



human settlements

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## Department of Human Settlements

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### **Design and Implementation Evaluation of the Urban Settlements Development Grant (USDG) – Buffalo City Implementation Report**

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Final

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## **Contents**

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<b>1</b>	<b>Introduction .....</b>	<b>5</b>
1.1	Background to the report .....	5
1.2	Theoretical framework to evaluate the implementation of the USDG ....	5
1.2.1	Defining features of the USDG	5
1.2.2	Representations of the Theory of Change	6
<b>2</b>	<b>Context to the Buffalo City case study .....</b>	<b>9</b>
2.1	Overview of the municipality and the built environment challenges .....	9
2.2	Structure of the municipality .....	13
2.2.1	Political structure	13
2.2.2	Administrative structure	13
2.3	Financial importance of the USDG.....	15
<b>3</b>	<b>Metro evaluation design and methodology .....</b>	<b>15</b>
3.1	Rationale for the evaluation design .....	15
3.2	Research protocol.....	16
3.3	Semi-structured interviews .....	18
3.4	Focus group .....	19
3.5	Documentary review .....	19
3.6	Financial and non-financial datasets.....	20
3.7	Validation workshops .....	20
3.8	Limitations of the research .....	21
3.9	Challenges around data collection .....	21
3.10	Analysis approach .....	21
<b>4</b>	<b>Findings.....</b>	<b>22</b>
4.1	Understanding and interpretation of the USDG.....	22
4.1.1	Interpretation of the USDG	22
4.1.2	Perceived benefits of the grant design	25
4.1.3	Perceived disadvantages of the grant design	25

4.2	Built environment planning .....	26
4.2.1	The Built Environment Performance Plan (BEPP) .....	26
4.2.2	BEPP Panel and intergovernmental planning .....	29
4.2.3	External engagement .....	31
4.3	Allocation of funds and project selection .....	32
4.3.1	Method of project selection and budget allocation .....	32
4.3.2	List of USDG approved projects by category .....	35
4.3.3	Leveraging capital finance .....	37
4.4	Grant expenditure and outputs .....	38
4.4.1	Grant spending against budget to date .....	38
4.4.2	Spatial distribution of USDG projects .....	42
4.4.3	USDG outputs: products and services delivered .....	48
4.5	Housing accreditation, intergovernmental relations and interface with other interventions .....	52
4.5.1	The USDG and the Housing Accreditation process .....	52
4.5.2	The Cities Support Programme .....	53
4.5.3	Changing roles, challenges and gaps within the metro .....	54
4.5.4	Changing roles, challenges and gaps externally .....	56
4.5.5	National involvement and oversight .....	58
<b>5</b>	<b>Analysis of the findings.....</b>	<b>59</b>
5.1	How has the USDG been interpreted at national, provincial and municipal levels? (2.4.) .....	59
5.2	Is the grant being implemented according to the design? (2.5) .....	60
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? (2.6) .....	61
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? (2.7) .....	62
5.5	Are resources used efficiently? Is value for money obtained? (2.8) .....	62

5.6	How does the USDG interface with the municipal accreditation process and the City Support Programme (CSP)? (2.9) .....	63
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? (2.10) .....	64
<b>6</b>	<b>Conclusion .....</b>	<b>65</b>
6.1.1	Overall assessment of the implementation of the USDG in Buffalo City	65
6.1.2	Theory of change	65
6.1.3	Potential implications of the case study for the USDG design	66
<b>8</b>	<b>Bibliography and consulted documents .....</b>	<b>68</b>

## List of figures

---

Figure 1: Basic theory of change diagram.....	6
Figure 2: Logic model Theory of Change with assumptions and external factors .....	9
Figure 3: Location of Buffalo City Metropolitan in the Eastern Cape Province .....	10
Figure 4: Major settlements in Buffalo City .....	11
Figure 5: Approved macro structure of the BCMM administration .....	14
Figure 6: Future BRT routes in BCMM (Source: BCMM, 2012:86) .....	31
Figure 7: Allocation of USDG Adjustment budget 2013/14 by service (Source: BCMM 2013/14 Mid-year budget and performance assessment report).....	36
Figure 8: USDG allocations over the current MTREF period, 2013/14 to 2015/16 .....	37
Figure 9: Location of USDG projects in 2012/13 (Source: BEPP presentation, 5 April 2012).....	43
Figure 10: USDG funding distribution 2013/14 (Source: BCMM BEPP presentation 03 June 2013) .....	43
Figure 11: USDG funding distribution 2013/14 (Source: BCMM BEPP presentation 03 June 2013) .....	44

## List of tables

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Table 1: Housing and service challenges in Buffalo City and all metros (Source: StatsSA, 2013).....	12
Table 2: Metro assessment research protocol .....	16
Table 3: General proposed municipal respondents .....	18
Table 4: Perceived advantages and disadvantages of the USDG design by the municipal officials .....	26
Table 5: Implications of low growth (current trend) vs improved growth (Source: BCMM, 2013b:35).....	33
Table 6: USDG allocation and number of project per service .....	35
Table 7: Actual Expenditure per Service against Budget (Source: 2013/14 Mid-Year Budget and Performance Assessment Report) .....	39
Table 8: Reasons for poor historical capital expenditure and reasons for recent improvement .....	41
Table 9: USDG spatial distribution (Source: BCMM BEPP presentation 03 June 2013)...	42
Table 10: Buffalo City outputs relevant to the USDG .....	48

# **1 Introduction**

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## **1.1 Background to the report**

This report serves as an assessment of the Buffalo City's implementation of the Urban Settlements Development Grant (USDG) for the period that covers financial year 2011/12 until present. The Buffalo City 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 Buffalo City. 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 the Buffalo City 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 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 Buffalo City 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.

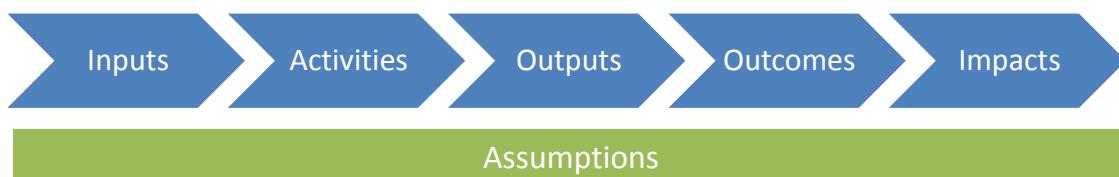
However, there were also a range of features for which there was less congruence of opinion. In such instances the Design Review identified these as comprising subsidiary elements of the grant. These secondary features are:

- 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). 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 the Buffalo City. 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 as aligned 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.

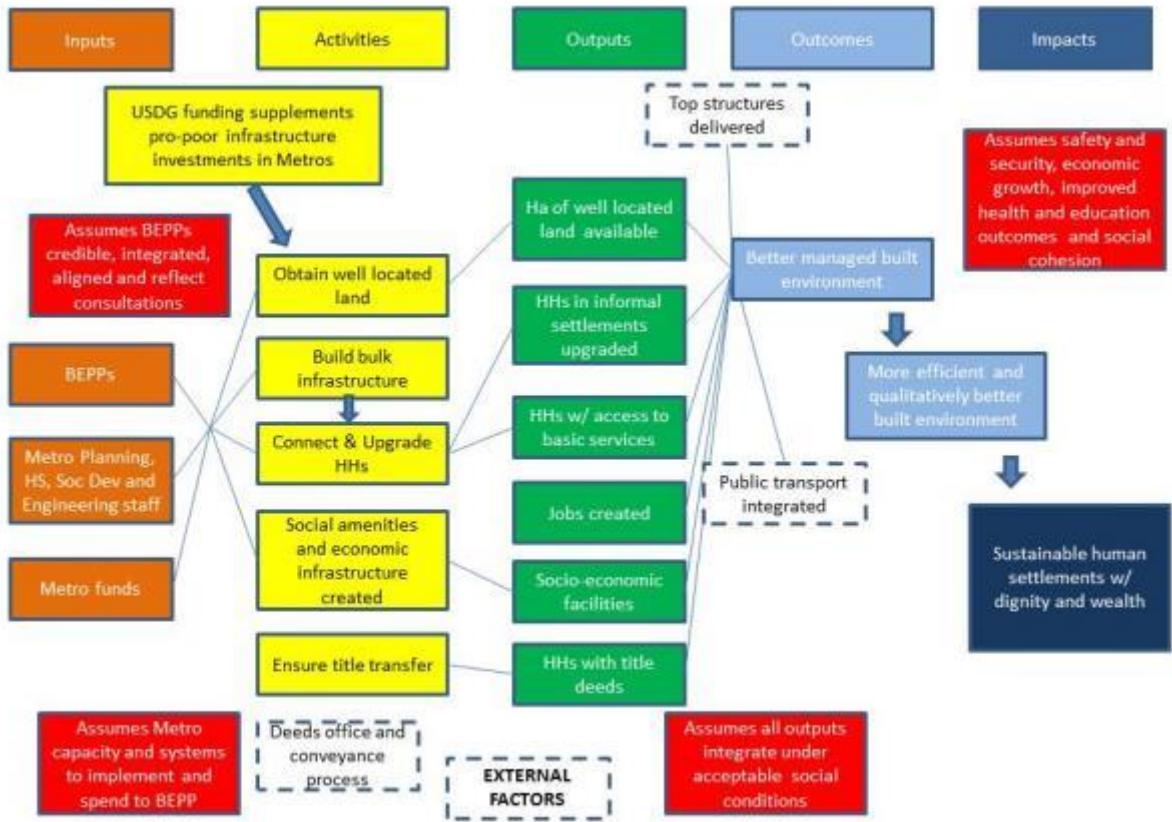
Additionally, there are three key process elements of the theory of change that have informed the design of the metro evaluations. These are presented below, along with a description of how these are intended to occur in the idealised implementation of the grant, which provides the benchmark against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

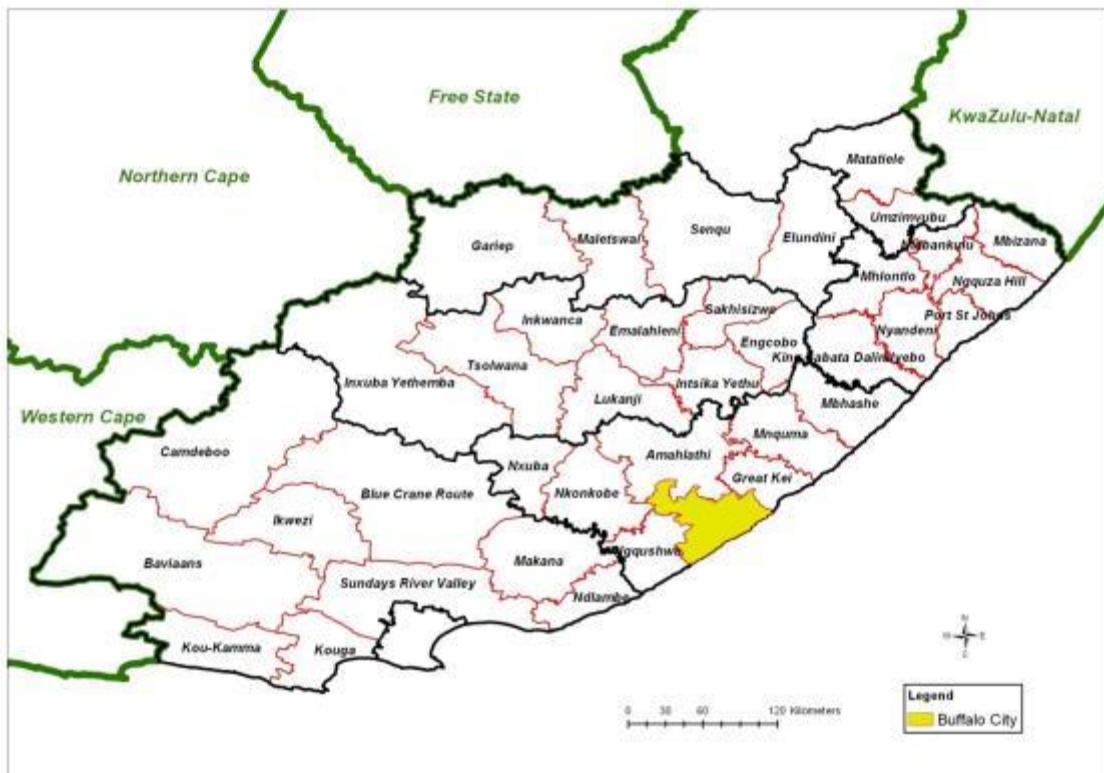


**Figure 2: Logic model Theory of Change with assumptions and external factors**

## 2 Context to the Buffalo City case study

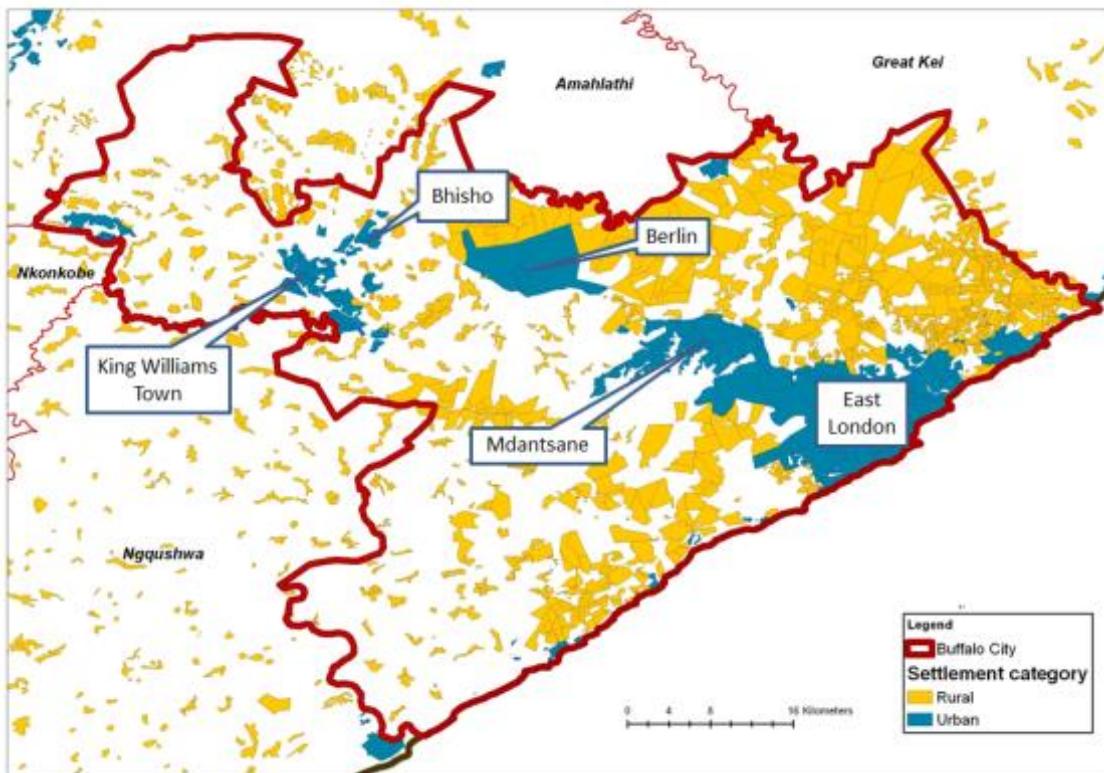
### 2.1 Overview of the municipality and the built environment challenges

Buffalo City Municipality is located centrally in the Eastern Cape Province of South Africa, between the former apartheid homelands of the Transkei and Ciskei and is bordered on its south-eastern edge by the Indian Ocean (Figure 3).



**Figure 3: Location of Buffalo City Metropolitan in the Eastern Cape Province**

It comprises the urban centres of East London and King Williams Town and their surrounding peri-urban and rural hinterlands. The urban portion of Buffalo City extends in a linear form along the main watershed between East London and King Williams Town in nodes along the N2 freeway and the main railway line as 'beads on a string' (BCM IDP, 2013:157). Spatially, Buffalo City is surrounded by sparse rural areas and is relatively isolated from South Africa's major urban centres of Cape Town, Durban and the Gauteng city region. The nearest other metropolitan municipality is Nelson Mandela Bay Metropolitan Municipality, which is approximately 300km away. It is connected to these other centres through the national road network and rail links, the most significant of which is the freight rail link from the East London harbour and vehicle manufacturing plant, inland to Gauteng.



**Figure 4: Major settlements in Buffalo City**

Census 2011 estimated Buffalo City's population at 755 200 in 223 568 households. Approximately 75% of the population live in urban areas, with the largest population and the most economic activity concentrated in the East London area (BCMM, 2013b). The urban areas present employment opportunities in a context of widespread rural poverty, resulting in net in-migration. However, the metro has experienced a relatively low inter-census population growth rate (0.7% pa), attributed in the BEPP to HIV/AIDS and outmigration. This growth rate is less than half of the average national urban growth rate of 2% (BCMM< 2013b). This suggests that Buffalo City is a 'stepping stone' locality between the rural areas of the Eastern Cape, and more attractive urban centres in the Western Cape and Gauteng (StatsSA, 2012). Buffalo City is the poorest of all the metros, with 65% of households earning less than R3 183 per month, and an unemployment rate of 35% (Census, 2011).

The housing statistics provided in Census 2011 indicate 38 894 households living in informal dwellings, 10,896 households in backyard shacks, and 10 157 traditional dwellings. This amounts to a total of 59 947 households in potentially 'inadequate' dwellings, excluding overcrowding. There is some discrepancy between the Census figures and the housing need of 121 000 opportunities stated in the Housing Sector Plan, which is widely quoted in other BCMM planning documents. The municipality has instituted a Housing Needs Register to verify the 53 000 beneficiaries who are on the current database (informal settlements, backyard shacks and overcrowding) (BCM, 2011a).

However, Buffalo City still has the highest proportion of households living in informal settlements of all the metros and the highest proportion in informal settlements and backyard shacks combined. There are 156 informal settlements in Buffalo City. The household service backlogs, as shown in the table below, are also the highest of all the metros.

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

<b>Indicator</b>	<b>Buffalo City</b>	<b>Average for all metros</b>
Households living in informal settlements	17%	12%
Households living in backyard shacks	5%	6%
Households with no access to piped water within 200m	10%	5%
Households with bucket toilets, non-ventilated pits or no sanitation	19%	13%
Households without weekly refuse removal	30%	15%
Households not using electricity for lighting	19%	11%

BCMM has significant bulk infrastructure challenges. The infrastructure backlog for water and sanitation is estimated at R1.1. billion each (WSDP cited in BCMM, 2011a:335), and the BEPP notes that the inability to provide bulk water and sanitation infrastructure to greenfield land (because of limited resources and priority on the poor) has resulted in subdivision of serviced land in the urban core for middle and high income developments. Approximately 44% of surfaced roads and 75% of gravel roads are in poor or very poor condition and the backlog on road maintenance is estimated at R600 million (BCMM, 2011a). The electricity network is in a poor condition, citing budget constraints as the limiting factor, with a R650 million backlog in replacement, upgrading and deferred maintenance.

There are currently very few formal scheduled public transport services in Buffalo City; limited to a single rail link and an intermittent bus service in the suburbs. Train and bus trips only account for 7% of all motorised trips in the metro, with the majority of motorised trips (55%) being undertaken via minibus taxis (ITP).

A presentation for the Integrated Sustainable Human Settlements Plan (ISHSP) summarises the infrastructure challenges in BCMM as follows: (ISHSP Presentation, 2013:25)

- Existing Networks under severe pressure
- Design & Operating standards are being exceeded
- Inadequate maintenance
- Maintenance backlog over R2,8 Billion
- Environmental health risks
- Supply risks

- Secure water resource only until 2015 at an annual delivery rate of 3,000-4,000 new housing units per annum
- UNLESS water demand management properly instituted and sustained
- Electricity Supplies under pressure

In terms of municipal social facilities, an audit undertaken in the ISHSP indicates relatively good coverage of health facilities (88% of households within 5km), community halls (90% within 5 km), while there is a shortfall in access to public libraries (67% within 10km) and sports fields (70% within 5 km).

## **2.2 Structure of the municipality**

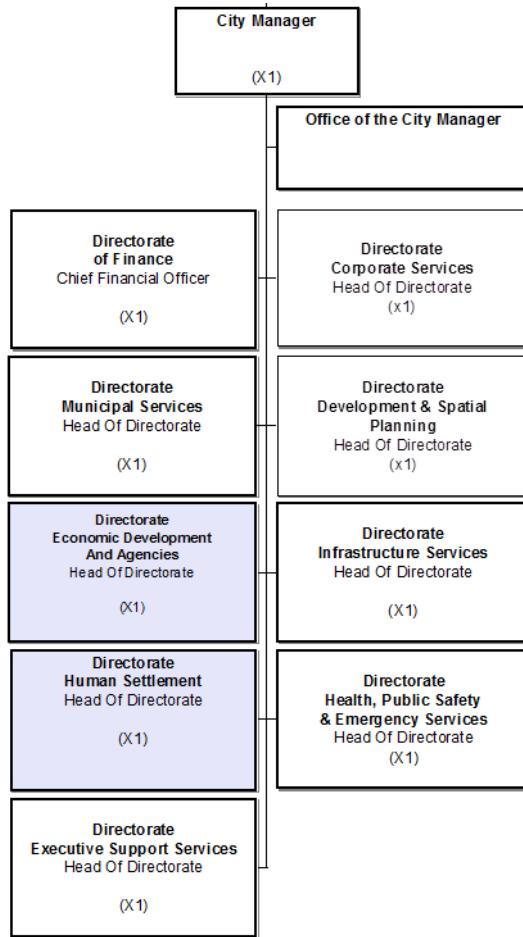
### **2.2.1 Political structure**

BCMM has an executive mayoral system with a nine member Mayoral Committee (excluding the Executive Mayor). There are 100 Councillors: 50 Proportional Representation Councillors and the remainder represent each of the 50 wards. The most relevant of these portfolios to the USDG are Human Settlements and Finance.

Buffalo City was a category B local municipality from its establishment in 2000 until it became a category A metropolitan municipality in 2011.

### **2.2.2 Administrative structure**

The administrative structure at Buffalo City has undergone substantial change over the past few years. Previously, Human Settlements was split into two functional “work-streams”, located respectively in the newly formed Directorates of Development Facilitation & Partnerships and Municipal Services (EC DoHS, 2011). A nascent Human Settlement Department was situated under the Built Environment Division, which also included Public Transport, whereas Housing was located under the Infrastructure Services Division, which also included Water and Sanitation, Electricity, Waste Management, and Roads and Stormwater Management. Housing then became a division of the renamed Directorate of Development Planning, until in 2013, when a new Directorate of Human Settlements was formed, which incorporates the Housing department. The new approved macro structure as approved in December 2013 is shown below.



**Figure 5: Approved macro structure of the BCMM administration**

Engineering Services has always functioned as a separate directorate and incorporates three departments: Water and Scientific Services, Roads and Design, and Electrical and Mechanical. It is now known as Infrastructure Services.

The current Directorate of Development Planning and Economic Development comprises the Departments of Development Planning (including spatial planning, land management and housing), Transport Planning and Operations and Economic Development. This is split into two directorates in the new structure: Development and Spatial Planning and Economic Development and Agencies.

The current Directorate of Community Services includes the relevant departments of Arts & Cultural Services, Amenities, and Solid Waste Management Services. This has been replaced in the new structure with two directorates: Municipal Services and Health, Public Safety and Emergency Services.

As a result of a poor history of capital expenditure, when BCMM became eligible for the USDG in 2011, National Treasury and the NDHS placed certain conditions on getting (qualifying for?) the USDG, including appointing a permanent municipal manager and CFO, and a specialist project management office. The Enterprise Project Management Office (EPMO) was then established as a specialist project management unit reporting directly to the Municipal Manager. The unit has a responsibility to manage capital spending and provides technical assistance to support departments with project management and to support Supply Chain Management to intervene in strategic projects. It was agreed with National Treasury that 5% of the USDG could be 'top-sliced' to fund the EPMO.

Implementation of projects is undertaken by the relevant line departments, and as such there has been little institutional change in this regard from the use of MIG funding for capital projects.

The EPMO serves as the entry and exit point for all reporting, and has handled the project administration of the USDG since its inception. It is also responsible (with the assistance of a consultant) for compiling the BEPP. The Finance Department draws up the capital budget and is responsible for the disbursement of the USDG. Financial reporting is undertaken by the Finance Department and non-financial reporting is undertaken by the line departments, but this gets channelled through the EPMO for submission to national government.

The administrative organogram has been in a state of flux, and a revised structure, intended to reflect the new status of the municipality as a metro, was approved by Council in December 2013. This new structure has yet to be implemented, and therefore the only permanent second-tier position is the CFO – all other Directors are acting in their positions.

### **2.3 Financial importance of the USDG**

The USDG forms the majority of BCMM's capital budget. For 2013/14 the grant makes up 76% of the original capital budget (70% of the adjustments budget), rising to 85% in 2014/15 and 82% in 2015/16. In 2011/12 the USDG only made up 65% of the original capital budget, but rose to 75% in the 2012/13 adjustment budget. The remainder of the 2013/14 capital funding is made up of other grant funding (19%) and own funds (5%). Of the non-USDG grant funding, this is made up of HSDG (9%), PTIS (5%), INEP (4%) and other smaller grants (1%).

The bulk of the capital budget (65%) is allocated to Engineering Services. Development planning, which includes transport, is allocated 16%; the COO's office, which includes housing, is allocated 10%; Community Services is allocated 6%; and the remaining 3% is split amongst the remaining 5 directorates.

Buffalo City has been in financial difficulty for some time. The Auditor-General's audit opinions reached a low point in 2010/11 with an adverse opinion, and since then they have had two qualified audits (2011/12 and 2012/13). The South African Cities Network and National Treasury have been providing financial management support to BCMM.

## **3 Metro evaluation design and methodology**

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### **3.1 Rationale for the evaluation design**

The evaluation design of the metro assessment should be understood in the context of the Buffalo City 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 not 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 the Buffalo City 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 2: Metro assessment research protocol**

Research question	<b>Approach and methods employed to answer the question</b>
2.4 How has the USDG been interpreted at national, provincial and municipal levels?	This question is answered <sup>1</sup> 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 Heads, etc.) as well as external interviews (e.g. private sector and civil society representatives) and 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.

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<sup>1</sup> 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.

<p>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?</p>	<p>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.</p>
<p>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?</p>	<p>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.</p>
<p>2.8 Are resources used efficiently? Is value for money obtained?</p>	<p>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.</p>
<p>2.9 How does the USDG interface with the municipal accreditation process and the City Support Programme?</p>	<p>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.</p>
<p>2.10 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?</p>	<p>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 corroborates and explains these in the BEPPs.</p>

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 the 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 has 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 3).

**Table 3: General proposed municipal respondents**

<b>Name</b>	<b>Organisation</b>
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

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. After initial requests to interview representatives based on the proposed set of respondents, the snowball sampling methodology became the basis for selecting respondents from the Buffalo City, with

due recognition and effort to ensure respondents reflected a variety of perspectives and interests both internal and external to the Human Settlements Directorate and the Buffalo City itself.

Eleven representatives from the Buffalo City availed themselves in either individual or group interviews, from the Municipal Managers Office, Enterprise Project Management Office (EPMO), and Directorates of Finance, Human Settlements, Development and Spatial Planning, and Infrastructure Services and Executive Support Services (IDP office), as well as two members of the Mayoral Committee. The officials ranged from the levels of Municipal Manager to Manager. These were balanced with three representatives from a private sector organisation (2) and a civil society organisation (1) external to the metro.

A set of semi-structured questions, customised to the different roles and positions of the various respondents, was prepared. Interviews ranged in duration from 25 minutes to 1 hour and 45 minutes and were conducted in-person at the offices of the respective organisations. 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

A focus group with representatives of the Eastern Cape Department of Human Settlements was intended to obtain a consolidated provincial perspective on the implementation of the USDG to date. However, after numerous attempts to arrange the focus group failed, three provincial officials availed themselves for interviews (two together and one individually) to obtain the provincial perspective. These senior officials were nominated by the Head of Department as those most knowledgeable about the USDG and the interface with Buffalo City. The interviews followed the same format as the semi-structured interviews held with other stakeholders, albeit more focussed on specific areas of provincial involvement such as the BEPP planning, HSDG alignment and project selection processes as well as provincial exposure to USDG funds.

### 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:

- Eastern Cape Strategic Plan
- Eastern Cape Human Settlements Annual Performance Plans
- Eastern Cape Human Settlements Annual Reports

To a lesser extent, 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. Specific datasets included in the report include:

- USDG and HSDG Project Application Databases for 2011, 2012 and 2013
- USDG and HSDG Geographic Information System Datasets
- Buffalo City capital budgets for 2012/13 and 2013/14

Spatial data was also obtained from the municipality's Geographic Information System (GIS) for the purpose of mapping the completed USDG and HSDG projects to date to provide a spatial representation of spending and capital development in the city.

### **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. These 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 and outside of 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.

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 minor 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 perspective 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 the Buffalo City. 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

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### 4.1 Understanding and interpretation of the USDG

#### 4.1.1 Interpretation of the USDG

A primary feature of the USDG is its supplementary nature. There is a clear understanding amongst metro officials of the USDG as a supplementary capital grant. The primary focus of the grant in Buffalo City is on infrastructure, with a secondary focus on land acquisition and amenities to support the creation of viable human settlements. Only three of the eleven municipal officials mentioned the fact that it was directed at disadvantaged areas, and none mentioned informal settlements as a primary objective, despite this being the focus of most of the grant outputs listed in DoRA 2013. This finding was challenged by a representative at the validation workshop, who believed that the majority of the projects provide infrastructure in areas to "unlock informal settlements". This challenge does not negate the finding that informal settlements were not mentioned as an objective by any of the municipal respondents, indicating that it was not at the forefront of respondents' minds when the question on the goals and purpose of the USDG.

The municipality favours a broad interpretation of the grant as supporting human settlements:

*"In the main it is meant to support metros to deliver on infrastructure-related services...to support human settlements. It is human settlement in its widest form, not just in its one literal sense of housing." (respondent 6)*

*"It is for infrastructure purposes. For example for construction of houses, acquisition of land, roads, etc." (respondent 3)*

*"To develop integrated cities and infrastructure to develop these cities"* (respondent 4)

*"To fund habitable human settlements that addresses three major things, social, economic and environmental issues"* (respondent 5)

These responses closely match the definition of the USDG provided in the opening paragraph of both the 2012 and 2013 BEPPs, which state (BCM, 2013:1):

*"The Urban Settlement Development Grant (USDG) is a conditional grant (Schedule 4 of the Division of Revenue Act) instituted to support large cities to develop sustainable human settlements and improved quality of life for households through accelerating the provision of serviced land with secure tenure for low-income households by supplementing municipal resources."*

The BEPP goes on to quote the National Policy Framework for the Urban Settlements Development Grant which states that the USDG is supplementary to the capital budget.

Municipal respondents indicated that BCMM has been criticised in national forums, particularly at the Portfolio Committee, for interpreting the grant too widely. Officials believe there is some confusion around the ability to use it for community

facilities, for electrification, or local economic development projects. While the 13<sup>th</sup> Draft Policy explicitly states that the USDG may not be used for electricity infrastructure provision, but Output 2 in the same document includes households provided with basic electricity supply. In addition the BCM officials were aware that other metros were using the USDG to fund electricity infrastructure. The confusion on this issue therefore has some basis. The 13<sup>th</sup> Draft Policy also states (on page 23) that the USDG may be used for community and basic economic facilities, but the municipality has been criticised in the past for wanting to fund a hydroponics project in disadvantaged areas and a cemetery (respondent 1, respondent 5, respondent 12).

*"It is always a sore point when you see another municipality that is allowed to do certain things, others then tend to be questioned."* (respondent 1)

Respondent 1 believed that the councillors and officials do not have the same understanding of what the USDG is for, or how it should be used. There was no documentary evidence that could substantiate this view, but a similar view was expressed by officials at the validation workshop.

A clear message coming from officials and councillors at the metro is that there is no common understanding of the objectives of the USDG amongst the various national stakeholders and as a result the metro is receiving mixed messages:

*"As soon as you are reporting to higher levels, then it is no longer a discretionary, conditional grant, then it is almost becoming prescriptive, so there is that understanding or interpretation difference of whoever is sitting around the table. If you go, for example, to parliament, they want to know how you are dealing with backlogs, sanitation; they've got a different interpretation of how the grant is to be used. If we report to the Human Settlements Department, we get queried, for example, at our last annual BEPP presentation we got lashed on 'how dare we spend money on bulk infrastructure'."* (respondent 9)

*"There is still a limited understanding, or a lack of shared understanding of what USDG has to buy. You go to parliament, and Portfolio Committee has a totally different understanding of what USDG can buy. You say to parliamentarians, we used USDG to buy a cemetery, they ask you 'what has that got to do with human settlement?' And our response is very simple: we built a new development of houses, therefore they would require a cemetery"* (respondent 6)

The incident that the above quote is referring to is captured in the minutes of the Portfolio Committee meeting. It is worth quoting this exchange in full, as this illustrates a very specific interpretation of the USDG by the Portfolio Committee:

*"The Chairperson said she would prefer it if the metro never again reported on money from the USDG being allocated to community facilities and cemeteries. There were departments who should be augmenting service delivery commitments around the provision of community halls. She welcomed the metro's commitment on waste water management.*

*"Cllr Mgezi replied that the comment on community facilities needed to be addressed at a different level. The understanding of the metro was that viable human settlements would encompass building such facilities as community halls. If the facilities were not in existence, communities always complained.*

*"The Chairperson interjected and clarified that the observation was correct, but the point she was trying to make was that the facilities should not be*

*built with money taken from the USDG. The grant funding was not meant for that purpose, but rather to be used for backlogs on infrastructure and bulk services. The background to the grant was that the Department was unable to fast track delivery of top structures because of backlogs in infrastructure. Spending of the USDG on issues other than infrastructure made it difficult for Parliament to motivate for increased funding of the grant.” - Minutes of the Human Settlements Portfolio Committee Meeting held on 14 August 2013<sup>2</sup>, emphasis added*

This interpretation by the Chairperson of the Portfolio Committee is inconsistent with the 13<sup>th</sup> Draft Policy for the USDG, which allows for community and economic facilities, as well as the purchase of land.

The municipality has been criticised for too narrow an application of the funding (by National Treasury); in other cases they are criticised for too wide an interpretation (by National Department of Human Settlements and Portfolio Committee). Metro responses indicated that their interpretation of the grant objectives was more closely aligned to that of National Treasury, where the grant could be used more flexibly, as long as the outputs could be accounted for, than that of the National Department of Human Settlements, which, similar to that of the provincial department, is more directly associated with supporting the housing programmes.

The plea was that “If the two national departments can really speak in one voice it would help us” (respondent 1), but it was also acknowledged that there is an improvement in the consistency of interpretation and that the national engagements with the Department of Human Settlements are helping.

The provincial understanding of the USDG objectives are similar to that of the metro officials, in the broad application to the built environment, but with a stronger focus on supporting the roll-out of housing programmes through the elimination of funding constraints:

*“It came because there were constraints in the built environment, and those constraints were hampering the rolling out of the human settlements plan...It was meant to respond to those constraints and prepare the ground for those human settlements programmes in the metros...Leveraging the built environment – beginning to bring the connections between the various sectors of the built environment because human settlements...are not only about housing...leveraging the transport networks, the economic development around where people should be settled.” (respondent 15)*

However, it is clear that the provincial interpretation is that the USDG should fund projects that directly support the housing programme, as the municipality was criticised for using the funding for community halls or major roads when there were bulk infrastructure backlogs holding up housing development.

The civil society representative was unfamiliar with the USDG and therefore did not have an interpretation of the grant that could be compared with the metro perspective. He clarified at the validation workshop that civil society organisations in Buffalo City were generally unfamiliar with the USDG. The private sector representatives’ understanding of the USDG was to provide for renewal of infrastructure and to steer investment into identified corridors or development nodes to create the backbone for the private sector to play a role. This

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<sup>2</sup> Available at: <http://www.pmg.org.za/report/20130814-nelson-mandela-bay-and-buffalo-city-metros-201213-urban-settlements-development-grant-expenditure> Accessed: 10 May 2014.

interpretation is aligned to the transformative outcomes of the grant design, but ignores the focus on basic services, and does not align well with the municipal interpretation of infrastructure to support human settlement development.

#### 4.1.2 Perceived benefits of the grant design

The most common benefit cited was the scale of the grant, making it possible to tackle the large projects that were just being delayed due to lack of funding.

*"Those plans have been on the table for 15 years. I think the USDG now has given us the opportunity to unlock those. The only problem is the time delay – where those projects were R30 million, we are now paying R150 million. So the only risk is that if we don't implement now with USDG we've got, those projects just start getting out of reach...It then has the potential for providing housing and unlocking that catchment for the next 30 years. It puts Buffalo City Municipality on the right track to actually provide services for its people"* (respondent 7)

*"It is very advantageous because we have a serious backlog in our infrastructure, broadly, and with the implementation of the USDG, it does help a lot, although we do still need quite a [lot of] funding."* (respondent 12)

*"It responds to the challenges that we are facing, and I think it helps us. I think we are able to do work in terms of our internal services. So it is a good grant, if we manage it properly and we are able to account properly for it."* (respondent 1)

While the flexibility of the grant design and its supplementary nature were raised as an advantage, this was tempered by the perceived restrictions on its application. However, it was acknowledged that the grant has less strict conditions than MIG, with a broader application. The three year horizon was also mentioned as an advantage as it provides more financial security. Respondent 1 also noted that it has encouraged integrated thinking with in the metro.

#### 4.1.3 Perceived disadvantages of the grant design

The most common disadvantage cited was the restriction placed on the grant application, arising out of the differences in interpretation mentioned above, leading to a comment that the grant was "not flexible enough" (respondent 6). This view was supported by an attendee at the validation workshop, who claimed that the impact of the USDG was restricted by the fact that other national government funding (specifically the energy and water sector grants) were not aligned to the USDG and the needs on the ground. It was therefore suggested that the USDG should be expanded to encompass all built environment functions in 'one big pot'.

There is an understanding that the USDG is a Schedule 4 grant, and as such should not come with conditions as to what the municipality can and cannot use it for. Officials firmly believed that the grant should be able to be used for electricity connections, for community halls, for cemeteries, for roads, and for local economic development projects. There is a perception of a contradiction between the nature of the grant and the way it is said to be interpreted at a national level, particularly at NDHS (respondent 1).

*"It is a conditional grant to the discretion of the metro, but not. As soon as you start reporting to higher levels, then it is no longer a discretionary grant, then it is becoming prescriptive."* (respondent 9)

*"The policy should not be one of those generalised, fluffy policies. It should be quite specific...because that's always been the big thing that we get*

*pointed out about, not just us, other metros as well, what the USDG may or may not pay for.”* (respondent 9)

*“We were given certain conditions of that grant, but in the course of those conditions you would realise there are contradictions where certain metros are allowed to do certain things and other metros would not be allowed to do certain things.”* (respondent 1)

*“Why have the performance matrix for the USDG, if I am not allowed to use the USDG to fund those things”* (respondent 9)

In addition, at the validation workshop, a municipal respondent stated that the inconsistent evaluation of the metros should also be listed as a disadvantage. His explanation was that the national level ‘fixation’ on grant spending meant that the metros who spend their budgets do not have their projects interrogated, but those that do not spend their budgets do. The validity of this perspective can only be tested in the cross-case analysis which will be undertaken in the overall evaluation report.

In contrast, the provincial representatives were of the opinion that the flexibility of the grant was a disadvantage. The lack of prescripts in the policy framework leads to the metros being too free to interpret the grant as they wish. The provincial representatives also believed that the USDG should be able to be used in non-metro municipalities, particularly if the metros are not able to spend the money. They also raised the possibility of combining the USDG with the HSDG, with both being administered by the province. The same proposal was made by two officials at the metros, but with the intention of having both grants under municipal control. The implications of a different form of administration of the USDG and HSDG are discussed in the conclusion to the report.

**Table 4: Perceived advantages and disadvantages of the USDG design by the municipal officials**

<b>Advantages</b>	<b>Disadvantages</b>
<ul style="list-style-type: none"><li>• Scale of the grant to unblock large infrastructure projects</li><li>• Flexibility of the grant</li><li>• Three-year horizon provides financial security</li></ul>	<ul style="list-style-type: none"><li>• Inconsistent interpretation of what the grant may be used for</li><li>• Post-hoc application of prescripts and restrictions</li><li>• Grant is not broad enough – should incorporate all built environment functions</li><li>• Inconsistent evaluation the metros by national departments</li></ul>

## 4.2 Built environment planning

### 4.2.1 The Built Environment Performance Plan (BEPP)

The BEPP is developed by the EPMO, with the assistance of a consultant. The process includes looking at national and provincial planning documents for alignment, and Outcome 8 and the PSDF specifically. The first BEPP produced by Buffalo City was developed out of analysis undertaken for the Integrated Sustainable Human Settlement Plan (ISHSP). The pre-defined template was used

for the compilation of the BEPP, which is believed to be cumbersome, as it tries to cover all bases, and as a result has a lot of repetition with other statutory plans:

*"It's like you're writing the IDP. So when you sit with the annual report, the IDP, the BEPP document, and...the SDF...you would say, well, here's the SDF, here's the IDP, here's the IDP: read it. Because what you want here is just a cut and paste. It was cumbersome to say the least."* (respondent 9)

At the validation workshop it was confirmed that the strategic intent of the first BEPP was not clear and that it may have been undertaken as a compliance exercise, but that subsequent versions were vastly improved. This improvement was confirmed by provincial officials in the interviews. The 2013/14 BEPP is certainly more comprehensive than the 2011/12 BEPP and covers all the requirements for the BEPP as stated in the 13<sup>th</sup> Draft USDG Policy.

There was a strong view expressed at the validation workshop that the status of the BEPP in the municipal planning process has been elevated in the last year, and that this is driven by the drive for spatial targeting of investment. This view relates to the changes to the BEPP guidelines to link it to the ICDG, and not to its role in guiding the USDG. The statements made at the validation workshop indicate that there has been some uncertainty in the past around how the BEPP fits into the suite of other plans produced by the municipality. It is only since the BEPP has been linked to the spatial objectives of the ICDG that the strategic purpose of the plan has been realised. It was stated at the validation workshop that the BEPP (in its current form after the BEPP guidelines of 2013 (National Treasury, 2013) de-linking it from the USDG and linking it to the ICDG instead) has now found an institutional home within BCMM. As the current (2014/15) BEPP is in draft form and responds to the guidelines that were circulated subsequent to the initiation of this research, an evaluation of this document falls outside of the scope of the project. It was claimed at the validation workshop that the BEPP makes the link between the SDF, the IDP and the budget. This is an interesting statement, given that the SDF and budget are both components of the IDP, begging the question of why they would need to be linked by another plan.

There is evidence contained within the documents reviewed, that the internal alignment of planning has not yet been achieved. The IDP (2013/14) notes that: "Full alignment of the Integrated Development Plan, Budget, SDBIP and Institutional Scorecards still requires more work" (BCMM, IDP 2013:143). Many of the plans seem to be temporally misaligned, and it is notable that the draft 2014/15 BEPP still makes reference to the 2008 Housing Sector Plan and the 2007 Transport Study. The EC DoHS review of the housing chapter of the IDP state that there is "[V]ery little cross sectoral integration within IDP and other sector plans. There is a need to focus on integration in future review of all sector plans within the Municipality." (EC DoHS, 2011:30). In addition, the review summarises the planning risks that existed at the time as:

- Poor information and analysis on need and demand for proper planning
- Poor capacity within the municipality
- Lack of properly structured co-operation between the municipality and the province
- Difficulty of resolving the secure tenure issues in the communal areas
- Lack of proper control and management of the 12 started projects (EC DoHS, 2011:30).

According to respondent 8 it is a major problem that the BEPP is now due before the draft IDP has been finalised. The IDP should inform the BEPP, not the other way

around. In the manner in which it is compiled, the BEPP is subsidiary to the IDP and the SDF from which it draws heavily. In this way, the BEPP is also subsidiary to the other sector plans, as it draws contextual data, as well as project-level priorities from these plans:

*"Currently through the mechanisms of the SDF, the Housing Sector Plan, the Public Transportation Plan and the Water, Waste Water and Electricity Master Plans, the operational consensus is working towards building capacity to focus urban human settlement development in the priority areas proposed by the ISHSP (work-in-progress) over a 10-Year time frame"* (BCMM, 2013:69)

Strategic spatial direction is provided by the SDF and its constituent Local Spatial Development Frameworks (LSDFs), which feature prominently in all the planning documents and which are stated as the municipality's policy response to the fragmented spatial pattern. The main confusion relates to how the BEPP relates to the Housing Sector Plan, which is currently being revised, and the ISHSP, which is yet to be concluded. The IDP states that the ISHSP will be part of the HSP of the IDP and not as a stand-alone strategic development plan (BCMM, 2011a: 48). Many of the USDG objectives are mirrored in those in the BEPP that are drawn from the HSP (capacity, delivery, upgrading, acquisition and preparation of land, densification). The description of the ISHSP indicates that its intentions are very similar, if not identical to those of the BEPP:

*"The ISHSP fits in between the Buffalo City Development Strategy (CDS) and the IDP, where it is seen as a strategic planning process intended to facilitate consensus regarding the policies and actions required to deliver a range of different types of accommodation in BCMM, within the broader framework of infrastructure, transport, economic and social development initiatives as set out in the Buffalo City Development Strategy and the 5-Year IDP.*

*The ISHSP is more focused at identifying what is required for sustainable human settlement, with socio-economic elements/inputs becoming key driver(s) more than simply housing per se. That is, the Plan attempts to provide pointers towards what is required for communities to become more "sustainable" in the different localities across Buffalo City, with housing and associated services only forming part of the potential interventions."* - BCMM, BEPP 2013:70)

*"Within the context of the above "framework" of Plans addressing key elements of sustainability in the sense of that term as employed for the purposes of the ISHSP, the primary purpose of the ISHSP is understood to be to provide an overarching linkage and a set of programmatic activities linked to the housing sector (as lead sector)..."* (BCMM, IDP 2011:66)

The development of the ISHSP started in 2006, but stalled until 2010 and expected to be concluded in 2014 (BCMM, 2013b). An ISHSP presentation (BCM, 2012b) explains that the long term vision for growth (20-25 years) is provided by the City Development Strategy (CDS), the IDP then is the short- to medium-term strategic plan to reach goals of CDS over the next 5 years, while the ISHS is the 10 year medium-term framework to achieve sustainable human settlements in BCM. The ISHSP presents a large amount of contextual data that informs its strategic nature. Its proposed activities are spatially targeted and geared towards achieving the Outcome 8 targets. The presentation (BCM, 2012) states the role of the BEPP to be the setting of targets for strategic densification, for informal settlement upgrading and for implementation of the land management strategy. It also outlines the approach to identifying areas of spatial priority. In its content, the ISHSP is very

much what the policy framework specifies should be contained in the BEPP. As such, the ISHSP can be viewed as a long-term BEPP.

From the metro interviews there is a perception that other spheres of government do not engage with the BEPPs that are produced, as no feedback is given on the document itself.

*"For whose benefit are you writing this BEPP document, because I don't get feedback from the Province, I don't get feedback from none of the national departments...but it's just sent and you are left to your own devices. Was it good? Was it bad? Did you totally miss the point? It becomes a compliance issue."* (respondent 9).

The perspective illustrated in the above quote was directly contradicted at the validation workshop by an official who stated that the annual BEPP assessments are very valuable and provide a national perspective on the plans. An analysis of the national BEPP Reports for 2011 and 2013<sup>3</sup> does not shed any light on this issue, as these reports do not render judgement on their quality of the BCMM BEPPs (with the exception of three minor points of clarity in the 2013 Report), and mostly quote or paraphrase the BEPPs. It would be speculative to conclude that silence on the quality of the BEPPs is affirmation that they were adequate. The lack of any evaluation in these reports would seem to support the municipal view that feedback from national departments was limited. However, it is interesting to note that in the 2011 BEPP Report (NDHS, 2011:), the table of 'Best Practice' in BEPPs draws aspects of the BEPP from all the metros except for Buffalo City.

When it comes to reporting and engagement with national departments, one official believed that projects get looked at independently of the BEPP, and not how they fit into the overall plan:

*"The projects is what it is all about. If national said: 'Write me a business plan for the capital programme...or the big projects you want to do, and just show the alignment with the IDP and show the alignment with your SDF', then I would be happy."* (respondent 9)

In contrast, respondent 1 believed that the BEPP is useful in that it is informing the process of developing the 2030 vision, which is currently underway.

The provincial perspective on the BEPP is that it has illuminated what the USDG is being spent on, but that the IDP and Housing Sector Plans were more relevant for provincial planning (respondents 15, 16, 18). This perspective can only be presented from the provincial interviews, as there is no mention of the BEPP in any of the provincial documents reviewed. The private sector and civil society representatives had never seen the BEPP, so could not comment on it.

#### 4.2.2 BEPP Panel and intergovernmental planning

There were mixed views on the usefulness of the BEPP panel engagements. One metro respondent (respondent 1) believed that it was a beneficial process because it included a range of different stakeholders with different views. However, another believed that the level of detail that was discussed, and the way in which projects were analysed line-by-line, was an inappropriate level of detail (respondent 6).

The BEPP was said to take input from the panel into account, but only to a limited degree, and mostly around the format of the document. From the feedback

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<sup>3</sup> The national BEPP assessment report for 2012 was requested, but not provided to the researchers.

provided by the BEPP Panel, respondent 1 believed that the BCMM BEPP was amongst the best of the BEPPs submitted.

The final BEPP is taken to council together with the IDP, and tabled for council to 'note for consideration' (respondent 6, respondent 8). There is thus no substantial engagement by councillors around the content of the BEPP.

Province is only involved in the BEPP through the national platforms. There is no reference to the BEPP in the provincial planning documents reviewed, and thus no evidence of interaction between the BEPP and provincial planning, although provincial officials stated there is interaction around the Housing Sector Plan and IDP chapter on Housing. The 2013/14-2014/15 Eastern Cape DHS Annual Performance Plan (ECDHS, 2012) makes no mention of any interaction with Buffalo City Municipality and only mentions the municipality in terms of contextual information and then in tables listing numbers of units in specific projects. However, one provincial official (respondent 16) noted that the BEP had improved from previous versions, but questioned the validity of the IDP on which the BEPP was based. Provincial officials also believe there was a lack of alignment between the HSDG and the USDG at the national level, and in the planning at the local level.

*"I don't think we can sit here and demonstrate it's not us, it's them. We are part of the mess...I think we have to be honest. I don't think there is anything stopping us calling the metros, sitting down with them, and then doing the business plan together: USDG; HSDG. Because we can't do the HSDG business plan without their consensus. It doesn't happen"* (respondent 16)

*"Province don't really engage with us, although we are up the road from each other...We do get together on certain housing-related projects, but when it comes to USDG – hardly any interaction"* (respondent 9)

*"It is not a constant interaction. Sometimes we will surprise each other when we get to [national] human settlement meetings and we see figures that we do not know, that are affecting our city. And we ask, 'Where are these figures coming from?'"* (respondent 1)

A municipal attendee at the validation workshop confirmed that the interface with other spheres of government around the BEPP "is not there" and that there is no interaction with the provincial government around the plan. This is a key element of the theoretical framework for the intended implementation of the USDG that is not taking place in the case of Buffalo City. At the workshop another municipal official confirmed that the provincial budgeting process and the city business plan are not aligned. The municipality does not input into the provincial business plan. There is therefore agreement between the municipality and the Province on this issue, and there was a call from both sides for inter-governmental coordination to be improved.

The numerous forums for national engagements were noted by respondent 1, including the BEPP panel, quarterly presentations the NDHS and technical MuniMEC and full MuniMEC.

The transport planning department also engages with the Passenger Rail Agency of South Africa (PRASA). Some frustration at the interaction with PRASA is evident in the IDP: "Although every effort has been made to integrate the long term planning of the Passenger Rail Agency of South Africa (PRASA) and BCMM, the rate at which the rail service is improved is the responsibility of the PRASA and BCMM therefore does not have complete control over the roll-out of the Public Transport Plan." (BCMM, IDP 2011: 209). There also appears to be a lack of alignment on transport issues between the national and local spheres, were the municipality is, in the long-

term, focused on working with PRASA to develop a rail corridor between Mdantsane and East London, while national government has focused their attention in the immediate term on developing the BRT system in BCMM. The transport plan shown in the ISHSP presentation (BCMM, 2012) shows the commuter rail line and the BRT line both connecting Mdantsane to the CBD, but the BRT is shown connecting Mdantsane via Reeston to Duncan Village and Duncan Village the CBD, which are routes not covered by the commuter rail line and currently serviced by taxis only.



**Figure 6: Future BRT routes in BCMM (Source: BCMM, 2012:86)**

#### 4.2.3 External engagement

Metro officials confirmed that the only form of public consultation around the USDG projects occurs through the IDP engagements around all capital projects regardless of the funding source.

The civil society representative had very little knowledge of the USDG and has not seen the BEPP. He stated that his organisation has been active in human settlement policy and implementation in Buffalo City for many years and that if his organisation did not know about it, then it is unlikely that any other civil society group would have heard about it either. He believed that the municipality's appetite for engagement around housing and land is low because communities and NGOs are viewed as 'trouble-makers'. Recent attempts to engage around land release have come to nothing. The IDP forums are seen as too large scale to engage meaningfully and it is difficult to see how they incorporate comments into the final IDP. The NGO has been involved in assisting ward committees to engage with the municipal administration around housing and infrastructure, but this had not had much success in elevating ward issues.

The private sector representatives also had limited knowledge of the USDG, but had a broad familiarity with the municipality's capital programme, some of the prevailing objectives around the USDG, and knowledge of municipal planning frameworks. They felt that inputs into the IDP process in the past have been disregarded and seemingly had no tangible influence on what the metro has done, giving a feeling of consultation for compliance, rather than substantive consultation.

Recent engagements between the Chamber of Business and a portfolio councillor were noted as indicative of progress. There was a request for a coordinated,

transparent outlining of the objectives of BCMM for human settlements development to rally private sector development and potentially partnership along metro identified priority areas, with the suggestion of possible incentives. It was stressed that there is willingness by the private sector to engage and advance a spatially transformative agenda in BCMM, but that this requires strong and clear leadership from the metro. However, the claim was made that a lack of transparency, poor communication and an implicit suspicion of motives and interests seem to prevail despite the desire to engage the municipality constructively.

## 4.3 Allocation of funds and project selection

### 4.3.1 Method of project selection and budget allocation

The situational analysis in the IDP defines the problem statement and guides the capital project selection (respondent 1). This process is confirmed in the annual performance assessment of the USDG undertaken by the National Department of Human Settlements (NDHS, 2012). High priority projects that are contained within the capital budget are identified at a workshop with all the directors with line department inputs for potential funding through the USDG. The projects are then assessed against a "general understanding" (respondent 8) of the USDG objectives, rather than a set of specific criteria for the USDG, with the EPMO acting as the 'custodians', making sure that the grant is not spent for the wrong things:

*"[The EPMO is responsible for]...making sure that when the USDG budget is being utilised, that we try and keep it as close as possible to the conditions of the grant, because people tend to think it can be used for any- and everything."* (respondent 9)

The process indicates that the projects have already been identified through the IDP process, which in turn is informed by departmental master planning and the ISHSP, and are only included in the BEPP if they qualify for USDG funding. This is contrary to the purpose of the BEPP, as stated in the 13<sup>th</sup> Draft of the USDG Policy, which is a plan to strategically guide the selection of projects.

It is clear from the problem statements in the IDP and the BEPP that there are significant and urgent infrastructure backlogs in the municipality, and these are being prioritised:

*"I think a lot of the projects have just come up just by the nature of them blocking, or holding up development...Projects have basically prioritised themselves in terms of the urgency to unlock housing...Services with the backlogs get the first share of the slice"* (respondent 7)

However, this may be interpreted as not being a strategic approach to investment. Provincial representatives critiqued the lack of a long-term vision meaning that there is no spatial strategy, and resulting in piecemeal projects. The importance of the 30 year process that is underway was emphasised by respondent 1 and respondent 8.

A table presented in the ISHSP presentation (BCMM, 2013b:35) and reproduced below, illustrates an important strategic choice that needs to be made in BCMM: the choice to maintain the current low growth trend (interpreted here as being a socially-focussed agenda), or to improve growth (interpreted here as being an economically-focussed agenda). It is not clear from the presentation which scenario has been chosen, but the project selection for USDG would suggest that the former scenario is the default application of funding without a strategic choice having been made.

**Table 5: Implications of low growth (current trend) vs improved growth (Source: BCMM, 2013b:35)**

<b>Maintain Growth Trend</b> <b>FOCUS ON</b>	<b>Improved Growth</b> <b>FOCUS ON</b>
<ol style="list-style-type: none"> <li>1. Developing Institutional Capacity within available means</li> <li>2. Overcoming housing backlogs <ul style="list-style-type: none"> <li>• BCMM leads on public-funded housing in priority areas <ul style="list-style-type: none"> <li>◦ Emphasis on rental stock (CRU)</li> </ul> </li> </ul> </li> <li>3. Overcoming infrastructure backlogs <ul style="list-style-type: none"> <li>• Maintain focus on priority areas</li> </ul> </li> <li>4. Focus on incremental improvement in road networks and public transportation <ul style="list-style-type: none"> <li>• Rolling out BRT incrementally</li> </ul> </li> <li>5. Livelihoods enhancement focus in LED</li> </ol>	<ol style="list-style-type: none"> <li>1. Developing Institutional Capacity and Strategic Partnerships on LED</li> <li>2. Overcoming infrastructure backlogs <ul style="list-style-type: none"> <li>• BCMM focus on priority areas</li> <li>• Facilitate partnership approach to areas of growth demand</li> </ul> </li> <li>3. Overcoming housing backlogs <ul style="list-style-type: none"> <li>• BCMM focus on priority areas <ul style="list-style-type: none"> <li>◦ Balance of rental and ownership units</li> </ul> </li> </ul> </li> <li>4. Focus on rapid improvement in road networks and public transportation <ul style="list-style-type: none"> <li>• Prioritise BRT</li> <li>• New road linkages</li> </ul> </li> </ol>

The flagship projects that were mentioned by respondents as being good examples of the use of the USDG funds were:

- Second Creek Housing Development
- Gonubie Main Road widening and upgrading
- Fleet Street rehabilitation
- Reeston Housing Projects (multiple)
- KWT Regional Wastewater Treatment Works
- Purchase of the Sleeper Site (ongoing)
- Informal settlement upgrading in Mdantsane

The project list provided in Annexure A illustrates the wide range of projects that have been allocated USDG funding. These include housing projects, bulk infrastructure, internal infrastructure and interim services, roads upgrading, land acquisition, local economic development, community services (fire station, community halls, cemeteries, parks, sports facilities) and public amenities. It is interesting to note that the metro respondents did not focus on the Duncan Village Redevelopment Initiative – a DHS priority project which has been allocated dedicated HSDG funding, and which is identified as a priority in the SDF and IDP. This project is also noted in the national evaluation of the 2012/13 BEPP (NDHS, 2013b). The project is intended to pilot high-density re-development, incorporating rental, but has been stalled with the result that R300 million of funding was taken away (respondent 16). Annexure A states that the project specifications are being finalised for the procurement process to commence.

At the validation workshop, a metro attendee raised the issue of the allocation of the USDG to new infrastructure at the expense of renewing existing assets. New infrastructure is politically desirable, but he believed that if this is done at the expense of existing infrastructure, then there is an increased maintenance burden and a risk of failure of the infrastructure. His belief was that a greater portion of the USDG should be allocated to asset renewal.

### **Reconstruction and upgrading of Fleet Street- Quigney**



Fleet Street is a main thoroughfare running through the Central Business District of East London, intersecting with Settler's Way (connecting road to the airport, harbour and industrial development zone) and Oxford Street (connecting onwards to the N2), and serves as one of the main transit arteries of the metro.

The reconstruction and upgrading of Fleet Street is identified in the BCMM IDP 2011-2016 (BCMM, 2011: 213) as one of the key projects that will be undertaken as part of road rehabilitation and maintenance over the medium term. The project cost is approximately R90 million for the upgrade.

At the time of drafting the IDP, the project was unfunded and BCM identified a need to raise its own funds in order to undertake it. However, the USDG has enabled the metro to move forward with the project and undertake the reconstruction and upgrade, advancing progress on the municipality's overall capital investment programme.

The Fleet Street project serves as one example of BCMM's broad interpretation of the supplementary nature of the grant but it is not the only such project. Other examples include the Gonubie Road expansion (R70 million from 2011/12-2013/14 alone, with more spending over the MTEF) and the BCMM Urban Agriculture LED Project (R15 million).

Since Buffalo City is heavily reliant on the USDG as its main capital funding source it has limited alternative funding for other capital projects. This means that the USDG is used for as wide a range of projects as possible:

*"The drive this year is to make the grant more fungible. Let it support other programmes, not only concentrating on new developments only. Currently, in the last 2, 3 years we have been using the grant predominantly for new infrastructure. Trying to be the clean boy on the market, that is coming back to bite us, we cannot spend all the money."* (respondent 2)

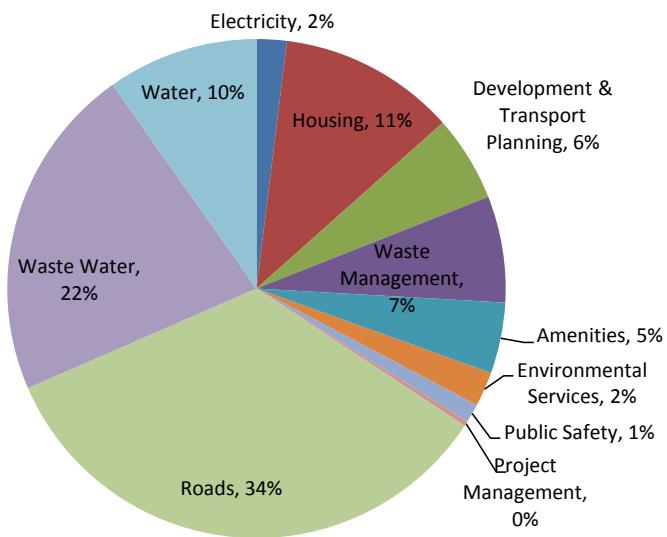
A review of the capital project list shows that projects that are clearly not benefitting low-income households (e.g. office and IT equipment) are funded through internal reserves. However, projects that will benefit both low-income and high income households (e.g. wastewater treatment works, road, public amenities) are entirely funded through the USDG and no counter-funding is provided. Projects that qualify for specific purpose funding (e.g. HSDG, NDPG, and INEP) are allocated to those funding sources (BCMM, IDP 2011). From an assessment of the BEPP and the associated project list, it is not possible to assess which projects are directly benefitting informal settlements, but officials at the validation workshop stated that most of the infrastructure projects serve areas containing informal settlements. The analysis of spatial distribution of USDG projects in Section 4.4.1 confirms that the bulk of the funding is concentrated in Mdantsane, Reeston and East London, which are the areas with the highest concentrations of informal settlements. However, given the manner in which projects are assigned USDG funding (as described above), there does not seem to be any systematic process for prioritising informal settlements or low-income areas.

#### 4.3.2 List of USDG approved projects by category

A full list of USDG projects on the 2013/14 adjustment budget is provided in Annexure A. Of the 290 projects listed on the capital budget, 137 of these are funded through the USDG. A breakdown of the budget allocated to each service and the number of projects by service, is provided in Table 6, below, with a graphical illustration of the percentage split of the USDG allocation shown in Figure 7.

**Table 6: USDG allocation and number of project per service**

<b>Service</b>	<b>USDG allocation in 2013/2014 Rollover Adjustment Budget</b>	<b>No of projects</b>
Electricity	15,000,000	9
Housing	87,929,142	33
Development & Transport Planning	42,713,394	11
Waste Management	52,790,000	9
Amenities	35,232,141	17
Environmental Services	17,209,467	4
Public Safety	9,172,049	5
Project Management	2,500,000	1
Roads	262,053,752	18
Waste Water	166,557,433	17
Water	75,062,918	13
<b>TOTAL</b>	<b>766,220,296</b>	137



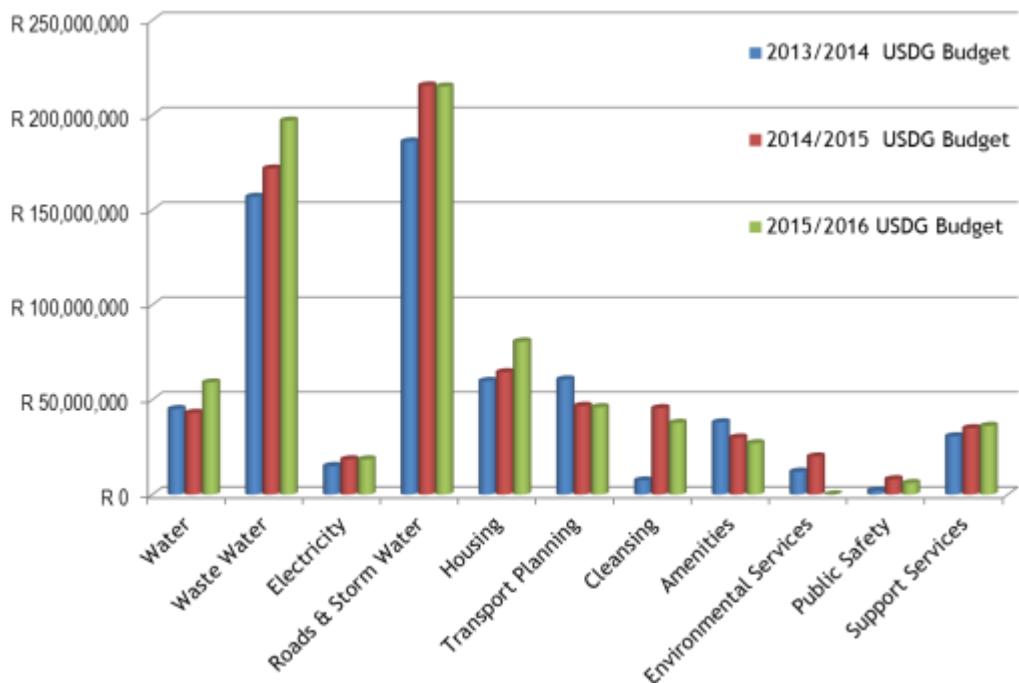
**Figure 7: Allocation of USDG Adjustment budget 2013/14 by service (Source: BCMM 2013/14 Mid-year budget and performance assessment report)**

Engineering infrastructure (roads, water, wastewater, electricity and solid waste management) accounts for 75% of the current budget allocation, with roads projects taking up the largest share. Increasing wastewater treatment capacity is a current priority in the metro, with three major wastewater treatment works being constructed simultaneously – an unprecedented situation in any metro. It is interesting to note that the municipality is replacing four old wastewater treatment works with one regional treatment works, and thus the available capital is being used strategically to reduce the operating cost burden of multiple works.

A total of 11% of USDG funding has been allocated to supporting 33 housing projects in the 2013/2014 revised budget, while only R19 million (2%) has been allocated to land acquisition (reported under Development & Transport Planning). While there are a fair number of amenities projects, these are generally of low value and only account for 5% of the budget.

Approximately R24 million (3%) of the USDG in the adjustment budget has been allocated to operating projects. The bulk of this (R16 million) is allocated to fund the EPMO, while the remainder is allocated to planning for various housing and infrastructure projects.

Figure 8 shows the USDG allocations over the MTEF show the bulk of funding going to waste water treatment and roads and stormwater. Engineering infrastructure still makes up the lion's share of the allocations, while housing specific allocations can be seen to be increasing in tandem with waste water investments.



**Figure 8: USDG allocations over the current MTREF period, 2013/14 to 2015/16**

#### 4.3.3 Leveraging capital finance

The municipality has previously borrowed for infrastructure in Mdantsane and has an outstanding loan book of R622 million (respondent 2, BCM 2014b). They have the ability to borrow at present, and would only borrow for revenue generating infrastructure, but there is limited scope for this at present:

*"On the face of our balance sheet we are strong to borrow. Our cash holding right now is R1.2 billion and our assets are R13 billion. So on our own funds [we could borrow]. We don't need to use USDG [to borrow against]. We could borrow if we wanted to."* (respondent 2)

This perspective is supported by the municipality's credit rating, which has been maintained at A1-(ZA)<sup>4</sup> and A(ZA)<sup>5</sup>, for short-term and long-term debt respectively, with a stable outlook, since 2011 (Global Credit Rating Company, 2014).

There was some discussion around the above statement at the validation workshop. A finance department representative clarified that the municipality is looking at borrowing, but not frivolously. If it borrowed, it would be on the strength of its own balance sheet to borrow, not the USDG. The only connection between the USDG and borrowing is that the USDG is being used to build an asset base on which to borrow. However, most of the USDG is used for projects that do not generate

<sup>4</sup> High certainty of timely payment relative to other issuers or obligations in the same country. Liquidity factors are strong and supported by good fundamental protection factors. Risk factors are very small.

<sup>5</sup> Very high certainty of timely payment relative to other issuers or obligations in the same country. Liquidity factors are excellent and supported by good fundamental protection factors. Risk factors are minor.

revenue to the municipality (i.e. services to informal settlements for which residents do not pay).

On the question of attracting private sector investment, the same municipal respondent replied that there were no Public-Private Partnerships (PPPs) in Buffalo City and that they would need assistance from National Treasury to make this happen. The tension between economic expenditure and social expenditure was cited as the reason for not undertaking PPPs. At the validation workshop it was pointed out that the leveraging of private capital takes a long time and that it was too soon to assess this. At the same workshop, the civil society representative also pointed out that the way that the USDG and HSDG were being used does not encourage communities to contribute their own resources, but rather perpetuates a culture of dependency.

On the question of the use of the USDG to leverage other municipal funding, the municipality has increased the level of internal funding from R15 million in 2010/11 to R127 million in the 2013/14 adjustment budget. However, this is still only 13% of the total budget, and the capital budgets for the next 2 years indicate contributions of around R70 million. While three respondents commented that their dependence on grant funding is not healthy, it is likely that this will be the case for some time until they build their revenue base. There is therefore no indication of the USDG attracting internal funding to disadvantaged areas.

## 4.4 Grant expenditure and outputs

### 4.4.1 Grant spending against budget to date

A historical analysis of the financial performance of the municipality shows a decreasing ability to spend the capital budget between 2009/10 to 2011/12. Capital expenditure in 2010/11 was 53%. When the USDG was introduced in 2011, grant expenditure in the first year was only 37% in 2011/12, but improved in 2012/13 to 63%<sup>6</sup>. The 2011 BEPP Review (NDHS, 2011) noted a concern that BCMM would not spend its USDG allocation, given a historical inability to spend other capital grants. Underspending on the capital account was raised as an issue in the 2012/13 Auditor-General report, and is acknowledged by officials and councillors:

*"Well, you know, we have been bad. This [last financial] year we were around 67-63% and this year, going forward, I hope we will improve because I'm aiming for a 95% spend. The reason for the 95% is because of the delay we had in taking the roll-over from the adjustment budget."* (respondent 1)

It is clear that the national DHS has been unhappy with the BCMM expenditure of the grant for some time. At the meeting of the Portfolio Committee on Human Settlements in 2012, the DHS Chief Financial Officer (CFO) reported that:

*"there was an element of a collapse at the Buffalo City. The municipality spent 40% of the grant, last year. The metro had not used its money, and the 40% was spent on areas that the Department was not particularly happy with"*

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<sup>6</sup> It is notable that the 2012/13 national USDG Performance Evaluation figures differ from those reported by the municipality, indicating expenditure at 73%. It has been assumed that the figures provided by the municipality are correct.

(Minutes of the Human Settlements Portfolio Committee Meeting held on 14 September 2012<sup>7</sup>)

BCMM were permitted to roll-over the unspent amount of R177 million from the 2012/13 financial year, adding to the 2013/14 allocation of R613 million to total R790 million<sup>8</sup>. The 2013/14 mid-year budget and performance assessment report shows that spending has improved further and 30% of adjustment budget (including roll-over - 42% of approved budget) was spent as at 31 Dec 2013, including 32% expenditure of the USDG. This was described as encouraging to the administration and to the councillors, as spending was only at 19% at the same time in the previous year. Five officials noted this expenditure figure, unprompted, to a fair degree of accuracy in the interviews.

**Table 7: Actual Expenditure per Service against Budget (Source: 2013/14 Mid-Year Budget and Performance Assessment Report)**

<b>Services</b>	<b>2013/2014 Appr Budget</b>	<b>2013/2014 Appr R-O Adj. Budget</b>	<b>YTD Exp.</b>	<b>% Exp. Vs Appr. R-O Adj. budget</b>
Water	55 465 044	75 132 967	32 690 240	44%
Amenities	38 000 000	52 823 958	7 980 239	15%
Cleansing	1 000 000	88 579 751	1 296 940	1%
Electricity	64 666 800	69 000 000	24 993 502	36%
Environmental Services	12 040 943	12 752 943	7 503 724	59%
Housing	85 526 364	108 624 658	6 627 184	6%
Other - BCMM Fleet	8 000 000	5 232 417	3 581 846	68%
Public Safety	2 750 000	15 194 882	899 459	6%
Roads and Stormwater	263 000 000	262 653 752	101 204 508	39%
Support Services	27 142 000	58 705 475	12 428 106	21%
Health Services	0	113 400	111 449	98%

<sup>7</sup> Available at: <http://pmq.org.za/report/20120914-ministerial-sanitation-task-team-report-and-update-recovery-plan-usdg>. Accessed: 10 May 2014.

<sup>8</sup> Made up of R766 million capital and R24 million operating.

Planning and Development	130 600 000	59 729 243	3 545 021	6%
Waste Water	156 854 000	166 560 033	86 934 375	52%
<b>Total</b>	<b>845 045 151</b>	<b>975 103 479</b>	<b>289 796 594</b>	<b>30%</b>

Respondent 1, respondent 2, respondent 9 and respondent 11 explained that the municipality had a culture of undertaking single-year budgeting. This meant that the full budget for a particular project was placed on the capital budget, even though projects are typically multi-year and the money would therefore not get spent. This led to continuous rolling over of funding. This has been changed to three-year budgeting, which enables the spending to be phased according to planned implementation, and which improves the ability to fund multi-year projects. In addition, according to respondent 2 and respondent 9, the finance department and EMPO have been trying to get departments to budget on a programme basis, and not only by project, which makes the reallocation of funding between projects easier. Programme budgeting has been implemented in some but not all departments. This improves the preparation of a pipeline of projects before they get onto the capital budget.

A second reason given for poor expenditure was the inability, according to the municipal interpretation of the MFMA, to advertise tenders without an approved capital budget (respondent 2)<sup>9</sup>. As the budget is only approved in July, the procurement process took place thereafter, with the result that the municipality only had 6 months or less to spend the budget. The municipality has now been advised to begin the tender specification process earlier, and advertise tenders based on the draft capital budget. This will facilitate projects starting much earlier in the financial year. The budgeting for multi-year projects, as provided for in Section 33 of the MFMA is another way of avoiding this problem. The EPMO has three supply chain management specialists to improve supply chain management practices (respondent 9).

A third problem, related to procurement, is that a number of large value tenders have been subject to legal challenge (respondents 1, 6, 7 and 12). This currently affects the BRT tender, among others (respondent 6, confirmed in NDHS, 2012). The reasons for the legal challenges are believed to be partly related to poorly defined specification and badly run procurement processes (respondent 1), but also due to the contracting environment in Buffalo City:

*"Some of our projects have been in litigation going around for about two years. From it being awarded to going out on site, that lag can be up to a year...I think previously your contractors wouldn't take your client to court, but a lot of the projects are large scale, so if any contractor in any way feels, for whatever reason that he didn't get it, they're going to take us to court straight away. So at the moment we've got litigation on a R232 million wastewater treatment project...Probably up to a couple of years ago we*

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<sup>9</sup> While the MFMA Circular 62 of July 2013 and 5.8.3.1.1 of the Supply Chain Management Guide may be interpreted this way, a review of the legislation on this matter shows that there are no express provisions that deal with the advertising of tenders prior to the approval of the capital budget.

*never really had litigation. Now it is seems to be a common trend."*  
 (respondent 7)

A related, fourth issue is that there have been instances of incompetence and corruption amongst officials managing projects. This was particularly a problem in the housing department (respondent 1). This issue was confirmed by the provincial stakeholders.

Fifthly, the poor performance of service providers has resulted in contracts being cancelled and having to be re-awarded, or poor workmanship requiring the work to be re-done. The notes column accompanying the project list in Annexure A is indicative of how many projects have had to be cancelled.

The final issue affecting capital spending has been community protests delaying projects. This can be for a number of reasons, but often relates to the level of employment on a project from a specific community (respondent 1).

Of the six reasons for poor capital expenditure mentioned by interview respondents, three of these are echoed in the two USDG performance evaluations reviewed (NDHS, 2012; NDHS, 2013), while a further three reasons are provided in the national evaluations: planning delays due to Environmental Impact Assessments (EIAs), insufficient funds for upgrading and rehabilitation, and lack of availability of land. The EIA delays can be considered one of the aspects of the procurement delays, but the reasons of insufficient funds is unlikely, given that the USDG was underspent in that year. This points instead, to the internal budgeting problems and the inability to transfer money between projects, rather than an overall inadequacy of funding. The land availability issue is discussed in more detail in section 4.4.2.

While the ability to spend capital is reported to have improved dramatically, respondent 2, respondent 6 and respondent 10 noted the concern about the ability to provide the funding to operate and maintain the new infrastructure assets. The BEPP notes that:

*"The DoRA allocations for capital funding have increased disproportionately to BCMMs ability to raise operational funding to increase the human resources required to effect spending of the capital allocation from DoRA"*  
*(BCMM, BEPP 2013: 78)*

Respondent 2 felt that grant funding needs to be accompanied by some mechanism to provide operational funding as well. The Equitable Share is not covering this, as Buffalo City's allocation has decreased in real terms and is out of sync with the increased capital funding through the USDG.

The following table summarises the main findings with regards to reasons provided for historically poor spending, and recent improvements:

**Table 8: Reasons for poor historical capital expenditure and reasons for recent improvement**

<b>Main reasons given for historically poor capital spending</b>	<b>Main reasons given for recent improvement in capital spending</b>
<ul style="list-style-type: none"> <li>• The system of single year budgeting</li> <li>• The timing of procurement process in relation to the</li> </ul>	<ul style="list-style-type: none"> <li>• Introduction of multi-year budgeting</li> <li>• Programme budgeting in addition</li> </ul>

<p>approval of the capital budget</p> <ul style="list-style-type: none"> <li>Procurement issues relating to legal challenges</li> <li>The capacity of municipal officials to manage projects</li> <li>Poor performance of service providers</li> <li>Instability in communities and resistance to project implementation (for multiple reasons)</li> </ul>	<p>to project budgeting</p> <ul style="list-style-type: none"> <li>Improved project pipelining</li> <li>Technical assistance from the EPMO</li> <li>Issuing tender specification earlier based on draft budget</li> <li>Large, multi-year projects being awarded</li> </ul>
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#### 4.4.2 Spatial distribution of USDG projects

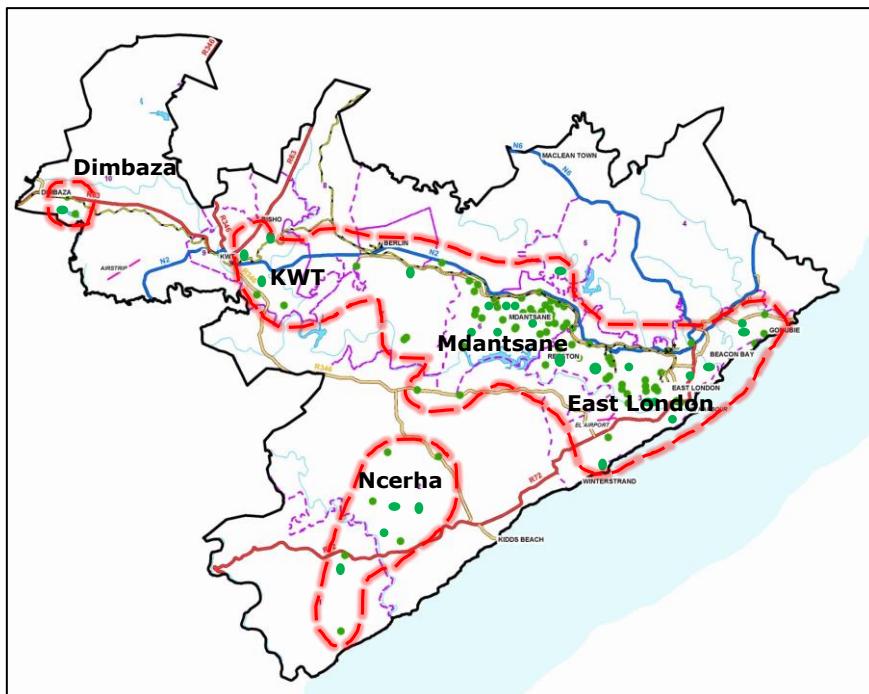
The breakdown of the three year MTREF budget (2013/14 to 2015/16), by 'zone' and urban vs rural areas is provided below.

**Table 9: USDG spatial distribution (Source: BCMM BEPP presentation 03 June 2013)**

Zone	MTREF expenditure (R million)	Percentage of total MTREF budget
KWT-Bhisho-Berlin	265	13%
Mdantsane-Reeston	620	31%
East London	611	31%
<b>Total Urban</b>	<b>1,496</b>	<b>76%</b>
Dimbaza and Inland	90	5%
Midland	118	6%
Coastal	229	12%
Newlands	39	2%
<b>Total Rural</b>	<b>475</b>	<b>24%</b>
Total	1,972	100%

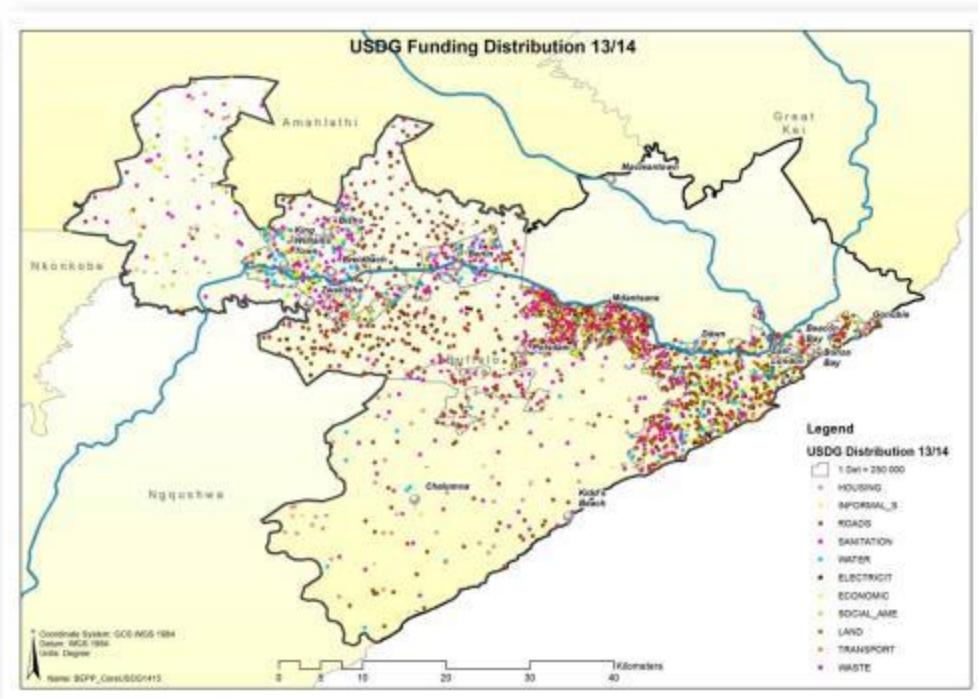
The table shows that 76% of the USDG funding is being spent in the urban core areas, with Mdantsane-Reeston and East London attracting the majority of the funding. There was some doubt as to whether this distribution was equitable, where the political priority for roads in Mdantsane, for example, means that much less is available for roads in the rest of the municipality (respondent 9). The rural areas have been allocated 24% of the USDG budget over the period. The SDF notes explicitly "that it is most rational and economically effective to focus higher order development investment (in infrastructure, housing and a diversity of economic enterprises) in the urban core areas" (BCMM, SDF 2013: 49).

The 2012 BEPP illustrates the majority of USDG projects in the urban corridor linking East London, Mdantsane and King Williams Town, with a small number of projects in the western settlement of Dimbaza and some rural services projects in the southern areas in the vicinity of the Ncerha villages (Figure 9).

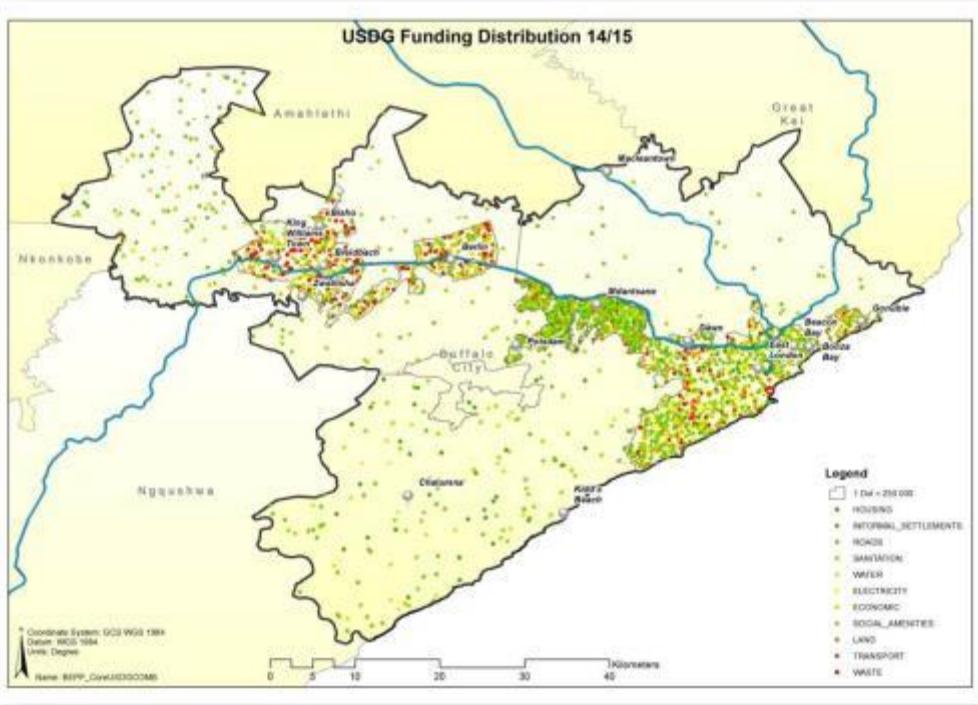


**Figure 9: Location of USDG projects in 2012/13 (Source: BEPP presentation, 5 April 2012)**

Figure 10 and Figure 11 graphically illustrate the spatial distribution of the funding for the current and forthcoming years respectively.



**Figure 10: USDG funding distribution 2013/14 (Source: BCMM BEPP presentation 03 June 2013)**



**Figure 11: USDG funding distribution 2013/14 (Source: BCMM BEPP presentation 03 June 2013)**

In response to a question regarding whether the USDG spending was spatially concentrated or spread evenly throughout the city, all respondents agreed that the spending was fairly evenly distributed. In fact, respondent 4, respondent 5, respondent 6 and respondent 8, raised the issue of councillors putting pressure on officials to try and package smaller projects rather than to do larger, more strategic projects to ensure that part of the capital is spent in their wards.

*"The challenge that we have is this view that 'I represent a ward, I am a ward representative and my ward must also get something'. It does not help us to realise our goals...But are we able to do that if I would take that money, rather than putting that money in the urban core where we are going to attract investment,...If you speak that language to councillors, out of 100% you will get 30% that will listen to you. Management continuously emphasises to them that you must allow the benefits of this budgeting approach. Ward-based budgeting approach is not a winning formula at all. A ward on the periphery form the urban core may benefit if there is a development taking place in the inner city...If you want all the wards to benefit at the same time, you're going to have challenges and you are not going to see the benefits we are making to the lives of people" (respondent 9)*

This view was reinforced by an attendee at the validation workshop who stated:

*"Prioritisation of the budget spatially is a problem. The concept of the BEPP is targeting specific areas, but you must achieve this at the same time as satisfying councillors. And councillors' demands result in 'bits and pieces' so you can't get the impact. This requires a change in mind set. Unfortunately,*

*by law, the council will always be responsible for the budget. The evolution of the BEPP has somehow assisted us in championing spatial targeting."* (Validation workshop attendee)

To support this view, when Figure 11 was presented at the validation workshop, a private sector representative pointed out that it depicted "an appeasement budget" referring to the fact that the projects were spread across every ward to appease ward councillors, rather than being spatially concentrated and strategic. He stated that there was a need to consolidate investment spatially. The ISHSP (BCMM, 2013b) is explicit about the need for a spatially focussed investment approach where needs and priority areas coincide, and highlights East London, Mdantsane/Reeston and King Williams Town/Bhisho as such areas. Although Table 9 shows that the majority of expenditure (76%) is spent in these areas, there is still 24% being allocated to provide for basic infrastructure needs (mostly water and sanitation backlogs) in rural areas. The statements at the validation workshop also suggested that the 'priority areas' were too generalised and the investment was not focussed more specifically on parcels of land or at a precinct level.

An attendee at the validation workshop linked the lack of a spatial strategy to the short-term nature of the BEPP:

*"If BEPP is a strategic spatial vision, then why is it 3 years and done annually? Should it not be 10 years? Spatial transformation is multi-year thing. You need a long term vision. After 5 years political tenure changes, and if there is nothing binding them, then we risk having a city that is haphazard...The challenge that we face is that it all boils down to projects. Spatial spread of projects is not talking to the vision"* (Validation workshop attendee)

The IDP (2011; 2012; 2013) notes that BCMM has historically been characterised by social segregation and spatial fragmentation and that the main challenge relating to spatial planning is the lack of implementation of spatial Policy by Departments. The BEPP (2013) identifies two major areas of infrastructure need: Duncan Village and Mdantsane; with a future need anticipated for the Quinera area. Key Spatial Programmes are:

- The Duncan Village Redevelopment Initiative (DVRI)
- The Informal Settlement Upgrade Programme
- The Mdantsane Urban Renewal Programme

The BEPP (2013), drawing from the SDF, describes a number of key developmental areas focussed on compaction and spatial transformation (transport corridors, Quinera, Amalinda Junction, Beach Front, Sleeper site). The 2011 BEPP Review (NDHS, 2011) highlights the importance of the infrastructure investment in the Quinera area for realising the vision of sustainable integrated settlement.

## Sleeper Site as an example of strategic land purchase



The so-called 'Sleeper Site' in East London is 11ha of prime land located adjacent to the main train station and the Central Business District (CBD). It links the CBD with the coastal suburb of Quigney. It is also close to the local campus of the University of Fort Hare.

The site was owned by Transnet and has been vacant for 30 years. The site has hampered the flow of traffic between the CBD, the light industrial area and the beach front. After protracted negotiations, BCMM purchased the land in 2013 using the USDG.

The EPMO is managing a tender process to develop the best use development concept to maximise the impact of this strategic land parcel. The successful bidders will develop different scenarios and assess the cost implication for the city of each in order for council to then make a decision around the use of the site.

However, the private sector representatives believed that the municipality's approach to human settlements has been criticised as spatially inefficient, and failing to capitalise on the innate potential of the region. A number of potential catalyst projects that could lead to a more efficient built environment, urban densification, and low-income housing opportunities have been long dormant or stagnant, such as the Sleeper Site, a new road/bridge to Gonubie over the Quennera River (connecting the burgeoning township), and a potential bridge over the Buffalo River more easily connecting Mdantsane to the EL IDZ. The civil society representative agreed that the lack of purchase, prioritising and strategic use of land is a major issue. The national assessment of the 2011/12 BEPP (NDHS,

2011:11) states that "The private sector seems to have taken charge of urban growth; BCM needs to claim its place over the private sector", indicating a lack of transformative spatial interventions driven by the city.

A provincial representative also agreed that the USDG was not being used to address the issue of land strategically:

*"As much as we say we are moving away from building houses on the periphery, wanting to bring them to the centre ...there is still that perpetuation of the old apartheid spatial planning pattern. For me, the USDG should have been able to break those down...The USDG should be driving the plan to spatially transform." (respondent 17)*

The 2011 BEPP Assessment (NDHS, 2011:31) stated that the introduction of the USDG created "an opportunity for the city to undertake a more aggressive approach to land acquisition in general". But this appears not to have taken place. City documents, and a number of respondents, claim that the primary constraint is the unavailability of well-located city-owned land:

*"The bulk of land ownership in the city does not sit in the hands of the municipalities. It is owned by SoEs, government departments like Public Works, and private hands. The City owns very little. And unfortunately what the City owns is at the periphery of the urban core. It is difficult to bring people closer to opportunities. We are still pushing our people furthest from opportunities to work, which in this day and age, that has to be reversed. Unfortunately, if you look at our planning patterns, some people may argue that we are still based in the in the age-old establishment mentality. It is not by design, but by default because of land ownership. I don't think there are these managers that are still perpetuating that." (respondent 6)*

*"In terms of land ownership, in terms of housing that's probably the biggest challenge in terms of transforming the whole land issue." (respondent 12)*

An alternative view was presented by respondent 9, who did not believe that land was necessarily a constraint for formal housing development, as township establishment (i.e. planning and surveying) is far in advance of the housing programme. However, the problem of acquiring land to address existing informal settlements was noted.

An assessment of the December 2013 Capital Expenditure Report shows that R20 million was allocated to land acquisition, but was reduced to R9 million in the adjustment budget. As at the end of December 2013 only R300 000 (3%) of the reduced allocation had been spent, which seems to indicate an inability to spent the allocated budget on land.

The IDP admits that "Another challenge for the Metro has been a lack of a coherent strategy for land acquisition apart from the fact that public land is 'vested' in the State. Additionally, there is simple no land available for housing development in the Metro, thus a need for land acquisition. In response to this challenge, in 2012/13 financial year, the Metro has signed a protocol agreement with HDA for land release and acquisition." (IDP: 61). However, this seems to be contradicted by Annexure 3 of the BEPP, which lists 45 key land parcels for development, 27 of which are owned by BCMM. The remainder of Annexure 3 does shed some light on the frustrations experienced by the municipality in trying to purchase land owned by state-owned companies in the metro. These include multiple applications to the same department without response, the need to wait on processes of one department to conclude before another is approached, and the omission of certain

parcels in the original transaction requiring rectification. The memorandum of understanding that has been signed with the HDA has yet to result in the release of any state-owned land.

#### 4.4.3 USDG outputs: products and services delivered

##### *Output reporting*

Reporting on the output performance of the overall capital budget is undertaken through the statutory SDBIPs, in which indicators are defined and targets are set and reported against annually. The Buffalo City Quarterly Performance Reports submitted to National Treasury include the SDBIPs that are required in terms of the USDG grant conditions in DoRA. When comparing the indicators from the Buffalo City Quarterly Performance Reports to the USDG BEPP Performance Matrix for the years 2011/2012-2013/2014, there are only seven indicators of approximate relevance to the BEPP Performance Matrix for which there is consistent, uninterrupted reporting over the past two and a half years. This increases to ten when considering indicators for which there is an absence of data for not more than one year.

The data presented below is a collation of information from the 4<sup>th</sup> quarter report of the SDBIP with the available USDG performance reporting. Further, there were in some cases subtle differences in the title of the indicator applied from year to year raising questions about the consistency of the measure over time, and as is indicated with the last indicator, the accuracy of the internal reporting is questionable.

**Table 10: Buffalo City outputs relevant to the USDG**

	2011/2012 <sup>10</sup>		2012/2013 <sup>11</sup>		2013/2014 <sup>12</sup>	
	Target	Actual	Target	Actual	Target	Actual
Number of housing opportunities provided (top structures)	3401	833	709	432	1081	414
Number of households allocated affordable rental housing units	784	344	160	528	N/A	N/A
Kilometres of gravel roads tarred	10	10	20	34	N/A	N/A
Number of water service points installed for informal settlement dwellers within a	20	20	30	97	35	70

<sup>10</sup> The indicators reported in the DHS Performance Evaluation Report did not align with the municipal reporting available, or with the indicators used in the following year, so data was sourced from the municipal SDBIP Performance Reporting.

<sup>11</sup> Utilises the DHS Performance Evaluation Report, which correlates with the 2012/2013 4<sup>th</sup> Quarter SDBIP Performance Reporting

<sup>12</sup> Only includes the first two quarters of the 2013/2014 financial year and should be viewed as incomplete.

	2011/2012 <sup>10</sup>		2012/2013 <sup>11</sup>		2013/2014 <sup>12</sup>	
	Target	Actual	Target	Actual	Target	Actual
200m radius						
Number of additional households (RDP) provided with water connections	3401	595	1105	1543	1081	30
Number of sanitation service points (toilets) installed for informal settlement dwellers	5500	4154	150	346	290	167
Number of additional households (RDP) provided with sewer connections	N/A	N/A	1850	77	1081	150
Number of additional households (RDP) provided with electricity connections	315	342	1500	1473	494	253
Number of informal settlements with access to refuse removal	1050	378	2000	900 <sup>13</sup>	500	500
Number of jobs created using the Expanded Public Works Programme guidelines and other municipal programmes	364 092	116 063 <sup>14</sup>	N/A	N/A	500	269

The table above highlights some of the key output measures associated with the USDG in BCMM, with reported achievement contrasted with set targets. For the two complete financial years reported, 2011/2012 and 2012/2013, there are six instances of overachievement, two instances of target matching, ten instances of underachievement, and two instances of no data that could be found.

The 2012/13 national USDG Performance Evaluation (NDHS, 2013) lists 38 indicators and targets from the BEPP, and cites 15 instances of target matching or over-achievement and 16 cases of underachievement. For seven of the indicators data was not available or the method of reporting meant it was not clear whether the target has been achieved. In this regard, it is noted that for many of the indicators it is not clear what is being measured. For example, the indicator description "Backlog in the number of consumer units with access to a free basic level of potable water" could mean the backlog, or the number of consumer units with access. It is therefore difficult to assess whether a number higher than the target is good or bad. This type of ambiguity is common in the BEPP indicators.

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<sup>13</sup> This appears to be the 4<sup>th</sup> quarter performance only, and should be at least 1862 according to municipal report for the 3<sup>rd</sup> and 4<sup>th</sup> quarter.

<sup>14</sup> It is extremely unlikely that either the target or the reported number achieved are an accurate reflection of the EPWP work opportunities created by BCMM for that year.

Conspicuous by its absence is consistent reporting on indicators related to land procurement, households in informal settlements upgraded, and households relocated. That is not to say there has not been some reporting on these outputs, only that it has been incomplete and inconsistent according to the internal reporting furnished for this assessment.

The 2011/12 4<sup>th</sup> Quarter SDBIP states that BCMM delivered 833 low cost housing units against a target of 680 units, indicating over-delivery of 153 units. This is noted in the annual performance evaluation for the USDG (NDHS, 2012). However, the municipality's SDBIP Performance Reporting sets the target at 3,401 units, which would mean there was an underachievement of this indicator. The 2011/12 SDBIP also notes that 344 rental units were completed against a target of 230, indicating an over-delivery of 114 units. However, the NDHS report also notes the lack of any of the targeted 219 serviced sites being delivered.

In the 2012/13 SDBIP, only 432 top structures were delivered against a target of 432 units. The reasons given for this were the poor performance of the contractor and the length of the planning and procurement processes. However, the target for the provision of 160 new rental units was exceeded by 368 units.

When asked about delivery associated with the USDG, the following quote illustrates one perspective as to how the USDG has made a tangible contribution.

*"[The USDG] has had an impact in a very meaningful way. On sanitation it has an impact to address some of the backlogs. It has, as well, in terms of housing. There are tangibles that we can show."* (respondent 1)

When considered against the outputs reported, sanitation and housing do not stand out as areas of over-achievement, but it is clear that there has been water and sanitation infrastructure delivery to households, although the quote may also refer to bulk sanitation infrastructure projects that are underway. The following quote also explains that metro has taken a progressive approach in this regard.

*"We are making inroads, but it's not a quick fix. It is going to take time to get the departments up and running, to do things differently and think about projects differently. It's a process that we're unrolling. We like to see things changing, expenditure improving, reporting improving, our audit results improving, but in terms of actual service delivery on the ground, I think things are improving."* (respondent 9).

However, when metro perspectives are contrasted with external stakeholders, there are clearly contrasting views. One respondent believed that the USDG has made no evident difference in service delivery, or delivery of housing. The grant was meant to address constraints that held up housing projects, but it has not done this (respondent 16). Similarly, other external respondents noted being unable to identify any meaningful human settlements projects completed by BCMM in recent memory, nor was there any recognition that prominent road projects such as Gonubie Road and Fleet Street fall under this (respondent 13 and respondent 14)

Respondent 6 and respondent 7 have provided some evidence that USDG has unlocked housing; not through funding for internal services, but through resolving bulk infrastructure backlogs, specifically on sanitation and to a lesser extent on water. As stated in section 4.3.4, this means the engineering services are receiving more money than they previously received.

### *Outputs supporting delivery of housing opportunities*

The annual performance evaluation (NDHS, 2012) confirms the poor capital spending and associated service delivery in 2012/2013 noted by interview respondents, and adequately sums up the situation stating:

*"The Metro under achieved in the 2011/12 financial year with the procurement and project management inefficiencies which resulted in the slow progress in implementing capital projects"* (NDHS, 2012:32)

In terms of the delivery of housing opportunities, the civil society representative believed that there has been no change to the municipal approach to human settlements: it is still generally an 'RDP' type approach in the housing department, but the delivery is far too slow to address the informal settlement issue. He believed that the current NUSP intervention is essential to force the municipality to change its mind set. Through this programme, BCM plans to target the in-situ upgrade of 32 informal settlements (BCM, 2014a).

A survey of informal settlements undertaken in 2010/11 categorise settlements according to those that were recommended for full relocation (12,982 structures), partial relocation and partial in situ upgrading (15 285 structures) and full in situ upgrading (2,592 structures) (BCMM, IDP 2013: 53-54). The emphasis on each of these strategies (see **Error! Reference source not found.**) would seem to support the perception that in-situ upgrading is not widely being adopted. However the same study noted that the term 'regularisation' was applied to the servicing of settlements awaiting upgrading, and interview respondent 6 confirmed that the provision of ablution blocks, standpipes and electricity connections was occurring in informal settlements, particularly in Mdantsane. However, the 2012/13 national USDG Performance Evaluation (NDHS, 2013) notes that the city failed to achieve its target of servicing 300 informal dwellings because of delays in identifying suitable areas.

There were mixed opinions on whether the USDG had improved the efficacy of the HSDG. There was a general sense that the two processes were quite separate, and that HSDG delivery has its own sets of problems – community unrest, unreliable contractors, administrative issues between the province and the municipality – unrelated to the USDG (respondent 6 and respondent 9). The lack of inter-governmental planning and coordination, expressed by both municipal and provincial human settlement officials would appear to be the reason for this statement.

Evidence of this lack of alignment between the USDG and the HSDG is provided in Annexure 1 of the 2013 BEPP, which lists the funding sources for the housing projects for 2013-2016. Of the 34 projects listed, only half of these use both funding sources. The other half use only one or the other.

### *Acquisition of land*

Respondent 3 and respondent 9 noted that the USDG has had a noticeable impact on the ability to buy land. R18 million has been spent on land to date, including the purchase of the Sleeper Site from Transnet. However, there are capacity constraints in the land administration department that limit the amount of money that can be spent:

*"There could have been a more aggressive approach to land acquisition. There is private land out there that we could acquire, but it is a capacity issue within the institution that needs lots of help."* (respondent 9)

*"I get the feeling that different departments within the municipality have different track records and skilled personnel. For example, the land administration department seems to be very weak, and that is a department that is crucial when you engage in trying to get land."* (respondent 10)

The 2011/12 national USDG Performance Evaluation notes "limited land in close proximity to the city centre (CBD)" and "slow and complex land identification and development processes" (NDHS, 2012:112) as weaknesses in Buffalo City. However, on the same page, an opportunity is noted as being "vast pieces of land owned by the state (national, provincial, district and state owned enterprises) suitable for mixed use inclusive of RDP housing, GAP housing, and Social Housing". This can be contrasted with statements in the BEPP and the SDF that note that the release of state-owned land is cumbersome and slow.

#### *Transport*

There have been minimal transport outputs to date outside of kilometres of road maintained, re-surfaced and upgraded of various road networks, the reporting on which has been uneven. The upgrade of the East London to Berlin rail link via Mdantsane has been highlighted as a priority since 2006, but has not yet happened. Several delays in the BRT system implementation were noted in the IDP (2013), in two of the metro interviews and in the national performance evaluation (NDHS, 2012). The main reason given for this is a legal challenge to the tender process. While the bulk of the USDG funds in the current financial year are being used on roads, this is to improve general accessibility (e.g. Gonubie Main Road, Fleet Street, and Mdantsane) and is not specifically for public transport interventions. However, the fact that the majority of public transport trips are taken by taxi, means that the road upgrades are likely to improve travel times and safety for a general public transport benefit. At the validation workshop, an official noted that the progress made on public transport was in the form of detailed planning, rather than tangible deliverables. This is confirmed in the national performance evaluation (NDHS, 2012).

## **4.5 Housing accreditation, intergovernmental relations and interface with other interventions**

### **4.5.1 The USDG and the Housing Accreditation process**

BCMM is currently accredited at Level 1. The BEPP (2013) explicitly states that Level 2 and Level 3 accreditation<sup>15</sup> (assignment) are part of the main Intervention Strategy for human settlements. The municipality was assessed for accreditation by the national housing accreditation panel in 2011, which recommended that Level 2 accreditation be awarded. The provincial DHS has not yet approved the accreditation (respondents 1, 6, 15 and 16). The 2013 BEPP states that: (BCMM, 2013:170).

*"On consultation with the Provincial Department of Human Settlements regarding the status of the accreditation for BCMM, it was advised that a certificate for level 2 accreditation should be issued before 31 August 2012."*

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<sup>15</sup> Although there is no longer any Level 3 accreditation in terms of the National Accreditation and Assignment Framework adopted by MINMEC in November 2012, the 2013 BEPP still makes reference to this.

Metro officials are not clear why this is the case and expressed frustration that this has not yet happened. One respondent believed that this was related to the province not wanting to lose the power and financial resources associated with the housing function in the metro (respondent 6).

Province are withholding accreditation as they firmly believe BCMM has not demonstrated sufficient capacity to manage projects, and that they are ultimately responsible for monitoring and reporting on human settlements delivery in the metro, even after accreditation has been granted. They claimed the lack of capacity is evidenced by the delays on the Duncan Village Redevelopment Initiative (DVRI). In addition, the EC DoHS officials stated that there is money available for capacity development for accreditation, but that the city has not yet applied for this. The 2011 Review of the HSP notes capacity constraints to achieving Level 2 accreditation, and states that the following are required: (BCMM, 2011:83)

- Recruiting additional staff personnel;[32 posts]
- Providing training to existing and new personnel recruited;
- Deploying current personnel to address level two functions; and
- Utilizing externally sourced technical support when required basis.

The 2011/12 Annual Report (ECDHS, 2012b) states that the provincial department would be increasing its capacity support to BCMM as part of the municipal accreditation process, and specifically for the implementation of the DVRI project. At the validation workshop a municipal official entirely refuted the provincial perspective that BCMM lacks the capacity to manage projects.

At the validation workshop a municipal official raised the point that the purpose of decentralisation is to build capacity. He claimed that it is not necessary or possible to have all the required capacity before the function has been transferred. This view is supported by a statement in the 2011 DHS BEPP Report, which states that (NDHS, 2011:60):

*It is anticipated in the 2011 / 2012 financial year, Buffalo City Metropolitan Municipality will be delegated the level 2 accreditation function which will increase its institutional capacity to implement and focus on quality housing role [sic] out.*

While all metro officials believe that they are ready to be accredited to Level 2, there were varying levels of enthusiasm around assuming the function. One respondent believed that full assignment should be granted, while two respondents noted that certain capacity still had to be built to manage the function. It is generally believed that accreditation will improve the alignment of the USDG and the HSDG and efficiency and effective delivery of services. The metro has requested a national intervention to unblock the accreditation process (respondent 1).

#### 4.5.2 The Cities Support Programme

Only four respondents in the metro had any in-depth knowledge of the CSP. There was some scepticism as to whether it would be applicable to Buffalo City.

*"It's a very nice programme. The practicality of rolling it out and making it work: we will wait and see...The way they are going about it at the moment, it is difficult to engage." (respondent 9)*

The comments from municipal officials around the CSP were focussed on the ICDG and its implications for the metro, rather than any connection being made between the USDG and the CSP. This is probably due to the fact that interviews were being undertaken at the time the ICDG was being implemented. Questions were raised

around the qualification criteria for the ICDG funding associated with the CSP and the practicality of the reporting requirements. Both respondent 2 and respondent 1 questioned the rationale for a clean audit as a qualification criterion for the ICDG.

At the validation workshop officials clarified that the complex set of indicators was a radical shift in the measurement of built environment outcomes, and that the capacity of officials at BCMM to deal with this complexity was low. It was stated that they do not have the systems and information required to develop the baseline data required, and they would need to invest in this type of intelligence gathering.

Two respondents noted that the technical assistance that had been provided via the CSP had improved project implementation:

*"We do have interactions [with the CSP]. We have got a resource here. We have a good relationship with National Treasury. If I have problems, I am given a platform to attend. Our interaction is continuous."* (respondent 1)

The only mention of the CSP in the municipal documents reviewed is a statement in the ISHSP (BCMM, 2031b) that proposes that the city's strategy should align with the Cities Support Programme, and a note in the 2013 BEPP to say that the CSP has provided support in building project management capacity. At the validation workshop it was clear that the municipality had had more engagement with the CSP since the interviews were undertaken. An official refuted the finding that the municipality was 'observing the CSP cautiously from a distance' and stated that they were a 'highly active participant' in all aspects of the CSP, and were a beneficiary of a number of programmes, including technical support.

#### 4.5.3 Changing roles, challenges and gaps within the metro

The roles for implementing human settlements interventions in Buffalo City have changed since the introduction of the USDG. Evidence would suggest that this is mainly due to the introduction of the EPMO and the centralisation of what respondents referred to as 'project pipelining':

*"Some departments are kicking and screaming along the way because now because the room for manoeuvring is being boxed in a little bit, but we are getting there."* (respondent 9)

The USDG has also increased the importance of the role of the engineering services departments as the key to unlocking infrastructure capacity to facilitate housing delivery. This has been a source of frustration to the housing departments at times:

*"Our main focus is infrastructure, and unfortunately it does sometimes put us in a predicament, with [the housing] department because we are not responsible for infrastructure. There is a relevant department, which is engineering, that is dealing with infrastructure. This is why we sometimes have to account for non-expenditure within our human settlement portfolio, where we are hell bent (sic) with processes and delays that affect that department, and yet...we have limited participation in that department. There are relevant protocols that have to be followed. So we sometimes have to limit our involvement within that directorate. Ours is to build houses"* (respondent 12)

A common theme in the interviews was that the municipality has been operating with an organisational structure appropriate for a Category B municipality but have been expected to perform at the level of a metro has been a challenge for them (respondent 1, respondent 6, respondent 8, respondent 9, respondent 11, respondent 12). The organisational restructuring has been going on since 2011 when the municipality was designated as a metro. The first strategic focus area

mentioned in the IDP (2013) is the "Institutional Restructuring and Stabilisation" with capacitation of staff and the establishment of systems as key objectives.

*"Since its designation as a Category A municipality, the newly constituted Buffalo City Metropolitan Municipality has been engaged in an institutional re-design process in order to enable it to fulfil its extended local government roles and functions." ECDoHS, 2011:83*

The responsibility for finalising the organogram was taken over by the council, which was perceived by some respondents as political interference. The civil society representative noted a perception that councillors are too involved in the day-to-day running of the municipality. The process of restructuring has been significantly delayed and was only finalised with an approved organogram on 11 December 2013. Heads of department have been, and still are acting except for the CFO, which was required by National Treasury as a condition of receiving the USDG. There are also no general managers in the newly-established Directorate of Human Settlements. The municipal manager has taken a strong leadership role, but the lack of permanent and competent staff at senior management level was highlighted as a challenge:

*"If you are a second division football team, you get to compete in the second division, yet you get promoted into the Premiership division... You need to have new players to compete better. In this case there are none. The City Manager is in his third year now with no senior management. , in this case there is no senior management – only acting people. You cannot expect to do miracles." – (respondent 6)*

The availability of skills within the administration has been noted in municipal plans and was highlighted in several interviews. The municipality previously had 15-20 qualified engineers, which is believed to be the reason for 100% expenditure of the MIG (respondent 9, respondent 14). The municipality then experienced loss of staff due to retirement, emigration, and packages being taken, resulting in the expenditure declining substantially in 2010/11. An attendee at the validation workshop described the institution as being "in crisis" in prior years with a staff exodus and instability in top management.

*"Nobody makes a career in council anymore. Everybody is here for 2,3 years, where previously people were here for 30 years, 20 years, so you don't have continuity; that is probably the big thing...and retaining those staff. But through the EPMO and all the rest, that has tried to bring stability. But I think in terms of the shortfalls now, it's actually attracting people, and trying to keep people." (respondent 7)*

It was reported that there is not a single registered professional engineer in the municipality (respondent 2, respondent 9), which was also noted as a problem by all the external stakeholders. The lack of capacity and skills was also noted in relation to supply chain management, financial management and project management, specifically in land administration and housing.

The capacity issues are picked up in ISHSP and skills development listed as a priority in the IDP (2013) under KPA1, with a Talent Retention and Management Strategy to address the situation. The ISHSP presentation (BCM, 2012) also states that the building of specialist expertise in human settlement planning and management critical to the success of the plan. None of the national BEPP reports or USDG Performance Evaluation Reports picks up on the issue of a lack of technical capacity in BCMM.

The EMPO was also introduced to supplement to supplement the lack of technical expertise (project management, execution, monitoring of expenditure) during a

period of institutional transition to a metro and in the absence of permanent top managers (respondent 1). The EPMO currently has 3 supply chain management specialists, a financial specialist to advise the CFO, and 3 engineers, two of which are contracted from DBSA, and 8 housing project managers. It is currently 60% staffed (respondent 9).

*"While you can see we have tried to augment and keep the ball rolling, at least somewhat with the presence of the EPMO."* (respondent 1)

The functions that the EPMO fulfils include monitoring and reporting of project implementation and spending. They also introduced project management software for management and reporting. It was stated that the EPMO has a cross sector view that counteracts the parochial view of departments (respondent 9). Multiple respondents believed that the EPMO has been a major benefit in terms of technical assistance and is believed to have accelerated spending and service delivery (respondents 1, 3, 7 and 8). At the validation workshop it was confirmed the EPMO provides some of the technical capacity that is lacking in the line departments, as an interim measure.

Problems with Supply Chain Management have been mentioned previously. To address this, a Capital Steering Committee and the Bid Adjudication Committee have been formed and meet regularly, which is believed to have helped (respondent 11). The Capital Steering Committee also serves to capacitate senior politicians around the capital spending issues.

At the validation workshop it was reported that the municipal micro-structure has now been approved by Council, but the problem was now funding that structure. The lack of funding may mean that there may not be the required shift from the current staffing profile towards the approved organogram in the short term. It was stated that technical expertise, such as engineers and planners, are expensive, and that the USDG can be used as a mechanism to attract this technical expertise. This is interpreted as support of the current 'top-slicing' of the USDG for operating costs to fund the technical staff at the EPMO, and a suggestion that this could be expanded to source the required additional staff.

#### 4.5.4 Changing roles, challenges and gaps externally

Improved inter-governmental relations is the second strategic focus are of the IDP (2013), including the alignment of planning. At a provincial level, responses from both the metro and the province indicated that the relationship was strained around human settlements and the USDG. The metro is frustrated at the involvement of the province, in what is seen to be a metro responsibility ("Why is province involved at all?" (respondent 2)), and the difficulties in communication between the two spheres. The perception expressed by respondents from the province is that the municipality is not performing its responsibilities in relation to the grant, largely because of capacity issues that are not being addressed. Province understands that they are still responsible for monitoring and reporting on human settlement outputs, which are linked to the delivery outputs of the USDG, and thus would like more control over how it is used. The provincial officials noted that the relationship was amicable, but their interactions did not result in any action being taken. This was contrasted with their experience in Nelson Mandela Bay Metro, where there had been a lot more cooperation and progress towards accelerated service delivery. The SWOT analysis of the USDG implementation undertaken in the national USDG performance evaluation notes as strengths: "sound and functional relationship with Provincial Department of Human Settlement" and "Sound and functional relationships with national departments responsible for Human Settlements,

Treasury, Water and Energy" (NDHS, 2012:112). The 2011 BEPP Review (NDHS, 2011) is silent on the relationship between the province and the metro, other than stating that the HSDG allocation to BCMM had not been gazetted by the province.

While the relationship with national government departments was reported to be good, there were still some challenges expressed by metro officials. The first relates to communication, with either a lack of response to requests or submissions, or claiming that documents had not been submitted, when in fact they had. The second relates to the mixed messages emanating from National Treasury and the NDHS. The Division of Revenue Act is clear that the metro is responsible to the NDHS as the transferring department responsible for monitoring financial and non-financial performance of the grant, and thus its reporting is directed there. However, because the reporting is in the form of the Section 71 reports to National Treasury, this department is also involved in oversight. However, the evidently strong involvement of National Treasury in the process has been confusing to the metro officials:

*"I do not know the motive of the allocation to Human Settlements as the transferring department, because each time there are problems, then National Treasury will rise and say: 'By the way, you are not allowed to do 1,2,3...'" (respondent 1)*

The third substantive issue that was raised was that of the first tranches of the 2013/14 USDG allocation being withheld by NDHS because of lack of spending. The municipality had complied with DoRA in submitting, but there was miscommunication. Officials stated that legally the money cannot be withheld for longer than 30 days and therefore lodged a complaint with National Treasury. (respondents 1 and 2).

The municipality has a Performance Management System in place, which is directly linked to the integrated development planning which guides the compilation of the SDBIP, through which the quarterly monitoring and reporting of USDG related outputs takes place. However, the BCMM SDBIP is characterized by poorly formulated indicators that conflate objectives with indicator measures, and apply the same reporting results to alternatively formulated indicators in other reports. This issue of reporting the same figures against multiple indicators was raised at the validation workshop, and a municipal official stated that this was a result of the way the indicators in the USDG Performance Matrix had been phrased: that the same question was being asked three different ways. As a further explanation, where services were delivered along with housing, the figures for each service (e.g. water, sanitation, electricity) would be the same as the number of units delivered. The official stated that there was a problem with the way the indicators are formulated and that the performance matrix needed to be cleaned up and rationalised.

Quarterly reporting in relation to the USDG is also undertaken on each project in terms of progress, outputs, expenditure, etc., and is consolidated and presented to NDHS.

In commenting on 2012/13 financial statements, the Auditor-General noted that performance targets were not measurable and specific, poor performance against these targets (48% of targets were not met). Setting baselines was reported as a problem because the internal systems are not in place to collect this information. In addition, at the time of the interviews the municipality had not yet aligned the SBDIP indicators with the BEPP performance matrix. Subsequently all have been included for the 2014/15 financial year.

The quality of SDBIP indicators varies between directorates in the level of detail that they provide, with some uncertainty around the correct level of detail to which the outputs should be measured. None of them appear to have a technical description or definition for auditing purposes. This has been recognised as a problem and is being addressed. Respondent 1 believes that monitoring and reporting has improved greatly, and internal monthly reviews are undertaken to keep track of progress. Centralisation of the reporting through the EPMO has improved consistency of data:

*"In the past Department A will send a report, Department C will send a report, the Municipal Manager's office will send a report with stats and information and expenditure figures to the same department, and not one of those reports will reflect the same message. So now there is one single entry and exit point for reporting." (respondent 9)*

Officials reported that reporting requirements generally (not specifically for the USDG) are burdensome. The BEPP performance matrix is seen as overly complex, with the amount of new data that needs to be collected.

*"I think between National Treasury and Human Settlements there is a discussion that in order for us to have seamless reporting it would be better for us to have one template. It is difficult in a municipality, you know, we have 100 councillors that are your bosses and you get different templates. You wouldn't know, but they are one and the same thing. With government, why can't we consolidate and have one template for reporting and reporting and that's it. I mean filling templates is a waste of time." (respondent 1)*

At the validation workshop, an attendee explained that, since the interviews took place, the SDBIP indicators have been amended to include the entire USDG Performance Matrix for the 2014/15 financial year. The official acknowledged that there will still be some indicators that will not have data sets, but they have issues disclaimers against these:

*"We didn't want to tamper with what national gave us, but wanted to be honest about what could not be provided" (Validation workshop attendee)*

The inclusion of the entire USDG Performance Matrix in the forthcoming SDBIP indicates a recognition that the lack of alignment of the SDBIP with the Performance Matrix has been a problem in the past and that a greater consideration of the USDG indicators in the SDBIP was necessary.

#### 4.5.5 National involvement and oversight

Four officials commented that the national level focus is on individual projects, rather than on the overall capital and human settlement strategy of the municipality (respondent 1, respondent 6, respondent 9 and respondent 8). The sentiment was that as a supplementary grant, the municipality should be free to select projects that satisfy the purpose of the grant, and report only on the outputs and outcomes of infrastructure investment. The analysis of each project was felt to be 'micro-management' that should be done by national departments at a local level, not at the strategic national engagements such as the Portfolio Committee meetings. It was stated that national level monitoring is only being done on specific projects, not on how they fit into the BEPP and the suite of other plans, which is perceived to be unfair. At the validation workshop an official further elaborated that there was a disjuncture between that reporting that was required on projects, and the interactions around the BEPP. It was felt that the BEPP should be the basis of debate and negotiation, not project selection, but that the National Department of Human Settlements was 'fixated' on project reporting.

Another attendee at the validation workshop disagreed with this finding, saying that it was the prerogative of national government to audit any information, and the above statements should not reflect that the city does not want to be transparent. This comment does not alter the fact that the original respondents felt that certain types of monitoring should be taken at particular levels: strategic interrogations of plans and outputs at national stakeholder forums; and project auditing and monitoring at a local level with site visits, etc.

There is also difficulty in reporting on outputs or outcomes that cannot be tracked on a quarterly basis:

*"It is maybe a 5 year window before you realise your final result. So it is difficult to say in terms of 'did you get value for money?'. No, but it is a longer term project."* (respondent 7)

Provincial officials noted that they were completely bypassed in the reporting process, which is seen as a problem, as they have a constitutional mandate to maintain oversight and are called to account at a national level for the human settlement outcomes in the province:

*"You cannot account for something you have no control over"* (respondent 16)

Provincial officials expressed the need to strengthen accountability clarify the roles of oversight, particularly that of the provincial department in relation to the USDG.

## 5 Analysis of the findings

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The analyses arising from the Buffalo City metro implementation assessment are structured according to the guiding evaluation questions for the overall project. Testing of the theory of change is addressed in the main through evaluation question 2.5.

### 5.1 How has the USDG been interpreted at national, provincial and municipal levels? (2.4.)

The grant is clearly seen by the metro as a supplementary grant with flexible application to a broad range of human settlement applications, including bulk infrastructure, internal services for housing projects, community facilities, amenities, land and, to some extent, economic infrastructure. While none of the municipal respondents specifically mentioned informal settlements as the focus of the grant, this is implicitly understood as the main human settlements challenge. There are two factors at play that would incentivise a broad interpretation of the grant objectives by the municipality. Firstly, the grant makes up the majority of the capital budget and they have limited other funding for capital projects, resulting in a temptation to apply the grant to all of the municipality's capital needs. Secondly, there is pressure on the municipality to improve the spending of the available USDG funding. With this pressure combining with the overwhelming capital needs of the metro, it is understandable that the municipality would tend to take the broadest possible view of the grant objectives. However, this results in loose justifications as to how low income households would benefit, particularly with regards to expenditure on road infrastructure. It also promotes the funding of 'implementation ready' projects versus more difficult and longer-term strategically important projects.

The municipality has experienced objections from various national stakeholders for their interpretation of the grant conditions. There are conflicting messages coming

from National Treasury and from Human Settlements: while National Treasury is promoting a broad interpretation of the human settlement application, NDHS are perceived to be limiting the application to housing and informal settlement interventions with a seemingly constricting approach. The Portfolio Committee interpretation is similar to that of the NDHS, but includes bulk infrastructure and excludes social infrastructure. This interpretation is, however, in contradiction to the Draft National Policy. The interpretation of the provincial DHS is aligned to the perceived interpretation of the NDHS, primarily focussed on unlocking housing projects and eradicating informal settlements. As there was no representation of the provincial DHS at the validation workshop, there was no challenge to this finding.

The differences in interpretation between the national, provincial and local spheres are clearly problematic for the municipality, creating confusion around what and can and cannot be funded and aggravating any existing inter-governmental tensions. A clearer and conclusive policy framework would improve this situation.

## **5.2 Is the grant being implemented according to the design? (2.5)**

The USDG is undoubtedly being used to support human settlement development in Buffalo City more broadly. As the municipality is faced with a range of infrastructure challenges, the grant has enabled them to unlock development and deal with historical backlogs particularly in the area of waste water treatment. This was identified as a priority by the NDHS in their BEPP Review in 2011. However, there is poor alignment between USDG and the HSDG, and as such, the USDG is not accelerating the municipality's ability to deliver on the housing component of sustainable human settlements. In contrast, the numbers of housing units delivered has consistently fallen since the introduction of the USDG, although it is noted that there are numerous reasons for this, many of which are unrelated to the USDG.

Assessing the use of the funds against the intentions of the grant, the funding is being used to release land for development through the eradication of bulk service backlogs (specifically sanitation), and is being used to service housing developments in support of the housing programme. While a limited amount of funding is going directly into informal settlements in the form of ablution blocks, standpipes and electricity connections, the augmentation of bulk capacity also supports this grant objective.

The grant's current application is not being used to facilitate a strategic shift towards a more efficient built environment with sustainable human settlements. The improvement of spatial integration and densities is being achieved to some extent through specific projects like the DVRI and Second Creek, which are well-located in the city, and Reeston, which links Mdantsane with the rest of East London. However, the political imperative to be equitable in the distribution of the spending across wards militates against the strategic use of the grant as intended in the grant design. This indicates either a lack of political buy-in to the broader transformational purpose of the grant, or local political pressures taking precedence. The extent to which the funds have been used for strategic land purchase (such as the Sleeper Site) strongly support the densification and spatial integration objective, but could be expanded with improved capacity and systems for land acquisition. The use of the funds to upgrade roads could also be argued to improve accessibility, but this is focussed on existing links, and not creating new links. The fact that the grant has only been in place for two full financial years means that the spending has been focussed on areas of historical need, which do not adequately address the goal of spatial integration. The specific focus on poor households characterizes much of the grant's expenditure, but some projects

clearly benefit the municipality as a whole, including high income residents and businesses.

The municipality is starting to address some of the strategic spatial issues through the planning required for the ICDG. This is linked to the USDG in that it is taking place through the new generation BEPP and in that the USDG will continue to be the main funding instrument through which any built environment interventions are funded.

**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? (2.6)**

Municipal officials have confirmed that the strategic intent of the first BEPP was unclear and it was compiled for compliance purposes as a synthesis of other built environment planning. However, officials feel that the second version was vastly improved. It is only in the third version of the plan, which is now linked to the ICDG and not the USDG, that the BEPP is finding its place in the suite of municipal plans. It is interesting that the municipality recognised the need for such a document when they initiated the process to develop the ISHSP in 2006. It is also telling that there was insufficient internal impetus to get this document concluded, with the result that it is recognised in other plans as being useful and important, but has never been adopted by council or published. There is still obvious duplication in the plans, specifically the SDF, the BEPP, the ISHSP and the Housing Sector Plan, indicating that the planning framework more broadly (not just the BEPP) requires rationalisation. These plans could potentially be combined into a single document, but not necessarily for the purposes of USDG administration. As has been pointed out by one official, the BEPP should be seen as a business plan for the spending of the grant, rather than a strategic planning document; a function that is fulfilled by the existing statutory plans. However, the danger of this approach is to encourage the historical emphasis of project-based planning in preference to strategic spatial planning.

The municipality has alleged that there is a lack of engagement by the NDHS around the BEPP. In addition, the Provincial DHS does not contribute to, or appear to consider, the BEPP in its planning processes. This indicates that there is a lack of alignment between national, provincial and local departments, outside of the face-to-face engagements to discuss issues and priorities. However, this raises another important point to note: that the USDG is a funding instrument and not a programme. The BEPP, as its guiding plan, therefore has no obvious national government programme or plan with which to align. The closest match at provincial level would be the Provincial Human Settlement APP, the 2012 version of which does not mention the BEPP or the USDG. At a national level the BEPP is more aligned to Outcome 8 than any of the national housing programmes, but Outcome 8 does not have its own plan. There is therefore a need to position the BEPP more clearly in relation to planning at other spheres before alignment can be considered.

Institutionalising the planning for the USDG through the BEPP has resulted in better horizontal integration within the municipal administration, but has vertical integration around the planning instruments is a problem. This would explain the disjuncture between the HSDG and the USDG and the intended synergy of these two instruments not materialising.

## **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? (2.7)**

It is evident from Buffalo City's financial history that the difficulties in spending the capital budget were in existence prior to BCMM becoming a metro and receiving the USDG. It could be argued that the substantial increase in capital funding available to the municipality just highlighted these problems even more starkly, resulting in greater urgency in the need to resolve the project implementation problems. The major impediments to spending have been supply chain and procurement issues. These are not problems with the USDG, per se, but rather problems of project management leading to slow capital expenditure.

A striking feature of the interviews conducted with municipal officials is that there was an extremely consistent narrative emerging around the diagnosis of the problems and the factors that are starting to improve performance. These factors are: the strong leadership shown by the municipal manager; the creation of the EPMO; the shift from single year to multi-year budgeting; and the budgeting for programmes instead of projects. Support provided by National Treasury, through engagements and the deployment of a resource through the CSP, was acknowledged as contributing to the recent improvement in spending. The fact that all senior management officials interviewed knew the percentage expenditure of the capital budget as at the end of December highlighted that this is a major issue in the municipality and is being closely monitored by the administration.

The role of the provincial DHS in the implementation of the USDG is problematic. While the Draft National Policy states that the responsibilities of the province include ensuring alignment of provincial Human Settlement Plans and other plans with BEPPS, aligning HSDG budget allocations, and provide progress reports on accreditation, in addition to their constitutional obligation for oversight of human settlements in the province. However, in practice they are marginalised from the planning and implementation of the USDG in BCMM, indicating either that the inter-governmental arrangements are not being enforced, or are not appropriate for this instrument. This, together with the tensions around housing accreditation, appears to be impacting on service delivery, specifically in relation to housing opportunities.

## **5.5 Are resources used efficiently? Is value for money obtained? (2.8)**

### *Efficient use of resources*

The selection of projects aligns with the BEPP and thus the IDP, and as such would reflect the overall priorities of the municipality. But the question of whether these projects represent the 'best' use of this specific grant, given its objectives, can only be assessed with a more concrete interpretation of these objectives, which is missing from the draft policy framework at present. The municipality has such a long list of historical infrastructure needs, as well as constantly arising new demands (such as the formation of new informal settlements), that the project list is pre-defined well into the future. Capital projects are drawn up in the IDP out of the identified strategic priorities and then matched against the objectives of the USDG and the available budget to determine how many of the projects can be undertaken. Part of the reason for the contestation about what 'qualifies' as a USDG project' is that there is not a codified set of criteria for project selection against which to assess adherence, and because there are ambiguities around a grant policy framework that has been in a state of flux. However, it is clear that in the

case of BCMM the lack of alternative capital funding militates against a narrow interpretation of the objectives.

#### *Value for money?*

The USDG is being spent on capital projects to the best of the ability of the municipality at present. There are a number of factors that emerged in the interviews that may mean that the prices paid for work may be higher than they could have been. These include: legal challenges to tenders resulting in delays on projects and cost escalation; cancelling of contracts due to poorly-performing contractors and having to re-award tenders; community unrest stalling projects or damaging property. Some of these problems relate to the supply chain management difficulties internal to the municipality, while some are reflective of the socio-economic context of the region.

#### *Leveraging of other finance sources*

As indicated in the contextual section on the significance of the USDG, the grant makes up over 75% of the capital budget. The USDG cannot act as a lever of other capital finance, as it is the backbone of the municipality's capital budget. While BCMM claim that they have a strong ability to borrow, they will only do so for the limited infrastructure investments that can generate revenue streams to repay the loans. Borrowing does not seem immediately necessary as they have historically received USDG funding that they are unable to spend, and the requirement for internal counter-funding is well within their means. However, should the national departments clarify the grant conditions to the effect of curtailing what the grant can be spent on, BCMM may be in the unusual position that they are not able to spend their USDG allocation, but still need to borrow capital to fund economic infrastructure. While economic development is a contested objective of the USDG and some of the current uses of the funding may be outside the scope of the grant, it would seem harsh to force the municipality to go into debt to fund economic infrastructure when it has cash that it is not allowed to spend. This calls into question whether or not the USDG should only be allowed to be spent on services for the poor, or whether the indirect benefit created through stimulating economic development is a satisfactory motivation for use of the grant.

Officials and councillors noted that the grant dependence of Buffalo City is a problem, but the socio-economic conditions of the region mean that, while it could improve, it is likely to remain this way for some time. There is therefore little room for the USDG funds to be used to leverage internal or external funding. However, taking a more holistic long term view: the use of the USDG to improve the bulk infrastructure capacity is a good way to stimulate economic development.

### **5.6 How does the USDG interface with the municipal accreditation process and the City Support Programme (CSP)? (2.9)**

#### *Municipal accreditation*

The accreditation process in Buffalo City appears to have reached an impasse. The province claims that the municipality lacks the capacity, while the municipality claims that the province is resisting the relinquishing of money and power in the metro, and that capacity will be built when the function is assigned. At the heart of the impasse is the difficulty in accurately assessing capacity in the absence of the function. While the official housing accreditation process recommended Level 2 accreditation, the province believes there is evidence to show that capacity is lacking. Certainly, the institutional instability and shortage of skills discussed in the next section would suggest that there are gaps that still need to be filled.

Fortunately the capacity building grant has been made available in order to address this, but a further assessment of capacity may be required to satisfy the Province before accreditation proceeds. Separation of the administration of the HSDG and the USDG has been raised by both the municipality and the province as being a problem in the metro, and it is believed that accreditation is necessary to bring the USDG and HSDG processes closer together to improve service delivery.

#### *Cities Support Programme*

The interviews in the BCMM took place at a time when the CSP was just gaining traction and as such there was limited knowledge of the programme or what relevance it had for the USDG. There has subsequently been a greater level of engagement, with the greatest changes coming about through a change in emphasis of the BEPP and the strategic spatial targeting of investment through the ICDG.

#### **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? (2.10)**

Buffalo City Municipality has undergone a period of significant institutional instability, both in the council and the administration since 2006, with multiple changes to the mayors, municipal managers and senior management over this time. This instability has impacted on their performance and their ability to spend their capital budget. The strong narrative that emerged from the interviews was that the municipality has been operating with an inappropriate structure: that of a category B municipality. The delays in finalising the organogram and the lack of permanent senior management posts have undoubtedly affected all aspects of municipal functioning, not limited to performance on the UDSG. The issues around governance and administration have also slowed down processes for accrediting and subsequently assigning the municipality for the administration of national housing programmes.

Superimposed on top of an insecure organisational structure is the difficulty in attracting and retaining skilled staff, which can be seen as a symptom of the institutional instability described above. The fact that there is not one registered professional engineer employed by the municipality (excluding those contracted to the EPMO) is alarming given that they are building and signing off around R750 million of infrastructure annually. The critical shortage of project managers and competent supply chain management staff has also been highlighted in the case study. These skills shortages have had a direct impact on the ability of the municipality to implement projects and deliver services with the USDG. It is notable that there has not been a national or provincial intervention, either technically or politically, to address these capacity issues, other than the financial and project management support deployed by National Treasury.

The impact of the EPMO has been noted, and the plans to expand its capacity are likely to result in even further improvements. However, there remains the need to improve technical and project management capacity with the line departments as well. The implementation of the approved organogram will begin this process, but whether the municipality can attract and retain the calibre of skills required is debateable.

Communication to external stakeholders (businesses and civil society) around BCMM's interpretation and application of the USDG, as well as its capital investment programme generally, has left something to be desired. There is an expressed willingness from external stakeholders to work with the municipality and potentially rally support for strategic development initiatives that is currently being missed. If

BCMM seeks to maximise the catalytic potential of the USDG, external stakeholder relations will need to improve and with better communication.

## 6 Conclusion

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### 6.1.1 Overall assessment of the implementation of the USDG in Buffalo City

The BCMM case study highlights the differences in interpretation of the grant between the national departments and the metro, and the need for clarity in the grant framework. The municipality has taken a broad view of the grant objectives, emphasising its supplementary nature, which is at odds with the understanding of the provincial DHS and some national stakeholders. This is partially a result of the fact that the BCMM is so heavily dependent on the grant as the main source of capital finance, that it needs to spend it on as wide a range of projects as possible.

The municipality's track record in spending the grant and delivering built environment outputs in the pursuit of sustainable human settlement outcomes has been poor, albeit with some minor successes. This has been ascribed to a number of factors that are unrelated to the design of the USDG. However, measures have been put in place to improve the capacity and systems in the municipality, with the result that performance in the 2013/14 financial year is dramatically improved. There is still much work to be done to improve this further to the same levels as some of the larger metros, but it is clear that the USDG is vital to the development of Buffalo City and without it the municipality would have a capital funding crisis.

### 6.1.2 Theory of change

One of the purposes of this case study is to test the theory of change developed for the USDG in the Design Review. The findings have highlighted a number of 'weak spots' in the theory of change. These may be pathways that are not currently working as intended, or invalid assumptions made at the outset.

In terms of **inputs** the initial assumption that the metro develops an integrated, holistic and credible BEPP that addresses spatial inequalities is sound. The BEPP is aligned to the statutory plans (as it is cut directly from these) and can be considered to be consulted upon, albeit only through the IDP processes. However, the role of the BEPP is clearly in question: should the BEPP rather be a business planning document than a strategic document given the duplication with other municipal strategic planning frameworks? While the BEPP appears to be finding an institutional role with the introduction of the ICDG, it does not seem to be serving the intended purpose at the provincial and national levels. The assumption that the BEPP is adequately consulted upon depends on whether the IDP consultative process is considered adequate, and whether the content of the IDP roadshows adequately reflects the content of the BEPP, but an assessment of the IDP process is beyond the scope of this report. The national and provincial departments do give input to the BEPP, although this has been adversarial in the past given the different understandings of the grant intentions. The metros incorporate this input to a limited extent, and the approval of the BEPP by the council is a formality. The assumption that the provincial plans align with the BEPP is not valid in the case of the EC DoHS.

The release of funds on submission of the BEPP has not occurred automatically as indicated in the theory of change as funding has been withheld due to lack of spending, but in theory this pathway is still applicable. The metro supplements its capital budget with the USDG funds, although the level of other funding is dwarfed

by the USDG and it is more a case of internal funds supplementing the USDG. The funds are not being used to leverage external capital funding, and the internal funds that are being used on the capital budget need to be directed to the things that the USDG cannot fund. It therefore cannot be considered to be attracting internal funds to disadvantaged areas. The private sector perspectives provided show that it is clear that the USDG has not leveraged private sector investment in any direct way.

In terms of **activities**, the focus has been on the provision of bulk infrastructure and less so on the other activities described in the theoretical framework. How funds are converted to service delivery through project selection has been shown to be contentious in the case of BCMM, given the differences in interpretation and the lack of a set of criteria for project selection.

The **outputs** that have been attributed to the USDG consistently over time fit into the basic service category of outputs listed in the theory of change. The assumption that well-located land is readily available is not valid in the case of BCMM, as demonstrated by years of negotiations over the sleeper site. The only progress towards increasing availability of safe and accessible public transport has been through planning, as physical delivery has been stalled, although general accessibility is improving through the numerous roads projects underway. The metro is monitoring and reporting on financial and non-financial performance, but the assumption that the administrative systems are accurate, reliable and timely is not necessarily valid.

At this time it is premature to draw conclusions as to whether the outputs are integrating under the necessary social and economic conditions to result in the desired **outcomes**, as this would require further study. However, it is noted that while the plans indicate a shift in thinking towards sustainable human settlements, there is minimal evidence of structural changes to land use and transport linkages that are required to transform built environment efficiency; it may be too early to see these types of projects being undertaken while substantial infrastructure backlogs exist. Nevertheless, the distribution and range of infrastructure outputs that have been delivered with USDG funding in areas facing socio-economic challenges may serve as a preliminary indication of progress towards a better managed built environment in especially historically underdeveloped and marginalised areas.

### 6.1.3 Potential implications of the case study for the USDG design

The findings of this case study have surfaced potential areas of improvement for the USDG Design. These recommendations are tentative and are based on the lessons learned from only one case study. More conclusive recommendations will be presented in the synthesis report.

- Clarify the conditions surrounding the use of the grant, and how these relate to its status as a supplementary, and not a specific purpose, grant. This should include a clarification of the ability to fund economic development or catalytic projects. This clarity could be provided in a finalised policy framework.
- Rationalisation of the performance matrix indicators. Performance cannot be measured if it is only going to be realised over a period of time. There therefore need to be variable metrics that measure implementation performance in the short term and outcome performance in the longer term.
- Clarify the role of the BEPP and where it fits into the hierarchy of plans in order for it to be properly evaluated and then to be used for monitoring and evaluation. It is suggested that this should either be focussed on the

business planning aspects of the USDG implementation, or de-linked from the USDG altogether and re-oriented to the strategic spatial investment objectives of the ICDG.

- If the BEPP continues to be linked to the USDG the time frame over which it is compiled and revised needs to be assessed. It appears to be far more useful as a 10 year framework for strategic project selection to achieve longer term built environment outcomes than as an annual plan for spending a grant allocation.
- Review the role of province in the USDG process.
- Recognise the impact of institutional stability on the spending of capital grants, and ensure that this is addressed before grant spending can be monitored.

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## Annexure A: USDG project list for 2013/14

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<b>PROJECT</b>	<b>2013/14 USDG ADJ.BUDGET (INCL. ROLL-OVER)</b>	<b>% EXP VS BUDGET AS AT 31 DEC 2013</b>	<b>COMMENTS</b>
<b>MUNICIPAL MANAGER</b>			
EPMO Unit	2,500,000	0%	Vehicles and Furniture are procured.
<b>CHIEF OPERATIONS OFFICE</b>			
Reeston Phase 3 Stage 2 -P1 & P3	6,815,400	0%	Annual contractor appointed to finalise 921 units, construction is in progress. To date they have practically completed 252 service sites.
Reeston Phase 3 Stage 2 -P1 & P3	4,000,000	0%	Project on procurement stage for the appointment of the contractor to undertake construction of internal services.
Mdantsane Zone 18 CC Phase 2 - P1 & P3	3,000,000	0%	Contractors are on site progressing with installation of internal services , anticipating to complete by end Feb 2014
Manyano & Thembelihle Phase 2 - P1 & P3	6,061,924	27%	Contractor on site progressing with construction of internal services, anticipating to complete within 2013/14 financial year.
Second Creek (Turn Key) - P1 & P3	9,800,000	22%	Project on procurement stage for the appointment of the contractor, tender has been recommended by BEC to BAC. It is anticipated that tender will be awarded by the end of January 2014
Cluster 1 (Masibambane; Masibulele; Velwano; Ilinge and Dacawa)	3,500,000	0%	The tender was advertised however, it will be cancelled due to poor turn out by Bidders. Only one bidder submitted and has been disqualified due to the bidder not signing the form of offer. The tender is due to be re-advertised before end of January 2014.
Cluster 2 (Chris Hani 3; Winnie Mandela; Deluxolo Village; Sisulu Village; Francis Mei; Mahlangu Village, Mathemba Vuso, Gwentshe)	3,500,000	0%	Project on assessment stage for appointment of the contractor, upon completion it will be submitted to BEC by end January 2014
Cluster 3 (Fynbos Informal 1, Fynbos Informal 2, Ndancama) P1 & P3	4,224,440	16%	Contractor is on site , busy with the construction of internal services and housing units
Sunny South - P1 & P3	14,000,000	13%	Project on procurement stage for the appointment of a professional team, tender has been recommended by BEC to BAC. It is anticipated that tender will be awarded by the end of January 2014
Potsdam Ikhwezi Block 1 - P1 & P3	500,000	0%	Project on procurement stage for the appointment of a professional team, tender has been recommended by BEC to BAC. It is anticipated that tender will be awarded by the end of January 2014

<b>PROJECT</b>	<b>2013/14 USDG ADJ.BUDGET (INCL. ROLL-OVER)</b>	<b>% EXP VS BUDGET AS AT 31 DEC 2013</b>	<b>COMMENTS</b>
Potsdam Ikhwezi Block 2 - P1 & P3	500,000	0%	Project on procurement stage for the appointment of a professional team, tender has been recommended by BEC to BAC. It is anticipated that tender will be awarded by the end of January 2014
Potsdam Village- P1 & P3	500,000	0%	Project on procurement stage for the appointment of a professional team, tender has been recommended by BEC to BAC. It is anticipated that tender will be awarded by the end of January 2014
Potsdam North Kanana - P1	500,000	0%	Finalising the planning processes thereafter tender will be advertised for construction of professional team for designs and construction monitoring. Layout plans to be presented in the Development Planning standing committee in Jan / Feb 2014.
Ilitha North 177 Units	700,000	0%	Service provider has been appointed for designs and project management, it is busy with designs for that area but work has been stopped by Pirie Trust communities claiming that the land belongs to them, the matter is being attended.
Dimbaza Destitute 27 Units - P1 & P3	200,000	0%	The department is finalising pretender information and preparing the documentation in order to advertise for the appointment of the professional team and contractor as a turnkey approach.
Disaster Project	0	0%	Procurement process underway
Tyutyu Phase 3 P1 & P3 Units	200,000	0%	The Project is ready for procurement of the contractor for construction of both internal services and top structure, delays due to non-availability of bulk infra-structure
Westbank Restitution - P1 & P3	2,000,000	0%	Engineering Dept has finalised the appointment of the consultant, and the project will commence in January 2014.
Block Yard TRA - P1 & P3	2,331,500	0%	Contractor is on site progressing with construction of both internal services and top structures. Challenges are in the implementation of Competition site which is dependent on completion of Bock Yard TRA.
DVRI Pilot Project (Mekeni, Haven Hills, Competition Site) P1 & P3	3,500,000	3%	Finalising specifications in order for procurement processes.
Amalinda Co- Op	200,000	0%	Project on procurement stage for the appointment of a professional team, tender has been recommended by BEC to BAC. It is anticipated that tender will be awarded by the end of January 2014
Mdantsane Zone 18 CC Phase 2 - P1 & P3	1,974,698	0%	
Manyano & Thembelihle Phase 2 - P1 & P3	713,360	0%	
Second Creek (Turn Key) - P1 & P3	2,466,566	0%	
Potsdam Ikhwezi Block 2 - P1 & P3	338,655	0%	

<b>PROJECT</b>	<b>2013/14 USDG ADJ.BUDGET (INCL. ROLL-OVER)</b>	<b>% EXP VS BUDGET AS AT 31 DEC 2013</b>	<b>COMMENTS</b>
Cluster 2 (Chris Hani 3; Winnie Mandela; Deluxolo Village; Sisulu Village; Francis Mei; Mahlangu Village, Mathemba Vuso, Gwentshe)	9,590	0%	
Cluster 3 (Fynbos Informal 1, Fynbos Informal 2, Ndancama) P1 & P3	1,344,861	0%	
Iitha Wooden Houses	622,200	0%	
Block Yard -P1 &P3	1,000,000	0%	
DVRI PILOT PROJECT (Mekeni, Haven Hills, Competition Site) P1 & P3	870,875	0%	
<b>ENGINEERING SERVICES</b>			
Bulk Sanitation Provision - Programme -	57,854,000	90%	23 Consortiums have been appointed. Work is progressing well on site.
Quinera Treatment Works	7,500,000	75%	Work is progressing well on site. Practical completion December 2013
Waste Water Infrastructure Capacity (KWT Regional Scheme)	4,626,760	106%	Mechanical and Electrical Contract Awarded. Civil contract re awarded.
Reeston Phase 3 Bulk Services Sewer	14,000,000	4%	Civil contractor awarded. Community unrest has stalled project.
Mdantsane Infrastructure - Refurbishment / Augmentation	10,000,000	83%	Work is progressing well on site.
Diversion of Amalinda and Wilsonia effluent to Reeston	2,700,000	43%	Phase 1A complete. Design for phase 2 completed-Tunnel option.
Eastern Beach Sewers	3,000,000	1%	Design for three Phases completed. Annual Contractor to commence with the construction of pipe bridge over Blind River
Sludge Handling & Chlorination Facilities	1,000,000	1%	Procurement process underway. Tenders closed 29 October 2013. Tenders evaluated for responsiveness and functionality
Nord Avenue Pump Station	1,800,000	220%	Project complete.
Ablution Blocks	10,000,000	88%	An annual contractor has been appointed and is undertaking the installation of ablutions throughout BCMM
Berlin Sewers	3,500,000	47%	Contractor appointed. Contract commenced on the 13 September 2013 and progress is at 15% complete
Quinera Treatment Works	7,500,000	0%	No expenditure to date on the vote as the conditional grant rollovers were only approved by council in December 2013. There is another vote available for this project (current allocation) and work is progressing well on site.

<b>PROJECT</b>	<b>2013/14 USDG ADJ.BUDGET (INCL. ROLL-OVER)</b>	<b>% EXP VS BUDGET AS AT 31 DEC 2013</b>	<b>COMMENTS</b>
Waste Water Infrastructure Capacity (KWT Regional Scheme)	13,758,898	0%	No expenditure to date on the vote as the conditional grant rollovers was only approved by council in December 2013. Mechanical and Electrical Contract Awarded. Civil contract re awarded.
Reeston Phase 3 Bulk Services Sewer	14,968,473	0%	No expenditure to date on the vote as the conditional grant rollovers were only approved by council in December 2013.Civil contractor awarded.
Diversion of Amalinda and Wilsonia effluent to Reeston	1,173,547	0%	No expenditure to date on the vote as the conditional grant rollovers was only approved by council in December 2013.Phase 1A complete. Design for phase 2 completed-Tunnel option.
Sanitation backlog eradication	12,756,664	0%	No expenditure to date on the vote as the conditional grant rollovers was only approved by council in December 2013. There is another vote available for this project and 23 Consortiums have been appointed. Work is progressing well on site.
Berlin Sewers	419,091	0%	No expenditure to date on the vote as the conditional grant rollovers were only approved by council in December 2013.Contractor appointed.
<b>Bulk Water Provision - Programme - R55 000 000</b>			
West Bank Restitution - Water	10,000,000	17%	Procurement processes underway
KWT and Bhisho Infrastructure - Water	20,000,000	47%	Feasibility study for Kei road Treatment Works has been finalised and PSP proceeding to Preliminary design stage. Sub-consultants (Survey & Geotech) for Kei Road Treatment Plant have been appointed. Augmentation of Inland water infrastructure is also progressing well using the annual contractor.
Relocation of Midblocks in Mdantsane	2,000,000	60%	Contractor is on site, project is progressing well and the expenditure excluding commitments is at 59% of the budget.
Amahleke Water Supply	3,000,000	6%	Feasibility study for Amahleke water supply scheme has been completed. Annual contractor is utilized to extend the existing water mains to accommodate village extensions.
Augmentation of Water Treatment Capacity	7,000,000	18%	Contractor for the construction of Switch room house at BRPS is on site and progressing well. PSP for the design of the upgrading of Umzonyana WTW phase 2 is underway.  Contractor for the upgrade of BRPS Manifold has been appointed.
Upgrade of Water Networks in terms of Densification and Augmentation	5,000,000	107%	Upgrading of Gonubie water main and Newlands bulk water main are progressing well. Progress is at 55% complete
Water Supply Coastal Areas and Backlog Eradication	10,000,000	108%	Ncera villages phase 1D is currently under construction and progressing well. Procurement processes for the Komashini Bulk Water Supply are underway.

<b>PROJECT</b>	<b>2013/14 USDG ADJ.BUDGET (INCL. ROLL-OVER)</b>	<b>% EXP VS BUDGET AS AT 31 DEC 2013</b>	<b>COMMENTS</b>
Implementation of Water Conservation and Demand Management (Dimbaza, Duncan Village, Mdantsane, Reeston, Scenery Park, Nompumelelo, Mzamomhle, Sweetwaters, Phakamisa, Zwelitsha	6,000,000	53%	Installation of water meters at Nompumelelo is 100% complete. Replacement of midblocks in Dimbaza and Ilitha is progressing well.
West Bank Restitution - Water	11,132,435	0%	No expenditure to date on the vote as the conditional grant rollovers were only approved by council in December 2013. Procurement processes underway
Amahleke Water Supply	79,953	0%	No expenditure to date on the vote as the conditional grant rollovers were only approved by council in December 2013. This vote is for the purchasing of Bulk water meters for reservoirs
Augmentation of Water Treatment Capacity	608,752	0%	No expenditure to date on the vote as the conditional grant rollovers were only approved by council in December 2013. There is another vote available for this project and the contractor for the construction of Switch room house at BRPS is on site and progressing well.
Ward 33 Bulk Water	241,778	0%	No expenditure to date on the vote as the conditional grant rollovers were only approved by council in December 2013. Contract for the appointment of a Contractor is at BSC stage.
<b>Urban Roads - Programme R92 000 000</b>			
Urban Roads Upgrade - Coastal	50,000,000	37%	Construction is progressing well on site. Project is ahead of programme
Urban Roads Upgrade - Inland	0	0%	
Urban Roads Upgrade - Midlands	0	0%	
<b>Upgrading of Mdantsane Roads - R53 000 000</b>			
Cluster 1 - Mdantsane Roads	45,000,000	17%	Road works through the annual contractors is progressing on site. In addition, the Mdantsane Cluster1,2,3 contracts for construction have been awarded and are to commence on site in February 2014
Cluster 2- Mdantsane Roads	15,000,000	0%	Road works through the annual contractors is progressing on site. In addition, the Mdantsane Cluster1,2,3 contracts for construction have been awarded and are to commence on site in February 2014
Cluster 3 - Mdantsane Roads	16,000,000	99%	Road works through the annual contractors is progressing on site. In addition, the Mdantsane Cluster1,2,3 contracts for construction have been awarded and are to commence on site in February 2014
Professional Service Provider Appointed -	6,000,000	38%	The professional team is progressing well with site supervision and designs on future

<b>PROJECT</b>	<b>2013/14 USDG ADJ.BUDGET (INCL. ROLL-OVER)</b>	<b>% EXP VS BUDGET AS AT 31 DEC 2013</b>	<b>COMMENTS</b>
Professional Fees			phases. Contractors to commence in February with Cluster 1,2,3
<b>Rehabilitation of BCMM Bridges - R3 000 000</b>			
Rehabilitation of BCMM Bridges and Culverts - Phase 1 of Bridge Upgrade and Refurbishment	2,500,000	30%	Work has commenced on the Settlers Way Pedestrian Bridge, and the Parkside bridge.
Planning for the Upgrading of Bridges - Professional Fees	500,000	0%	Consultants are currently in the process of being appointed.
Rehabilitation of Rural Roads	33,000,000	78%	Work is progressing well and is set to be complete by the May 2014
Gonubie Main Road	28,000,000	49%	Project is progressing according to the programme, however it may be affected by land disputes
RDP Houses - Roads Refurbishment Programme	8,000,000	0%	The appointment of the professional service providers is currently at final procurement stages. Work in Scenery Park and Airport Phase 1 is to commence in January.
Fleet Street	34,400,000	23%	The contractor is behind programme, however there is an extension of time claim pending, and alternative construction programmes are being investigated. Phase 1(Currie St to Fitzpatrick Rd)
Quinera Arterial Road	9,000,000	90%	The contractor is to be appointed in January 2014
Cluster 1-Mdantsane Roads -Breakdown	14,653,752	0%	The Mdantsane Cluster1,2,3 contracts for construction have been awarded and are to commence on site in February 2014
<b>INEP Electrification Programme - Counter funding (R 2 000 000)</b>	1,600,000	0%	Awaiting completion of houses
EER1019-Mekeni & Haven Hills Infills	400,000	0%	WK - Project 2138 - completion of Infills progressing slowly
Electrification of Informal Dwelling Areas within BCMM	10,000,000	9%	Work carried out as per Pilot Project - Electrification of Duncan Village and Ilitha Phase 1 Electrification
EID1000-Duncan Village Electrification	0	0%	JS - Project 2201 areas within Duncan Village identified @ 5 %
EID 1001-Duncan Village Materials	0	0%	Procurement processes underway
<b>Street Lighting and Highmasts within BCMM Areas of Supply - Informal Settlements( R3 000 000)</b>	853,700	0%	Street Lighting to be identified in low income areas and request submitted for Installation
ESU2045-High Mast	116,300	0%	Project Completed
ESU2046-Ginsberg	30,000	65%	Project completed

<b>PROJECT</b>	<b>2013/14 USDG ADJ.BUDGET (INCL. ROLL-OVER)</b>	<b>% EXP VS BUDGET AS AT 31 DEC 2013</b>	<b>COMMENTS</b>
ESU2047 - ED 377 -High Mast lighting	2,000,000	0%	Report submitted to BEC validity expiry - extensions prepared and submitted by Department on 18 Dec 2013 - Request Extension of Validity
<b>DEVELOPMENT PLANNING</b>			
Human Settlements Infrastructure Programme	38,019		The department has requested that the budget be reallocated to other projects due delays experienced in appointing the service provider to implement the project.
Urban Agriculture	6,524,127	0%	
Market Cold Rooms	5,992,927	0%	Designs for the project are complete. Tender was advertised on the 10th of December 2013 and will be closing on the 24th of January 2014
Upgrade KWT Payments Hall	0	0%	The 2013/14 budget of R 2 800 000 has been returned to USDG and will again be made available in the 2014/15 financial year with a further R 2 200 000 to make R 5 000 000 available for the physical construction works.
Land Acquisition	9,000,000	4%	Procurement process is underway
Land Acquisition	7,877,126	0%	
ITP implementation	3,000,000	48%	Procurement processes are underway for the traffic signal equipment , the construction of sidewalks has commenced, and the implementation of guardrails is ongoing.
Public Transport Facilities - Taxi Ranks	0	0%	Kwt PT Upgrade: Service Providers appointed and currently awaiting approval to proceed to detailed designs and contract document preparation. Small PT Facilities: Service Provider appointed. Draft document was submitted early November 2013. Final draft to be circulated to affected Directorates on completion for comment.
Needs Camp / Potsdam Bridge	6,440,177	0%	A tender was awarded on the 4 December 2013 for the detail design, EIA and tender document preparation.
Bhisho CBD	2,000,000	0%	Orders for sidewalks and the paving of open public place have been issued and the works will be done through Contract 26
KWT Traffic Calming	5,800,000	0%	Construction of speed humps is ongoing.
Rural Non-Motorised Transport Plan Implementation	5,000,000	0%	Ndevana Bridge: Contractor has been appointed. Commence on site 08/01/2014. Sidewalks on R102 from Nomphumelelo through Contract 26 estimated value R1.5m. 2 x Bridge studies (Kwatshatshu/Qualashe and R102 Nomphumelelo).
BCMM Traffic Calming Measures - Townships and Critical Urban	3,000,000	32%	Construction of speed humps in Ward 23 has been completed, construction of speed humps in other areas will commence in mid-January.
Needs Camp / Potsdam Bridge	596,091	0%	A tender was awarded on the 4 December 2013 for the detail design, EIA and tender document preparation.
<b>HEALTH AND PUBLIC SAFETY</b>			

<b>PROJECT</b>	<b>2013/14 USDG ADJ.BUDGET (INCL. ROLL-OVER)</b>	<b>% EXP VS BUDGET AS AT 31 DEC 2013</b>	<b>COMMENTS</b>
KWT Fire Station	4,299,869	0%	The report for the full scope of the project to be rectified by PMU and resubmitted to BAC. Outstanding jobs are Tiling of Engine Bay, Paving on the yard, landscaping, security gates and installation of emergency standby generator.
KWT Traffic Building	600,000	0%	Arch Dept to submit revised specifications to BSC in December 2013. Consultants will need to be appointed for the design and project management. It is anticipated that tender for the appointment of a contractor will only be done in Dec 2014. The dept has requested that the USDG rollover of R600 000 be kept in this FY for the payment of consultant fees and the balance to be rolled over to 2014/2015 when the actual construction will take place.
Construction of New Fire Station	500,000	111%	Land has been identified. Site meeting planned for 9 Dec 2013 to inspect suitability thereof.
KWT Traffic Building	2,000,000	0%	Arch Dept to submit revised specifications to BSC in December 2013. Consultants will need to be appointed for the design and project management. It is anticipated that tender for the appointment of a contractor will only be done in Dec 2014. The dept has requested that the USDG rollover of R600 000 be kept in this FY for the payment of consultant fees and the balance to be rolled over to 2014/2015 when the actual construction will take place.
Learners Licence Centre - Mdantsane	1,772,180	0%	Sod turning took place on 18/11/2013. Construction to commence during January 2014.
<b>COMMUNITY SERVICES</b>			
Development of Community Parks(Inland, Midlands and Coastal)	3,000,000	0%	The service provider has been appointed and will commence with the project on the 10th of January 2014
Development of Community Parks(Inland, Midlands and Coastal)	2,000,000	0%	Extension period expires 24 October and will be extended again in order to finalise the bid evaluation process.
Development and Upgrading of Cemeteries(Inland, Midland and Coastal)	11,040,943	68%	Service providers have been appointed for the construction of roads in Dimbaza, Breidbach, Mdantsane NU 15 and Steve Biko. The upgrading of cemetery buildings has been completed
Construction of Nompumelelo Halls	4,000,000	0%	BEC report handed to the DCOM's office for signature in November 2013. Documents apparently misplaced at the Director's Office. Fresh evaluation report/documentation to BEC to be submitted to the Director's office for signature by 24 January 2014.
Development and Upgrading of Cemeteries(Inland, Midland and Coastal)	1,168,524	0%	Work is in progress for the upgrading of roads in Dimbaza, Breidbach, Mdantsane NU15 and Steve Biko.

<b>PROJECT</b>	<b>2013/14 USDG ADJ.BUDGET (INCL. ROLL-OVER)</b>	<b>% EXP VS BUDGET AS AT 31 DEC 2013</b>	<b>COMMENTS</b>
Development and Upgrading of Community Halls - War Memorial Hall Upgrade of Parking Area, O.R.Tambo Hall Upgrade of Parking Area, Egoli Community Hall( New Hall), Needs Camp Community Hall Upgrade, Orient Theatre Upgrade, Continuation of KWT Town Hall	6,000,000	31%	R 5 million rand was handed to cemeteries for this financial year 2013/2014 and will be returned next financial year 2014/2015. Moses Twebe Hall - internal & external painting is 100% complete. Gcobani Hall - internal external painting is 100% complete. Billy Francis Hall - internal & external painting 100% complete. Nolizwe Mpetha Hall - internal & external painting 100% complete. Gompo Hall - internal & external painting 100% complete. Berlin hall - internal & external painting is 90% complete. Carnegie Hall - kitchen revamp 100%. Ginsberg Hall - internal & external painting 60% complete. Berlin Town hall revamp/alterations to ablutions contractor to commence work 13/01/2014. Formal tender for Carnegie Hall- internal external painting is at BEC amendments to be made to report and resubmit in January 2014. Formal tender for Development of Nompumelelo report to BEC was sent to acting director for signature waiting for document to return and then submit to BEC in January 2014
Redevelopment of Mdantsane NU 2 Swimming Pool and Upgrading of Waterworld	0		Service Provider appointed on the 21/11/2013 to do a conditional assessment report.
Redevelopment of Mdantsane NU 2 Swimming Pool and Upgrading of Waterworld	2,997,733	0%	Service Provider appointed on the 21/11/2013 to do a conditional assessment report.
<b>Upgrading of Social Amenities - Redevelopment of Mdantsane NU 2 Swimming Pool, Upgrading of Needs Camp Sportsfield, Upgrade of the Esplanade, Upgrading of Dimbaza and Zwelitsha Stadium, Upgrading of Floodlights at Victoria Grounds, Bhisho Stadium and Ginsberg Stadium, Sports Equipment Coastal, Midlands and Inland</b>			Procurement process underway
Upgrading of Dimbaza and Zwelitsha Stadium	1,468,821	0%	BEC report finalised and submitted to BEC.
Upgrading of Needs Camp Sportsfield	2,500,000	101%	Annual contractor appointed to do earthworks on site, sportsfields next to Ntsasa school: earthworks completed.
Upgrading of Kwalini; Pefferville, Scenery Park, Nompumelelo and Mzamomhle sports fields	4,500,000	76%	Informal tenders for grass planting drafted. Irrigation system installed at Nompumelelo Sportsfields. Earthworks completed at Nompumelelo, Mzamomhle, Kwalini, Scenery Park and Pefferville awaiting award of annual contract for fencing before proceeding with next phases.

<b>PROJECT</b>	<b>2013/14 USDG ADJ.BUDGET (INCL. ROLL-OVER)</b>	<b>% EXP VS BUDGET AS AT 31 DEC 2013</b>	<b>COMMENTS</b>
Renovation of NU1 Caretakers House and Change rooms	1,000,000	0%	Tender document approved by BSC on the 19/11/2013.
Upgrading of Dimbaza and Zwelitsha Stadium	5,800,000	0%	BEC report finalised and submitted to BEC.
Upgrading of Floodlights at Victoria Grounds, Bhisho Stadium, Ginsberg stadium, Sisa Dukashe Stadium, Alfred Schoeman Stadium, North End Stadium, Jan Smuts Stadium, Amalinda Stadium, and Gompo Stadium	4,000,000	0%	Tender specification document finalized and submitted to BSC.
Sports Equipment Coastal, Midlands and Inland	2,759	100%	Informal tender documents awaiting signature of the Acting Director Community Services.
Upgrading of Gonubie Resort and Purchase of Equipment	1,612,828	10%	Contract was awarded to service provider
Upgrading of Esplanade	600,000	0%	Specifications will be prepared for the upgrading of Marina Glen
Aquarium	750,000	0%	The roll-over of funds for this project has only been made available at this stage. Thus the necessary processes to execute the project will follow.
Construction of Transfer Stations - 3 x Sites	0	0%	
Construction and Rehabilitation of Waste Cells	0	0%	
Waste Minimisation Initiatives	0	0%	Funding has been re-directed (DEPT CONFIRMED AS SAVING)
8X Compactor Trucks	15,000,000	0%	Procurement process underway - busy with evaluation report
3X Large Truck Sweepers	5,400,000	0%	Procurement process underway - busy with evaluation report
6 X Small Sweepers	7,200,000	0%	Procurement process underway - busy with evaluation report
4 X TLB's	3,000,000	0%	Procurement process underway - busy with evaluation report
5 X 10m3 Tipper Trucks	5,500,000	0%	Procurement process underway - busy with evaluation report
17800 X240 Litre Wheelie Bins	14,240,000	0%	Procurement process underway - busy with evaluation report
150 X Sprico -type Bins	1,650,000	0%	Procurement process underway - busy with evaluation report
KWT Tannery Site	800,000	0%	Procurement process underway - busy with evaluation report
<b>TOTAL USDG BUDGET</b>	<b>766,220,296</b>	<b>30%</b>	