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Design and Implementation Evaluation of the Urban Settlements Development Grant (USDG) – City of Johannesburg: Implementation Report

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Contact Details

<i>Contact</i>	Ian Palmer
<i>Postal address</i>	PO Box 46830, Glosderry, 7702
<i>Physical address</i>	Ubunye House, 1 st floor, 70 Rosmead Avenue, Kenilworth, Cape Town
<i>Telephone</i>	(021) 671 1402
<i>Facsimile</i>	(021) 671 1409
<i>Cell phone</i>	083 675 4762
<i>E-mail</i>	ian@pdq.co.za

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1 Introduction

1.1 Background to the report

This report serves as an assessment of the City of Johannesburg's (Johannesburg) implementation of the Urban Settlements Development Grant (USDG) for the period that covers financial year 2011/12 until the present. The Johannesburg 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 City of Johannesburg. 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 City of Johannesburg is implementing the USDG as designed. The research also seeks to understand the experiences of the municipality in the first two and a half years of implementation, in order to draw out implications for the grant design and the ability of the grant to achieve its outcomes.

The report begins by outlining the theoretical framework developed as part of the USDG Design Review against which the implementation is being evaluated. The report then proceeds to sketch a brief context of the built environment and human settlements in the city. An overview of the evaluation design and methodology employed for the City of Johannesburg 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.

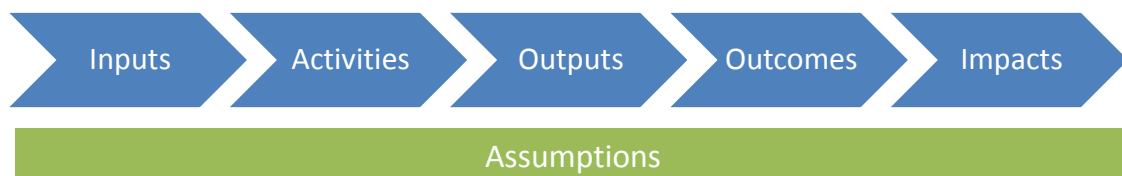


Figure 1: Basic Theory of Change diagram

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 City of Johannesburg as 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 benefited 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 independently of the grant intervention but on which its realisation is predicated. These include:

- Implementation of other housing programmes 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 or 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 as 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 process elements which are the focus of the implementation are presented in a simplified form in the following figure and serve as a map against which different components of the metro's implementation of the USDG can be judged.

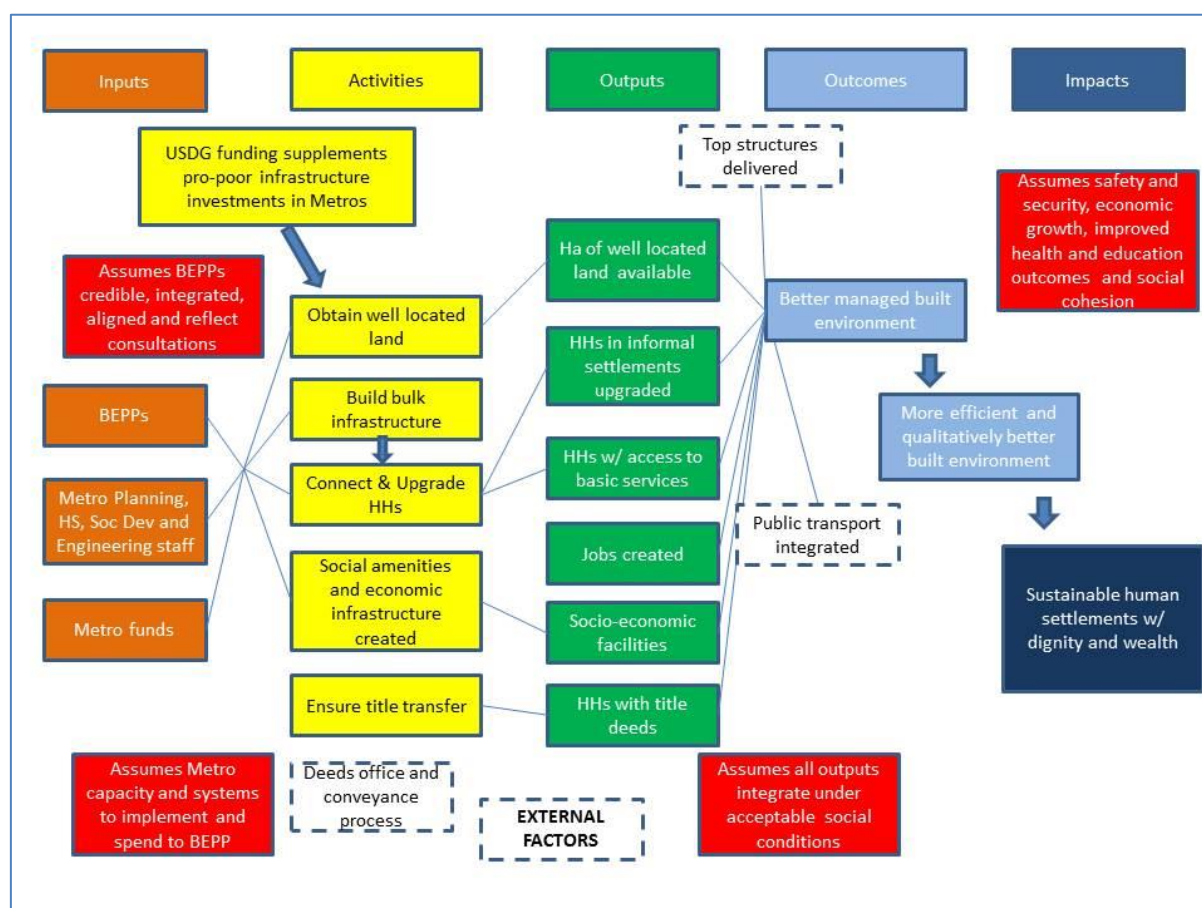


Figure 2: Logic model Theory of Change with assumptions and external factors

2 Context to the City of Johannesburg case study

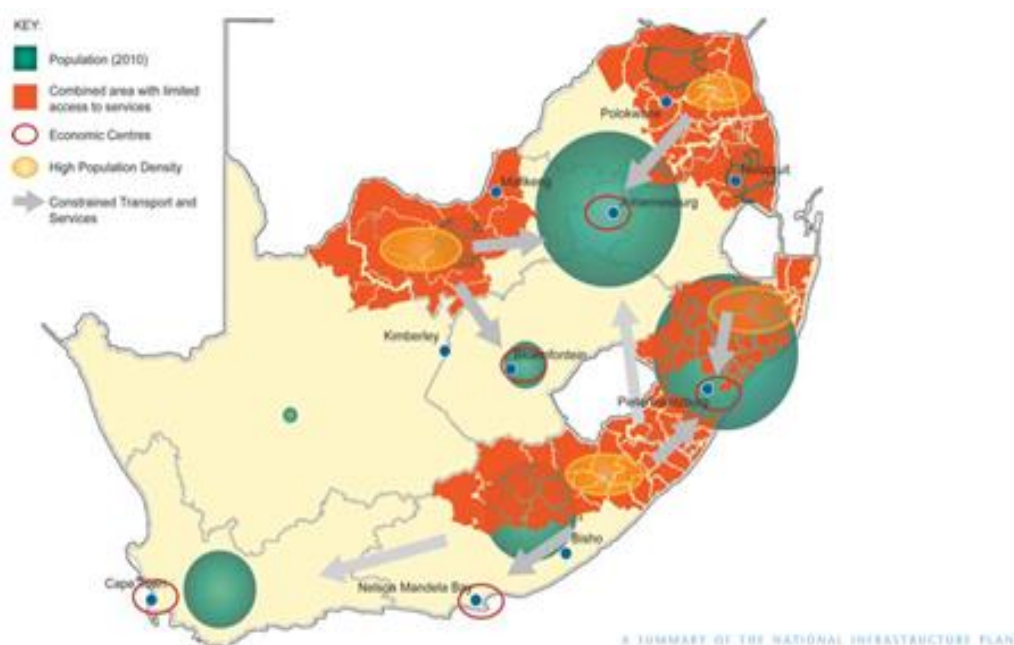
2.1 Overview of the municipality and the built environment challenges

The City of Johannesburg is the most populous metropolitan municipality in South Africa, with a population of 4.43 million (StatsSA, 2013). Of this population, 52% have a household income of R3 200 or less compared to an average of 56% across all metros. The Statistics South Africa Census 2011 also indicates that 143 900 households live in informal settlements; while a further 124 000 households live in backyard shacks. The human settlements challenge in Johannesburg, relative to the average for all eight metros in the country, is shown in the table below.

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

Indicator	City of Johannesburg	Average for all metros
Households living in informal settlements	9%	12%
Households living in backyard shacks	9%	6%
Households with no access to piped water within 200m	3%	5%
Households with bucket toilets, non-ventilated pits or no sanitation	5%	13%
Households without weekly refuse removal	5%	15%
Households not using electricity for lighting	9%	11%

In addition to these existing backlogs, it is anticipated that further such service constraints will emerge as the population within and around the city expands. In particular, in its National Infrastructure Plan, the Presidential Infrastructure Coordinating Commission (PICC) anticipates that with population growth through migration into the Gauteng region, there will be even more pressure on services within the economic node of Johannesburg. This is exhibited graphically below showing in-migration trends. This rapid population growth necessitates a focus on decentralising and balancing economic growth and development across the country to facilitate better service provision in previously under-served areas in particular (PICC, 2012: 11). Nevertheless, in the medium term Johannesburg will continue to be faced with high rates of population growth.

**Figure 3: Constrained access to services relative to population density and economic centres (Source: Presidential Infrastructure Coordinating Committee, 2012)**

2.2 Structure of the municipality

According to its annual report (2012/13), the City of Johannesburg's governance model has evolved over time to allow for a delineated separation of policy-making, regulation and implementation. Within the City the core administration attends to service delivery, policy-making and regulation. The responsibility for the development of focused, specialised and non-bureaucratic processes then rests in the hands of the implementation arm of the City, namely the Municipal Entities which are described in more detail below (City of Johannesburg, 2012: 20).

Further to this the City's governance model mirrors that of the provincial and national parliament in that the executive and legislative functions are separated in order to enhance oversight, accountability and public participation. In effect this amounts to the Executive (led by the Executive Mayor and supported by the City Manager) managing service delivery implementation and policy issues (including the IDP and tariffs) and the Council and its committees (led by the Council Speaker) implementing the legislative function of oversight (ibid).

The City Manager is the de facto accounting officer of the municipality and in fulfilling his responsibilities in the 2012/2013 financial year was assisted by the Executive Management Team comprising the heads of departments. The structure governing the administrative functioning of the municipality is reflected in the figure below (City of Johannesburg, 2012: 25).

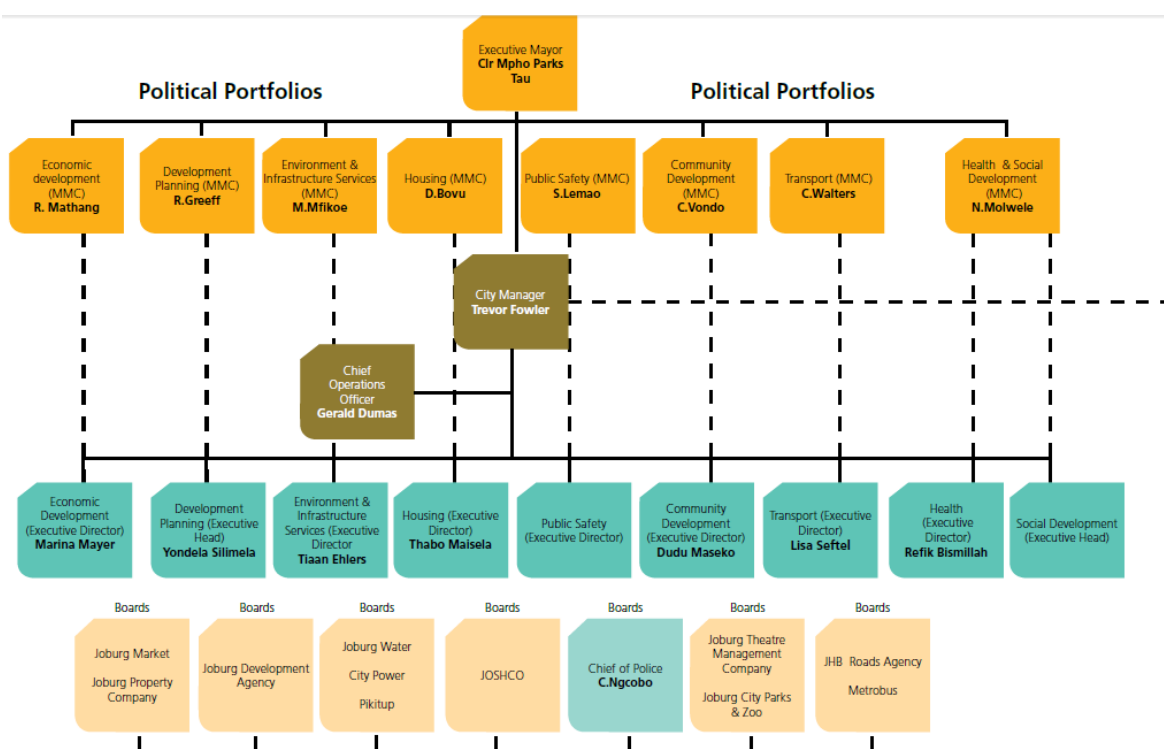


Figure 4: City of Johannesburg Line functions reporting to the City Manager, MEs and relevant political portfolios (Source: City of Johannesburg, 2012: 25)

In relation to other metros in South Africa Johannesburg has set up a 'corporatised' system for managing service provision. As shown in the bottom row of the diagram

below, municipal entities have been set up which have separate governance structures in the form of their own boards but with the city being the sole shareholder and provider of capital. The most important entities from the perspective of the USDG are:

- City Power (Electricity)
- Johannesburg Water (Water supply and sanitation)
- Johannesburg Roads Agency (Roads and stormwater)
- Pikitup (Solid waste management)
- JOSHCO (Social housing)
- Johannesburg Property Company (Property development, including land purchases)
- Johannesburg City Parks and Zoo (Parks)

The infrastructure intensive entities: City Power, Johannesburg Water and Pikitup are managed in the city structure by the Department of Environment and Infrastructure Services, with JRA soon to come under the administration of this Department (Respondent 9). But note that not all services are managed by municipal entities: community development and health have a conventional departmental structure.

In relation to the USDG, the directorates of relevance include Development Planning, Environment & Infrastructure Services and Housing. In addition the Budget Office plays a key role in managing the USDG. It is responsible for overseeing the project prioritisation process and for reporting on the USDG. The Department of Finance is responsible for making payments against approved payment certificates. The COO's office also plays a currently limited role in coordinating implementation, with further discussion on this below.

2.3 Financial importance of the USDG

The capital budget for the City of Johannesburg was R7.5 billion in 2013/14, which was allocated to 30 different departments or entities in the city, with the following being most significant from the point of view of human settlements:

- City Power: 23%
- Johannesburg Water (sewer and water): 13%
- Transportation Department: 12%
- Johannesburg Roads Agency (roads): 10%
- Housing: 6%

While housing, excluding associated infrastructure, represents a relatively small part of the City's overall budget, it has a much larger share of the USDG budget which is narrowed down to include only human settlements for the poor. But obviously the five major services (water, sanitation, electricity, roads and public transport) are required to develop a new settlement or upgrade an existing one and hence are fundamental to the creation of proper living conditions for those living in these settlements.

The way the city raises funds to cover its overall capital budget is illustrated in the table below.

Table 2: Budgeted capital finance sources for period 2011/12 – 2014/15

Amounts from budgets							
R million	COJ Funding (Loans)	CRR (Cash)	National Grant	Provincial Grant	USDG	Other & BSC	Total
2011/12	1 000	19	1 239	8	1 011	442	3 720
2012/13							-
2013/14	1 459	3 163	1 036	-	1 489	449	7 595
2014/15	2 836	5 313	1 119	-	1 755	466	11 488
Percentage splits							
R million	COJ Funding (Loans)	CRR (Cash)	National Grant	Provincial Grant	USDG	Other & BSC	Total
2011/12	27%	1%	33%	0%	27%	12%	100%
2012/13					29%		
2013/14	19%	42%	14%	0%	20%	6%	100%
2014/15	25%	46%	10%	0%	15%	4%	100%

Note: figures not made available for 2012/13

The rapidly increasing capital budgets for the city is evident with the majority of funding raised by the city itself through loans and internal reserves (CRR). The USDG represents an average of 23% of the city's budget with this proportion declining from 2012/13.

In terms of these USDG funds, for the 2013/14 financial year the full breakdown is given in Table 6, below. The biggest allocations by department or entity for 2013/14 are:

- Housing department (31%)
- Johannesburg Water (Sewer and Water) (21%)
- Johannesburg Roads Agency (19%)

In 2012/13 the City advanced its progress by obtaining an Unqualified Audit Opinion after having received a qualified audit in 2011/12. Further, the City was able to meet 56% of all targets and is making headway with the attainment of its other objectives (City of Johannesburg, 2012).

3 Metro evaluation design and methodology

3.1 Rationale for the evaluation design

The evaluation design of the City of Johannesburg implementation assessment should be understood in the context of the overarching evaluation, with this case assessing only the implementation of the grant in a single municipality to inform

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

The approach employed for the metro assessment assesses the implementation of the USDG in the City of Johannesburg 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 Group 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. 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 3: Metro assessment research protocol

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

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

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

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 the 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 City of Johannesburg, 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 4).

Table 4: General proposed municipal respondents

<i>Name</i>	<i>Organisation</i>
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 City of

Johannesburg, with due recognition and effort to ensure respondents reflected a variety of perspectives and interests both internal and external to the metro.

In the end, ten representatives from the City of Johannesburg availed themselves in either individual or group interviews, from the departments of Housing, the Budget Office and Development Planning, from the levels of Manager to Executive Director, as well as a member of the Mayoral Committee. Insofar as possible, these were balanced with external perspectives including one representative from a private sector organisation. Although attempts were made to solicit responses from a civil society organisation², none felt sufficiently informed on the USDG.

A set of semi-structured questions, customised to the different roles and positions of the various respondents, was prepared. Interviews were approximately an hour in length, conducted in-person at the offices of the respective departments and 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.

Reference to these interviews in the report

The names of above individuals who were interviewed are not mentioned in the text below to protect their identities. Rather, they are referred to by numbers which are not in order of the above lists: 'respondent 1' to 'respondent 10' for municipal interviews, 'respondent 11' for developer and 'respondent 12' to 'respondent 20' for province.

3.4 Focus group

After a series of unsuccessful requests, a focus group with representatives of the Gauteng Department of Local Government and Housing was arranged in order to obtain a consolidated provincial perspective on the implementation of the USDG. Provincial stakeholders were identified through interactions between NDHS and DPME. However, the difficulty in organising a meeting meant that participation only occurred well after the draft report was completed and after the validation workshop³. Participants of the focus group represented levels ranging from the Chief Operating Officer to regional managers responsible for each metro in the province. The engagement lasted approximately one hour in length and was held at the provincial department. The focus group discussion was steered in line with the same features, processes and research questions as the above, albeit more focussed on specific areas of provincial involvement such as the BEPP planning, HSDG alignment and cooperation between city and province.

² Those approached include SERI, CASE, Wits University and COSATU.

³ This is unfortunate as any opportunity for metro-provincial engagement during the validation workshop was missed in the process.

3.5 Documentary review

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

- BEPPs - to consider the plan in light of its intended role in the Theory of Change, to provide evidence of the municipal interpretation of the USDG, to assess alignment with other planning documents, and to gauge levels of inter-governmental coordination.
- Municipal planning and reporting documents pertaining to the built environment for the period concerned (IDPs, SDFs, SDBIPs, Annual Reports, and others) - to assess alignment with the BEPP.
- Municipal budgets for the period concerned - to assess the relative importance of the USDG, other sources of capital finance, levels of borrowing and relevant capital funding trends.
- USDG reporting documentation (internal and external) - to assess grant expenditure trends and delivery against performance information targets.

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

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

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 municipality's 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. Specific datasets included in the report include:

- City of Johannesburg USDG Project Progress Reports for June 2012, June 2013 and September 2013
- City of Johannesburg capital budgets for 2011/12, 2012/13 and 2013/14

The spatial location of USDG projects was determined on the basis of pre-existing Geographic Information Systems (GIS) graphics collated by the City of Johannesburg for presentation at the Quarterly BEPP power-point presentations to the national Department of Human Settlements. These graphics notably orient one to the location of USDG projects relative to the municipalities Capital Investment Priority Areas (CIPAs) including the associated development corridors.

3.7 Validation workshop

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 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, with only one external perspective obtained for the City of Johannesburg. Further, the reluctance of some

officials in both the City and Province to engage was also a challenge to data collection as specific officials indicated that they would not agree to be recorded. However, the validation workshop served as a forum to clarify data collection gaps, provide further inputs and make additional referrals which did help to secure the perspective of the provincial department and mitigated the “metro only” perspective.

3.10 Analysis approach

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

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

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

4 Findings

4.1 Interpretation of the USDG by stakeholders

4.1.1 Metro interpretation of the USDG

The USDG is recognised in the City’s IDP as a key source of funds for housing specifically: ‘The Housing Department has a budget of R465,858 million for 2013/14. The primary source of capital funding for the Housing Department is the Urban Settlements Development Grant (USDG) (R454,858 million) which is for the construction of bulk infrastructure for low income housing projects. The Housing Department is in the process of shifting from RDP housing projects located on the periphery of the City to a strategy that focuses on higher density housing solutions in more centrally accessible locations. The intention is to complete the more peripheral projects in the medium term (three years) and to begin to plan for better located housing projects’ (IDP, 2011/16).

This comment in the IDP indicates some misunderstanding of the USDG as it mentions only bulk infrastructure. On the other hand it acknowledges the transition from existing commitments to housing on the periphery to better located housing which is discussed further in this evaluation.

The BEPP provides further interpretation of how the City perceives the purpose of the USDG, with extracts from the document given below:

- 'The Urban Settlements Development Grant (USDG) is a direct grant from national government to eligible municipalities for the purpose of supplementing the capital investment programme to improve the performance of the built environment and thus contribute to the development of sustainable human settlements and improved quality of life for households.' (CoJ, 2013a: 5)
- 'The envisaged outcome for the USDG is a more compact and efficient built environment where the balance between economic growth and development and poverty alleviation must directly reduce the inequalities that burden the urban poor and simultaneously support growth in economic production and job creation. This outcome contributes to Outcome 8 of the Presidency: Sustainable human settlements and an improved quality of household life.' (CoJ, 2013a: 5)
- 'The strategic goal of the USDG will be achieved through accelerating the provision of serviced land with secure tenure for accommodation for lower-income households in the urban areas and simultaneously providing land and infrastructure that supports economic growth that results in job creation for the under-employed and unemployed urban dwellers.' (CoJ, 2013a: 5)

These documented comments indicate that the City is interpreting the purpose of the grant correctly in its plans and this interpretation is largely consistent with the opinions of internal respondents reported below. However, it is notable that the data on project spending shows that the emphasis remains on bulk and connector infrastructure and it is not possible, in this evaluation, to prove the extent to which this impacts on city form and economic growth.

The perceptions of senior City officials are largely in line with what is stated in the BEPP, with respondent's positions given below:

- USDG is seen as supplementary to the capital budget. It plays a critical role in funding infrastructure and settlement upgrade. It aligns with Outcome 8 of Government's service delivery commitments. The amount allocated to the city of R1.5 billion needs to be seen in relation to the R110bn projected capex over 10 years (11bn a year on average) (respondent 1).
- The grant is intended to promote integrated housing developments with the focus on urban settlements more broadly, rather than just 'housing' (respondent 4). This view is supported by others: a key feature of the grant is to provide infrastructure for the poor. It also allows for purchase of land (respondent 7).
- The grant, in replacing MIG Cities, allows for the funding of things which were not possible before (respondent 5). On the other hand there was a comment that the grant is much the same as MIG Cities: primary objective is as a budget supplement (respondent 9).

City officials were of the view that the USDG carries distinct features which differ from its predecessor, MIG Cities:

While the USDG has brought change, the transition is not sufficiently complete (respondent 4). Another respondent sees less change with not much difference in terms of how the City organises itself (respondent 7).

Closer alignment between infrastructure and housing initiatives (specifically the HSDG processes) was seen to be an important benefit of the new USDG with cooperation across all departments and utilities being important given the fact that actual spending is distributed between departments and entities. For example, water services used a large proportion of the grant in recent years (respondent 1). However, under USDG, infrastructure projects are selected based on human settlements priorities. There is a shift from infrastructure as lead to human settlements as lead. This has meant a shift from bulk infrastructure projects towards internal infrastructure and social amenities.⁴ USDG is much more flexible (respondent 5).

Compared to MIG Cities, the under-spend is handled differently and now a roll-over is provided for which is seen as an important benefit (respondent 4).

From the perspective of intergovernmental relations, the big difference between MIG Cities and USDG is that the province is less involved. This means that infrastructure projects tend to be more aligned to City priorities with less emphasis on Provincial priorities (respondent 5). Based on the interview with the provincial representative, this is problematic from their point of view, as reported later in this document.

In verifying the view expressed by city officials it has not been possible to go back to the MIG project allocations. However, the fact that the Housing Department has been allocated an average of 38% of the USDG budget over the past three years does corroborate the views expressed. Further, the budget analysis included later in this report also confirms a substantial commitment to providing social amenities.

4.1.2 Interpretation of the USDG by province

The Gauteng DHS respondents had as their primary concern the role of the province in relation to the USDG with a strong concern that they are excluded:

- An argument was made that the communication when the USDG was announced *'depended on municipalities deciding what they want to do; they report to national and the province won't be involved'*.
- In Gauteng the ambiguous role of province is a concern. They need *'...clarity as to what is our involvement as human settlements when it comes to planning in terms of the grant. Do we have a role to play with the entire grant going forward?'*
- The ambiguous role of the province was expressed by others noting that GDHS was no longer a housing department but responsible for human settlements. This has implications for the way the province engages with metros.

⁴ However, as evident from the figures in Section 4.3.2, this is not backed up by the data as the indication is that only 4% of USDG expenditure is allocated to internal infrastructure.

- With regard to the design of the USDG: *'It was focussed on what was going to happen after accreditation. It doesn't really accommodate the province. If national really want to accommodate the province we really need to go back to the drawing board. Need clear process of how planning should take place. USDG as it stands: province doesn't have any role'.*

These concerns about the exclusion of the province and possible means to deal with this are dealt with later in this report.

4.1.3 Interpretation of USDG by developer

The developer, though having reservations regarding the flexibility of the grant, was concerned mainly with the way the USDG links housing and infrastructure and with the importance of committing to specific settlements (respondent 11):

- It is to be used primarily for infrastructure⁵. It is necessary for housing developments as the province does not fund bulk infrastructure.
- There is a concern that the money goes to municipalities unconditionally with insufficient accountability for delivery. The USDG should be tied to specific settlements, or tied to certain performance outcomes for a settlement over the long term.

Further, the developer noted the ability to provide for three year funding cycles as being important.

4.1.4 Perceived benefits of the grant design

Documented evidence in the BEPP indicates the City's positive view of the benefits of the USDG: 'Current planning rationale and thinking, entrenched in the City's SDF and CIPAs, is committed to shifting the delivery of housing options away from in situ upgrading and "RDP-style" housing typologies and locations towards more sustainable and integrated housing solutions in significantly better locations associated with the public transportation networks and nodal areas of the City. There is however a realisation that unless these other forms of settlement can be delivered at scale, the current need for housing will dictate that delivery takes place along historic lines. The USDG has a critical role in providing renewed impetus and resources in realising a renewed and alternative delivery strategy – a strategy that can provide a model for other Cities and Towns to replicate in future' (CoJ, 2013a: 52).

This high regard for the USDG by the City, specifically due to the flexibility relating to the way the grant is used, is confirmed through interviews. It is seen to be a progressive approach which gives considerable autonomy to cities.

Respondent 1 pointed out the positive progression from MIG to MIG Cities to the USDG. The fact that the money can be rolled over is seen as a positive feature, making project cash flow arrangements much easier.

'But overall I must say it is an excellent grant (respondent 1).

It's hard to think of limitations because they removed all the limitations because the final limitation was the rollover. Now they have done away with that as well.

⁵ Understanding of grant based on version 10 of the policy.

So from financial year 2013 the USDG is exempt from the rollover application process from National Treasury' (respondent 1).

'The grant has been very helpful to the city; it allows the city to make changes and removes some of the limitations on local government' (respondent 10).

Flexibility is a key advantage of the USDG compared to MIG Cities, the inclusion of land and opportunity to purchase inner city buildings is an example of this (respondent 1). The USDG also gives the city more opportunity to steer projects (respondent 5).

Further, city respondents noted that the USDG has changed the focus towards integrated human settlements and improved coordination between housing and infrastructure. It complements other funding available from internal city resources and also allows for fast tracking of USDG projects (respondent 5). It is good in forcing city to direct funds to poor areas (respondent 7). It funds critical projects and hence closes the gap in terms of funding for infrastructure for the poor (respondent 9).

'The USDG has really changed the focus on how to do developments, number one, and secondly how to prioritise. It has forced cities on how to be synchronised. From a housing point of view it has given us more say over where to spend the money' (respondent 5).

The alignment of the grant with the city budgeting process was seen to be a key feature: there is not a separate approach (respondent 1). USDG can also be used as leverage to get commitments of funding from the private developers. This promotes mixed income and mixed use developments (respondent 5).

In assessing these comments it is evident that the Housing Department has greater control (an average of 38% of the USDG budget, as mentioned above) and all the city projects are planned as part of a single process. However, as is evident from other comments below, the way the implementation of projects is managed does not bear out the view of coordination to the extent expressed above.

With regard to the province it is notable that the eight people in the focus group were silent on positive aspects of the USDG which, it can be speculated, reflects their concern over exclusion.

4.1.5 Perceived disadvantages of the grant design

While some respondents underscored the flexibility of the grant as an advantage, others considered the grant not flexible enough (respondent 4) and were of the view that the grant should fund other public infrastructure and community services (schools, police stations, etc.) (respondent 7 & respondent 8). A key concern for the city is perhaps that the USDG still does not provide them adequate measure to respond to the challenges they face in the CBD and other inner city areas:

- USDG can't be used sufficiently for inner city developments: *'you can't use the USDG to build a block of flats. So the USDG is actually entrenching the RDP, the one storey free-standing housing approach'* (respondent 7). In the same vein a comment was made that a disadvantage is that it is ring-fenced only for specific purposes (respondent 9).

- On the topic of flexibility one respondent considered it a disadvantage that only infrastructure for the poor can be funded and it is perceived that it can't be used for rehabilitation⁶ (respondent 10).
- Finally, in the past the annual cash flow constraint was problematic and the move to medium term monitoring and payment arrangements is a big improvement (respondent 10).

The BEPP itself highlights the concern regarding the impact that a grant such as the USDG can have: 'The USDG is one of the funds created by National Government to assist with this process of city building. It focuses on infrastructure investment and housing developments. It certainly will assist the City in moving forward, but is still limited in both its scope and extent to create the sustainable human settlements it envisages' (CoJ, 2013a: 109).

In considering the above comments, the flexibility issue requires further attention as it is evident that the constraints regarding the exclusion of top structure funding does limit the extent to which it can be used for inner city developments which are typically top structure rather than infrastructure oriented.

4.2 Built environment planning

4.2.1 The Built Environment Performance Plan (BEPP)

Process to prepare BEPP

Within the city, the BEPP is the responsibility of the Development Planning Unit which drafts the plan and invites comments and input from a special team that has been set up to review the BEPP. The special interdepartmental team consists of Planning, Finance and Housing (respondent 1). Once Development Planning and the interdepartmental team have concluded with it, it then goes to Council for approval (respondent 1). Group Strategy plays a role in ensuring that the BEPP aligns with USDG priorities (respondent 4). Once it has been approved by Council the BEPP is sent to National DHS by the Budget Office (respondent 7).

With regard to 'ownership' there appears to be some uncertainty with the Department of Housing seen as the custodian of the BEPP; although all internal stakeholders contribute to decisions, Housing ensures coordination and submits to Council (respondent 5).

With regard to public influence on the BEPP, as the BEPP is mainly adapted from other planning documents such as the IDPs, the City sees no benefit in consulting the public on the plan as this is already fulfilled in drawing up the planning documents that form the backdrop to the BEPP (respondent 5).

Relationship between the IDP, SDBIP, SDF and BEPP in the municipality

The structure of the BEPP (2012/13 to 2015/16) is as follows:

1. Introduction.
2. Overview of the City of Johannesburg.

⁶ This view that the grant can't be used for rehabilitation is erroneous; this is not stated as a condition.

3. Planning for the City's future – City's future perspective.
4. Built Environment Performance Programme.
5. Performance commitments.

Chapter 3 is explicitly about the existing plans associated with human settlements as informants of the BEPP. In particular:

- The **Growth and Development Strategy** is covered in Section 1 where building sustainable human settlements is one of the principles.
- The **Spatial Development Framework** is covered in Section 2. Strategies to change the form of the city are central to the SDF including supporting an efficient movement system, ensuring strong and viable nodes, implementing corridor development, increased densification and facilitating sustainable housing environments. The SDF identifies Capital Investment Priority Areas (See Figure 5). With regard to housing the SDF identifies three mainstream delivery processes:
 - Formalization and regularization of informal settlements.
 - Subsidized housing programme (RDP programme).
 - Medium to high density housing (social and rental housing).
- The **Sustainable Human Settlements Urbanisation Plan (SHSUP)**, also covered in Section 2, has been developed specifically to promote efficient use of the USDG. It identifies strategic areas relating to human settlements, sets up a set of principles for prioritising projects and identifies strategic interventions. It identifies a mix of housing typologies with explicit splits in numbers of units and funding commitments: 'In terms of unit typology the outcome of these projects will be that 62% of units will be RDP type units, 24% will be medium to high density rental and social units and 13% will be bonded. In terms of the allocation of funds 31% are allocated towards medium to high density rental and social units, 51% towards mixed typology projects where a typical split of 50/25/25 for RDP/rental/bonded are achieved'. The implication is that limited funding is available for exclusively RDP projects (15%) as the plan places emphasis on mixed typology interventions.

The underlying principles which drive the SHSUS are (City of Johannesburg, 2012: 6):

- Reflecting on current and future demand and growth in terms of urbanisation trends and projections,
- Demonstrating and proposing solutions to the current dysfunctional spatial form, and
- Directing existing and future resources towards making fundamental changes to achieve the objectives and aspects associated with Sustainable Human Settlements. Land and social amenities: Section 2 in Chapter 3 also deals with priorities in terms of land and social amenities with priority areas mapped.
- The **Integrated Development Plan**: The IDP does not include spatial or housing plans other than referring to the SDF and GDS priorities. It focuses

on 10 priority implementation plans, one of which is sustainable human settlements. In the BEPP the IDP is referenced mainly in Chapter 2 where its role in the city's performance management system is identified, in Chapter 4 in relation to the medium term investment framework and capital budget, and in Chapter 5 which deals with the performance commitments of the BEPP aligned with IDP 'cluster plans'.

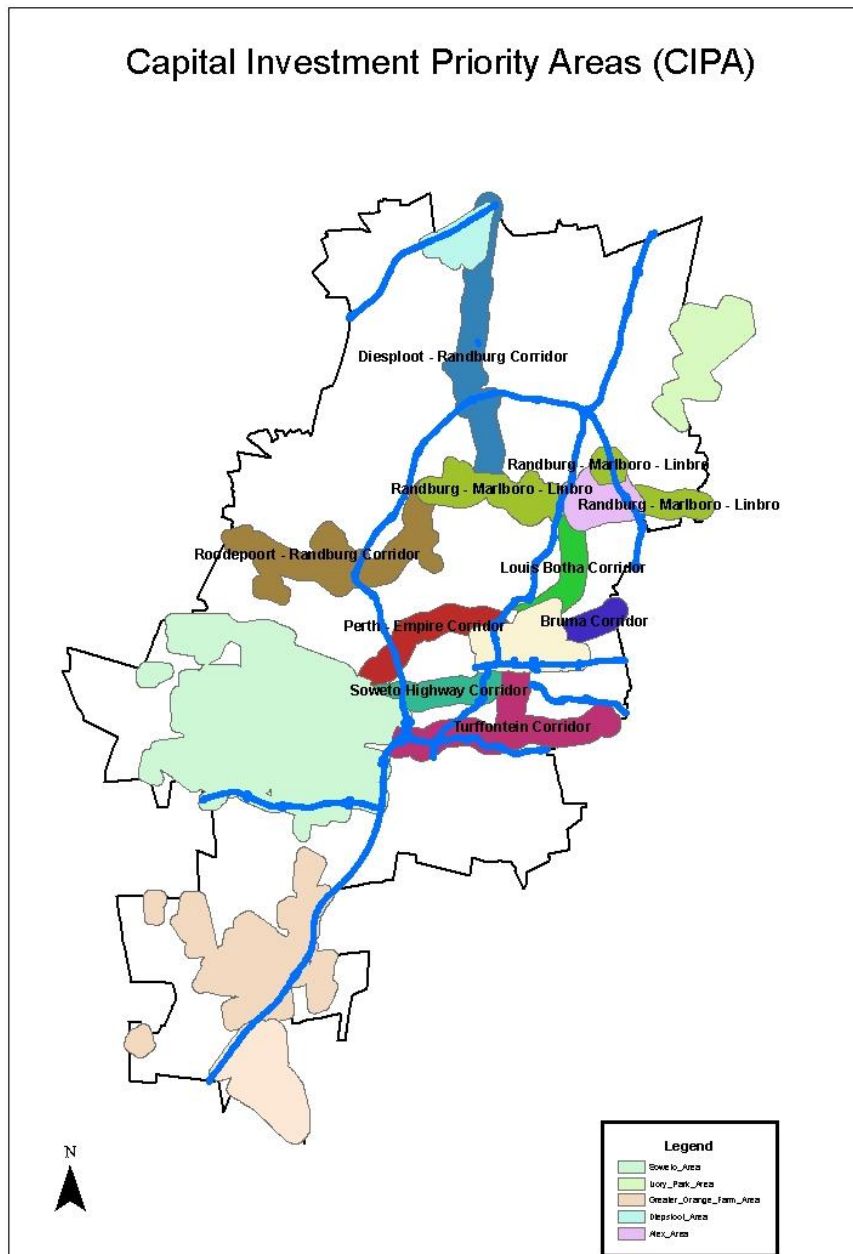


Figure 5: Capital Investment Priority Areas

The indication above from a reading of the BEPP indicates that considerable effort has been made in the BEPP to align with other plans. This aspect was covered in the interviews with comments from respondents summarised below:

- The BEPP is not adding anything which is not being done already (respondent 1).
- The importance of alignment of planning was confirmed: it is essential that the BEPP is aligned to the GDS, IDP, SDF and the Regional SDFs (respondent 4). But the BEPP needs to deal with more local issues which impact on the selection of projects (respondent 4).
- The BEPP also aligns with the Sustainable Human Settlements Strategic Plan which is an internal plan with considerable relevance to the BEPP (respondent 1).
- The starting point for the BEPP is existing plans. The extent of overlap between the IDP and the BEPP was noted. The BEPP is there mainly because it is a DORA requirement. 90% of the BEPP is in the IDP. But it is also mentioned that the BEPP translates the IDP into tangible deliverables (respondent 5).
- *'The BEPP is a requirement to get the funding'. 'Your BEPP document is how you translate your IDP into tangible deliverables'. (respondent 5)*
- The process is to start with GDS, move to the BEPP and then focus further onto Capital Investment Priority Areas (CIPAS). These include Ivory Park, Diepsloot, Orange Farm, Alexandra and Soweto. The overall capital investment framework is part of the IDP. But the BEPP prioritises informal settlements and corridors. (respondent 7).

In the case of the Service Delivery and Budget Implementation Plan (SDBIP) this is mentioned in the BEPP as part of the performance management system of the city. The SDBIP is essentially a plan to ensure alignment between other planning and budgets and, in this sense it follows from the other plans including the BEPP. The 2013/14 SDBIP does not mention the BEPP explicitly but all projects funded by the city are required to be in the SDBIP project list. Further, one respondent noted the fact that the SDBIPs projects have to be ward based (respondent 7). But, while ward priorities may be taken into consideration in allocating funding to various parts of the City, the BEPP is not explicitly ward based.

The respondents confirm the position that there is substantial alignment of planning arrangements within the city. While there is considerable concern about duplicated effort in preparing the BEPP it is positive that city officials see BEPP as providing a space or a link between strategic planning and project planning.

The alignment of the BEPP with provincial planning

The Gauteng human settlements planning documents available for this case study include the Department of Local Government and Housing Strategic Plan 2009-2014 and the strategic plan of the Department of Finance 2012-2014. These are high level plans which, in general, do not contradict Johannesburg's planning but also fail to acknowledge or consider the implications of the USDG. However, the former plan was developed prior to the launching of the USDG and therefore cannot be

expected to provide for it. With regard to spatial priorities, the available Gauteng plans do not have a spatial component to them and therefore alignment of settlement⁷ level initiatives cannot be assessed. However, there is an older spatially oriented plan from the Province contained in the BEPP which shows substantial alignment between provincial priority areas and Johannesburg's Capital Investment Priority Areas (See Figure 6).

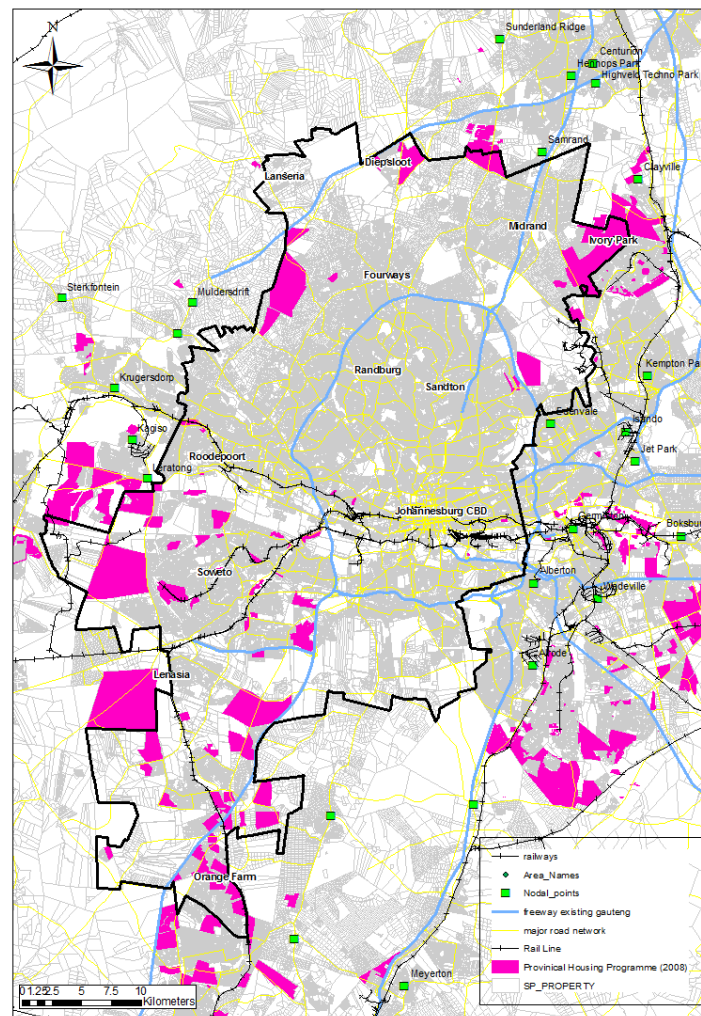


Figure 6: Map showing provincial housing programme, 2008

The Gauteng Department of Local Government and Housing's annual report for 2011/12⁸ was assessed for alignment with the USDG and its objectives. The emphasis in the report is primarily on the Department's internal performance and

⁷ The term 'settlement' may also be termed 'area' or precinct'.

⁸ It was not possible to get hold of the 2012/13 annual report, assuming it has been completed. But the 2011/12 year relevant as the year in which the USDG was introduced.

the USDG is not mentioned. However, under the Province's Programme 2 (Human settlements) the 20 Prioritised Township Programme (PTP)⁹ is a substantial sub-programme which includes two Soweto townships (Orlando and Zola). Both of these have been receiving USDG funds. Mention is also made of 'major' projects in Alexandra and Jabulani, the latter being a hostel upgrade. Orange Farm is only mentioned as an area where the Province has a ward development strategy.

As both the Province and the City have human settlement planning and funding responsibilities, planning alignment is clearly important. Based on the information which is available for this evaluation it is evident that the City's planning is dominant and the Gauteng DHS does not have a 'competing' spatial planning initiative. However, based on interviews with city and provincial officials there are clearly serious concerns about alignment when it comes to project selection and the associated allocation of funds. This issue of coordination of funding is addressed later in this report. What is of concern here is the coordination of planning which informs funding allocations. Provincial representatives at the focus group meeting felt strongly about the lack of involvement in the BEPP preparation and approval process:

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

This was linked in the discussions at the provincial focus group meeting on coordination relating to the IDP process:

- *'I mean just now we went to the IDP process and we were invited by CoGTA just to check on the IDP focus, what has been planned by the municipality. There are a lot of projects that are not necessarily reflected on that plan which we are assuming should be part of the five year plan for the IDP'.*
- *'Planning coordination for the USDG should have been committed. Key is to know how to plan together with the IDP etc. We have not planned together. It should be a government IDP not a municipal IDP'.*

It is evident from these comments, and others relating to funding coordination made below, that the BEPP is not serving adequately as a means of coordinating effort between province and city.

⁹ According to Engineering News, 2008-08-01, the townships that form part of the programme are Atteridgeville/Saulsville, Soshanguve, Mamelodi, Kagiso, Munsieville, Mohlakeng, Boipatong, Bophelong, Sharpeville, Sebokeng, Ratanda, Katlehong, Kwatsaduza (KwaThema, Tsakane, and Duduza), Wattville, Daveyton, Tembisa, Refilwe, Rethabiseng, as well as Orlando and Zola, in Soweto.

Perspective on the usefulness of the BEPP within the city

Not all City respondents knew much about the BEPP other than it existed. From interviews with those that did there is a rather ambiguous view of the usefulness of the BEPPs:

- *'The BEPP ... fits in by default rather than by design, for the simple reason if you had to go take the BEPP. It's like the first chapter ... is straight out to the GDS. Then the next part will be out of our current year budget book. And another part would be out of the Spatial Development Plan Framework. So one has taken huge chunks out of the BDS the budget book, I mean all those financials of BEPP are directly out of our budget book. ... Let's come up with a document to drive built environment performance If one had to do a BEPP from that perspective in other words where we are going to come up do our research and come up with a document in terms of how it's going to drive the BEPP which could be a combination of the Asset Management Plan, CIPS, ... infrastructure plans, housing department plans ..'* (respondent 1)
- *'To be honest it is a 'food ticket' to access the USDG. It draws on other plans which are statutory requirements or well established in city. Essentially the BEPP is a combination of these documents and then refocused to look at those projects which suit USDG. I don't know if it should be anything other than that'* (respondent 7).
- What is seen to be more important than the BEPP itself is the USDG Business Plan which is annexed to the BEPP and which aligns with the capital budget. The full body of the BEPP is seen to be too high level (respondent 1 and respondent 5).
- The BEPP has to work with the same resources as other planning processes. It also has to accommodate a situation of rapid in-migration with limited resources. With this reality, the respondent making this point considered that the BEPP does too little to align human settlement developments with the budget (respondent 5).
- The BEPP guidelines are considered to be outdated and need to be replaced (respondent 1 and respondent 7).

The developer was of the view that the BEPP was a necessary planning tool but had concerns regarding the budget allocation process and where USDG funds are being utilised in the City:

- The BEPP is 'OK' but the main concern is with the budget and the way funds get allocated to projects. The BEPP does not address settlement level planning where many of the problems with coordination occur. Greater attention is required to the SDF and how this plays out at area level to avoid the perceived 'silo' implementation style in the city (respondent 11).

From these comments it is evident the primary merit of the BEPP is seen to be the means of translating existing plans into projects which fit with a set of criteria identified for the USDG grant which, in the case of Johannesburg are evidently aligned with Johannesburg's own criteria for selecting high priority projects. Further, there is a gap in planning at area or precinct level which is also evident from the discussion on funding coordination later in this report.

4.2.2 BEPP Panel and intergovernmental planning

Representatives from two of the three key departments involved with USDG do not know about the BEPP panel and what it does, which raises a concern about its impact. However, the one respondent who is aware of the panel was positive, stating that the City has a good relationship with the BEPP panel but they have got some criticism. The panel oversight does allow for a broad view to be taken (respondent 5).

City respondents were more vocal about coordination between national DHS and NT with concerns about the different views that are communicated by DHS and NT regarding USDG and BEPPs. Respondent 1 felt that DHS and NT do not engage each other enough on both the grant instrument and the plans. With regard to the engagement with DHS on the BEPP comment was made that CoJ gets no feedback after submitting the BEPP to DHS (respondent 7).

There is also a question as to whether the province has a role on the BEPP Panel. Mention has been made above of the view from the Province that they are not adequately consulted on the preparation of the BEPP. One way of achieving better coordination would be for them to be fully represented on the BEPP panel. However, based on a response from the provincial focus group they are sceptical about this: *'Previously they would invite the province. Not that we are members of the panel. But they will send invitations'* (respondent 12). *'Province becomes spectators. You can't engage particularly as you do not know what they are talking about'* (respondent 15).

This view from the Province that they are not empowered members of the BEPP Panel contradicts the provision of USDG Policy Framework V13 which clearly has responsibilities for the Province via the BEPP Panel. The contradiction in this regard could not be resolved as the provincial focus group meeting was held after the validation workshop.

4.3 Allocation of funds and project selection

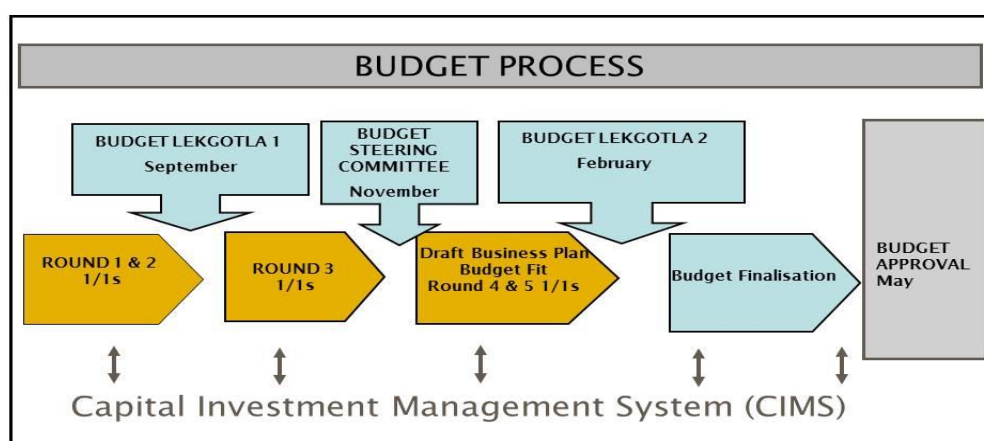
4.3.1 Method of project selection (including budget allocation)

The project prioritisation and budgeting system

The project prioritisation system for the USDG follows the structure set up for prioritising all projects in the city, with an additional step, as described below (Based on interview with respondent 1):

1. The Department of Development Planning has annual meetings with all departments and entities, referred to as 'one-on-ones' to assess their project priorities.
2. Projects are then entered into the Capital Investment Management System (CIMS) which is a GIS based system which records all projects identified in the city, in their specific geographic location. A budget is attached to each project.
3. Within the CIMS database all projects are scored based on a set of criteria – described below –with each criterion given weight.
4. From the CIMS database a list of projects is produced in order of priority in terms of the scoring system.

5. At this point the budget office engages with the process to align projects with budgets and with the requirements of particular grants. This involves the cutting of low priority projects which do not fit within the budget and the assessment of which projects are aligned with USDG criteria.
6. The budget office recommendations then enter the city budget process which is structured as shown in the diagram below.



Source: BEPP, 2013

Figure 7: Budget process

The criteria used for project prioritisation in the CIMS system can be summarised as follows:

1. Location in the city in relation to Capital Investment Priority Areas (CIPAS) which is given the highest weighting.
2. Alignment with social and economic objectives in the Growth and Development Strategy (second highest weighting).
3. Alignment with services 'hot spots' which are identified by the entities and are largely based on technical considerations: where the infrastructure system requires expansion or renewal.

While the process of getting the list into the budget process is largely 'technocratic' in the sense that it is based on specified criteria and financial constraints, it is necessary to recognise that the budget process has a political element to it: council retains the right to amend project lists and budget allocations.

Once projects are approved with budget allocations, including USDG projects, they become the responsibility of each department or entity to implement. But the coordination of these projects across departments and entities is clearly important. Historically this has been done under a Programme Management Team which falls under the office of the City Manager (Respondent 9). But this has become inactive or ineffective and there is a new initiative to coordinate projects under the Centre

for Engineering Excellence (Respondent 1). Coordination applies to all projects, including those funded by USDG. Comment on the functionality of the project coordination arrangements is included under the findings below.

Project selection and allocation of funding to projects

It is noted above that all city projects are dealt with together but some are selected for USDG funding, based on their alignment with USDG criteria (based on interview with respondent 1 and respondent 5).

Respondents considered the prioritisation based on the Capital Investment Priority Areas (CIPAS) as being most important (respondent 7).

Overall, respondents within the City have a generally positive perspective of the project prioritising process managed under the CIMs system although, as noted below, where spatial location of projects is discussed, compromises have had to be made regarding final project selection. The selected projects are then passed into the annual budget process to finalise the project list with a comment made that it takes 'forever' partly because there are problems with coordination (respondent 4).

Another comment relating to changes associated with the USDG is that the Department of Housing is given more say over planning rather than just the way funding was allocated in the budget. However, there is the view that Housing does not yet have sufficient control. They are worried that USDG funding gets swallowed on old projects that are not seen to have high strategic value (respondent 5). This point is corroborated by a statement in the BEPP indicating the limitations of the USDG grant in terms of inner city development (See Section 4.1.5).

Provincial officials were critical in their comment about project selection by the City:

- *'There would have been a misinterpretation at the municipal level. For example, in Joburg they mostly use the grant for MIG projects. Not necessarily prioritise other projects. I am sure that 60% or 80% goes to these projects where there is a previous commitment'* (respondent 18).
- *'They tend to prioritise parks and cemeteries and I mean they go to even your suburbs and upgrade whatever needs to be upgraded there they are not necessarily prioritising those who are at the lower end'¹⁰* (respondent 12).

In concluding on project prioritisation, while evidence suggests that the city does have a well-developed project identification and prioritisation system there are flaws:

- There is still a need to complete the provision of infrastructure to older projects. Therefore project selection criteria aimed at transforming city form are compromised¹¹.
- There is inadequate alignment with provincial projects.

¹⁰ There is no evidence in the documentation to support this comment. The City has allocated funding to a cemetery in 2013/14, for example but improving access to community facilities, including parks, is part of the USDG mandate.

¹¹ This problem will presumably fall away as older settlements get fully serviced.

- Project prioritisation does not sufficiently provide for area or precinct based alignment of projects.

Each of these three concerns is discussed later in this report.

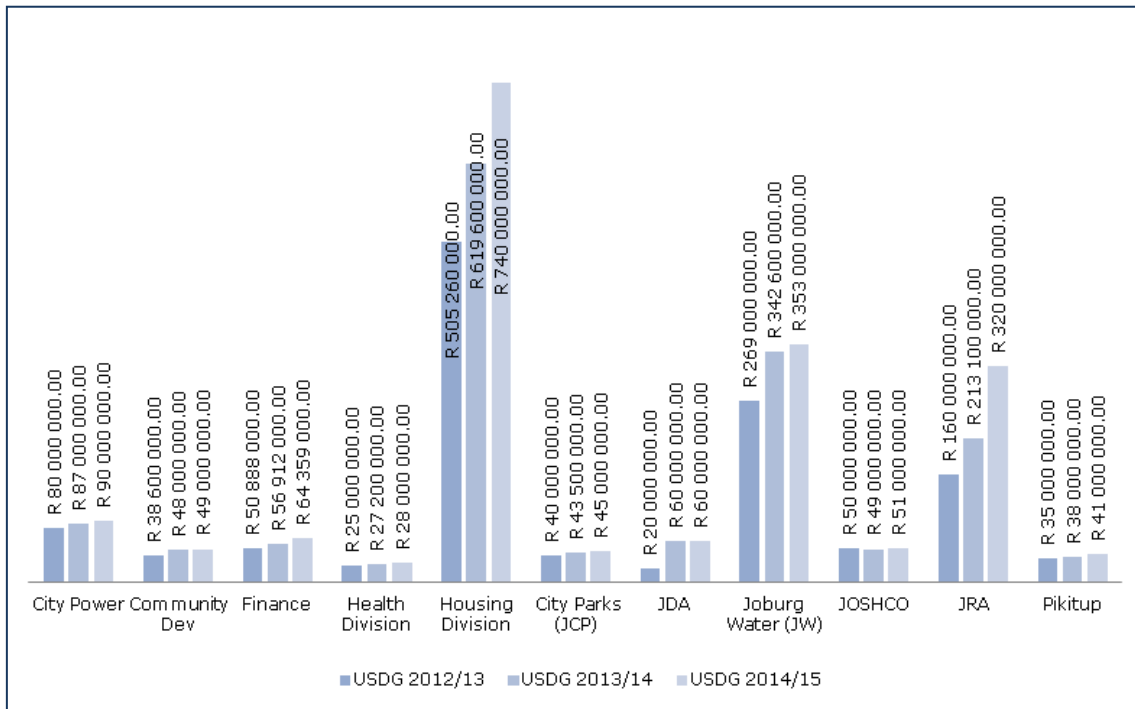
4.3.2 USDG approved projects by category

The following table provides a summary of projects intended for funding through the USDG. This table was developed on the basis of project databases provided by the municipality's budget office. Projects are grouped in relation to the relevant Developer (a City department or Municipal Entity), the Rand value of funding assigned and the number of projects.

Table 5: USDG project funding allocation by municipal department or municipal entity

Department/ Municipal Entity	2011/2012		2012/2013		2013/2014	
	Budgeted (R'm)	% of budget	Budgeted (R'm)	% of budget	Budgeted (R'm)	% of budget
City Power	45	4%	88	6%	125	8%
Community Development	30	3%	42	3%	48	3%
Development Planning	7	1%	6	0%	20	1%
Health	15	1%	27	2%	40	3%
Housing	479	46%	507	37%	455	31%
Infrastructure Services	5	0%	12	1%	0	0%
JHB City Parks	37	4%	40	3%	36	2%
JDA (Project development)	0	0%	20	1%	80	5%
JOSHCO (Social housing)	38	4%	52	4%	20	1%
JPC (Property development)	0	0%	0	0%	30	2%
J Water (Water & sanitation)	213	20%	37	28%	308	21%
JRA (Roads)	145	14%	163	12%	276	19%
Pikitup (Solid waste)	34	3%	35	3%	47	3%
TOTAL	1 048	100%	1 367	100%	1 487	100%

Looking forward, the provisions in the medium term are indicated in the SHSUP report which indicates that the greatest share of USDG finance is afforded to housing as illustrated graphically below.



Source: City of Johannesburg, 2012: 76

Figure 8: Johannesburg USDG Year-on-Year Capital Allocation by Division 2012-2015

In their fourth quarter review of the BEPP, the City emphasized the importance of USDG funds being expended to align with the municipality's Capital Investment Priority Areas (CIPAs) which encompasses:

- Marginalised Areas
- Development Corridors (Short, Medium and Long Term)
- Inner City and,
- Mixed Use Nodes

Accordingly, as displayed graphically below, in the 2012/13 financial year the municipality already began matching the location of USDG projects to these CIPAs. This picture was not much changed for planning for the 2013/14 financial year as shown in the second of these spatial maps below.

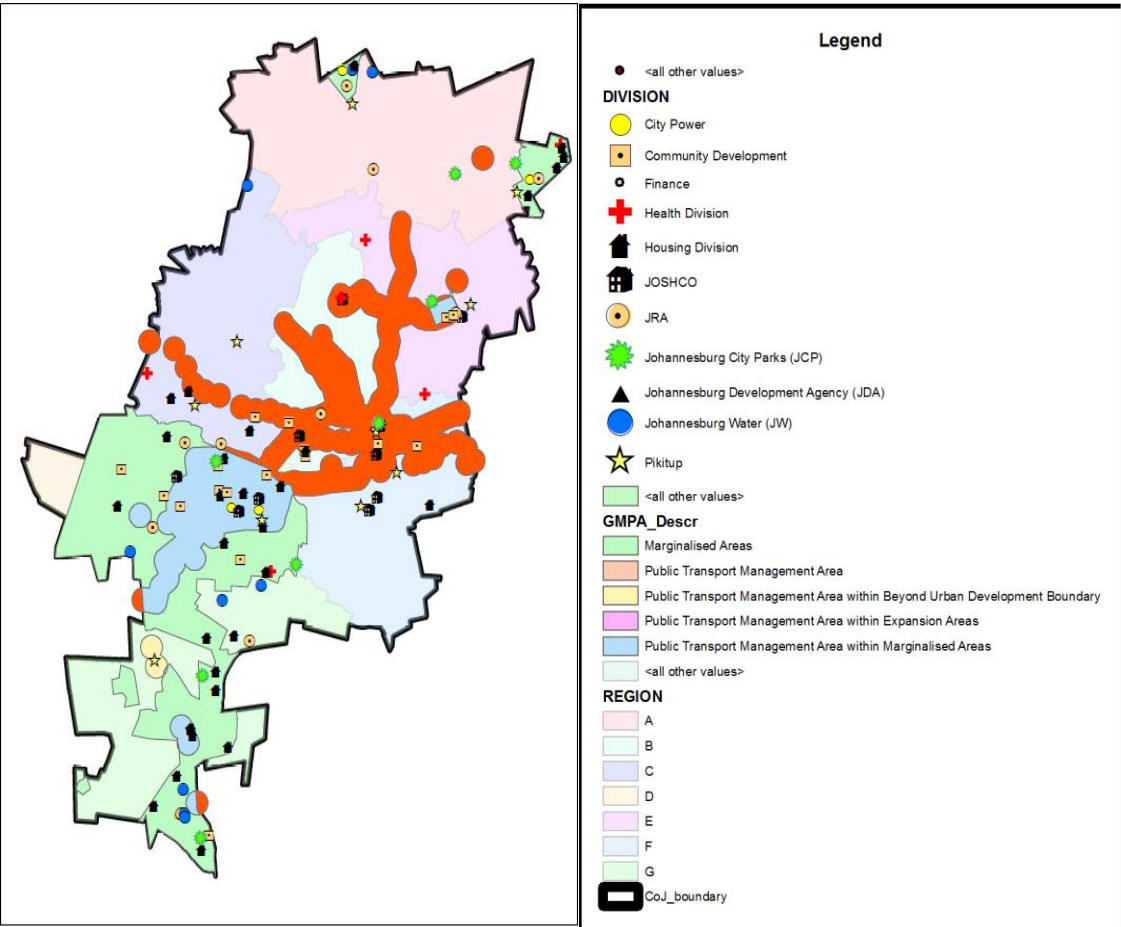


Figure 9: 2012/13 USDG projects in relation to Capital Investment Priority Areas
(Source: City of Johannesburg, 2013c)

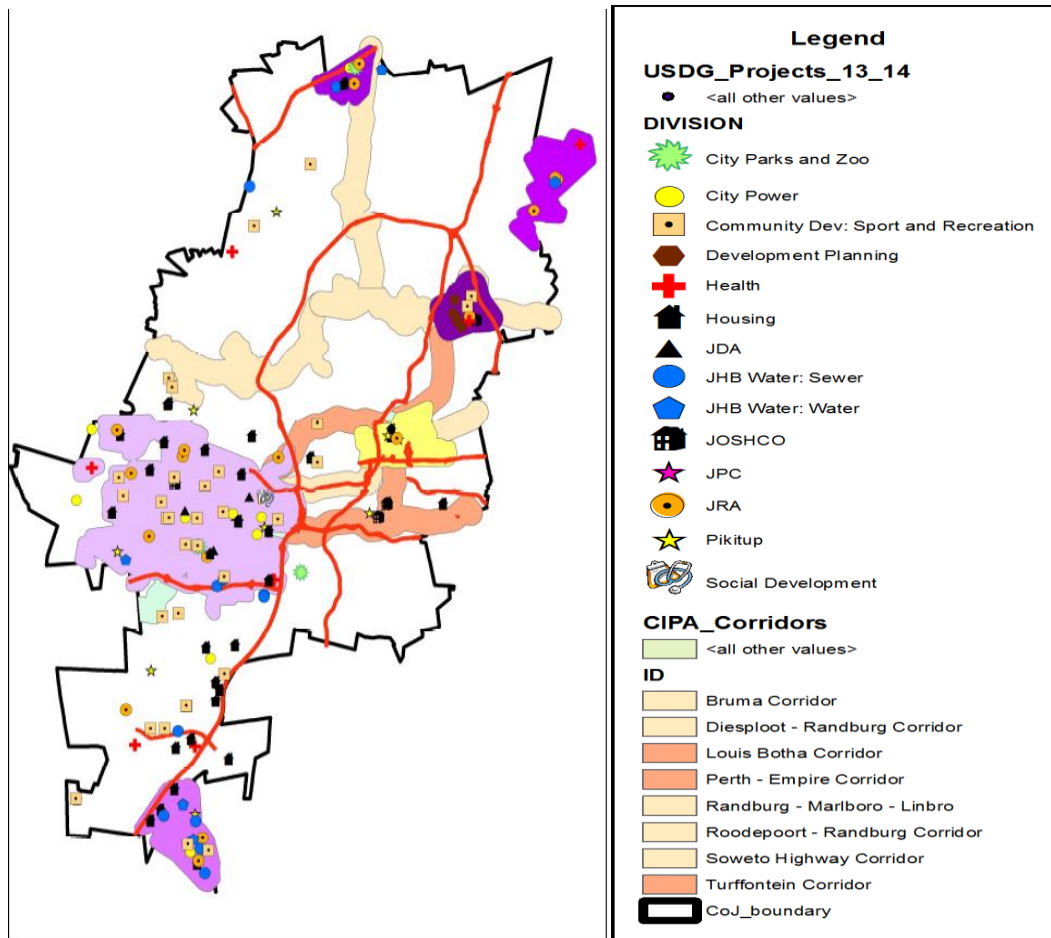


Figure 10: 2013/14 USDG projects in relation to Capital Investment Priority Areas (Source: City of Johannesburg, 2013c)

In terms of the apportionment of USDG funds across the Capital Investment Priority Areas, USDG funding in the municipality is assigned to the areas identified as marginalised as well as the Inner City and public transport corridors to the effect shown in the chart below.

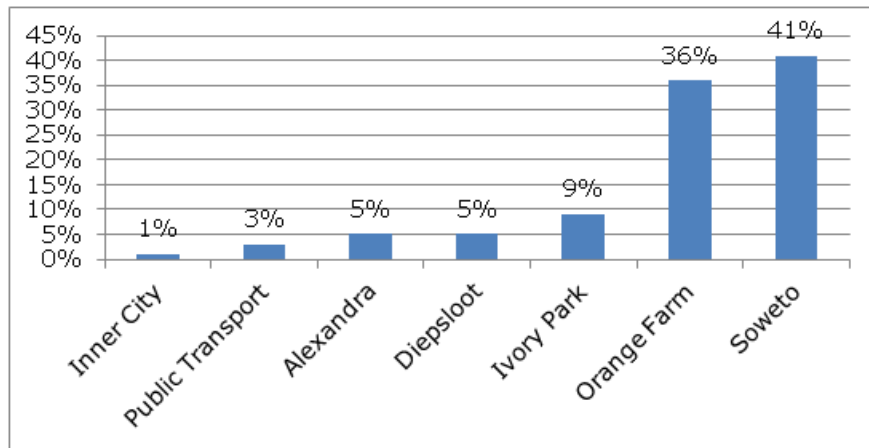


Figure 11: USDG budget per priority area (2013/14) (Source: City of Johannesburg, 2013a: 81)

Within the identified marginalised areas, the split of USDG funding across the various municipal departments or entities again reflects the concentration of funding towards the Housing Department, Johannesburg Water and Johannesburg Roads Agency as displayed below in the figure. The table below the figure reinforces this point by illustrating the share of the USDG budget afforded to these marginalised areas which is apportioned to various municipal departments/municipal entities. It is not known whether the USDG is being used to address the issue of backyard shacks. This was not mentioned in any of the metro interviews and is not evident from the project lists. The BEPP mentions the problem and distribution of backyard shacks (which are concentrated in the marginalised areas mentioned above), but does not state that there are any active interventions for these households.

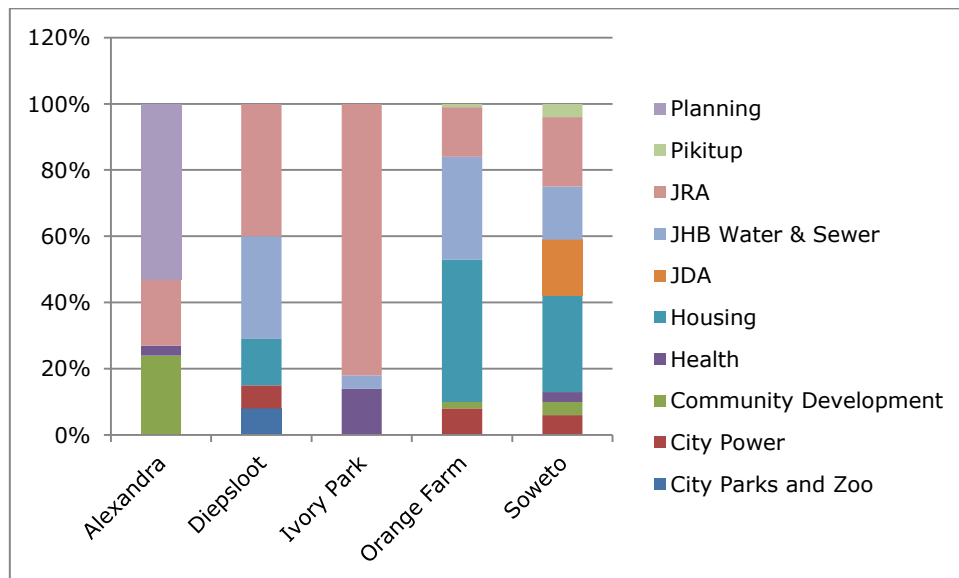


Figure 12: USDG expenditure for marginalised areas (2013/14) (Source: City of Johannesburg, 2012: 81-101)

Table 6: Table showing breakdown of USDG funding by entity, for 2013/14

Department or Entity	% of budget 2013/14	Profile of projects
City Parks and Zoo	2%	Parks
City Power	8%	Electricity connector infrastructure
Community Development	5%	Community halls, swimming pools, sports fields and other sporting facilities
Health	3%	Clinics
Housing	31%	Of the R455 million allocated to housing, R365 million is allocated to bulk and connector infrastructure (80%), R60 million to internal infrastructure (13%), R10 million to building upgrade (2%) and R20 million to land purchases (5%).
JDA	5%	Soweto stations and Kliptown precinct renewal
JPC	2%	Land acquisition
JHB Water & Sewer	21%	Bulk and connector infrastructure upgrade and renewal.
JRA	19%	Road construction and rehabilitation.
Pikitup	3%	Solid waste infrastructure
Planning & project development	1%	Various

A high level breakdown from this table indicates expenditure split as follows¹²:

- Bulk and connector infrastructure: 75%
- Internal infrastructure: 4%
- Social facilities (community halls, recreation facilities, clinics & parks): 11%
- Economic facilities (precinct renewal): 5%
- Land purchase: 3%
- Buildings: 1%
- Planning etc.: 1%

The continuing emphasis on infrastructure is evident. It is evident that the majority of these projects are in CIPAs and specifically marginalised areas. The extent to which they are catalytic could not be determined but the limited commitment to land acquisition and inner city building renovation is notable and could arguably indicate a limited emphasis on catalytic initiatives.

¹² Based on an analysis of the budget by the evaluator.

4.3.3 Leveraging of other funding with USDG funds

As noted above there is a process to identify projects aligned with the IDP and BEPP with a large proportion of the projects selected for low income settlements. Funding sources for these projects are then identified in the budgeting process based on the range of funds available. These include debt finance raised by the City and internal reserves generated by the City. The budget office assigns the various sources of funding to the projects. It is largely about how to apply a mix of grants, debt finance and cash reserves (respondent 1).

In considering co-funding by the metro there are three levels at which this can be done: individual project, settlement or city-wide.

In the case of individual projects and a scan of the city budget for 2013/14 indicates that there are only a few cases where the city co-funds. These are all Johannesburg Water projects where co-funding is applied to wastewater treatment works, for example. This is assumed to be because the treatment works serve different communities, not all of them poor.

Co-funding for developing individual settlements is an important aspect as often the successful development of a settlement (or area or precinct) depends on funding from more than one source. However, it is a complex matter to analyse this and it is not possible to comment on this here.

Looking at co-funding at City scale Table 2 shows the relative sources of funding for the city currently and projected for the coming year. The indication is that the USDG contributes 20% and is declining in importance. This is a positive trend as the city is becoming more autonomous. However, stating that this trend is caused by the gearing of USDG funds is going too far. What is important from the point of view of this evaluation is to revisit the purpose of the USDG as a supplement to the Johannesburg budget. In particular, is it intended to represent the State's contribution to providing for services to the poor or is it intended to be a means to influence transformation of the city's human settlements with an emphasis on improved city structure? This will be addressed in Section 5 of this report.

USDG and HSDG complementarity

In the context where assignment has not been finalised, USDG – HSDG coordination has been a challenge. HSDG targeting and allocation follows the poor where they are currently located without much margin for spatial restructuring or integration. The city was of the view that province tended to invest in the periphery as it is 'following people' while the City's investment are driven by 'corridors of freedom'. For example, Orange Farm is assessed by city officials to be a high priority for the Province but not for the City¹³.

Specific comments from city officials follow:

- There needs to be much better alignment to avoid situations such as in Braam Fischer ville, quoted below, where houses were built but there is inadequate infrastructure (respondent 1 and respondent 4).

¹³ But note that Orange Farm is a marginalised area and is part of the CIPAs and the city reports spending 36% of the USDG in Orange Farm. Comments from the city officials are assumed to relate to the fact that Orange Farm is relatively poorly located and hence investment there is not catalytic in terms of city structure.

- *'We have from a development planning point of view a massive problem with province. ... With regard to areas in the South this is where we are going to have the biggest problems particularly around the Lawley areas which are constrained significantly by dolomites but province in the earlier stages of development went ahead and built. Areas such as Poortjie, which is a very isolated settlement, they are wanting to go ahead and build 10,000 units'* (respondent 7).
- However, the importance of the HSDG in providing funding for top structures is acknowledged with the lack of funding for top structure remaining a headache (respondent 4).
- The Province does provide projections of HSDG spending but there is too much uncertainty in the way these are applied. There is not enough firm agreement and this needs to be tightened up. One way of doing this was through the Premier's Coordinating Forum (respondent 4).
- Ultimately it is preferable to have a single channel of transfers, a 'bundle of grants' (respondent 7).

Lack of coordination and alignment between the city (USDG) and province (HSDG) has been felt by developers. For example, the Malibongwe Ridge project uses HSDG funding for the top structures for the low income segment of the development. This required coordination between Province and City which, according to the developer, is inadequate. The Province has allocated the funding for the top structures without funding for the infrastructure being available in time. Compounding the challenge is the inability of the province to spend the HSDG budget. The developer considered that the Province evidently has difficulties in spending their HSDG funds and therefore has a tendency to push for projects at the end of the financial year (e.g. R1.1 billion budget with only R200 m spent by Sept). They are therefore in a position to 'offer' the City some of this money (respondent 1).

From the point of view of the province the lack of coordination between USDG and HSDG funding is a serious problem. The examples of Malibongwe Ridge and Fleurhof where province had to fund connector infrastructure have been quoted previously. Provincial respondents also noted:

- *'In Lion Park it is not their priority but there are people in informal settlements who need to be housed so we ended up using the money from the human settlements grant'* (respondent 15).
- *'I think the linkages between the two grants is just not happening. In the IDP process what we are doing we are checking projects which are funded under the human settlement grant and checking if they are funded under the USDG grant. But it might say Orange Farm where we have a project in Orange Farm 8. But it just says Orange Farm so it might be Orange Farm 2 or 3; there is no linkage between them'* (respondent 12)

Summarising the position of all three respondent groups, City, Province and developer, there is clearly a problem with coordination. To a large extent this can be related to planning coordination which has been mentioned above. But there are evidently also shortcomings with aligning annual expenditure on individual settlement developments.

4.4 Grant expenditure and outputs

4.4.1 Grant spending against budget to date

Statistics from the USDG reporting show that 91% of the USDG was spent in the first year of implementation (2011/12) and 95% in the second year (2012/13).

One interview respondent noted that this did not start well but was getting better (respondent 1). Another noted that for the 'last year' the City did not do well in terms of spending the grant. This also resulted in the unspent money going back to province (respondent 4, contrasting view of respondent 1 that there was provision for roll-over¹⁴).

4.4.2 Spatial distribution of USDG projects

The spatial distribution of USDG projects is shown on Figure 9 and Figure 10. The ability to influence this distribution is strongly related to the location of settlements in the city in relation to the nodes and corridors identified as capital investment priority areas (CIPAS). There are settlements which are outside these nodes and corridors which need to be provided with services. In this regard the current orientation with the USDG towards dealing with backlogs and informal settlements, without them being prejudiced because of location is relevant. This is recognised in the BEPP: 'Most of the City's Housing budget, including USDG funding and the Provincial HSDG funding are allocated to projects that address existing housing backlogs and/or the upgrading of informal settlements, whether they are in-situ upgrading or new housing projects to accommodate informal settlement dwellers' (CoJ, 2013: 14).

City respondents expressed the following views on spatial distribution of projects:

- The grant is targeted at the CIPAs which include the five most marginalised areas in the city: Diepsloot, Alexandra, Soweto, Orange Farm and Ivory Park. These are areas where service delivery protests are concentrated. It is aimed primarily at bulk infrastructure but spending on land and community services is included (respondent 1).
- The intention is for the USDG to be focused on areas of greatest deprivation in the city (respondent 1). USDG funds are targeted primarily at marginalised areas identified in the IDP as well as 'Corridors of Freedom' (respondent 7).
- The fact that the USDG can be used for buying land is an important factor. It is making a difference in terms of integrated development. For example the City Deep project¹⁵ would only be possible with USDG funding. But the options for using USDG for inner city development still need to be explored further (respondent 5). Johannesburg Property Company is taking an inner city development perspective and buying land. There is cooperation between them, Department of Economic Development and Department of Housing (respondent 7).

¹⁴ This respondent also misunderstands that the grant comes from national not province.

¹⁵ An inner city development project.

- However, although the USDG has caused a shift in thinking around project funding there is still much to be done to focus on high density areas (respondent 7).
- Projects are not always well located (for example Diepsloot is well located within Gauteng but Orange Farm is not) (respondent 7).
- The incentives to continue to fund low density areas is created by the financial regime as a whole, rather than the USDG specifically: this forces cities to stick to low density developments as there is not enough money for high density top structures (respondent 7 and respondent 8).
- The inclusion of social amenities (e.g. clinics) is a big plus. Planning can also be funded from the USDG (respondent 7).
- There was a differentiation between 'old' backlogs which were not met and 'new' backlogs based on 'Breaking New Ground' policy principles (respondent 5 & respondent 7). *'In Braam Fischer, for example, all the houses have been built over the past 15 years; it is only now that we are following up with certain infrastructure'* (respondent 5).

In addition to the above considerations on location, city respondents also pointed out a range of other criteria which need to be considered:

- Alignment between housing and transport factors as a basis for locating projects and allocating funds (respondent 7).
- Emphasis on informal settlement upgrade: The Department of Housing sees informal settlement upgrade as the highest priority (respondent 5).
- There should be provision for both RDP-type housing and rental accommodation (respondent 7).

There is ambiguity in the comments made by city respondents with regard to the mix of objectives between providing services for people in marginalised areas, including informal settlements wherever they may exist, on the one hand, and developing projects in the inner city, other nodes and corridors, on the other. This concern over the balance in choice of projects which meet basic needs and catalytic objectives has also been expressed by the Province, quoted earlier in this report.

The primary documented evidence available for assessing the location of projects is the mapping shown as Figure 9 and Figure 10. The city budget also provides some evidence in that the name of the project is often associated with a location. The indication is that the great majority of projects are within the CIPAs which include marginalised areas, corridors or nodes, with marginalised areas dominant.

The somewhat contradictory objectives of the USDG in balancing basic needs and 'catalytic' measures, which promote the transformation of city structure, were discussed at the validation workshop and are dealt with further in Section 5.

4.4.3 USDG outputs: products and services delivered

Documented evidence of services delivered is contained in the DHS performance evaluation report for the USDG for 2012/13 (DHS, 2013). A summary of findings is given in table below as an example of outputs:

Table 7: Sample of outputs achieved 2012/13

Service	Indicators	Interpretation
Water and sanitation	7,239 households identified in 6 specified settlements	All bar Orange Farm reported as % progress (incomplete). Orange Farm completed more than 3 times 'target'
	Other 4 deliverables only reported as % progress	One complete, others not
Electricity	7,505 public lights identified	All complete
	Other 2 deliverables not quantified	One project indicated as complete
Waste services	6 different deliverables with 6 different indicators	3 met target; others in progress
Roads	7 different deliverables with 7 different indicators	4 indicated as complete; 3 in progress or not complete
Housing	7 different deliverables, mostly with indicators of access to different types of services	4 reported as complete at or above target. 3 in progress

This brief analysis of outputs indicates the complexity of measurement and monitoring. But if the indicators are used as a basis for interpreting performance based on these figures it is evident that not all targets have been met.

In considering the type of products and services delivered the city respondents were self-critical:

- The main focus should be on the success of housing projects and not specifically on USDG funded projects. In this regard the housing programme is not all a success, it is not integrated enough and some projects are in poor locations (respondent 4).
- This is confirmed by others who believe that the *'quality [is] not coming through yet'*. But it needs to be recognised that it has only been two years and will take time to deliver results. There are collective improvements. (respondent 7).
- The Lehae and Fleurhof (See box below) projects are seen as examples where the USDG has created great success (respondent 1 and respondent 5). South Hills Garden, Jabulani, and Malibongwe Ridge were also mentioned (respondent 5 & respondent 10).
- With regard to upgrading, the roads upgrading and water supply to Alexandra have been a success (respondent 7).
- In the case of Diepsloot, the USDG has given the City the ability to engage on development options in the settlement (respondent 5).
- It is notable that the USDG has been used to fund 'below ground' infrastructure with other funding, while HSDG has been used to fund the 'top structures' which are more obvious and politically favoured (respondent 1).

The documented evidence on individual projects is contained in the city's budget from which USDG project lists are abstracted. Table 6, and the high level

breakdown of funding following it, shows the strong emphasis on funding infrastructure (79% of the USDG budget) and social facilities (11%). The point is made there that it is not really possible to make a firm comment on how much USDG funding is catalytic. However the comments by city officials indicate that there is still much to be done to get to the point where the emphasis is on new settlements or precincts with high densities in well located areas.

Provision of housing through the Fleurhof mixed development

One of the key housing projects undertaken by the Housing Department in 2013/14 was the Fleurhof Mixed Development. The project includes a mix of Reconstruction and Development Programme (RDP), rental flats and bonded accommodation options (City of Johannesburg BEPP, 2013: 75). The development will potentially "...be one of the largest integrated housing developments in Gauteng." (Calgro M3, 2013). According to the City of Johannesburg's Housing Department, the "...Fleurhof Mixed-Income Housing Development Project is a transit-oriented mixed-income development project nestled along the Main Reef Road, 13 km west of the Johannesburg Central Business District. The project forms part of the City of Johannesburg's drive to promote infill development within the urban edge. Upon completion, the development project will yield just over 9000 housing units. One-third of which will be RDP units and the final third will comprise of bonded houses. It will further yield mixed-use business centre sites, industrial sites, crèche sites, religious sites, community facilities, school sites and public open spaces." (City of Johannesburg, 2013b).

The use of the USDG has allowed the City to dictate the nature of the project and provides for bulk infrastructure and social infrastructure (respondent 5).

According to the City of Johannesburg's budget records, in the Draft 2011/2012 Medium-Term Capital Budget, the USDG financed approximately R20 million towards the Fleurhof development in the form of new bulk infrastructure. This figure was projected to be R45 million in 2012/2013, R25 million in 2013/2014, R20 million in 2014/2015 and R2 million in 2015/2016. The housing development itself is funded through external loans made through the Johannesburg Social Housing Company (JOSHCO). According to the City of Johannesburg's Draft 2012/2013 Medium-Term Capital Budget these external loans were predicted to amount to R15 million in 2012/2013, R20 million in 2013/2014, R20 million in 2014/2015 and R15 million in 2015/2016.



4.5 Housing accreditation, intergovernmental relations and interface with other interventions

4.5.1 The USDG and the Housing Accreditation process

The City currently has Level 2 accreditation in terms of the Housing Act. There is a commitment by the City to gain greater control over housing through the devolution of responsibility from the Province, to gain Level 3 **accreditation** in June 2014 (respondent 1). It is assumed that this is being treated as an **assignment** of the full housing function from Province, with a due diligence assessment underway (respondent 4).

The City is positive about accreditation, with one respondent noting that it will bring much better alignment between planning and implementation of housing and other services and the city will have greater control over the location of projects (respondent 5). However, though assignment holds much promise for improved integration between infrastructure development and housing development, there are concerns that there might be capacity shortfalls in future when the city is assigned the housing function:

'While capacity is considered to be fine at present, there may be problems once the function is fully assigned (respondent 4).

4.5.2 Intergovernmental relations

In the BEPP the importance of co-funding with the HSDG is recognised: 'It must also be coordinated with the Human Settlements Development Grant (HSDG), which is allocated to Provincial Government.' (CoJ, 2013a: 5). The implicit assumption is that the cooperation with the Province is important. However, in reality some respondents consider that there is not good cooperation between the province and the metro (respondent 1 and respondent 5).

On the other hand, other city respondents believed the relationships between City, Province and national departments are fine: *'It works well; the officials in the City have established good relations. But I think the challenge is with the unfunded mandate with housing. There is not enough money but then the province wants to dump funding which they can't even use but it is too late for us in the financial year'* (respondent 4)

There is a view that the Province applies a process of 'fiscal dumping', allocating funds to projects late in the annual budget cycle in order to meet their expenditure targets (respondent 1 and respondent 4).

Respondent1 and respondent5 also raised concerns around the coordination with national departments. One was of the view that there are different visions at the different spheres of government that are driving investment in human settlements development, noting that the President has an integrated sustainable human settlements approach; the Premier is focusing on 'Smart Cities'; and the Mayor wants a clean inner city. The respondent implied that each one would probably allocate funding differently (respondent 5).

With regard to engagement with national departments city respondents believed there was a problem with the different financial year cycles of national and local government. Further the City wants the trend to be towards three year allocations and a long term view (respondent 4). There is also a concern about one way

communication: the City has to comply with national requirements even if they do not consider them reasonable (respondent 5).

However, given these difficulties, the City fully supports inter-governmental engagement (respondent 10).

Provincial representatives at the focus group meeting were universally despondent about the lack of coordination between City, Province and national departments, commenting as follows:

- *'With regard to supporting we have virtually no role and yet we are summoned to appear before the appropriation committee or portfolio committee to report on a grant that we do not control whatsoever' (respondent 12)*
- *'We are planning separately and see treasury coming to us to account for the rollovers it becomes difficult to account for something that you did not plan for. Going forward, how do we integrate planning going forward?' (respondent 18)*
- *'Design needs to define the role of the province and how we assist each other'. (respondent 12)*
- *'Biggest concern is role clarification, particularly budgets, planning needs to be clarified. Especially now that assignment is taking place. Grant comes directly from national. If we request information regarding their business plan the view is that we have to go directly to national DHS. Are we just to be informed about the plan?' (respondent 15)*
- *'Even after accreditation we still have a role we must take responsibility for coordination' (respondent 20)*

Overall, the indication is that intergovernmental relations are not good, particularly where the Province is concerned. This matter is addressed in Section 5.

The Cities Support Programme

Several of the City respondents had little or no knowledge of the CSP. But one respondent was from a unit which did engage directly with the CSP and has a team working on it. It is considered to be a 'great programme':

'It is such a great programme ... it is giving us the key indicators'.

From respondents aware of the CSP there were a range of comments about CSP. Respondents contended that the link between CSP and USDG was not very clear: *'It is a National Treasury programme and DHS have their own way of doing things'* (respondent 4). *'Planning is the key point of contact with the CSP. The CSP channels thinking. But there is little understanding of the link between CSP and the USDG'* (respondent 4). *'Coordination between USDG and CSP is missing'* (respondent 7). *'The CSP also needs to be aligned with the newly developed Integrated Urban Development Framework (IUDF)'* (respondent 7).

It should be noted that since this research was undertaken there have been subsequent engagements regarding the CSP and that these understandings and relationships may have changed substantially.

4.6 Changing roles, challenges and gaps within the metro

Capacity for managing project implementation

Within the City there has been a transition relating to the organisational location of the project management responsibility. On the one hand there has been a progressive consolidation of responsibility for the management of capital projects within the Budget Office. This aligns with the new reporting structure required as part of the USDG. Five years ago the overall management was with Development Planning but this has been shifted with the aim of improving performance. While this transfer of responsibility has taken place work is still underway to improve performance (respondent 1).

The city finance department manages the disbursements to contractors working in USDG projects, in line with budget commitments. With regard to cash management, grant funds are ring-fenced and cash is paid out to contractors based on certified invoices which, in being certified, are assessed against the budget for the project (respondent 3).

Current responsibility relating to USDG performance assessment and reporting falls under the Budget Office, which is, in turn, responsible for coordinating USDG requirements from Housing and Development Planning. However, the Budget Office responsibility does not stretch to managing individual projects in terms of appointment of developers, consultants and contractors and the management of the technical content of the projects. This falls to the individual line departments and entities, as mentioned previously. The coordination of the activities of each department and entity 'on the ground' to ensure alignment of their projects with the overall settlement development process has formerly fallen to a team overseen by the COO but this is no longer functional. As mentioned above, based on an interview with respondent 1, there is a gap here. The intention to allocate this responsibility for technical coordination to the Centre for Engineering Excellence has been mentioned¹⁶ but the extent to which this can deal adequately with area or precinct level coordination is uncertain. This issue is carried forward to later sections of this report.

The Environment and Infrastructure Services Department (E&IS) clearly have a role to play as they are responsible for coordinating the infrastructure oriented entities¹⁷ in the city. According to respondent 9, they are part of the current 'Programme Management Team' which respondent 1 claims is not functional, and will be part of the proposed new project coordinating 'Office'.

But, as has been mentioned, and confirmed by respondent 9, the entities remain responsible for implementation: once funding is allocated to the entities, they

¹⁶ This is referred to as a new Project Management Office by respondent 9.

¹⁷ E&IS has oversight of electricity, water, sanitation and solid waste activities undertaken by Municipal entities. This does not include Roads (Johannesburg Road Agency) at present but this is planned to change in the future.

appoint the consultants and contractors and manage project performance, with reporting to the E&IS Department¹⁸.

Moving to external perspectives, the developer expressed concern with how resources are allocated and managed under the USDG and the practical links between projects funded by the USDG and overall City capital budget, believing that the funding of individual settlements should be dealt with as part of the overall City budget process in order to ensure that money was available for the whole project (respondent 11). The Cosmo City and Malibongwe Ridge projects are examples of mixed use, private developer managed projects where the developer has a service level agreement with the City to deliver all housing and associated infrastructure. While the approach taken to developing these projects is receiving greater attention nationally, these projects are unusual because of the extent of risk taken by the developer, because of their involvement with connector infrastructure and because the developer takes on an urban management role during the time that the project is being developed. But the developer remains reliant on getting the funding for the infrastructure from the City with the specifications for each infrastructure component also set by the City (respondent 11).

The developer applies for funding for their CoJ projects (Cosmo City and Malibongwe Ridge) on an annual basis (for example they put in a funding application for R650 million). But they perceive their relationship with the City has broken down. Considering the constraints they are under to deliver on their housing projects the money does not come in time. The developer believes there should be an emphasis on medium term allocations which can better provide for the realities 'on the ground' (respondent 11).

An example of what the developer is facing relates to the pipeline supplying water to Malibongwe Ridge. This is a large diameter (900 mm) line that goes through to Lanseria and it requires R66 million to build the section to the Malibongwe development. The money is not being made available in time which means the development is delayed (Phase 1 will be completed and then there will be a standstill). Gauteng province is now looking for money for the pipeline. In the meantime the developer can't locate people in completed housing units (respondent 11).

This concern regarding project coordination was also raised in the interview with the province. The Gauteng DHS has had to use HSDG funds to cover connector infrastructure for some projects as the City did not make funds available e.g. Malibongwe Ridge and Fleurhof (respondent 12).

In concluding on this section on project management it is first notable that the individual settlements (which may be defined as an area or precinct), with their associated connector infrastructure, are typically funded from a number of sources other than the USDG. These include the city's own funding raised through borrowing or use of reserves, of HSDG funding raised by the province and, in the

¹⁸ The Environment and Infrastructure Services Department also use USDG funding for their own planning activities: the Consolidated Infrastructure Plan (CIP) which received about R12 million a year (respondent 9).

case of mixed income developments, bridging funding¹⁹ raised by the developer to install internal infrastructure. Area level management of project implementation by the city is critical for the success of these developments.

Taking the above description of project management arrangements in the City as a starting point, there are evidently two main challenges in the CoJ with regard to the management of USDG: the management of *cash flow* to projects in relation to cash coming from the national fiscus and *project management capabilities*.

With regard to cash flow alignment, there has been under-spending as mentioned earlier in this report which indicated difficulties experienced by the city in managing projects to spend as planned. The roll over provision has provided a cushion for the city as it is able to retain the allocation. Nevertheless, respondent 7 noted that all too often spending is squeezed into the last 4 to 6 months of the financial year although this problem will be alleviated through moving to a medium term flow of funds for USDG projects.

Regarding the second issue of project management, procurement was considered by several City respondents to be the biggest problem (respondent 1, respondent 5, respondent 7 and respondent 9), for example:

- It is a long process to get a project approved with contractors procured with Council approval. (The city has projects amounting to R1.5 billion to be awarded through council every year). This is difficult with the capacity limitations faced by the City. Further the approval process is cumbersome (respondent 5).
- Delays are associated with applying strict supply chain rules. This, in turn, is hampered by lack of skills in the units within the city managing procurement. The MFMA regulations are also onerous (respondent 7).

The procurement issue was discussed at the validation workshop where City representatives downplayed the problem with the MFMA and emphasised the concern with supply chain bureaucracy. The fact that the procurement committee only sits once a month was mentioned as a constraint.

Further, compliance with Construction Industry Development Board (CIDB) requirements for awarding contracts to emerging contractors also creates difficulties with developments where the ambition is to deliver quickly (respondent 5). This was confirmed by another respondent who stated that working with the community and small contractors is difficult although the developmental benefits of doing this are acknowledged (respondent 1).

While there are conflicting views on the issue of capacity, with one respondent considering it to be fine, with good development planning and housing expertise (respondent 4), others emphasised the technical skills shortage: ultimately the limitation is about the lack of skilled, properly qualified built environment professionals (respondent 5 and respondent 7). Looking at this in relation to specific units in the City, one respondent argued that the Entities tend to have sufficient skilled professionals but the departments do not (respondent 9).

¹⁹ Bridging finance is recovered by the developer when properties are sold to identified home owners.

The perception of the developer is that the City does not have sufficient project management capacity. A reflection of this is that bulk systems are under performing and there are long delays in getting projects underway. There is also a lack of settlement planning expertise. Further the process is over-politicised with new politicians and top executives coming in and changing the development priorities (respondent 11).

Overall the evidence from the interviews is that there is a lack of technical expertise but that this is not of 'crisis' proportions. Further the City does have strategies for addressing this. For example, respondent 9 noted that, in order to overcome the shortage of engineers, the Engineering Centre of Excellence has a key role to play, focusing on mentorship of internal staff and oversight of consultants.

In the interim, coordination between city departments remains a challenge. Respondent 4 noted that the main issue is the interface between housing and infrastructure. Respondent 9 noted the difficulties in coordination between entities (e.g. when a road is built pipes need to be re-laid and this requires JRA – Johannesburg Water cooperation). The developer expressed concerns about the ability of the City to coordinate projects at settlement or area scale. The experience with Cosmo City and Malibongwe Ridge has been one of inadequate coordination between City departments. For example, the developer's engagement was initially through Development Planning and this then shifted to Housing; there are still uncertainties as to how reporting should happen (respondent 11).

The experience of the developer with regard to coordination difficulties extends to coordination between departments and entities once a project is underway. Each of them has their own budget and own project priorities and there is too little effort to integrate project delivery at settlement level. Further the individual entities have the habit of changing specifications even while the component of infrastructure is being built (e.g. JRA changed the spec for premix thickness on a road from 30 to 50 mm after the curbs were laid) (respondent 11).

The developer was of a view that the city needs a single unit responsible for managing projects associated with human settlements. To do this effectively they need a project tracking system and methods for allowing for medium term spending cycles (respondent 11).

To conclude this section relating to internal City management arrangements, the transition from MIG to USDG has influenced a shift in responsibility for spending on human settlements with the Department of Housing taking increasing responsibility, as mentioned above. But the evidence is that this shift has not been particularly problematic and is generally positively perceived within the city. However, the Department of Housing does not coordinate all human settlements activity in the City and this needs to happen through an umbrella structure which can coordinate the activities of all departments and entities required to develop individual settlements. This structure needs to function effectively at city scale and at settlement scale. This matter is discussed further in section 5.

4.7 Monitoring, reporting and oversight

Performance monitoring and KPIs

The type of outputs delivered using the USDG, and the indicators used to measure this delivery, have been discussed above in section 4.4.3. Considering the USDG requirements, there are difficulties with the monitoring and reporting criteria

specified by DHS. One concern is that they are based on relatively outdated service provision criteria such as backlogs (access to basic services) and tenure whereas important criteria in terms of the 'new agenda' such as location and densification are not properly provided for (respondent 5 & respondent 7). An example of one of the problems is with a project in Dobsonville where the project statistics may look good but there is no link road. This is not picked up through criteria based reporting (respondent 5).

'The focus on the issue of quality is not coming through ... the quality of human settlements. It gets lost in the noise of how many houses you are building' (respondent 7).

With some of the KPIs there is an evident lack of understanding by DHS on the practical arrangements on the ground. For example, in requiring the km of roads provided the implication is that roads are built 'horizontally' a km at a time whereas the reality is that they are built 'vertically' in layers. CoJ deal with this by manipulating the data based on the total length of road and an estimate of percentage completion (respondent 5).

'What I've got a problem with is that there is such a focus on numbers. Especially when you are talking about spatial development and the built environment. ... For example with respects to numbers of sites serviced, a number of our projects are not about freestanding houses ... I've got a block of flats of say 100 flats. They all get completed at the same time. You can only talk about percentage completion' (respondent 8).

Performance monitoring and associated KPIs were also discussed at the validation workshop where the concern was expressed that the system does not measure the extent to which projects are catalytic. The emphasis is on 'micro' indicators which miss some of the bigger objectives of the USDG.

With regard to **reporting process**, respondents described internal reporting arrangements as follows: Johannesburg has an internal reporting system with monthly reports in each project which goes to the Assets and Liabilities Committee. The USDG reporting is largely aligned with this. In the USDG funded projects, the City adds the information which DHS requires (respondent 1 and respondent 4). The Group Strategy team takes responsibility for overall monitoring and ensuring delivery for all city projects. There is a single internal report on the budget performance (respondent 4).

The Environment and Infrastructure Services Department is only involved with internal reporting. They get reports from Entities and pass these to the Budget Office (respondent 9).

With regard to improvements in internal reporting, it is argued that better linking of reports to SDBIP requirements is needed (respondent 5).

At the validation workshop it was raised that internal reporting deals with all city projects, with USDG being only a part of this. This approach was considered to have merit as this allows a more holistic interpretation of human settlement interventions rather than one dealing with only one funding mechanism (USDG).

National involvement and oversight

The external monitoring arrangement was a concern to respondents. There is an argument that national monitoring should focus on all human settlements related projects, not only USDG projects which are a selection of projects within the budget

(respondent 1). This point relates to the concern that settlement development should be monitored as a whole not in relation to one grant instrument.

Currently the Budget Office is responsible for reporting to DHS and NT, and monitoring that spending takes place²⁰. This includes ensuring the USDG conditions are met. The reports included quarterly reviews on performance, both financial and non-financial. This includes progress on each project (respondent 1 & respondent 7). DHS does not release funds unless these quarterly reports are submitted (respondent 4).

The reporting structure has a hierarchy (respondent 5):

- Day to day project management reports.
- Template based reporting for all projects.
- Incorporation of KPIs required by DHS.
- DHS reports and associated visits.

Quarterly reports are prepared and submitted to Gauteng Province who submits them nationally (respondent 10). This contradicts the view expressed by the Province, mentioned earlier in this report, that they are bypassed in the reporting process. Unfortunately this could not be checked in the validation workshop as the meeting with the Province, where this issue was raised, was held after the validation workshop.

It is argued by city respondents that there should be one channel of reporting for city activities funded through transfers. Or at least better coordination between SIPs, USDG and NDPG reporting (respondent 7).

Challenges in reporting results related to the USDG

The reporting procedures and liaison with DHS is seen as becoming progressively onerous in relation to USDG reporting requirements. A year ago this required quarterly reports and quarterly visits by DHS which were time consuming. (The visits have subsequently been reduced to two per year) (respondent 1 and respondent 7).

There have been examples of over-reaction to reporting inconsistencies. For example a quarterly report submitted a day late caused a non-compliance letter to be written to the City (respondent 1). Another concern is the 'micro' reporting that requires reporting on progress with each asset (respondent 1).

Overall, it is considered that the reporting requirements are excessive with different reports required for seven national government departments. There needs to be standardisation using the same data and a common format. In this regard the project reporting template applied by CoJ has received some acclaim (respondent 5).

'Because then we come back to my other bug which is this multiple filling out multiple templates for a range of programmes, you got to fill out 4 templates for SIP there is a separate report for USDG, NDPG, you name it, and each of them has

²⁰ There is a contradiction here in relation to the role of Group Strategy in overall budget reporting which could not be explained with the data available for this report.

got their own expectations for information. If that could just be under the monitoring and evaluation to be undertaken in the one department for all grant funding municipalities - first prize'. (respondent 1)

Finally there is also a concern that reporting is one sided: City provides reports to DHS and gets no feedback (respondent 4).

There was no comment on the external reporting structures at the validation workshop and therefore the City perspective on the shortcomings of these arrangements is arguably valid.

5 Analysis of the findings

The analysis of the findings from the City of Johannesburg metro implementation assessment is structured according to the guiding evaluation questions for the overall project.

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

Based on the interviews it is evident that the officials in the three key departments in the City (Budget Office, Development Planning and Housing) have a good understanding of the USDG and its objectives. However, it is notable that the responses dwelt mainly on the primary features of the Grant rather than secondary ones, as discussed below. Interestingly there was little reference by officials to the 'moving target' of the USDG policy which was identified as a problem area in the design review. This was only mentioned by the developer as a concern, in passing, along with other responses from them of their understanding of the policy.

In the case of the Province, the discussions with them also indicated that they understand the primary features of the USDG policy and its objectives. But there was insufficient evidence from the focus group discussion to assess which version of the policy they were relating to and the extent they understand the secondary features of the policy. The Province indicated doubt as to whether the City is interpreting the policy correctly, specifically with regard to targeting, although there was no evidence from the lists of actual projects implemented to indicate substantial deviation from the policy by the City.

This does raise the question of how much attention the secondary features are receiving, other than through template based reporting which is discussed further below. How are the economic and social objectives of the USDG being interpreted and applied, as defined in the Theory of Change? Here the evidence suggests that, while the economic objectives are understood primarily as the need to provide well located housing for low income households at relatively high density and thereby improve city efficiency, the projects being implemented indicate only limited attention to these objectives. For example, JDA is allocated a minimal proportion of the USDG budget. The commitment may be there but there are constraints on achieving the objectives which are discussed further below.

In the case of the social objectives, the City allocates a considerable portion of its USDG funding to social facilities and hence is responding appropriately to the policy, noting that there has been considerable variation in the way the various draft USDG policies deal with outputs relating to social objectives.

5.2 Is the grant being implemented according to the design? (2.4)

As a starting point, the design, (Figure 2) provides for a set of outcomes including the short term one of devolution of responsibility for human settlements; a medium term one of improving efficiency and sustainability of the built environment; and a long term one of improved quality of life for households. In order to achieve these outcomes, the design has four primary features listed in Section 1.2.1. Taking these primary features into consideration the view of interview respondents is positive: the USDG is giving the City more responsibility for managing the built environment; it is serving as an effective budget supplement allowing for flexible selection of projects which have a high priority in relation to the human settlements agenda; and it is targeted at the marginalised settlements within the city to a large degree. However, there are evidently problem with the coordination of housing and infrastructure. Therefore, while it is difficult to make firm judgements based on only two full years of implementation, to a large degree the primary research for the Johannesburg case study indicates that the grant is effective in delivering the short term and medium term outcomes as implemented according to primary features of the design.

Looking more specifically at the assumption in the Theory of Change as illustrated in Figure 2 the evidence indicated the following:

- *'That the BEPP is consistent with and aligned to statutory planning at local and provincial level'.* The City of Johannesburg has a sound planning framework and its plan, including the BEPP, align with national requirements. Alignment with provincial plans could not be assessed with any certainty as a recent provincial plan, developed after the launching of the USDG and dealing with human settlements spatially was not located. However, given the high level nature of available provincial planning, there is nothing to suggest that alignment is not occurring.
- *'That the BEPP panel provides a constructive intergovernmental influence on the development of the plan'.* There are mixed views in the City about the benefits of the BEPP panel but, overall, the evidence suggests that they do not value the panel contributions highly. What is a concern, however, is the lack of buy-in by the Province into the BEPP as they consider themselves marginalised both by the City and by the BEPP panel. In this regard the BEPP and the BEPP panel is not serving meaningfully as a vehicle for constructive engagement across spheres.
- *'That the municipality has the organisational capacity to deliver on its existing capital works programme.'* This is believed to be critical to the ability of the USDG to achieve its objectives, but is an area where the City acknowledges it has challenges. The coordinating structures across departments and entities have not been successful and the City is in the process of restructuring these arrangements. There is also dissatisfaction with procurement arrangements, something which many public bodies are struggling with at present. And greater attention to area based (or precinct based) management is required.
- *'That there is well-located land available for acquisition in the metro.'* Land availability did not come up explicitly as an issue from the findings as part of this evaluation. However, the evidence suggests some contradiction in this

regard. On the one hand the City focused its development on the CIPAs which are related to corridors and nodes and hence can be assumed to be on relatively well located land. On the other hand respondents consistently noted the difficulty of establishing suitable projects in inner city locations. This is likely to be related to the difficulty in finding suitable land but is also associated with the cost of residential top structures in relation to available finance for low income housing. The proportion of USDG funding allocated to land purchases in the 2013/14 year of 3% is also a consideration: this is significant but not large in relation to the need to establish new low income housing developments in well located areas.

- *'That the municipality has accurate, reliable and timely administrative systems for processing of all outputs.'* A response to this assumption is largely covered under 'organisational capacity' above. However, it is evident that the problem is less to do with systems, which are generally sound, and more to do with the availability of professionals to manage these systems.
- *'That all of the grant outputs will integrate under acceptable social conditions.'* This assumption is assumed to relate to the extent to which communities gain maximum benefit from the USDG with regard to improving their living conditions. This implies that projects are selected with a high degree of benefit in terms of location and value for money in order that the benefit from the grant can be distributed as widely as possible. Further, the targeting of the grant towards social infrastructure is important. The evidence from the City of Johannesburg in this regard is mixed. Firstly there is the positive finding that considerable USDG funding is allocated to social facilities. Secondly there is the evidence that a large proportion of funds are being allocated to bulk and connector projects for low income housing. But, thirdly, these funds are not being allocated to a substantial degree for internal infrastructure to connect individual households, possibly as there is reliance on HSDG funding for this purpose. And, fourthly, the location of housing projects is not optimal, as noted above. Therefore, it can be concluded that the outputs are not integrating in space as intended in the grant design. This can be attributed to shifting institutional arrangement, a lack of project management capacity and the problems coordinating the HSDG and USDG.
- *'That other outcomes related to health, education, safety, economic growth and social cohesion are realised through concurrent interventions.'* There was insufficient evidence to respond adequately to this assumption. However, it can be noted that these other outcomes of a social nature are strongly aligned with the provincial functions of health, education and welfare and the national policing function. Therefore success depends on intergovernmental cooperation associated with these functions.

Many of the assumptions considered above relate to the **methods for identifying and prioritising projects**. In this regard it is evident that the City has a sound **system** for assessing projects in relation to these priorities at city scale and particularly for ensuring that the Capital Investment Priority Areas (marginalised areas, corridors and nodes) get prioritised. But the City is still funding projects which may not meet all the criteria set by DHS and the City. For example, there is still a backlog of older settlements which require upgrading and which may not meet the City's locational priorities. In some cases this is because compromises have to be made between City and Provincial priorities. Further the system does

not place sufficient emphasis on the alignment of projects at settlement level. This has resulted in the misalignment of project identification and spending of USDG funding, with examples of Orange Farm quoted by the province above and of Malibongwe Ridge quoted by the developer.

In terms of **changing housing priorities** the USDG is having an impact but more needs to be done to promote inner city and other high density developments. In this regard the flexibility of the USDG to allow, for example, the purchase of old buildings is important. On the other hand the constraints have been mentioned above around creating access by poor households to high density, well located developments. These constraints are associated more with 'top structure' funding limitations than with the USDG which cannot be expected to resolve all of the housing issues. Too much is expected of the USDG in this regard.

On the question of whether the grant is being used to **gear in other sources of finance** this is not taking place on specific projects²¹. However, it is significant at settlement or precinct level where co-funding from City's own source funding, the private sector and the Province are important. The example of the City Deep project, included funding from a private bank, was quoted by officials. Importantly, the USDG also has the flexibility to allow for large scale private sector driven mixed income developments such as Malibongwe Ridge and Fleurhof to be funded more effectively in the future and draw in funding through bonds raised in the affordable and higher income market segment of these developments. The role of gearing of own source funding from the City can also be considered in terms of the overall City budget. The figures show that the USDG is currently 20% of the capital finance spent by the city and this is projected to decline in coming years. While this may be considered 'gearing' and is a positive outcome, it is probably going too far to state that this is associated with the USDG.

The alignment with the USDG and HSDG funding may also be considered a type of 'gearing'. The findings of this evaluation are negative in this regard. The evidence points to a lack of cooperation, with considerable tension between the City and Province with regard to project selection. On this topic, the perspectives of the developer, the city and the province all indicate that the lack of coordination in the way funds are allocated can be wasteful and can substantially delay projects. This will be resolved once assignment of the housing function is concluded. In the interim this can be addressed through better cooperation in the preparation of BEPPs and better coordinating structures which can be facilitated by DHS. These matters are addressed again in Section 6.

Finally, the strong view expressed by city officials and the developer around the need to work on medium term budget and expenditure timeframes needs to be noted. Without this the flexibility the benefit of the USDG gets compromised as too much effort is placed on chasing short term expenditure targets.

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

²¹ Confirmed at the validation workshop.

and local departments involved in the implementation of the USDG? (2.6)

While it is not the objective of this assessment to comment in any detail the complex system of planning in the City, it is evident that Johannesburg has a relatively sound, well-structured system for planning and project selection at city scale. They abide by statutory planning requirements with regard to the IDP, Spatial Development Framework, infrastructure plans and the SDBIPs. The former two plans have to align with provincial plans. At the higher level they have an entrenched Growth and Development Strategy and at the more micro level they have developed a Sustainable Human Settlements Urbanisation Plan which deals specifically with the demand for housing; how human settlements are planned to serve this demand through a range of interventions. They also draw all their infrastructure plans together into a Comprehensive Infrastructure Plan.

The Built Environment Performance Plan (BEPP) is a new plan specifically required as a condition for receiving USDG funding. The City has responded to this requirement through drafting a comprehensive document which draws together all the other plans and includes project information from the city budget.

The responses to questions relating to the benefit of the BEPP show the ambiguous view that city officials have of this plan. While they recognise its importance in meeting DHS requirements and in linking plans to projects for developing low income residential areas, there is also the sense that it represents duplication and a waste of effort. The major benefit is in being able to convert plans to projects, as in the BEPP business plan, annexed to the planning document.

In interpreting the information available, it is evident that in a city which already has a well-developed planning and project prioritisation system, the BEPP is largely superfluous from an internal point of view. The criteria for selecting projects based on USDG priorities remain important but this can be done separately from a 'plan'. However, it has become obvious through engagement with the Gauteng DHS that the BEPP has a potentially important role to play in coordinating external funding, the HSDG specifically, and associated projects. In this regard the evidence from the engagement with Gauteng Province is that this is failing. As mentioned above they do not consider themselves as valued participants in the BEPP preparation and approval process. The province feels left out and their HSDG allocation still does not talk to cities priorities, which are not necessarily provincial priorities

Returning to internal planning arrangements, the sound approach by the city applies largely to city-scale planning. But there is an evident shortcoming with regard to coordination of projects at settlement or area level. It has not been possible as part of this evaluation to judge whether this is a shortcoming of existing plans or the way planned and budgeted projects are implemented. But improved settlement based planning (or area or precinct based planning, whichever term is favoured) is required.

Turning to project prioritisation, taking into account location and spatial development priorities, the Johannesburg Capital Investment Management System (CIMS) is important, particularly as it has a prioritisation system built into it. It is this type of system, matched with improved area based planning, upon which the USDG should be focusing rather than more city scale planning.

But even at city scale the CIMS is only part of what is required. Projects need to go through the City budget process which is well developed, albeit cumbersome.

USDG projects pass through this process along with all other projects. Once all the projects have been identified, the final step is to allocate different funding sources to each project. In the case of USDG funds (approximately a fifth of the funds available), the USDG criteria are taken into consideration at this stage. USDG projects are therefore dealt with in much the same way as all other projects which, it is presumed, is a good thing. If the budgeting process as a whole cannot be trusted then this should be addressed rather than the imposition of a new process related to USDG projects.

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)

In responding to this question the emphasis is placed on relationships between the City and external 'actors' while Question 2.10 below deals with internal, organisational aspects.

Policy framework

Following from the analysis relating to question 2.4, it is evident that the City has a good grasp of USDG policy and is aligned with DHS and National Treasury in this regard but primarily with regard to the way the funding is being applied to achieve the short and medium term outcomes, as stated above. Again it is argued above that there is probably far less alignment relating to the design activities and outputs, largely the secondary features of the design. This may not be surprising as these have shifted regularly in ongoing changes to the USDG policy and the way this has been interpreted in the Division of Revenue Act. Interestingly, city officials did not complain about this policy inconsistency as a whole but reserved their comments for the way the policy is converted into **key performance indicators** (KPIs) which govern the USDG performance management arrangements.

There is considerable criticism of the way these KPIs are set up and their lack of alignment with reality 'on the ground'. Further it is argued that they tend to focus on micro issues, on the 'numbers game' rather than key criteria governing human settlements sustainability and the catalytic nature of projects which may well not be 'measurable'. This view of the KPIs is supported by the evaluators taking into consideration the limited usefulness in the way these have been used in the USDG reporting prepared by DHS. The draft policy framework acknowledges that the outcomes of the USDG would have to be monitored in the medium term, indicating that the difficulties in monitoring an outcomes-based supplementary grant were anticipated. The findings for Johannesburg have validated the design review position that the monitoring and reporting of outputs would be problematic.

Overall coordination

In general there is evidence of much continuity from MIG Cities to USDG, which might be a time factor given that the USDG has been in existence for a short period of time and most of the projects were probably already in the pipeline and needed to be completed.

It is clear from the interviews that, while there is an indicated commitment from Johannesburg to work cooperatively with the Province and national government departments, relationships cannot be described as being good. There is friction between the City and Province over the way funding is allocated to particular

settlements and to the alignment of funding flows. Further improvements in the design need to structure better cooperation, at least until assignment of the housing function is concluded and probably even once assignment is concluded as the province will retain a role in coordinating human settlements effort across municipal boundaries.

There is also a belief in the City that coordination between DHS and National Treasury is not good and city officials have difficulty understanding how to relate to the two departments. On the other hand the transition from the control of the grant funding stream from DCoG under the MIG Cities grant to DHS does not appear to have been problematic. A progressive change has been evident with more stringent reporting requirements under DHS as noted below.

Reporting

City officials have found reporting requirements onerous and possibly pedantic but note that there have been improvements and a greater understanding from DHS of the constraints faced by the City. There is also a concern about the multitude of reports that are required by different national departments, with a request for consolidation of reporting. But the primary concern remains the selection and application of KPIs upon which reports are based.

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

A consideration of 'value for money' can be approached from a number of angles:

- a) Are the right projects being selected given the policy intentions? In other words, is the money having the desired impact?
- b) Are these projects being implemented effectively so that delays, with associated, wasteful expenditure are minimised?
- c) Is each project designed and built at the lowest possible cost?

The response to point a) it is necessary to revisit what is perceived as the contradictory objectives of the USDG which are addressed in the findings in section 4: on the one hand the USDG is intended as the State's response to supporting access to services by all, with a specific emphasis on informal settlement upgrade. On the other hand there is the expectation that investments will be made that change city form through providing housing at high densities in good locations within a city (node and corridors). The first objective requires the funding of settlements wherever they are, even if their locations are not good in relation to the access of residents in the settlement to economic and social opportunities. In this case value for money implies effective selection of the service mix to be provided, coordinating funding and implementing projects efficiently, which is provided for under point b). The second objective is far more onerous as it requires a new way of applying funding in locations where land and building costs are expensive. Land acquisition in good locations will, it is argued, be catalytic and, in this sense represent good value for money. However, the City of Johannesburg is not applying USDG funds for this purpose to a significant extent. In the case of building, it is argued that residential building typology and the mix between ownership and rental accommodation are key factors influencing the housing investment in corridors and nodes. As the USDG is not intended for funding 'top structure' it can only have a limited impact on these transformative initiatives. In

fact it 'follows' decisions taken by private developers and the province on where to invest in top structures. While it is true that a city can influence these decisions in terms of location, the financial constraints faced by developers and provinces (in terms of HSDG policy) remain limiting factors.

Therefore, based on the evidence available as part of this city case study it is argued that the USDG has not been good value for money in terms of transforming the human settlement structure of Johannesburg. But the City of Johannesburg can only be held partly responsible as the biggest constraint relates to access to land and broader housing finance constraints which cannot be dealt with through the USDG funding mechanism as it stands.

With regard to point b) there are clearly problems with effective implementation, which are recognised by the City and are highlighted in the developer interview. Further the interview with the Province has pointed out areas where there is a lack of coordination between USDG and HSDG funded projects. While it is beyond the scope of this case study to investigate the project coordination and management arrangements of the City in detail, the evidence suggests that there are shortcomings, particularly with area based coordination²². Therefore the value for money in this regard is questionable.

With regard to point c), much will depend on the effectiveness of the procurement system and there is a 'Catch 22' situation here: on the one hand procurement is delaying projects with a resulting delay in improving settlements. On the other hand a good procurement process should keep costs down and avoid 'leakage' of funds. This case study did not deal with the details of how this works in the City but the indication is that it is adequate and there is nothing to suggest that it does not bring good value for money.

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

Accreditation

There appear to be two processes taking place at once: the move towards level 3 accreditation in terms of the Housing Act and the initiative to get the housing funding devolved through an assignment, in terms of the Municipal Structures Act.

Regardless of which means of devolution is applied, the City officials universally and obviously felt positive about it. However, there was one mention of possible capacity constraints supported by the developer interviewed.

The position of the Province on accreditation is obviously a major concern as they will lose the responsibility and associated kudos related to housing provision in the city. Unfortunately there was not time to debate this issue at the provincial focus group meeting. However, at the meeting the provincial representatives were broadly critical of the City of Johannesburg's approach to housing which implies a reservation that the City can take on the function. But, as the accreditation process is proceeding it is assumed that this is accepted by the Province.

²² The extent to which service provision in the City is the responsibility of relatively independent municipal entities may be a factor influencing the ability to coordinate.

City Support Programme

Evidence from the interviews suggest a relatively low level of understanding and 'buy in' by City officials, acknowledging that more senior officials than those interviewed may be the ones interacting with the CSP. There was a fairly consistent view that the CSP did not influence the spending of USDG funds, at least not at this stage. Or, if it does, the officials interviewed did not know about it.

While this is not a direct finding from the interviews, it is arguable that, while there is little wrong with the intentions of the CSP, the extent to which it is responding to a correct interpretation of the problems faced by the City can be questioned. The key message from this assessment is that the real problems relate to procurement, management of projects selected for implementation and coordination of activities at settlement level. This is covered under the question 2.10 below. However, where the CSP could be of value is in determining how USDG and HSDG investments can promote the transformation of city form in terms of providing housing for the poor at higher densities in good locations in a city. The evidence from this evaluation in the City of Johannesburg is that the constraints of the housing finance instruments make investments in catalytic projects difficult.

5.7 What are the institutional (organisational) issues/ gaps that are coming to light as this programme is being implemented and how is it affecting delivery of the USDG? (2.10)

Each component of the organisational arrangements related to the USDG within the City is covered below.

Planning and project selection

While the City does have shortcomings in this regard and they acknowledge the need for systems improvements and more professional staff, this is not where the main shortcomings lie. Further, there is considerable attention focused in this aspect through the CSP, NDP and other national support initiatives.

Procurement

This was mentioned in all interviews as the biggest problem. The arrangements are strictly controlled through legal requirements which, inter alia, set up controls and approval processes which are difficult to manage. It is not possible to comment here on what needs to be done other than to echo the point made in the interviews about the need for more qualified and experienced staff and also to suggest that provincial and national support interventions need to be focused here.

Area level coordination

Partly this relates to project management, which is discussed below, but it is also about selecting projects with a sound understanding of how complex engineering infrastructure, and the other projects and stakeholder engagement activities associated with the development of human settlements, are implemented. As noted in the USDG Design Evaluation Report it is also about understanding the complexity of the project cycle and how cash flows are aligned with the various stages of a project and how these combined project cash flows are integrated into a settlement level cash flow.

The evidence suggests that this is not being done well in the City partly because the nature of human settlement development is getting more complex, partly as

the professional staff is not available and partly because sufficiently effective coordinating structures within the City are not in place, as acknowledged in the interviews.

Managing developers

While much of the work on human settlements and associated infrastructure is implemented directly by the City where they directly appoint planners, designers and contractors, they are also at the forefront of appointing private sector developers to undertake mixed income developments which involve design, construction and financing of human settlements at relatively large scale. This arrangement has the advantage that much of the project management activity is contracted out to experienced property developers. But it only works if the City has the capability to manage the developers including setting up sound contracts with them and coordinating funding flows to the development for bulk and connector infrastructure and internal infrastructure for the low income housing (fully subsidised) component of the development. While it is not possible to make generalisations from an interview with one developer, it is evident that the City does not do this well currently. This is a high end activity which requires staff who can deal as equals with large property developers and capacity in the City to do this is evidently limited.

Project management

While the coordination of settlement (or area) based project activity, whether this be implemented directly by the City or by developers, is a key constraint in terms of access to expertise, the management of individual projects also needs to be addressed with this being mentioned as a constraint in the interviews. Managing a process to get feasibility studies, design and contractor appointments made while working cooperatively with communities on human settlement projects is demanding. There is evidently a shortage of skilled professionals, engineers in particular, available in the City to do this work.

6 Conclusion

6.1.1 Overall assessment of the implementation of the USDG in the City of Johannesburg

The evidence from this case study is that the USDG is clearly an important, potentially effective funding instrument, as applied in Johannesburg, considering the overall design and the associated primary features of the grant. The overall objective of providing an urban settlements grant focussed on creating housing opportunities for the poor, on devolving responsibility for developing human settlements to cities, on creating a funding stream to supplement city budgets and on integrating funding for infrastructure and other key human settlements interventions is proving to be realised to an extent in the City of Johannesburg. But it is notable that the emphasis in Johannesburg has been centred on the provision of housing for the poor, primarily through the provision of infrastructure and social facilities. While these results align to some extent with the medium term outcome envisaged for the USDG in the design: improving efficiency and sustainability for human settlements, this alignment is certainly limited. The evidence suggests insufficient attention to catalytic projects which will improve the overall sustainability of human settlements in the City through bringing improvements to

the settlement structure of the City. But the USDG has not been in place for three years at the time of writing; there is still much to be done and Johannesburg is yet to come to terms with the way to deal with all of the expected **outputs** envisaged in the design of the grant. Further, there are limitations as to what can be achieved in transforming city form with a grant such as the USDG. Much depends on the housing typology options and the way housing top structures can be funded in a way which provides affordable housing for low income households. This is outside the mandate of the USDG.

6.1.2 Theory of change

Commencing with planning arrangements in the Theory of Change (**Error! Reference source not found.**), the provisions relating to the **centrality of the BEPP** as an internal planning instrument are not supported. While the BEPP has been useful to an extent it is not central to the planning process in the City or to the way projects are selected. In reality before the USDG was introduced the City already had a relatively sophisticated planning and project prioritisation system which it has been able to adapt for the USDG. However, a perspective from the Gauteng DHS has indicated the importance that the BEPP can have in coordinating external funding arrangements. But this is not being realised at present as the Province considers themselves marginalised in the process of preparing and approving the BEPP.

With regard to the funding arrangements there is, generally, a move in the right direction with respect to the gearing of funds from its own sources and from the private sector. On the other hand the case study shows that there are serious difficulties in coordinating USDG and HSDG funding.

With regard to the envisaged changes associated with desired outputs, opinions have been expressed on this in interviews but there is no firm evidence available on the extent to which some of the key changes are being achieved: improved spatial efficiency of cities, triggering a change in the way housing is provided, including an emphasis on providing community services and promoting economic development. In this regard the extent to which the USDG, on its own, can cause a major shift in spatial form needs to be countered: this can only take place to the desired degree through additional funding and land access interventions. This is not to suggest that the USDG is not influencing these changes, but that they cannot be assessed at this stage. One of the reasons is that the **key performance indicators** for the USDG are not proving to be useful in tracking high level spatial efficiency outcomes.

It is argued that the primary problem (or challenge) relates to the assumption that the City has the organisational capacity to apply the funds as planned. The interviews indicate that within the City the shortcomings relate to procurement, planning and coordination of projects at settlement or area level, and project management. Therefore, the assumption in the Theory of Change that 'all outputs integrate within the built environment and are embraced by communities' needs to be questioned.

With regard to the roles to be played by other spheres of government envisaged in the design, there are shortcomings, with inadequate coordination and overly prescriptive reporting. Concerning **support** from national and provincial spheres this is not specifically covered in the Theory of Change but it is arguable that it is important and, if so, what is happening is that support is not properly targeted. National support initiatives such as the CSP, Neighbourhood Development

Programme and new Integrated City Development Grant (ICDG) are targeted at planning and funding coordination which, based on the assessment at city level, are of secondary priority. This is not to suggest that each of these initiatives are not soundly conceived or implemented at national sphere, but they do not address the key problem of the technical capability to manage and coordinate projects at settlement or area scale. If such support is to be provided this will require engineers and skilled project managers in the national and provincial departments which are designing and monitoring what is, in essence, an intervention requiring a high level of technical expertise to be successful.

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 only one case study. More conclusive recommendations will be presented in the synthesis report.

- The primary features of the design as a funding mechanism aimed at improving access to housing opportunities for the poor are sound.
- But the extent to which the design adequately provides for improvements in city efficiency are questioned and this leads to the need to review the overall housing subsidy system. Further, the restriction of USDG funds to funding 'top structure' needs to be reconsidered as this may bring greater transformative impact. Any relaxation of this condition should be associated with its application to existing buildings in nodes and corridors.
- The planning requirements associated with the grant – BEPP specifically – need to be reviewed and additional requirements for project selection systems and provincial coordination need to be considered.
- Arrangements to improve settlement based planning and the associated scheduling of project cycles and associated cash flows need to be improved with the aim of making the best use of money to benefit communities.
- Key performance indicators and associated reporting requirements need review to ensure that they are practically applicable and meet the high level of objectives of the Grant.
- Ultimately what is needed is a major improvement in access by the City to technically skilled and experienced professionals and this, in turn, needs to be backed up with an appropriate national support programme to improve the level of access to such professionals.

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