustration with provincial departments responsible for providing health and education infrastructure as well as the Passenger Rail Agency of South Africa, which the BEPP identifies as crucial role-players in the municipality's future development plans.

Respondent 4 felt that the role of the provincial government and specifically the Gauteng Department of Human Settlements in relation to the implementation of the USDG is not sufficiently clearly defined. Nevertheless the respondent felt that there are a growing number of project sites where there is 'good complementarity'. An example of better alignment is the use of the USDG in tandem with the HSDG in Etwatwa.

The outcomes of both the focus group meeting with the Gauteng Department of Human Settlements officials as well as the Validation Workshop confirmed that there is a serious gap in the institutional arrangements between the local and provincial spheres. This impacts negatively on both Gauteng and Ekurhuleni's capacity to integrate their planning of the USDG and HSDG, with obvious negative consequences for land use and infrastructure integration. At the provincial focus group a provincial official expressed frustration with the uncertainty that dominates interactions between the two spheres:

'I think the main issue is the alignment on the USDG and the HSDG and the prioritisation. But also the fact we don't get to see their plans beforehand. As said before, in most cases in Ekurhuleni for example even if you can be short of funds for housing development they will always say the USDG is not meant for that. It is for other things. But you only get to see the expenditure later on when there are those meetings.'

The same official repeated this concern with an ambiguous role for the province:

'We need clarity as to what is our involvement as human settlements when it comes to planning in terms of the grant. Do we have a role to play with the entire grant going forward?'

4.6 Monitoring, reporting and oversight

4.6.1 Metro monitoring and reporting

Within the metro there has been growing monitoring of the use of the USDG as the EPMO has established itself and clarified its various roles in relation to capital expenditure (respondents 2, 3 and 4). The EPMO has a schedule of monthly 'war room' meetings with all municipal departments to establish progress in relation to capital spending. In addition it schedules monthly bilateral meetings with each department to identify why problems may have arisen and to identify bottlenecks

that need to be cleared. There is a direct route from the EPMO to the Municipal Manager where the bottleneck is procurement related and intervention in the municipality's bids committee is needed. This escalation in the monitoring of the USDG spending and implementation appears to have been prompted by remedial issues raised in the 2012 Performance Evaluation Report of the national Department of Human Settlements (page 100).

Whereas previously the Finance department was responsible for internal (and external) reporting in relation to the USDG this function is now assumed by the EPMO (respondent 2). The EPMO consolidates the progress reports produced by the line departments into single reports to the Member of the Mayoral Committee responsible for Corporate Services.

Improving the monitoring and reporting of Ekurhuleni's use of the USDG is a priority identified in the 2013 BEPP, which commits the metro to achieving:

'substantial improvements to EMM's monitoring and evaluation framework to ensure alignment and consistency in the reporting and measurement of BBBEE, SMME development and job creation.' (BEPP, 2013: 93).

4.6.2 National involvement and oversight

All respondents expressed a degree of frustration with the USDG-related reporting requirements imposed by national government. For example, respondent 3 complained:

'there is quite a number of reports, National Treasury asks, Human Settlements ask, some are the same, some are not, the MEC also asks. A one-stop shop for reporting is what we need'.

While the core reporting document provided to national government is the quarterly report (consisting of a 'non-financial report' together with a detailed spreadsheet showing progress in relation to each project) that is submitted to the national Department of Human Settlements, there are also Section 71 Reports provided to the National Treasury and the Gauteng MEC for Human Settlements.

5 Analysis of the findings

The conclusions arising from the Ekurhuleni metro implementation assessment are structured according to the guiding evaluation questions for the overall project.

5.1 How has the USDG been interpreted at national, provincial and municipal levels?

There is a consistent interpretation of the USDG at the municipal level. While there is some deviation in emphasis the respondents interviewed supported the view that the USDG is intended to fund land and infrastructure that primarily supports previously disadvantaged areas (former township areas and informal settlements in the main). This is consistent with the 'grant purpose' set out in the Division of Revenue Act, 2013, that the USDG 'supplements the capital revenues of metropolitan municipalities in order to support the national human settlements development programme, focussing on poor households'. Ekurhuleni strives to maintain a position of sufficient compliance with the prescriptions of the DORA,

while also expressing some frustration that it cannot move beyond those restrictions. An example of where Ekurhuleni has innovated in its interpretation of the DORA outcome statements is in the allocation of USDG funds for Economic Development purposes, albeit less than 2% of the total allocation.

All respondents indicated a tension between the wish in Ekurhuleni to widen the range of project types funded by the USDG and the requirements of the National Treasury and national Department of Human Settlements. There are two dimensions to this:

1. Firstly, there is uncertainty as to the scope of the USDG and what it can be used to fund. This relates to the ambiguity that all respondents expressed, in all three spheres of government, around the precise scope of Outcome 8 and 'sustainable human settlements'. Even within the municipality, and apparently between municipalities, there are different views as to what constitutes compliance with the requirements of the USDG over and above the agreed items of land and bulk infrastructure. A consistent call from all municipal respondents is for a uniform and shared interpretation of the national USDG Framework as they see this as providing them with the necessary certainty to proceed with the future implementation of the USDG. The inconsistencies and differences in emphasis between the outputs listed in DORA and those in the draft Policy Framework attest to this difficulty. On the one hand the metro would want to follow the outputs prescribed in legislation, i.e. the DORA outputs, while on the other hand the main, albeit still draft, policy document suggests a different set. The difficulties experienced in Ekurhuleni in deciding whether it is permissible to spend USDG funds on social facilities is aggravated by the effective silence of DORA on the issue while the draft Policy Framework's Performance Matrix lists fourteen indicators to measure performance in the delivery of social facilities.
2. Secondly, the ambiguity around the role of the provincial government has to be clarified. On the one hand Ekurhuleni is frustrated that it cannot achieve sufficient integration between USDG expenditure and the province's use of the HSDG, while on the other hand the province sees itself as marginalized. The nature and scope of the province's role in supporting and monitoring the municipality in its performance of all human settlements functions has to be clarified. As the date of full assignment of the housing function approaches, this will become even more important.

5.2 Is the grant being implemented according to the design?

There have clearly been teething problems with the implementation of the grant in Ekurhuleni. Respondents pointed out and even emphasised these, and they are apparent in the evaluation reports. They take two main forms. On the one hand there have been problems evident in the capacity of the municipality to spend in line with the provided budget. These problems appear to be being addressed however: recent and current rates of spending are significantly improved on earlier years. On the other hand there are, and remain, problems with project identification and optimising the spatial and developmental impact of the grant. There is a general agreement that a more rigorous approach to project identification and selection for funding is needed. Over the past two years the emphasis has been on establishing and running a system for spending the grant. Now there is a need to build on that system to ensure that it delivers more effective outcomes. The section of the BEPP (section C) that is ostensibly dedicated to

implementation is simply a 'repeat' of relevant sections from the metropolitan and regional Spatial Development Frameworks and the Capital Investment Framework. It does not actually spell out how the USDG should be implemented in Ekurhuleni, how the various and sometimes disparate provisions of the different plans need to be massaged into a set of projects that are both implementable and will contribute to human settlements and spatial outcomes. This is clearly an area for on-going improvement.

Perhaps because it is too soon to see results or perhaps because of the way in which performance is monitored and measured it is difficult to identify the detailed performance of the grant. For example, it is difficult to ascertain how much land has been acquired through the USDG. Although the output measures in the final quarterly report of a financial year do report both the amount of land acquired and the amount of money spent on its acquisition, these figures differ significantly from the respondents' analysis of land acquisition (see 4.4.3 above).

In order to assess whether or not the grant is implemented according to its design in Ekurhuleni it is necessary to evaluate the assumptions on which the intervention elements are based:

- *'That the BEPP is consistent with and aligned to statutory planning at local and provincial level'*. The BEPP in Ekurhuleni is closely aligned to all statutory local plans. It is not inconsistent with provincial plans, at least in theory, but in practice there is a high level of unhappiness within the province around what is seen to be inconsistency and non-alignment with provincial planning.
- *'That the BEPP panel provides a constructive intergovernmental influence on the development of the plan'*. This is clearly an assumption that does not hold. Ekurhuleni respondents expressed widespread dissatisfaction with their engagement with the BEPP panel's contributions. Moreover, they pointed out that the timing of the panel's contributions were not aligned with the timing of the Council's meeting cycle, itself determined by the budgeting requirements, so that even where the panel's contributions were seen as useful, they could not be integrated into the final BEPP. In 2013/14 Ekurhuleni did not submit its final BEPP to the panel. The absence of a formal role for the provincial department of Human Settlements in the BEPP panel process is another obvious shortcoming that clearly undermines 'constructive intergovernmental influence on the development of the plan.'
- *'That the municipality has the organisational capacity to deliver on its existing capital works programme.'* This assumption is largely met in Ekurhuleni, through its use of the EPMO in support of the different service delivery departments. All respondents agreed that the municipality is able to deliver on its current capital works programme and this was confirmed at the Validation Workshop. As recently as 2012 there were concerns expressed in the Performance Evaluation Report around this area of capacity, and the current level of spending at the end of the third quarter of 2013/14 also suggests that the problems have not been resolved entirely.
- *'That there is well-located land available for acquisition in the metro.'* This remains a significant obstacle to Ekurhuleni meeting all the USDG objectives. Ekurhuleni has a high proportion (over 60% of the municipal area) of dolomitic land that is potentially unsuitable for human settlement purposes. This requires extensive and additional geotechnical and

environmental studies, which also adds to the time and resources needed to secure land for human settlement purposes.

- *'That the municipality has accurate, reliable and timely administrative systems for processing of all outputs.'* This is an area in which Ekurhuleni does struggle. The 2013 Performance Evaluation Report lists six weaknesses that face Ekurhuleni in implementing the USDG and of these, three reflect on the 'administrative systems for processing ... outputs': late finalization of institutional arrangements to support the management of the USDG; staff turnover and difficulty in attracting scarce skills; and project management capacity constraint impacts on the implementation of projects.
- *'That all of the grant outputs will integrate under acceptable social conditions.'* There is no doubt that there is significant change needed to achieve this integration. At a fundamental level, the integration of the USDG and HSDG spending plans is needed. The emphasis in this assumption on social conditions is also important, as the ongoing uncertainty as to the extent to which the USDG can be deployed to address social infrastructure backlogs remains largely unresolved.
- *'That other outcomes related to health, education, safety, economic growth and social cohesion are realised through concurrent interventions.'* There was no evidence of such concurrent interventions having been triggered by the way in which USDG funds were allocated. Most of these interventions depend significantly on the executive mandates of provincial and national spheres of government and it can be assumed that with an improvement in intergovernmental coordination and integration the fulfilment of this assumption will be achieved more strongly.

Further, it is important to establish whether or not the three identified intervening factors are present to support the implementation of the USDG in Ekurhuleni. These intervening factors are:

- implementation of other housing programmes aligned with the BEPP;
- delivery of top structures; and
- realisation of accessible and safe public transportation throughout the metro.

In relation to the first two factors, both of which relate primarily to the use of the HSDG in Ekurhuleni, there is consensus between both the Ekurhuleni and provincial officials that alignment with the BEPP has not been optimal, although there is optimism that this will improve. In relation to the third it is clearly too early to see any results for Ekurhuleni's planned investment in public transport. Unlike other metros, Ekurhuleni is particularly dependent on PRASA for provision of public transport and coordination. This is clearly a major and unresolved challenge facing the metro. In addition the roll-out of the Integrated Rapid Public Transport Network is in the early stages of planning, with funding provided by the National Department of Transport.

Thus, when looking comprehensively at the question whether or not the USDG is implemented according to its design in Ekurhuleni one has to acknowledge that it is not, and this is primarily because many of the assumptions have proved not to be fully valid and the intervening factors have not been present.

5.3 To what extent has the USDG through the Built Environment Performance Plans found its place within the suite of the development-planning framework? Do these planning instruments talk to one another across national, provincial and local departments involved in the implementation of the USDG?

The BEPP in Ekurhuleni is built squarely on the foundations of the municipality's integrated development plan and its (metropolitan and regional) spatial development frameworks. It is not a standalone plan, and it does not introduce a spatial vision or development strategy that is different from anything contained in existing plans. This is a view endorsed by all the respondents and consistent with the 2013 and previous DORAs. In addition Ekurhuleni draws on the officials responsible for the various sectoral plans, which are intended to be integrated into the integrated development plan and spatial development frameworks, in order to update and interpret the BEPP. The new approach to BEPPs to be adopted in the current financial year will further strengthen this.

The allocation of the responsibility for drawing up the BEPP to the City Planning department indicates an appreciation of the need for tighter integration and alignment with the IDP. Now that the BEPP is more closely aligned with the municipal planning process and the BEPP explicitly states that it 'does not generate new text, strategies or projects' (BEPP, 2013: 7) there is a risk that the effort and resources required to repackage and duplicate an existing planning framework could be better utilised.

A shortcoming of the approach adopted in Ekurhuleni, and mandated by legislation, that of building the BEPP on existing plans, is that the BEPP then inevitably reflects and does not resolve the contradictions and inconsistencies within and between these plans. These contradictions and inconsistencies are pointed out as weaknesses of Ekurhuleni's approach to USDG implementation in the 2013 Performance Evaluation Report and are also cited in the 2013 BEPP at page 127. As Ekurhuleni moves towards a greater emphasis on project identification and selection it will become increasingly necessary to revisit the approach adopted to the planning process, to achieve greater internal alignment and consistency.

The Ekurhuleni BEPP includes no explicit references to national or provincial plans, although it is clearly directed towards the attainment of Outcome 8. The absence of references to national or provincial plans can be attributed to the principle that the BEPP is not a stand-alone plan but is, particularly in the case of Ekurhuleni, a 're-packaging' of existing municipal plans. These other plans, especially the IDP, are statutorily required to align with national and provincial planning so the BEPP's articulation with those spheres' plans is necessarily indirect.

The USDG in Ekurhuleni thus sits squarely within the ambit of the applicable municipal plans, but it cannot yet be described as being part of a system in which multiple spheres of government's plans 'talk to one other across national, provincial and local departments'.

5.4 As the USDG is being implemented, what are the important challenges/changes that are occurring in terms of the roles

and responsibilities of the relevant actors? How is this affecting programme delivery?

It appears that the shift towards more centralised monitoring of the capital expenditure budget by the EPMO has improved expenditure to budget ratios. The achievement of close to 100% expenditure to budget performance is impressive, especially within a relatively short period and in a context where the overarching budget and policy framework is not always clear and unambiguous. On one level thus it can be argued with some confidence that, since the introduction of the USDG in 2011/2012 financial year, Ekurhuleni:

- a) realized that institutional arrangements were impeding expenditure;
- b) has established and strengthened a new institutional structure; and
- c) has now achieved a respectable performance against the budget.

On another level though it can also be argued, and this was raised as an issue by almost all respondents albeit in different ways, that there is still a great deal to do to achieve a better link between the funds used and the outcomes achieved. These outcomes relate both to the social and economic impacts on specific communities but also the overall spatial structure of the metro. Ekurhuleni's demarcation as a 'city' made up of a number of 'towns' does lead to an inherent difficulty in fixing on a spatial planning approach that integrates the interests of the whole with those of the constituent parts, and this is reflected in the difficulty faced in using the USDG to attain a coherent set of spatial outcomes.

The overall trend, noted by all respondents, is that Ekurhuleni is improving every year in its implementation of the USDG. As respondent 6 pointed out, Ekurhuleni is 'doing better than smaller metros, not as good as the big three metros, but definitely better than it was doing three years ago'.

5.5 Are resources used efficiently? Is value for money obtained?

There is insufficient data to make a hard and fast decision on these questions. There is however sufficient evidence to confirm that there has been a significant improvement in efficiency in the use of municipal resources to achieve better expenditure of the capital budget in general and the USDG in particular. Measuring whether or not value for money has been obtained will require both more data and more time, especially in relation to the higher-level outcomes listed in DORA. A full expenditure review would be needed to achieve that. For example, while the Performance Evaluation Reports do allude to difficulties with procurement of services and the acquisition of land it is beyond the scope of this research to establish whether value for money was obtained across the board.

The 2013 BEPP looks back at the 2012/13 USDG allocations and categorizes them into three categories: tackling poverty and backlogs; ensuring economic growth; and improving administrative efficiency. It is notable that 64% of the total allocation went to tackling poverty and backlogs, with 34% to promoting growth (2013 BEPP, page 90). This confirms, in a broad sense, that the primary aim of the USDG, of benefitting poor households, is being met, with almost two thirds of the funding directly targeting the poor.

The priority accorded to spending the budget, often at the expense of more careful alignment of projects with the municipality's spatial and developmental objectives, as pointed out by the respondents and confirmed strongly at the Validation

Workshop, necessarily detracts from the overall efficiency as the spend. In principle, the closer the alignment between the projects selected and these objectives, the higher the efficiency of the spending will be. As Ekurhuleni improves its systems of project selection and project management, so the efficiency of the utilisation of the USDG will also improve.

The challenge Ekurhuleni now faces is the reorientation of that spending to ensure that it meets the outcomes and achieves the outputs prescribed in DORA. In short, there needs to be a greater focus on the human settlements and spatial planning outcomes of the expenditure. As capacity to spend grows, so too should capacity to be more discriminating as to which projects to fund with different sources of finance. This has to be achieved in the context of the twin challenge and opportunity provided by the assignment of human settlement functions to Ekurhuleni in 2014, including the full HSDG.

5.6 How does the USDG interface with the municipal accreditation process and the City Support Programme (CSP)?

The implementation of the USDG has proceeded largely independently of the accreditation process. With the assignment of housing function and funding to Ekurhuleni in 2014 (level 3 accreditation) the metro will face one significant challenge and one equally significant opportunity. Firstly, it will result in the current HSDG allocation to the Ekurhuleni region, R 1 265 400 000¹², being allocated in 2014/15 directly to Ekurhuleni. The metro will then have a human settlements capital budget of just over R3 billion next year; nearly double its current USDG allocation.

This will place considerable additional pressure on the existing systems for capital expenditure. Secondly, the promise of assignment presents the first opportunity to achieve the integration of two substantial capital grants at a municipal level to reach a more integrated spatial and developmental outcome.

As Ekurhuleni scales up to meet this challenge and realize this opportunity it will not be able to do so on its own. The scale of the task is simply too great. The role of national government in supporting the municipal capacity to succeed will be very important. This will demand both direct support in the form envisaged in the CSP as well as an agreed, uniform and shared interpretation of the USDG Framework that will clarify which projects do, and which do not, qualify for USDG funding.

The need to shift up a gear in 2014/15 is never without risk and so the importance of efficient reporting, to enable responsive and timeous support to the metro will be very important. This will be necessary to ensure that swift intervention is possible, where it is warranted, to address implementation problems. The role of the provincial department of Human Settlements is significant here as it has a constitutional duty to monitor and support local government in the province and, where necessary, to intervene in the execution of local government functions. Similarly the National Treasury and national Department of Human Settlements are constitutionally obliged to ensure that funds allocated to local government are spent efficiently and in accordance with the relevant law and policy. Thus reporting

¹² Division of Revenue Bill, 2014

to and monitoring by national government becomes more important once assignment of level 3 accreditation has been implemented.

There appears to be very little engagement with the CSP process to date. As the municipality moves towards a sharper focus on project identification and selection for USDG funding so the case for enhanced technical capacity, provided through the CSP, will become more compelling. Clearly the issues arising out of the assignment referred to earlier in this section will also demand a high level of technical support to Ekurhuleni and the CSP thus has a crucial role to play – together with other national support programmes - in mitigating the risks identified above. It appeared from the discussion at the Validation Workshop that this issue is going to be addressed.

5.7 What are the institutional issues/ gaps that are coming to light as this programme is being implemented and how is it affecting delivery of the USDG?

In Ekurhuleni the differences in approach and mandate between, particularly the City Planning and the Human Settlements departments, have, in effect, been addressed through the creation of the EPMO department and the leading role given to that department in the monitoring of capital expenditure. As indicated above this has led to improved spending but also probably to a neglect of the range of possible impacts from the spending both programmatically and at the level of the individual project. This has enabled the infrastructure departments to provide a steady stream of implementation-ready projects for USDG funding. These projects have not necessarily progressed the municipality's human settlements agenda or indeed the objectives of Outcome 8. The Human Settlements and City Planning departments thus have to scale up their efforts to assert more strongly the need for projects that are both implementation-ready ('spade-ready' to use the term used in the Validation Workshop) and designed to address the desired spatial and developmental outcomes. While this is largely an institutional issue, of one or two municipal departments strengthening their arm in the internal negotiations of what sort of projects get funded, it will not be possible without a concomitant clarification of the scope and purpose of the USDG. While the policy environment remains ambiguous it is difficult for these interventions to be made with success.

The other strikingly apparent institutional issue or gap is the absence of the provincial department of Human Settlements in the planning and the implementation of the USDG. To date this has been characterised by a conflictual relationship, a tussle between two administrations each with its own capital grant to spend, albeit two grants that are intended to be supplementary to each other. As the grants are brought together under the municipal roof it will become an urgent priority that the relationship between Ekurhuleni and the province is both clarified and strengthened. The new configuration, of both the USDG and HSDG, being managed by Ekurhuleni, is likely to struggle if it is not bolstered by a provincial administration with a clearly defined and agreed supporting and monitoring role. This role clearly has to be complemented by an appropriate role for national government.

6 Conclusion

6.1 Overall assessment of the implementation of the USDG in Ekurhuleni

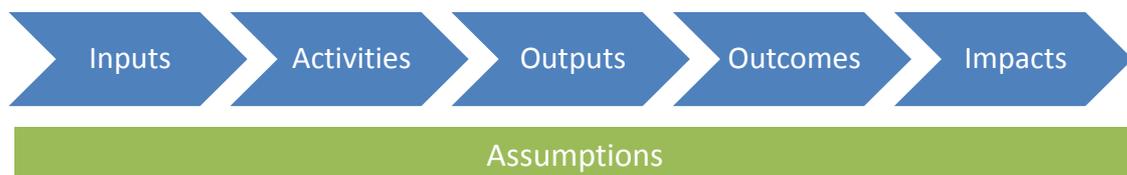
The case of Ekurhuleni demonstrates that it is possible for a metropolitan municipality with severe infrastructure challenges to improve its performance steadily and slowly, through both institutional change such as the establishment of the EPMO, and concerted efforts on the part of officials to advance the goals and objectives of the USDG within a relatively short period of time. This is possible despite some uncertainty as to the exact scope and purpose of the grant and the changing national policy framework for the USDG.

It is too soon to draw quantitative conclusions on the impact of the grant on service delivery targets in the municipality, but there is widespread support for the view that the availability of a relatively flexible grant of this nature has been the trigger that has significantly increased Ekurhuleni’s capacity to implement capital investment in land and infrastructure more efficiently and at a greater scale than was the case before.

None of the respondents claimed that Ekurhuleni has ‘cracked’ the implementation of the USDG, but their assertion that they are making progress in improving this implementation is borne out broadly by the available data. The view expressed by most respondents, that the focus must turn now to the relative fit between the projects identified for funding and their potential impact on human settlements and spatial outcomes, is supported by the initial national Design Review. Improved monitoring and evaluation, informed by one consistent national Policy Framework, will also make it possible to evaluate the metro’s performance in greater detail and with more nuance. The data currently available does not allow for an unqualified overall assessment of the implementation of the USDG.

6.2 Theory of change

To understand the potential impact of the USDG in Ekurhuleni in the light of the Theory of Change accepted in the Design Review it is necessary to address each of the elements of the Theory Change as set out in Figure 1, repeated here below¹³:



The **inputs** in the case of Ekurhuleni – the BEPP and related plans, the human resources and the institutional arrangements as well as the USDG funds – were and are all present. Each of these is addressed here.

- The metro had difficulty with developing the BEPP over the three years of the USDG as a new planning instrument that was expected to bring together

¹³ The assumptions have been dealt with earlier at 5.2.

a host of municipal plans that were not themselves always compatible and aligned. There was uncertainty as to whether the BEPP was simply an addition to the IDP or a different plan altogether. There was also no clarity as to how the BEPP should align with national and provincial plans. The BEPP is only as 'integrated, holistic and credible' as its constituent plans; it cannot address the weaknesses in the underlying plans that make it difficult to tackle the human settlements and spatial planning challenges of a place like Ekurhuleni, which carries a particularly heavy historical burden in these areas.

- The human resources and institutional arrangements have both been scaled up to meet the challenges of the USDG. While both have experienced tensions and changes over the duration of the USDG the metro currently has an effective, if small, team that is largely fulfilling its obligations.
- In relation to the USDG funds these have been, and are being, spent broadly in line with the grant design.

When one looks at the **activities** – funding supplementation, leveraging of capital finance, informal settlement upgrading, land acquisition, bulk services, labour, development of amenities and processing of title deeds – one starts to see the difficulties emerging. Again each of these is addressed in turn:

- **Funding supplementation and leveraging of capital finance.** In Ekurhuleni there has not yet been attention paid to using the USDG to leverage more capital finance. The priority has instead been on spending the available capital funds. With that challenge now largely met the municipality will soon be in a position to look more seriously at leveraging other sources of capital. However, this issue raises the question of the supplementary nature of the USDG. It is intended to 'supplement the budgets of metropolitan municipalities'. In Ekurhuleni the USDG funds certainly form part of the metropolitan capital budget, the selection of projects for USDG funding is not directly tied to other budget lines, rather the USDG is used as a first resort to pay for the projects that are most ready to be implemented.
- **Informal settlement upgrading.** Together with the national Department of Human Settlement's NUSP (?) Ekurhuleni is engaged in the upgrading of 119 informal settlements. Targets set in the BEPP for using the USDG to install sanitation and solid waste management infrastructure in informal settlements were met and exceeded in 2012/13, while the target of installing access to water was met in 70 of the 119 informal settlements (Performance Evaluation Report, page 85).
- **Land acquisition.** Ekurhuleni's record is inconsistent. For example in 2012/13 the land acquisition targets were achieved, but in the current 2013/14 year it appears as if they may not be. The Validation Workshop pointed out that this is a very difficult activity for Ekurhuleni because of the combination of geotechnical conditions and land market conditions as well as the unpredictable time required to successfully negotiate land acquisition with public or private sector land owners.
- **Bulk services.** Ekurhuleni is performing well on this activity, with around 75% of the USDG committed to the provision of bulk services.
- **Hiring labour.** There was no indication of problems in this regard. Nor were figures provided to indicate the number of work opportunities created.
- **Development of social and economic amenities.** As indicated elsewhere in this report Ekurhuleni's provision of these amenities has been a source of tension both within the metro and between the metro and

provincial and national authorities, on account of the view that Ekurhuleni uses a disproportionate amount of the USDG for this purpose.

- **Title deeds.** There is not a direct link between the metro's use of the USDG and the number of title deeds issued to housing beneficiaries. Once Ekurhuleni is assigned the full suite of human settlements development functions this will be easier to do.

The **outputs** that arise from the activities described above are starting to emerge more strongly. Significant numbers of households are accessing services, socio-economic infrastructure and amenities are being built and households in informal settlements are benefiting. It is not possible yet to measure elements such as the number of job opportunities created and the use of the USDG for land acquisition is proving more complex than anticipated. These are two key areas, especially in terms of the DORA outputs, that need to be addressed to achieve an unqualified assessment of Ekurhuleni's performance in relation to the USDG.

It is striking to remember though that around 64% of Ekurhuleni's USDG expenditure is on three outputs: roads, water and sanitation (see Table 14 above). The Theory of Change identifies six outputs¹⁴, of which only one – households with access to basic services – necessarily accommodates the three outputs which the bulk of the grant is funding. This raises questions about the ways in which performance is measured, as well as the need to ensure that outputs are more closely tied to those required to produce the desired outcome of a better managed built environment that itself leads to improved efficiency and quality of that built environment.

However, it is in relation to the **outcomes** and **impacts** that one starts to see that there is likely to be a gap, a missing link in the Theory of Change. Moving from the implementation of most of the activities, to the achievement of some of the outputs, to a situation in which one can credibly claim that the built environment is indeed better managed and so consequently also more efficient is a leap too far. Although it is already clear, and widely acknowledged by all respondents in this research, that the outcomes and impacts cannot be claimed, it is in any event too soon to draw that conclusion. In addition, even if one could draw the conclusion it would still be too soon to be able to attribute it to the USDG-funded activities.

The USDG has largely been used in the manner envisaged in DORA but it covers a very wide range of investments, particularly in the Urban Restructuring category which includes, for example, lighting, fire stations, clinics, cemeteries, a library, a theatre, sports and recreation facilities, roads, storm water, bulk electricity and bulk sanitation. The greater challenge though is to make the final step from the attainment of the measurable outputs to the achievement of the three outcomes identified in the Theory of Change: the short term creation of a better-managed built environment, leading to the medium term creation of a more efficient, sustainable and equitable city, which finally reaches the long term goal of an improved quality of life across the municipality. In relation to the attainment of these outcomes there is clearly a long way to go, which is not surprising when

¹⁴ The six outputs are: hectares of well-located land available, households in informal settlements upgraded, jobs created, socio-economic facilities and households with title deeds.

considering that the grant is relatively new and the outcomes necessarily relate not only to the short, but also to the medium and long term implementation horizons.

6.3 Potential implications of the Ekurhuleni experience for the USDG design

There are a number of lessons that can be learned from the case of Ekurhuleni, which highlights the important steps that lie between securing finance and implementing a programme of interventions that lead to ambitious outcomes. These lessons are all the more important to understand in the light of the imminent and dramatic increase in Ekurhuleni's capital budget for human settlement investments. The lessons are listed below:

1. A mutually supportive and clearly defined set of roles for each of the three spheres of government is needed to achieve the desired outcomes. While an improved intergovernmental system may not in itself be sufficient it is nevertheless essential. Ekurhuleni shows that even a municipality regarded as battling with inadequate human resources, high levels of poverty and a difficult spatial legacy can use a grant such as the USDG to design and implement a large and growing programme of capital expenditure. However, this programme has not achieved the desired outcomes and impacts because even the diverse range of projects funded by the USDG is not enough to achieve a sustainable human settlement. National and provincial government must, arising from their constitutional duty to monitor and support local government, strengthen the municipality through the provision of technical capacity and advice and through engaging national and provincial government and parastatal holders of surplus, well-located land in Ekurhuleni to ensure land release for human settlement purposes. Where technical support is provided, such as in the case of the CSP, it has to be clearly communicated to the respective municipal officials so that they are fully aware of the potential advantages.
2. The reporting against performance is an essential function for a sphere of government receiving a grant. It is also the key instrument for national and provincial government to use in monitoring USDG performance in order to determine the type and level of support required and, where the support has failed to deliver results, to guide an intervention that will ensure the desired outputs and outcomes. Reporting, thus, is an essential part of the system, but where local government capacity is stretched and the supplementary nature of the grant raises questions about emphasis. The work load facing municipal officials is set to grow dramatically and the reporting requirements must be revised and streamlined.
3. There is inefficiency that arises from an uncertain policy framework. Where officials are unsure what does or does not qualify for grant funding their decisions are open to challenge and give rise to conflicts both within the municipality and with national and provincial officials. In the case of a supplementary grant it is important to establish what it is being supplemented. Is the grant only supplementing human settlements programmes that are directly providing housing or shelter? May USDG funds only be used to acquire land for constructing houses on or may that land be used for a cemetery or a landfill? Can it be used to install infrastructure that increases the city's overall efficiency but does not necessarily serve a low-income housing area? These are questions to which there are no clear answers in Ekurhuleni and which should be clarified.

4. The process of selecting projects for funding is an essential step that affects whether or not activities lead to outputs and outputs to outcomes. Ekurhuleni's approach, while efficient in terms of spending the budget, is less effective at fulfilling the Theory of Change. Although this is partly dealt with through a clearer policy framework the overall design of the USDG will benefit from more attention paid to the criteria and methods used to evaluate and select projects. In focusing on the quality and nature of the projects it becomes necessary to consider the planning framework within which the projects are developed and implemented. Ekurhuleni's experience shows that there are limits to how effective multiple planning requirements are in a context of strained human resources capacity. A streamlining and sharpening of the planning requirements, especially in relation to the BEPP and its duplication of other plans, is likely to lead to more efficient decision-making and thus a clearer, less ambiguous environment within which to focus on the projects. As was pointed out at the Validation Workshop this is 'an unconditional grant with many conditions'. Some of these conditions are spelled out and others are not. It is important to get all of these included explicitly in the relevant statute and associated policy framework.

There are also lessons that can be learned from Ekurhuleni that demonstrate good practice that warrants reflection in the USDG design.

1. The establishment of the EPMO has been a key to Ekurhuleni's ability to scale up its capacity to spend the USDG. In particular the practice of monthly 'war room' meetings, matched with monthly one-on-one meetings with each department is a lesson that should be offered to other metros battling with capital expenditure.
2. Ekurhuleni's system of compiling the BEPP is one that is also worth sharing. Although led by the City Planning officials the process relies on a multi-departmental ad hoc committee that ensures that the BEPP is able to reflect the different contents of a wide range of sectoral plans. The ad hoc committee is also responsible for keeping City Planning informed of any changes that might take place in the constituent plans, so that the next BEPP can be adapted accordingly.

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8 Annexure 1: List of USDG-funded projects, 2013/14, at 30 March 2014

	New Department	Source of finance	Project Name	Original Budget	Actual Expenditure Year to Date	%
1	Disaster & Emergency Management Services	USDG	Const Fire Station/House Duduza	7 200 000	1 434 365	0,2%
2	Disaster & Emergency Management Services	USDG	Const Fire Station/House Germiston Central	3 000 000	826 062	28%
3	Disaster & Emergency Management Services	USDG	Const Fire Station/House Kwa-Thema	9 754 350	585 546	6%
4	Disaster & Emergency Management Services	USDG	Const Fire Station/House Thokoza	1 000 000	313 503	31%
5	Disaster & Emergency Management Services	USDG	Const Fire Station/House Zonkezizwe	6 100 000	3 258 439	53%
6	Economic Development	USDG	Community Agric Projects	5 000 000	-	0%
7	Economic Development	USDG	Shared industrial Production Facilities in Tembisa & Thokoza	2 350 000	1 018 706	43%
8	Economic	USDG	Thokoza Fabrication Laboratory	5 000 000	3 793 666	76%

	New Department	Source of finance	Project Name	Original Budget	Actual Expenditure Year to Date	%
	Development					
9	Economic Development	USDG	Township Economies Development	5 800 000	727 743	13%
10	Economic Development	USDG	Township enterprise Hubs	11 000 000	4 352 359	40%
11	Economic Development	USDG	Township Industrial Parks	2 500 000	2 468 082	99%
12	Economic Development	USDG	Trading Stalls	4 000 000	4 000 000	100%
13	EMPD	USDG	Const Precinct Stations Thokoza	6 000 000	-	0%
14	EMPD	USDG	Const Precinct Stations Zonkezizwe	7 500 000	366 255	5%
15	Energy	USDG	Alberton Lighting	700 000	-	0%
16	Energy	USDG	Benoni Lighting	700 000	440 928	63%
17	Energy	USDG	Benoni Network enhancement	3 000 000	1 609 979	54%
18	Energy	USDG	Boksburg Lighting	700 000	675 187	96%
19	Energy	USDG	Boksburg Network enhancement	3 000 000	2 713 252	90%
20	Energy	USDG	Brakpan Lighting	700 000	348 311	50%
21	Energy	USDG	Brakpan Network enhancement	3 000 000	2 999 840	100%
22	Energy	USDG	Corporate Electrification	127 500 000	77 141 846	61%
23	Energy	USDG	Corporate Lighting	7 500 000	700 373	9%
24	Energy	USDG	Corporate Network enhancement	2 000 000	1 758 680	88%
25	Energy	USDG	Daveyton Lighting	1 100 000	574 019	52%
26	Energy	USDG	Daveyton Network enhancement	2 000 000	1 658 446	83%
27	Energy	USDG	Duduza Lighting	1 100 000	318 288	29%
28	Energy	USDG	Edenvale Lighting	700 000	411 210	59%
29	Energy	USDG	Edenvale Network enhancement	3 000 000	2 992 358	100%
30	Energy	USDG	Etwatwa Lighting	1 100 000	86 927	8%
31	Energy	USDG	Germiston Lighting	700 000	467 237	67%

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	New Department	Source of finance	Project Name	Original Budget	Actual Expenditure Year to Date	%
32	Energy	USDG	Germiston Network enhancement	9 000 000	7 409 431	82%
33	Energy	USDG	Katlehong Lighting	1 100 000	278 705	25%
34	Energy	USDG	Kempton Park Lighting	700 000	98 425	14%
35	Energy	USDG	Kwa-Thema Lighting	1 100 000	310 272	28%
36	Energy	USDG	Kwa-Thema Network enhancement	3 000 000	694 027	23%
37	Energy	USDG	Langaville Electricity Network Restitution	20 000 000	3 567 919	18%
38	Energy	USDG	Nigel Lighting	700 000	-	0%
39	Energy	USDG	Springs Lighting	700 000	6 877	1%
40	Energy	USDG	Springs Network enhancement	3 000 000	2 589 446	86%
41	Energy	USDG	Tembisa 2 Lighting	1 100 000	128 957	12%
42	Energy	USDG	Tembisa 2 Network enhancement	3 000 000	1 578 340	53%
43	Energy	USDG	Tembisa Lighting	1 100 000	-	0%
44	Energy	USDG	Tembisa Network enhancement	2 500 000	886 667	35%
45	Energy	USDG	Thokoza Lighting	1 100 000	-	0%
46	Energy	USDG	Thokoza Network enhancement	3 000 000	1 598 251	53%
47	Energy	USDG	Tsakane Lighting	1 100 000	15 307	1%
48	Energy	USDG	Tsakane Network enhancement	2 000 000	24 475	1%
49	Energy	USDG	Vosloorus Lighting	1 100 000	1 099 920	100%
50	Energy	USDG	Vosloorus Network enhancement	500 000	224 871	45%
51	Environmental Resources Management	USDG	Payneville Ext 3 rehabilitation	1 110 000	728 604	66%
52	EPMO	USDG Opex	Operational Requirement - Planning	500 000	-	0%
53	Health & Social Development	USDG	Building - Youth Friendly Services	2 000 000	872 024	44%
54	Health & Social Development	USDG	Bulk Medicine Store: Conversion of Existing Structure	700 000	-	0%

	New Department	Source of finance	Project Name	Original Budget	Actual Expenditure Year to Date	%
55	Health & Social Development	USDG	EXT & UPGRADE DAVEYTON EAST. CLINIC	400 000	-	0%
56	Health & Social Development	USDG	EXT & UPGRADE KEMPTON PARK CLINIC	50 000	-	0%
57	Health & Social Development	USDG	Ext & Upgrade Motsamai Clinic	7 000 000	5 264 803	75%
58	Health & Social Development	USDG	EXT& UPGRADE JOY CLINIC	1 825 000	1 326 147	73%
59	Health & Social Development	USDG	EXT& UPGRADE TSWELOPELE CLINIC(ADD LEVEL 2)	12 451 000	5 430 713	44%
60	Health & Social Development	USDG	Extension & upgrade CLINIC WHITE CITY	1 850 000	1 109 437	60%
61	Health & Social Development	USDG	Extension & Upgrade Esangweni Clinic	352 000	-	0%
62	Health & Social Development	USDG	Extension & upgrade Selope Thema Clinic	352 000	-	0%
63	Health & Social Development	USDG	Guard House Ablution Health Facilities	1 500 000	291 220	19%
64	Health & Social Development	USDG	NEW ALRA PARK CLINIC	6 474 000	5 146 512	79%
65	Health & Social Development	USDG	New Reiger Park X5 Clinic	5 846 000	5 845 846	100%
66	Health & Social Development	USDG	New Tamaho Clinic	8 760 000	5 549 042	63%
67	Health & Social Development	USDG	PALM RIDGE	13 300 000	5 112 576	38%
68	Health & Social Development	USDG	VILLA LIZA	4 000 000	320 772	8%
69	Human Settlements	USDG	Acquisition of Land for New Human Settlements	32 390 000	-	0%

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	New Department	Source of finance	Project Name	Original Budget	Actual Expenditure Year to Date	%
70	Human Settlements	USDG	Refurbishment of Rental Property	24 150 000	12 853 747	53%
71	Human Settlements	USDG	Tembisa Urban Renewal Framework Projects	7 526 538	5 188 736	69%
72	Human Settlements	USDG - Opex	Top Structures	31 566 282	-	0%
73	Real Estate	USDG	Develop: Nyoni Park	30 000	-	0%
74	Real Estate	USDG	Develop: Vlakfontein Cemetery	2 570 000	656 073	26%
75	Real Estate	USDG	Develop: Kromvlei Cemetery - phase 2	2 500 000	28 900	1%
76	Real Estate	USDG	Develop: Multi-Purpose Park: Winnie Mandela	4 000 000	-	0%
77	Real Estate	USDG	Develop: Bunny Park	2 200 000	54 297	2%
78	Real Estate	USDG	Develop: Cemeteries Muslim Section	500 000	191 527	38%
79	Real Estate	USDG	Development of Town Entrances	1 200 000	106 689	9%
80	Real Estate	USDG	Develop: Cemeteries - Berms	3 000 000	2 987 388	100%
81	Real Estate	USDG	Develop: Community Park: Zonkizizwe	2 500 000	332 187	13%
82	Real Estate	USDG	Develop: Multi-Purpose Park Motsua	4 000 000	3 904 652	98%
83	Real Estate	USDG	Murray Park	3 000 000	1 242 798	41%
84	Real Estate	USDG	Germiston Lake	2 000 000	-	0%
85	Real Estate	USDG	Develop: Blesbokspruit for tourism	2 100 000	32 565	2%
86	Real Estate	USDG	Develop/Upgrade Community Parks	7 000 000	2 178 575	31%
87	Real Estate	USDG	Cambrian Cemetery Ext	1 000 000	1 000 000	100%
88	Roads and Stormwater	USDG	Atlasville Spruit flood management	5 000 000	1 063 906	21%
89	Roads and Stormwater	USDG	Bedfordview Stormwater Protection	4 000 000	3 957 653	99%
90	Roads and Stormwater	USDG	Bedfordview, Geometric Rd Improvement	2 000 000	1 989 559	99%
91	Roads and	USDG	Paving & Sidewalks: East	3 500 000	1 231 213	35%

	New Department	Source of finance	Project Name	Original Budget	Actual Expenditure Year to Date	%
	Stormwater					
92	Roads and Stormwater	USDG	Constr. Of Small Holding Roads	5 000 000	4 780 576	96%
93	Roads and Stormwater	USDG	Doubling Barry Marais Rd	250 000	-	0%
94	Roads and Stormwater	USDG	Eastleigh Spruit Channel	5 000 000	1 577 347	32%
95	Roads and Stormwater	USDG	Elandsfontein, SW Implementation (North)	1 500 000	1 120 819	75%
96	Roads and Stormwater	USDG	Etwatwa Stormwater	3 000 000	2 445 620	82%
97	Roads and Stormwater	USDG	Impala Park Stormwater System Northrop Rd etc	2 000 000	1 988 991	99%
98	Roads and Stormwater	USDG	Install SW in Palm Ridge	2 500 000	2 500 000	100%
99	Roads and Stormwater	USDG	Isandovale,Erosion Protection Impl (North)	2 000 000	1 902 994	95%
100	Roads and Stormwater	USDG	K136 & Rd 1894 Link Road	3 000 000	-	0%
101	Roads and Stormwater	USDG	Kaal Spruit rehabilitation	200 000	-	0%
102	Roads and Stormwater	USDG	Katlehong & Thokoza, Lining of Canal between Katlehong and Thokoza	1 100 000	1 100 000	100%
103	Roads and Stormwater	USDG	Katlehong Implementation of Stormwater Masterplan	12 500 000	4 957 722	40%
104	Roads and Stormwater	USDG	Minor Road Improvements: East	500 000	90 659	18%
105	Roads and Stormwater	USDG	Minor Works for Roads and SW: South	650 000	490 282	75%

	New Department	Source of finance	Project Name	Original Budget	Actual Expenditure Year to Date	%
106	Roads and Stormwater	USDG	N3,Const pedes brid btw Map & Voslo	500 000	-	0%
107	Roads and Stormwater	USDG	Pedestrian Management Impl. (North)	10 300 000	7 253 921	70%
108	Roads and Stormwater	USDG	Pedestrian Management: South	5 100 000	2 301 883	45%
109	Roads and Stormwater	USDG	Phola Park Roads and SW	1 500 000	-	0%
110	Roads and Stormwater	USDG	Pretoria Road Upgrading	3 000 000	-	0%
111	Roads and Stormwater	USDG	Rehabilitate Roads in Eastern Region	59 000 000	26 249 398	44%
112	Roads and Stormwater	USDG	Rehabilitation of Roads (North)	58 000 000	57 983 215	100%
113	Roads and Stormwater	USDG	Rehabilitation of roads: South	59 000 000	19 352 092	33%
114	Roads and Stormwater	USDG	Roads East (AS and When)	48 718 500	31 831 496	65%
115	Roads and Stormwater	USDG	Roads: Low Cost Housing: East	45 000 000	45 000 000	100%
116	Roads and Stormwater	USDG	Roads: Low Cost Housing: North	11 000 000	9 000 000	82%
117	Roads and Stormwater	USDG	Roads: Low Cost Housing: South	25 000 000	22 701 096	91%
118	Roads and Stormwater	USDG	Rondebult/Buhlepark Roads & SW	5 000 000	4 357 807	87%
119	Roads and Stormwater	USDG	Sandpan Areas Stormwater Outfall	331 500	-	0%
120	Roads and Stormwater	USDG	Sonneveld Stormwater Upgrading	1 000 000	296 335	30%

	New Department	Source of finance	Project Name	Original Budget	Actual Expenditure Year to Date	%
121	Roads and Stormwater	USDG	Stormwater (AS and When)	25 000 000	22 844 662	91%
122	Roads and Stormwater	USDG	Stormwater Upgrades (South)	3 000 000	2 999 964	100%
123	Roads and Stormwater	USDG	Stormwater Upgrades: North	17 000 000	17 000 000	100%
124	Roads and Stormwater	USDG	Stormwater Upgrading Thintwa	8 600 000	245 693	3%
125	Roads and Stormwater	USDG	Styx Road Improvements	4 500 000	4 426 629	98%
126	Roads and Stormwater	USDG	SW in Vosloorus	2 300 000	-	0%
127	Roads and Stormwater	USDG	Swartsspruit Rehabilitation: Kempton Park	10 000 000	7 309 849	73%
128	Roads and Stormwater	USDG	Tertiary Rds South Dept Construction	21 860	21 858	100%
129	Roads and Stormwater	USDG	Tertiary Roads (South)	40 000 000	30 638 259	77%
130	Roads and Stormwater	USDG	Tertiary Roads in Katlehong	8 000 000	7 944 143	99%
131	Roads and Stormwater	USDG	Tertiary Roads in Thokoza- Phase 3	10 500 000	10 459 887	100%
132	Roads and Stormwater	USDG	Tertiary Roads in Vosloorus- Phase 3	4 000 000	1 527 004	38%
133	Roads and Stormwater	USDG	Tertiary Roads: North	47 050 000	47 047 046	100%
134	Roads and Stormwater	USDG	Tokoza Implementation of Stormwater Masterplan	1 600 000	1 229 405	77%
135	Roads and Stormwater	USDG	Upgrade Joe Mzamane Road Kwa-Thema	3 000 000	21 220	1%

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	New Department	Source of finance	Project Name	Original Budget	Actual Expenditure Year to Date	%
136	Roads and Stormwater	USDG	Upgrade of First Road: Putfontein	3 000 000	2 700 000	90%
137	SRAC	USDG	Chris Hani Memorial	9 145 000	1 178 214	13%
138	SRAC	USDG	Construction & Development of Duduza Reconciliation Park	3 500 000	-	0%
139	SRAC	USDG	Construction of a Softball Field & Golf driving range in Tsakane	14 000 000	10 921 109	78%
140	SRAC	USDG	Construction of New Library: Tsakane	7 960 000	1 087 579	14%
141	SRAC	USDG	Construction: New Library: Brakpan	5 760 000	-	0%
142	SRAC	USDG	Fencing: Sport & Recreational Facilities	5 000 000	1 166 067	23%
143	SRAC	USDG	Germiston Theatre	4 013 300	-	0%
144	SRAC	USDG	OR Tambo Precinct Narrative Centre	3 800 000	29 720	1%
145	SRAC	USDG	Rehabilitation of Duduza stadium	14 785 500	13 281 519	90%
146	SRAC	USDG	Rehabilitation of Katlehong Swimming Pool	2 555 000	1 095 465	43%
147	SRAC	USDG	Rehabilitation of Libraries	3 500 000	309 026	9%
148	SRAC	USDG	Rehabilitation of Sport Facilities	10 587 900	2 884 689	27%
149	SRAC	USDG	Rehabilitation of Swimming Pools	9 900 000	5 803 757	59%
150	SRAC	USDG	Rehabilitation of the Boksburg stadium	5 500 000	-	0%
151	SRAC	USDG	Rehabilitation of Wattville stadium	12 502 100	12 322 564	99%
152	SRAC	USDG	Resurfacing of Hard Courts	4 000 000	-	0%
153	SRAC	USDG	Upgrade: Construction of Memorial Sites	2 500 000	-	0%
154	SRAC	USDG	Upgrading of the Kwa-thema stadium	8 966 200	8 739 737	97%
155	Transport	USDG	Bluegumview Taxi Rank	1 000 000	18 750	2%
156	Transport	USDG	Construction of MVRA/DLTC Thembisa	500 000	-	0%
157	Transport	USDG	Establish MVRA/DLTC Katlehong	2 700 000	1 262 464	47%
158	Transport	USDG	New Vosloorus Hospital Taxi Rank	5 000 000	-	0%
159	Transport	USDG	Palm Ridge Taxi Rank	5 000 000	-	0%

	New Department	Source of finance	Project Name	Original Budget	Actual Expenditure Year to Date	%
160	Transport	USDG	Phuthaditjaba Taxi Rank (Tokoza)	2 000 000	-	0%
161	Transport	USDG	Ramaphosa Taxi Rank	19 500 000	7 691 800	39%
162	Waste Management	USDG	Cell development - Platkop	5 000 000	-	0%
163	Waste Management	USDG	Cell Development - Rietfontein	14 200 000	9 649 242	68%
164	Waste Management	USDG	Develop Simmer & Jack Waste site	1 000 000	-	0%
165	Waste Management	USDG	Development Weltevreden Waste Site	11 000 000	35 797	0%
166	Waste Management	USDG	Rehabilitation of the closed Brakpan landfill site	500 000	345 350	69%
167	Water & Sanitation	USDG	Alberton: Install new OF Huntersfield	300 000	-	0%
168	Water & Sanitation	USDG	Bulk supply for new water supply (Dawn Park)	3 000 000	-	0%
169	Water & Sanitation	USDG	Construct new r&p;pumpst: Dalpark X13	1 500 000	1 187 340	79%
170	Water & Sanitation	USDG	Emergency services to inf. settlements	10 100 000	1 955 575	19%
171	Water & Sanitation	USDG	Etwatwa Ext 35 Essential Services	8 608 736	2 970 434	35%
172	Water & Sanitation	USDG	Germiston: Elimination of Klippoortjie s pump s	12 200 000	9 642 674	79%
173	Water & Sanitation	USDG	Germiston: Upgrade and replace Dekema outfall sewer	11 000 000	8 567 831	78%
174	Water & Sanitation	USDG	Human Settlements Essential Services	30 008 764	11 892 630	40%
175	Water & Sanitation	USDG	Kwa-Thema: Upgrading of waternetwerk C/F	1 000 000	23 115	2%

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	New Department	Source of finance	Project Name	Original Budget	Actual Expenditure Year to Date	%
176	Water & Sanitation	USDG	Langaville: Upgrade water and sewer network	6 000 000	2 812 626	47%
177	Water & Sanitation	USDG	Moderfontein 76 IR Ptn 7 E/tial SVC C F	500 000	270 125	54%
178	Water & Sanitation	USDG	Nigel: Upgrade/Eliminate Rockville pumpst	5 000 000	2 554 323	51%
179	Water & Sanitation	USDG	Olifants: Upgrade reservoir	282 500	282 500	100%
180	Water & Sanitation	USDG	Palm Ridge Phases 5 & 6 Bulk & Essential Services	36 050 000	20 130 094	56%
181	Water & Sanitation	USDG	Pomona: Bulk supply Albertina Sisulu Corridor	7 500 000	-	0%
182	Water & Sanitation	USDG	Pre-implementation Planning - various projects	2 500 000	-	0%
183	Water & Sanitation	USDG	Replace and repair O/S Dawn Park	800 000	-	0%
184	Water & Sanitation	USDG	Replace main water - Isekelo /Zephania Tembisa	100 000	91 550	92%
185	Water & Sanitation	USDG	Reservoir Construction	2 500 000	-	0%
186	Water & Sanitation	USDG	Tembisa: New water pressure tower (MIG)	1 000 000	-	0%
187	Water & Sanitation	USDG	Tembisa: Replace water pipe Isekelo	1 000 000	1 000 000	100%
188	Water & Sanitation	USDG	Tembisa: Western OF sewer	500 000	302 000	60%
189	Water & Sanitation	USDG	Tsakane: Provide water Tsakane x 6 and 10	500 000	398 354	80%
190	Water & Sanitation	USDG	Upgrade Outfall Sewers in Vosloorus C/F	10 000 000	-	0%

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	New Department	Source of finance	Project Name	Original Budget	Actual Expenditure Year to Date	%
191	Water & Sanitation	USDG	Upgrade Sewer Networks	13 300 000	1 117 939	8%
192	Water & Sanitation	USDG	Upgrade Water Networks	11 000 000	3 510 718	32%
193	Water & Sanitation	USDG	Upgrade Water Network C/F Etwatwa X19	500 000	4 205	1%
194	Water & Sanitation	USDG	Vosloorus: Replace water main supply	1 450 000	750 000,00	52%
195	Water & Sanitation	USDG	Water and Sewer Retic. Welgedacht	4 000 000	249 725	6%
196	Water & Sanitation	USDG - Opex	Chemical Toilets	160 916 650	95 267 509	59%
197	Water & Sanitation	USDG - Opex	Erwat Grant - Opex	50 000 000	50 000 000	100%
				1 654 420 680	913 053 641	55%