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## **Department of Human Settlements**

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

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Final

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# 1 Introduction

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## 1.1 Background to the report

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

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

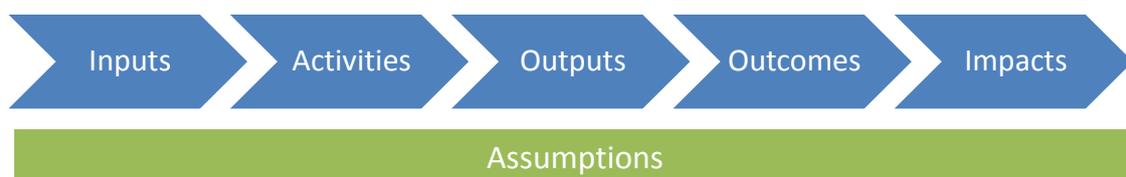
However, there were also a range of features for which there was less congruence of opinion. In such instances the Design Review identified these as comprising subsidiary elements of the grant. These secondary features are:

- 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 Cape Town and each of these elements is expected to be present in the implementation of the USDG. A breakdown of the elements of the Theory of Change for the USDG comprises:

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

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

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

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

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

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

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

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

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

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

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

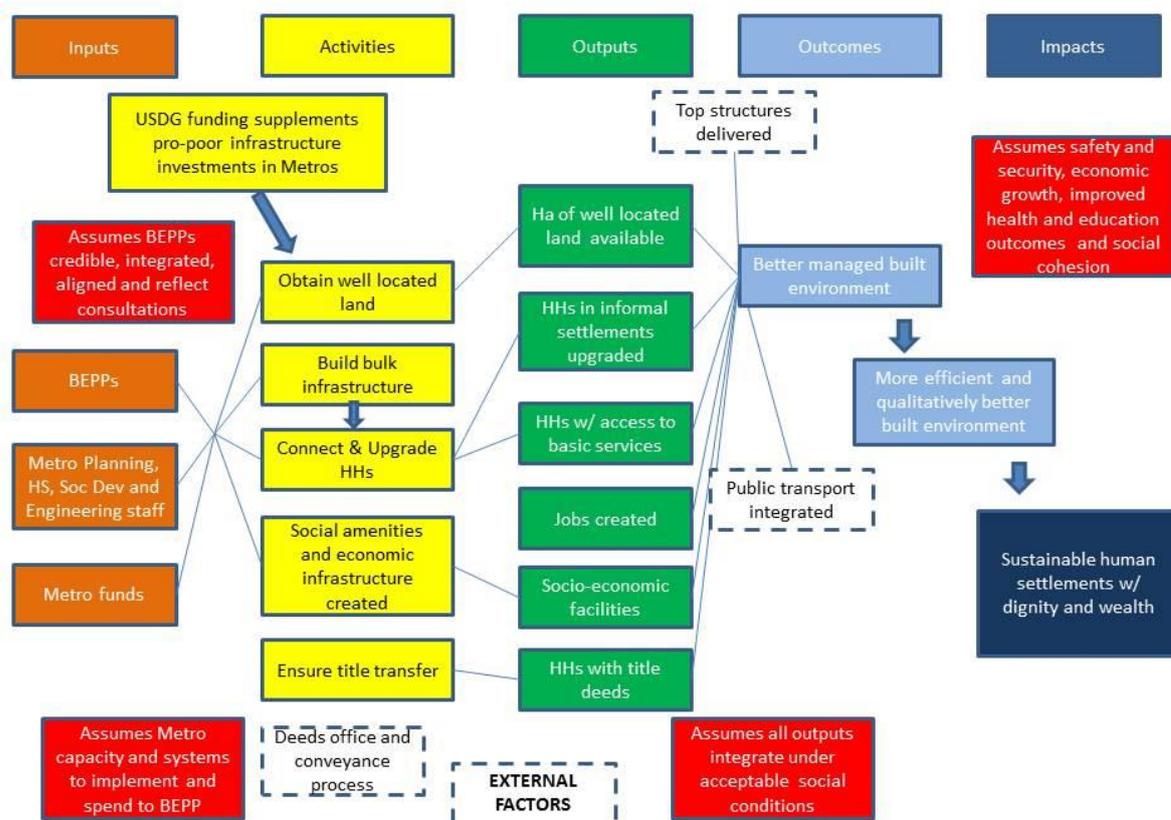
- **Built Environment Planning and the BEPP-** This is the process through which the Built Environment Performance Plan is developed, including its alignment and integration with existing statutory planning documentation. The grant design requires that the BEPP is fully aligned with other planning processes in the metro, including the development of the Integrated Development Plan (IDP), the Spatial Development Framework (SDF), Housing Sector Plans and city budget processes, and that there is internal coordination around these plans. The grant design also requires that there is coordination and alignment in the built environment planning processes at local, provincial and national government levels.

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

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

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

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



## 2 Context to the City of Cape Town case study

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

The City of Cape Town is the second most populous metropolitan municipality in South Africa, with a population of 3.74 million (StatsSA, 2013). Of this population, 47% have a household income of R3 200 or less. The Census also indicates that 143 848 households live in informal settlements; while a further 74 957 households live in backyard shacks. The human settlements challenge in Cape Town, relative to the average for all metros, is shown in the table below.

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

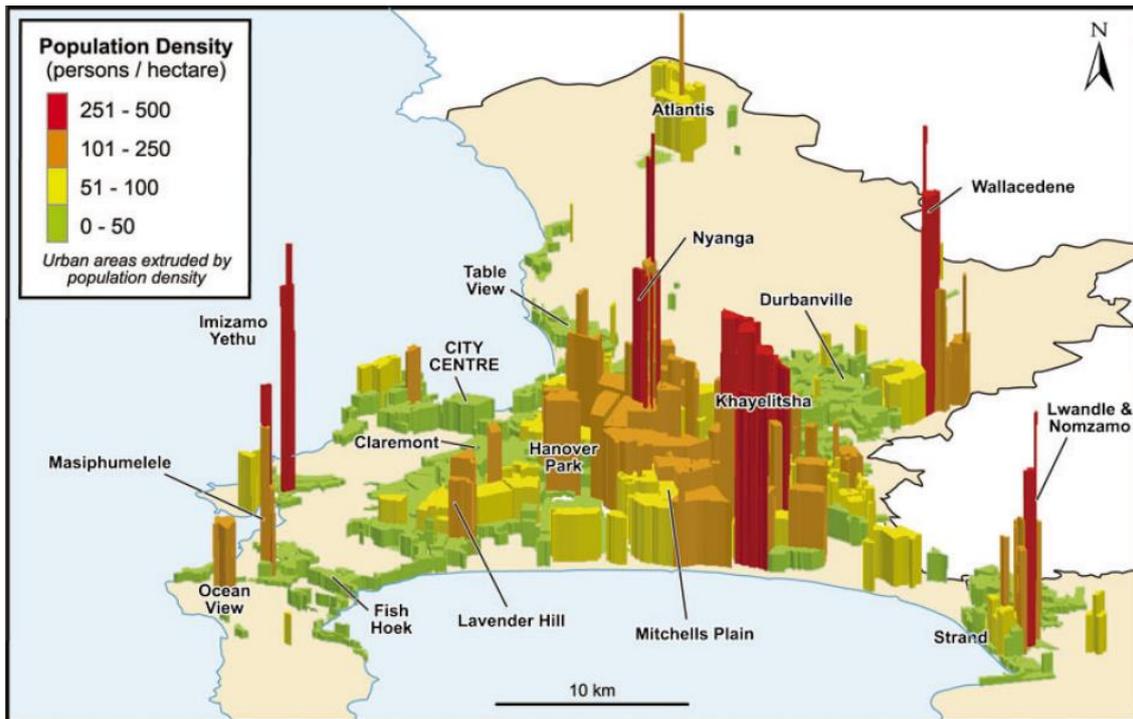
<i>Indicator</i>	<i>City of Cape Town</i>	<i>Average for all metros</i>
Households living in informal settlements	13%	12%

<b>Indicator</b>	<b>City of Cape Town</b>	<b>Average for all metros</b>
Households living in backyard shacks	7%	6%
Households with no access to piped water within 200m	3%	5%
Households with bucket toilets, non-ventilated pits or no sanitation	7%	13%
Households without weekly refuse removal	6%	15%
Households not using electricity for lighting	6%	11%

Overlaid on top of these service backlogs, are larger bulk infrastructure backlogs. Financial modelling undertaken by PDG for the City of Cape Town in 2010 indicated that the annual capital infrastructure requirement was approximately R7.5 billion, while the capital budget at the time was only around R4 billion per annum: a shortfall of R3.5 billion. The shortage of capital in the city has meant that assets have had to be used beyond their useful lives.

In addition, the CSIR's Evaluation of community social facilities and recreational space in City of Cape Town (CSIR, 2006) indicated a significant shortfall in the provision of social facilities to meet minimum standards. The top eight priority areas had a total need of 76 facilities to cater for the 2016 population, concentrated in Cape Town's historically disadvantaged townships.

Cape Town, like all of South Africa's cities, faces severe socio-spatial inequality. This is manifested in higher density areas of concentrated poverty located far from the lower density urban core, illustrated graphically below.



**Figure 3: Density distribution of the residential population in Cape Town, 2001**  
 (Source: Turok, Sinclair-Smith and Shand, 2010)

## 2.2 Structure of the municipality

The council employs a Mayoral Executive Committee structure with 11 councillors on the mayoral committee (excluding the mayor). Each of these members has a portfolio, the most relevant of which to the USDG are the mayoral committee member for Human Settlements (who also chairs the portfolio committee on Human Settlements) and the mayoral committee member for finance, who also happens to be the deputy mayor. Other portfolios associated with the USDG are Utility Services, Transport for Cape Town, Economic, Environmental and Spatial Planning, and Community Services and Special Projects.

The municipal administration is headed by the municipal manager, who leads an Executive Management Team comprising a deputy city manager and 12 executive directors. These executive directorates are generally aligned to the mayoral committee portfolios. The executive directorates that are relevant to the USDG are Human Settlements, Finance, Economic, Environmental and Spatial Planning, Utility Services (including Electricity, Water and Sanitation, and Solid Waste Management), Community Services and Transport for Cape Town.

## 2.3 Responsibilities for the funding and implementing of built environment interventions

Prior to the introduction of the USDG, the Human Settlements Department (formerly called the Housing Department) was responsible for administering the HSDG and managing its implementation. In terms of the responsibility that the Human Settlements Department has for the housing function, the City of Cape Town was awarded Level 2 accreditation (programme management) in 2012. The MEC for Human Settlements initiated full assignment of the housing function to the metro, in terms of a Human Settlements MINMEC decision and the City's Council took a decision to proceed with assignment, but this process has yet to be

concluded. The Housing/Human Settlements Directorate has historically managed, and continues to manage, housing projects, as well as the internal engineering services associated with such projects, but with the involvement and input of the engineering line departments. Bulk infrastructure, however, is the responsibility of the relevant line department.

The MIG and MIG-Cities Grants were administered and monitored by the former Development Support Executive Directorate, and later by the Service Delivery and Integration Executive Directorate. However, in 2009/10 the Service Delivery and Integration Directorate was moved to fall under the Human Settlement Executive Directorate. However, the managing of the funds and implementation of projects was left to the individual line departments throughout these changes – primarily the engineering service departments. The finance department has always had an oversight role in relation to capital budgeting and the monitoring of capital spending.

With the introduction of the USDG, the Human Settlement Department was given the responsibility for administration and monitoring of the grant and for the required reporting. As the MIG Manager fell within Human Settlements, the function of monitoring and reporting on the USDG outputs were retained within the Human Settlements Executive Directorate. The individual line departments (including Human Settlements) are still responsible for the implementation of their own capital projects using USDG funds.

However, an inter-departmental committee has been established to facilitate capital project selection. In anticipation of the assignment of the housing function, the City of Cape Town conceptualised a Project Review Committee (PRC) to prepare the city for implementation of projects approved under the Human Settlements Development Grant (HSDG). However, given the delays in the housing accreditation process, and that the USDG was announced in January 2011, the PRC was officially constituted through a Council resolution in 2011, and mandated to manage the process of project selection for USDG funding. The PRC is chaired by the Executive Director for Human Settlements. Further details of this committee and its functioning are provided in the findings section of this report.

## **2.4 Financial importance of the USDG**

The capital budget for the City of Cape Town in R5.4 billion in 2013/14, the majority of which (79%) is allocated to Utility Services and Transport for Cape Town. The USDG allocation represents 22% of the City's current capital budget. The 2012/13 USDG contribution of R971 980 000 contributed 18.3% of the City's 2012/13 capital budget of a R5.3 billion, while the 2011/12 USDG allocation constituted 16.2% of the capital budget.

The City has a positive record of spending on its total capital budget, and received eight unqualified audits up to 2010/11.

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

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

The evaluation design of the metro assessment should be understood in the context of the City of Cape Town implementation assessment being one metro research report, assessing only the implementation of the grant in a single municipality which will inform the broader evaluation of the USDG. The evaluation design for this

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

The approach employed for the metro assessment assesses the implementation of the USDG in the City of Cape Town 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. However, the research protocol for the metro assessment has been developed to respond to the seven relevant research questions insofar as they relate to the implementation of the grant in a single municipality. The aspects of these research questions that pertain to all three spheres of government, and a comparison across the four metro research reports, will only be answered in the overall Evaluation Report. The approach and methods employed to answer the seven research questions are described in the table below.

**Table 2: Metro assessment research protocol**

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

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

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

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

### 3.3 Semi-structured interviews

Primary qualitative data collection was undertaken through semi-structured interviews with key stakeholders and role-players in the municipality, as well as external stakeholders. Semi-structured interview guidelines were prepared with consideration of the theoretical framework described above, and structured to the seven evaluation questions. Interviewees were selected to ensure representation of all relevant role-players, including local political leadership, public servants, private sector interests, and members of civil society on behalf of beneficiary groups. A set of proposed interviewees, in terms of affiliation, department and position within the department, was approved in the design phase and sent to a key respondent in the municipality (see **Error! Reference source not found.**).

**Table 3: General proposed municipal respondents**

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

Despite this generic list of interview respondents, the reality as to who in the metro felt knowledgeable or sufficiently informed to comment and provide an account of the USDG's implementation varied considerably. After initial requests to interview representatives based on the proposed set of respondents, the snowball sampling methodology became the basis for selecting respondents from the City of Cape Town, with due recognition and effort to ensure respondents reflected a variety of perspectives and interests both internal and external to the Human Settlements Directorate and the City of Cape Town itself.

In the end, seven representatives from the City of Cape Town availed themselves in either individual or group interviews, from the departments of Human Settlements and Spatial Planning and Urban Design, from the levels of Director to Manager, as well as a member of the Mayoral Committee. These were balanced with four representatives from a private sector organisation (2) and a civil society organisation (2) external to the metro. Requests for interviews with other respondents representing perspectives such as Engineering and Informal Settlements were declined or respondents were unavailable.

A set of semi-structured questions, customised to the different roles and positions of the various respondents, was prepared. Interviews ranged in duration from 25 minutes to 1 hour and 45 minutes and were conducted in person at the offices of the respective organisations. All interviews were recorded for reference purposes and transcribed during the session. All respondents consented to participate, gave permission to be recorded and acknowledged that their words may be attributed to them by signing a consent form stating their rights and decision to participate in the research. In this report, quotations and perspectives are attributed to respondents anonymously using a random numbering system to provide protection to the respondents.

### **3.4 Focus group**

A focus group with representatives of the Western Cape Department of Human Settlements was arranged in order to obtain a consolidated provincial perspective on the implementation of the USDG to date. After a request to the provincial department, ten representatives reflecting levels ranging from the Head of Department to Deputy-Director participated in a focus group approximately one hour in length, 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 project selection processes as well as provincial exposure to USDG funds.

### **3.5 Documentary review**

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

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

Municipal planning and reporting documents pertaining to the built environment for the period concerned (IDPs, SDFs, SDBIPs, Annual Reports, and others) - to assess alignment with the BEPP.

Municipal budgets for the period concerned - to assess the relative importance of the USDG, other sources of capital finance, levels of borrowing and relevant capital funding trends.

USDG reporting documentation (internal and external) – to assess grant expenditure trends and delivery against performance information targets.

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

- Western Cape Strategic Plan 2009-2014
- Western Cape Human Settlements Annual Performance Plans 2011/2012-2013/2014
- Western Cape Human Settlements Annual Reports 2011/2012-2012/2013

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 and USDG performance reporting. Specific datasets included in the report include:

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

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

### **3.7 Validation workshops**

In line with the proposed report writing process, a draft report detailing the findings, analysis and emerging conclusions and recommendations was circulated to the metropolitan municipality for sharing with the participating stakeholders. A presentation was made by the researchers with an opportunity provided to all participants, as well as other affected municipal parties, to challenge, validate or offer alternative perspectives to the contents of the draft report and presentation.

These inputs were noted at the session and have since been incorporated into the findings section of the metro report so as to further balance and validate the report.

### **3.8 Limitations of the research**

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

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

### **3.9 Challenges around data collection**

The reliance on municipal officials to avail themselves and provide access to financial and non-financial data related to the USDG allowed a degree of discretion and resulted in some minor delays in obtaining documents and accessing respondents. Some respondents were also less knowledgeable about the USDG than others, with external stakeholders at a particular deficit in this regard. Further, the reluctance of some officials to engage at length in depth, particularly with regards to the provincial focus group, was also a challenge to data collection. However, the validation workshop as a forum to clarify data collection gaps, provide further inputs and make additional referrals did help to limit the extent to which any of these challenges might impact on the credibility of the findings contained herein.

### **3.10 Analysis approach**

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

Initial review of the documentation provided some context and helped to later triangulate the data obtained during the course of the semi-structured interviews and the focus group. Qualitative data was analysed in relation to the section themes designated in the interview guideline, consistent with the current report structure, to determine areas of commonality or difference. Within thematic areas, internal and contrasting perspectives were checked against external stakeholder perspectives and alternative 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 Cape Town. Conclusions relating to the observance of key design features and highlighted process elements were then derived for this, along with implications for the grant going forward in the form of recommendations.

## 4 Findings

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### 4.1 Understanding and interpretation of the USDG

As a point of departure for understanding the metro's implementation of the USDG, it is imperative to understand the interpretation of the grant at metro level. The following presents the interpretation of the USDG at metro and provincial levels.

#### 4.1.1 Metro interpretation of the USDG

The City of Cape Town's BEPPs for 2012/2013 and 2013/2014 provide a starting point for understanding how the USDG has been interpreted at metro level. They state that the USDG is meant to be "supplementing their [cities'] capital investment programs to improve the performance of the built environment and thus contribute to the development of sustainable cities (CoCT, 2012; 2013). The plans go further to explain that:

*"The USDG is consistent with government policy of promoting developmental local government and assisting local municipalities to undertake human settlement functions. Specifically, the USDG seeks to assist and enable eligible municipalities to address built environment performance constraints, and to proactively respond to urbanization through enhanced investment in land and infrastructure which improves the livelihoods of the poor" (CoCT, 2012; 2013).*

This description resonates with the two references to the USDG found in the City of Cape Town's Integrated Development Plan 2012-2017 (CoCT IDP, 2013: 69; 75) which presents the USDG as a supplementary funding instrument focusing on infrastructure, basic services and community facilities in relation to human settlements provision.

Senior officials working directly with the grant had thorough knowledge of the origins and objectives of the grant. While certain respondents emphasised different aspects of the USDG's intended outcomes, the focus on bulk and connector infrastructure to support informal and other low-income settlements was the common theme amongst responses, as acknowledged by respondents 1, 2, 3, 6, 7 and 8. There was also a high level of appreciation around the supplementary nature of the grant for the flexibility it allows the city.

There were variable levels of emphasis on informal settlements amongst respondents. While two respondents claimed that the grant was all about informal settlements, others stated that it was for human settlements more broadly. In the case of Cape Town, backyard dwellers are seen as a major issue and the USDG is interpreted as a mechanism to address service provision to these residents as articulated clearly by respondents 6 and 7. The emphasis on backyard dwellers is also found within the BEPPs (2012:2013) and is understood as having a pro-poor

orientation, but is different from informal settlements in that there is formality and permission associated with it. This perspective represents a slight variation in emphasis from the draft policy framework and the DoRB grant description, which places more emphasis on informal settlements.

Amongst respondents, less emphasis was placed on the objective of making well-located land available than is stated in the draft policy framework or the BEPPs, with the focus very much on the servicing of land and the provision of community facilities as articulated by respondent 2. Linked to the issues of land, was a noticeable absence amongst respondents, of any mention of the intention to transform the city's spatial form or the built environment to increase efficiency, although this is likely implied through the common reference to 'integrated' and 'sustainable' human settlements by all respondents. Transport services and serviced land for economic development did not feature in the City officials' interpretation of the goals of the USDG; although transport planning and considerations of economic development do clearly feature within the BEPP in relation to the City's understanding of the USDG.

Job creation objectives were mentioned by respondents in relation to the City's overall EPWP targets, and not specifically in relation to the USDG. This is in line with the City's understanding of the USDG as supplementing existing initiatives, although the EPWP job creation was noted by respondent 6 as one criterion against which projects were adjudicated for USDG support. None of the respondents understood the grant to be aimed at stimulating economic growth directly.

#### 4.1.2 Provincial interpretation of the USDG

Western Cape provincial planning and reporting documentation is largely silent on the USDG and the implications of it for human settlements delivery within the metro (WCDHS, 2012a; 2012b; 2013). The main exception to this is the citing of the split of the USDG from the HSDG in the WCDHS Annual Report 2011/2012 (2012: 7-10) to explain provincial underperformance in the delivery of service sites in particular. This first reference from the provincial perspective does not cast the USDG in a positive light. The provincial focus group indicated that the USDG had been interpreted mainly as a reactive measure to the gaps and problems of historical infrastructure provision to housing developments and later, human settlements. Although one focus group respondent understood the USDG only in terms of bulk infrastructure provision, much in the way of MIG-Cities, another provincial respondent noted that the grant could also be used for land production and the delivery of other services offered by the municipality.

In terms of the USDG's potential for improved intergovernmental coordination between the metro and provincial department on human settlements development, there was no evidence in provincial planning and reporting documentation, or amongst the focus group, to suggest it understood the USDG as presenting an opportunity for better coordination and delivery involving the province. At the validation workshop in the City of Cape Town, provincial respondents indicated that a lack of understanding around the USDG existed at provincial level because it was not consulted and left out of the USDG design process.

#### 4.1.3 Perceived benefits of the grant design

The prevailing sentiment of the metro with regards to the USDG is overwhelmingly positive:

*"The USDG was the most innovative policy that has ever come to support the development of integrated human settlement, as opposed to row of*

*houses. The USDG was sufficiently far-sighted to acknowledge that there are regional differences in the country...and that was really important. The USDG in the City of Cape Town has led to a massive escalation in support of delivery of human settlements and upgrade of informal settlements, because historically you had this very rigid ... one-size fits all [instrument]. The USDG however, saw the bigger picture. It saw the imperatives of what needs to happen to create what we are building now.” (CoCT respondent 6)*

*“It really has been an incredibly positive impact on the City, and our ability to actually deliver on that mandate to create integrated human settlements, and to be providing social amenities and that kind of thing.” (CoCT respondent 5)*

*“The importance of the USDG in terms of Cape Town, should not, be underestimated.” (CoCT respondent 6)*

There was a universal response that the flexibility of the grant was its greatest advantage. The lack of restrictive conditions and specific output targets means that the City can fund things that were not able to be funded in the past (respondent 2), as well as determine their own priorities within the broader strategic intent of the grant (respondent 8). An advantage to the grant design is that it allows a much more logical and manoeuvrable approach to their specific challenges and recognises there are differences between metros.

*“When you have precise definitions of what it may be and may not be used for, you’re going to end up with rigidity, with no flexibility. And with rigidity comes gaps. There are always holes, and somebody’s got to pay for this ‘stuff’ that’s in between that is absolutely essential. And then there is an argument about who [pays], and it just holds everything up”. (CoCT respondent 2)*

One of the gaps in capital funding in the past has been the retro-fitting of infrastructure to service existing areas independent of the housing process. In particular, the provision of services to backyard residents in low-income areas was not possible before the introduction of the USDG according to respondents 6 and 7. As one respondent noted:

*“It is making it possible to do the things that should have been done long ago.” (CoCT respondent 8)*

The City of Cape Town BEPP 2013/2014 indicates that the USDG design has allowed a shift in orientation from delivery of formally proclaimed residential sites – with or without top structures – to “improved service delivery to informal settlement dwellers, backyarders, and the delivery of social and community services to both formal and informal settlement areas” (CoCT, 2013: 18).

An official (respondent 2) used the example of a People’s Housing Process Programme that had been undertaken by a community-based organisation. Top structures had been built, but no internal services had been installed. Previously there has been no funding mechanism to install these services. The introduction of the USDG provided a mechanism and the services could be installed because the design of the grant allowed the flexibility.

The design of the USDG was specifically compared to the Neighbourhood Development Partnership Grant (NDPG), which is believed to be cumbersome and bureaucratic according to respondents 1 and 8. The grant was also compared to MIG by respondent 3, and the lack of any external project approval process was seen as a great benefit. Another respondent noted:

*"I think that, of the grant funding that we have at this stage, it is the best funding available...Compared to some of the others, it is certainly a massive improvement on the MIG approach, and certainly better than the NDPG funding approach, and I would hope that we would continue, and if anything enable us to use the funding more broadly."* (CoCT respondent 8)

A further benefit of the grant design noted by respondents 3 and 8 is that it is intentionally cross-sectoral, and has forced various departments to interact around their planning for capital projects. The processes involve a wider number of parties in investment decisions, making these more integrated and better considered. The following quote refers to what the implications are for addressing human settlements needs:

*"You've given the cities an opportunity to look at their need in a different way, and to come up with plans around how to deal with it. And that is what the City is doing now. Everyone is thinking differently now about how do we address the need"* (CoCT respondent 3)

This benefit was also reflected in the City of Cape Town BEPP 2013/2014 where it indicated that the USDG has been introduced with other measures, instruments and processes (e.g. housing accreditation and the transport authority) that have necessitated a constructive revisiting of how it approaches built environment challenges, undertakes planning and ultimately delivers services to local communities (CoCT, 2013: 17-18).

#### 4.1.4 Perceived disadvantages of the grant design

The lack of finality in the USDG policy framework and the changings drafts were highlighted as a problem in the Design Review and this was confirmed by respondents 6 and 7. There was a sense from officials that there have been shifting goalposts around the expectations for the grant, although this relates more to specific outputs and grant administration, rather than the overall objectives and outcomes.

Direct and indirect criticism was raised by the majority of municipal respondents against the recent drafts of the national policy (Drafts 13 and 14); as there is a perceived attempt to further circumscribe the USDG in a similar manner to the HSDG. The National Department of Human Settlements' two USDG Performance Evaluation Reports for 2011/2012 and 2012/2013 repeatedly noted the "tendency towards micro-management of grant implementation from above" (NDHS, 2012; 2013 in the SWOT analyses for the City of Cape Town. Another perceived disadvantage was the prohibition of the USDG for use on housing top structures limiting the opportunity to create well-located high density dwellings, as these units are more expensive than allowed for in the HSDG (respondent 2).

Much of the criticism raised by officials, and the external parties, was aimed at the HSDG and the National Housing Codes, not at the USDG. Respondents 2, 3 and 8 believed that any attempt to link the USDG to the HSDG was problematic, for example in the quantum that could be used for internal services, and should be avoided. There was a strong preference shown for having the HSDG merged with the USDG and administered on the same basis as the latter grant, as clearly proposed by respondent 8.

The table below summarises the perceived advantages and disadvantages of the grant design:

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

<b>Advantages</b>	<b>Disadvantages</b>
<ul style="list-style-type: none"> <li>• Flexibility acknowledges differences in regional priorities</li> <li>• Lack of restrictive conditions and specific output targets</li> <li>• Fills funding gaps – things that were not able to be funded in the past</li> <li>• Forced inter-departmental collaboration around project planning</li> </ul>	<ul style="list-style-type: none"> <li>• Lack of finality of the policy framework</li> <li>• Differences in interpretation of what the grant may be used for</li> <li>• Prohibition on the use of USDG to supplement top structure costs</li> <li>• Prohibition on the use of USDG for electricity infrastructure</li> <li>• Potential link with HSDG</li> </ul>

## 4.2 Built environment planning

This section of the findings presents information in relation to the first process element described in the theory of change, assessing the built environment performance planning process and the BEPP.

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

While the USDG policy states “the BEPP aligns all other plans as the central plan” (DHS, 2012: 13), various city officials believe that this is inconsistent with planning legislation, and specifically IDPs. According to respondent 2, BEPPs can at best be a “meaningful stitching together of sector plans”. Three respondents (6, 7 and 8) believed there was perfect alignment between the BEPP and the IDP, SDBIP, Budget, SDF and other sectoral plans, as these plans were all used to compile the BEPP. The following quote appears in the City of Cape Town’s BEPP 2012/2013 and 2013/2014:

*Although the BEPP pursues specific outcomes and outputs, it is an integral part of the municipal package of strategic plans. It is prepared within the overall strategic context and targets of the municipal Integrated Development Plan (IDP), and is informed by various sector plans which form part of the IDP. This includes the municipal Spatial Development Framework (SDF), Integrated Housing Plan (IHP), Integrated Transport Plan (ITP), and so on. It also informs and is informed by the Service Delivery Business Implementation Plans (SDBIPs) of the City’s various directorates and functional units. In many ways, the BEPP is aimed at facilitating and accelerating the objectives of the City’s IDP and various sector plans. It can bring planned projects forward, or unlock hitherto unfunded objectives, programs or projects (CoCT, 2012: 7)*

Interview respondent 2 admitted that the first BEPP was ‘slapped together’ for compliance purposes, as best as was possible, to qualify for funding. Another official (respondent 7) noted that the first BEPP was a ‘learning process’, and believes they are getting better at producing the plan. The subsequent BEPP (2012/2013) was described by the same official as being done in a more thorough manner to try and address the objectives of the plan as stated in the policy framework.

The value of having a cross-sectoral plan that ties broader built environment objectives with capital budgets is acknowledged by officials. Respondent 2 indicated

the City of Cape Town is putting more effort and resources into compiling the BEPP, but noted that because the outcomes are long-term and the inputs do not change dramatically, there is a need for a 'long-term BEPP' that will inform the annual BEPP. The following quote explains:

*"We're doing an annual [BEPP] because we need to comply, not because we think it is a good idea... If you are going to do a Built Environment Performance Plan wherein the basic living conditions of poorer, as well as middle income households, improves over time, you can't do that annually. It is a compound thing, and therefore you should have a compound view of the matter...It is not a bad idea, just don't make it annual. For the annual stuff, make sure that spending is within the framework, that it is accounted for...and [the tangible outcomes], have a five year view on it." (CoCT respondent 2)*

While a longer-term horizon for the BEPP up to 2030 is provided for in the draft National Policy (DHS, 2012: 16-17), the City has interpreted this as a long term plan aligned to the City Development Strategy. The City of Cape Town BEPP 2013/2014 sets out in a section titled "Longer term BEPP Preparation" the principles, timeframes and reasons why a longer term built environment plan is necessary and appropriate at this time (CoCT, 2013: 38-40). According to respondent 2, this initiative is intended to counter the short-termism that characterizes compliance planning and limits more substantive planning beyond the MTEF when there are projects that need to go beyond the Council's term of office. The following quote illustrates this:

*"Rather than this being a 'plan', this becomes the thread which ties all of the other 'products' together into a more uniform whole. So it is not a plan in itself." (CoCT respondent 2).*

It would appear that to date all of the other plans inform the BEPP, and the 'plan' is actually more useful for reflecting on progress made to date. According to a quote from the City of Cape Town Housing Plan (2013a: 32), "The BEPP seeks to highlight the infrastructure implications of existing urban plans, such as the IDP, the Metro Spatial Development Framework, and the Metro Transport Plan, while assessing whether past spending is in fact bringing about greater sustainability, relieving poverty and resulting in greater economic growth."

A critique of the City's approach to informal settlements by respondents 4 and 5 was that there is no holistic plan to deal with informal settlements outside of the UISP. However, the BEPP makes reference to an Informal Settlements Master Plan which has been subject to a critical review proposing a "modified strategic approach" because "providing these services has become a major challenge due to massive overcrowding and the unplanned positioning and location of many of the structures in these settlements" (CoCT, 2013: 94-95). It is notable that the Design Review established that one of the motives for establishing the USDG was to provide a means of addressing this gap in informal settlement service provision. The BEPP does, however, provide targets for informal settlement upgrading and outlines the key steps in an incremental informal settlements upgrade plan. The City is also in the process of developing an integrated and incremental framework for upgrading informal settlements.

#### 4.2.2 BEPP Panel and intergovernmental planning

The BEPP Panel is the only intergovernmental structure established specifically in relation to the USDG and the BEPP and therefore serves as the main forum through which intergovernmental input is received. The City of Cape Town sends a small delegation (Executive Director and one Director) to present to the full panel

annually. The feedback from the panel is then relayed to the relevant City departments verbally and in writing, in the form of an annual BEPP Assessment Report. For the BEPP 2012/2013 the City of Cape Town identified nine issues with the BEPP raised during the panel engagement (NDHS, 2012b: 6) but the BEPP 2013/2014 neglected to mention which, if any, matters were subsequently revisited following the BEPP Panel exchange. According to respondent 8, previously the feedback did require reallocation of funding (more on parks and sport and recreation), but the last interaction required no change to the plan and was reportedly of limited benefit.

A comment from respondent 8 also indicated that the timing of the BEPP panel review process in relation to the annual capital budgeting cycle makes it difficult for the City to reallocate funding at that late a stage. This timing issue and the limited acknowledged and actioned panel feedback in the BEPP 2013/2014 would suggest a missed opportunity for intergovernmental planning and coordination. The BEPP 2012/2013 indicates explicitly that the planning process "should compel improvement in development planning and coordination across all three spheres of government in development" (CoCT, 2012: 5), yet respondent and document evidence would suggest there has been limited meaningful input in the latest iteration.

In addition to the annual panel there are regular reviews of the status of projects and expenditure and the City recently received a delegation for site visits.

A City official stated that the Western Cape Department of Human Settlements was represented on the BEPP panel, but none of the representatives on the provincial focus group were familiar with a reference to the BEPP Panel or of the expectation that they would give input on the BEPP in terms of ensuring alignment and consistency with other provincial planning and documentation. This would appear to be at odds with the policy framework's claim that "Provinces will however have the opportunity to influence the development of the BEPPs by virtue of interacting with the municipalities through structured meetings facilitated by the NDHS, as well as through active participation during the BEPP Assessment Process via the BEPP Panel" (NDHS, 2012: 27).

The Provincial Focus Group indicated that the Department does not align its planning to the BEPP, but rather to the City's Integrated Human Settlement Plan, which forms a chapter of the IDP. The only interaction that the provincial department has with the City planning processes is through the IDP development process and approval of HSDG funding, according to the focus group. However, at the validation workshop it was also noted by representatives of the provincial department that there has always been the provincial understanding that the USDG should be directly linked to the HSDG, since a portion of its funding was originally derived from the HSDG funds. Despite this provincial point of departure, expectations around the USDG's use in conjunction with the HSDG varied, and it was clear there remained a difference between the province's and metro's understanding around the role of the BEPP Panel and planning process in clarifying the extent of this relationship and the advantages of the flexibility of the USDG in this regard.

One of the key assumptions on which the USDG's theory of change is built is that there is sufficient public consent around the planning and delivery of outputs which integrate under the necessary conditions to realise its outcomes, and this implies either direct or indirect public consultation during planning. A respondent indicated that the second BEPP went through a public consultation process via the IDP, but the civil society and private business representatives consulted during the research had limited or no knowledge of the USDG or BEPP via these processes and

no input. Respondents 4 and 5 expressed a desire for greater transparency and accountability of City spending through correct monitoring and reporting of this.

However, the contrasting view from the City is that the BEPP and the spending of the USDG funds is based on the IDP and the municipal budget, both of which are the result of various public participation processes. This perspective resonates with the points captured in the BEPP 2012/2013 and BEPP 2013/2014, where the BEPP is informed by other planning, having undertaken clear public consultation processes for which there is an implicit consent for the BEPP.

### **4.3 Allocation of funds and project selection**

This section of the report refers to the process by which proposed or potential projects are selected to benefit from USDG funds. It is distinct from the actual expenditure of funds, specifically because expenditure may involve co-funding and variance between the allocated amount and what is actually spent, whereas this refers to the process and structure for allocating funds, as well as how funds are committed in terms of the developing unit, the type of project and the spatial allocation.

#### **4.3.1 Method of project selection and allocation of funds**

The City of Cape Town has established a governance structure for the USDG project selection process in the form of a Project Review Committee (PRC). Although initially established to prepare the city for the implementation of projects approved under the Human Settlements Development Grant (HSDG) as prescribed in the National Housing Code according to respondent 6, the PRC has become the gateway for project approval in terms of USDG funding. BEPPs 2012/2013 and 2013/2014 as well as the Human Settlements Plan 2012-2017 (CoCT, 2013) identify the PRC as the mechanism through which USDG and HSDG related projects are judged in terms of qualifying for funding and this was corroborated amongst metro officials.

The BEPP 2013/2014 indicates that the PRC was officially constituted and mandated following a Council resolution in 2011 which provided for an assessment approval process for programmes and projects to receive funding outside of any policy framework prescriptions to "ensure due diligence and risk mitigation (2013, 33). A process was identified whereby submissions would be received from functional service areas for USDG funding according to known criteria; assessment of applications and recommendations for approval would be undertaken by a delegated authority; and allocation of delegated authority to a designated official would occur (CoCT, 2013: 33). This delegation was given to the Executive Director: Human Settlements who Chairs the PRC meetings and has authority to convene and approve ad-hoc or emergency meetings (respondent 5).

According to respondents 5 and 6 and the supplied project applications databases, the PRC has been functioning according to this mandate since 2011, holding five meetings from October-December 2011, processing a total of 50 applications during this time. In the first full calendar year of 2012, the PRC held 20 meetings processing 263 applications. And at ten months into 2013, the PRC had processed

251 applications<sup>2</sup> after 28 meetings<sup>3</sup>, showing a dramatic escalation in workload in the two calendar years since its inception.

According to the BEPP 2013/2014, the PRC has developed a set of criteria it applies when adjudicating projects for USDG funds. These criteria are:

- The extent to which the project demonstrates measurable support for national, provincial and municipal strategic objectives and outcomes (e.g. Outcome 8, Outcome 4, Provincial Strategic Outcomes, CoCT IDP objectives, etc.)
- The location of the project in relation to previously disadvantaged areas and/or the extent to which such areas will benefit from the project
- Clear identification of beneficiary communities and the anticipated impacts on beneficiary communities
- The extent to which the project will support other programmes and/or projects of the City and its service delivery partners
- The extent to which the project supports EPWP
- The extent to which the project is intended to enhance a previous project, extends a previous project, or completes an incomplete project
- The extent to which the project is supported by other funding allocations, or supports such allocation to provide for richer, more integrated human settlement outcomes or accelerated delivery
- The extent to which future operational resources for the project have been secured (including human and financial resources)
- The extent to which prerequisite land planning, and associated statutory land and environmental processes are in place
- The extent to which detailed project milestone and cash-flow planning and processes for procuring resources are completed and/or highlighted (CoCT, 2013: 34-35).

Many of these are actually considered pre-requisites in the proposal development process (according to respondent 2) rather than criteria on which projects are consistently judged in the PRC. This was evidenced by the variance in the criteria stated by respondents 2, 6 and 8. Although all responses were broadly in line with the criteria above, their formulation and emphasis differed from respondent to respondent.

The application process described by respondent 6 explains that a substantial amount of supporting technical documentation is used to produce an application summary according to a template, which concisely deals with the key issues of the application, and this summary is the basis on which the PRC adjudicates project funding. This process has been informed by the National Housing Code and other established HSDG processes and guidelines, but tailored to the City's functional structure and functionality (CoCT, 2013: 34).

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<sup>2</sup> Applications include HSDG projects, as well as proposals to "Reconcile and Close" existing projects, the latter occurring in only seven instances in year 2013 with one project cancellation.

<sup>3</sup> Meetings include ad-hoc and chair approved revisions.

Further, project readiness to go out to tender and inclusion of the project on the municipal budget, regardless of whether USDG funds would be awarded, are other pre-requisites according to respondents 6 and 8. Where projects benefit non-poor or non-residential consumers, it was indicated by respondents 6 and 8 that the project applicant must indicate what level of co-funding the relevant department will allocate to supplement the USDG funds, as demonstrated in the project application documents.

It is worth noting that the BEPP Assessment Reports by the National Department of Human Settlements (2011; 2013) both convey the expectation of "USDG project lists", particularly the 2013 report. Implicit in this is the need for some type of project selection or identification process, for which the USDG policy framework makes no prescriptions. In this regard, Cape Town stands out because the annual USDG Performance Evaluation Reports for 2011/2012 and 2012/2013 (NDHS, 2012; 2013) both identify the PRC and associated project selection process as strengths associated with USDG performance in the City of Cape Town.

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

The following table provides a summary of the project applications approved by the PRC for USDG funding since its inception in October of 2011 according to internal projects databases. Approvals are sorted by the Developer (a City department or the Provincial Department of Human Settlements), the Rand value of funding awarded and the number of applications approved.

**Table 5: PRC approved USDG project applications from 2011-2013**

Developer	2011 (Oct-Dec)		2012		2013 (Jan-Oct)	
	R-Value	Apps. approved	R-Value	Apps. approved	R-Value	Apps. approved
CT Community Housing Company (CTCHC)	-	-	R 2 970 885	1	R 7 548 111	1
City Health	R 11 710 000	3	R 9 700 000	3	R 1 800 000	2
Comm. Services: City Parks	-	-	R 77 501 071	25	R 17 569 488	10
Comm. Services: Library & Info. Services	-	-	R 12 973 390	2	R 469 862	2
Comm: Services: Sports & Rec.	R 34 470 000	10	R 2 689 698	12	R 36 411 530	26
EESP: Environmental Resource Management	-	-	R 1 155 000	1	-	-
EESP: Spatial Planning & Urban Design	R 3 900 000	1	R 12 340 824	4	R 886 689	3
HS Development & Delivery	-	-	-	-	R 209 502 188	60
HS Development & Delivery: Int. HS Facilitation & Impl.	-	-	-	-	R 556 600	8
HS: Strategy & Planning	-	-	-	-	R 5 402 478	4
HS: Urban Renewal and Regeneration	-	-	-	-	R 1 140 354	5
HS Urbanisation: Informal Settlement Management	-	-	-	-	R 27 569 534	2
HS: Housing, Land & Forward Planning	R 2 000 000	1	R 94 490 077	7	-	-
HS: Informal Settlements	R 9 936 963	3	R 16 274 734	7	R 10 654 194	6

Developer	2011 (Oct-Dec)		2012		2013 (Jan-Oct)	
	R-Value	Apps. approved	R-Value	Apps. approved	R-Value	Apps. approved
HS: New Settlements	R 46 913 035	12	R 157 790 430	54	R 19 630 336	10
HS: Urban Renewal Programme	-	-	R 850 000	6	-	-
HS: Urbanisation	-	-	R 3 927 620	2	R 68 397 293	12
Social & Early Childhood Development	R 3 000 000	1	-	-	-	-
Transport for Cape Town	-	-	-	-	R 150 361 993	11
Transport, Roads and Major Projects	R 169 576 714	12	R 270 072 404	36	R 68 331 393	7
Utility Services	R 3 000 000	1	-	-	-	-
Utility Services: Electricity Services	R 82 776 920	2	R 160 447 697	55	R 259 377 649	27
Utility Services: Solid Waste Management	-	-	R 21 554 040	1	R 169 227 682	5
Utility Services: Water & Sanitation	R 30 780 000	3	R 278 456 306	26	R 260 261 942	13
WC Dept. of Human Settlements	-	-	R 11 700 000	2	R 60 922 258	5
<b>TOTAL</b>	<b>R 398 063 632</b>	<b>49</b>	<b>R 1 134 894 176</b>	<b>244</b>	<b>R 1 376 021 573</b>	<b>219</b>

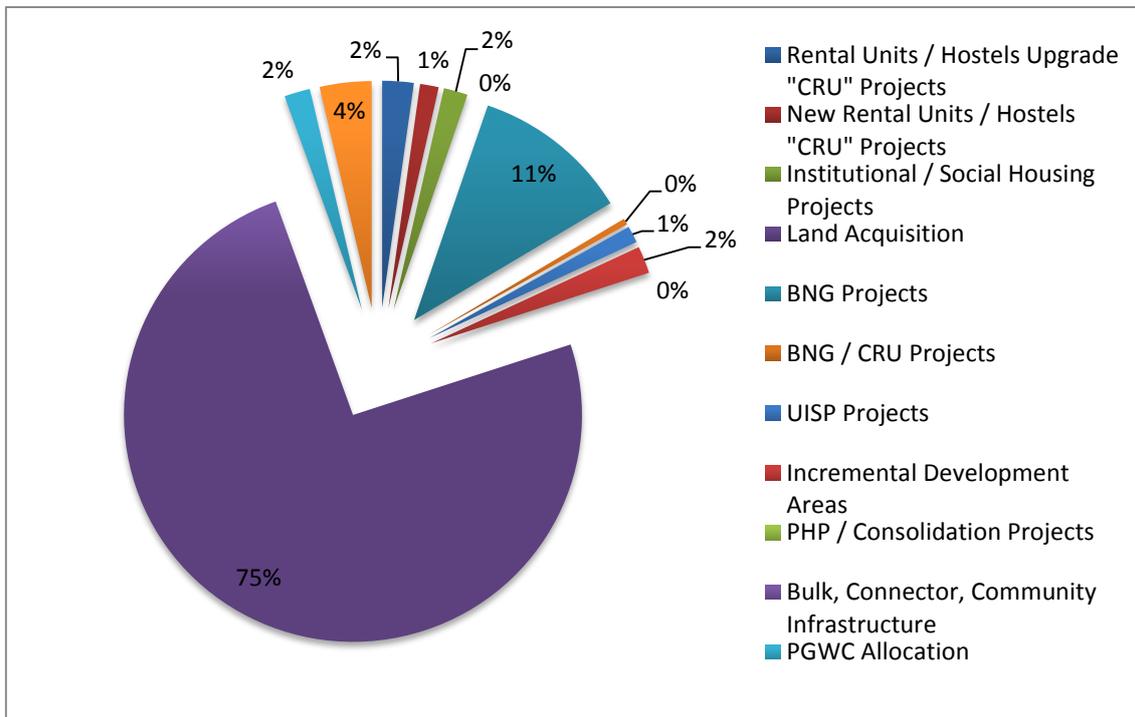
Given the timeframes for roll-out of the USDG and the establishment of the PRC, it is worth noting that the only full calendar year presented in the table above is that of 2012. Further, while there is limited value in knowing the number of projects approved (considering one project could be for fencing a cemetery while another could be for bulk water infrastructure provision for an entire informal settlement) without the content of the delivery, the frequency of application approval per developer group is helpful to understand the functional areas accessing funds through the PRC.

The table indicates a general shift (coinciding with organisational restructuring described in the context section) to a greater number of projects and greater amounts of funds being developed by Human Settlements functional areas, ostensibly with a more integrated approach to the capital projects. The BEPP 2013/2014 specifically indicates that the USDG has forced "integrated work across line function departments and new thinking on how to meet long known challenges within the constraints of existing resources" (CoCT, 2013: 18). The above table illustrates a considerable ramp-up in terms of funding allocations from 2011 onwards and also shows an increase in allocations for basic services. There is a clear increase in the amount of funds allocated to Utility Services to address basic services, most notably in the area of electricity services, water and sanitation. In the subsequent pie charts the 2012/2013 budgets are provided broken down by project type and type of infrastructure.

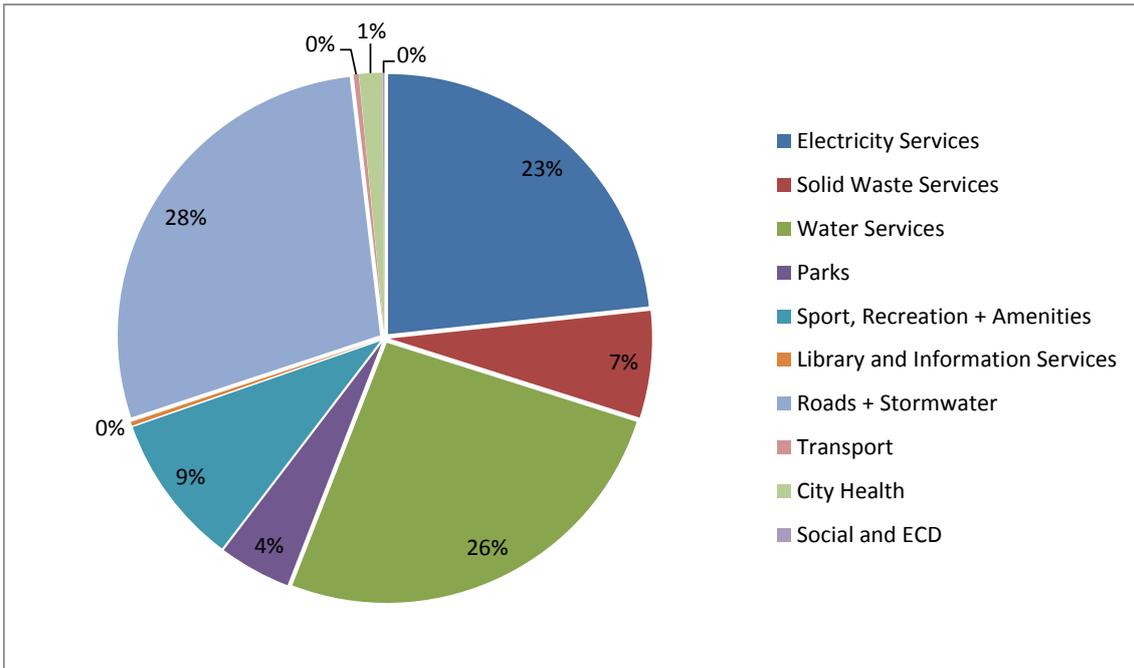
The project database also provides details of projects that have been declined funding from the USDG by the PRC for not meeting the objectives of the grant. According to the USDG project application databases, in 2011 there was only one project application that was taken to the PRC which was deferred. In 2012 there were eight project applications that were not supported (six from Community Services and City Parks, while one was from HS: New Settlements and another from Transport, Roads and Stormwater). In 2013, only one project by Community Services: City Parks was not supported, while there were six other projects that were deferred or referred back, and only the Strandfontein Road project which was 'Withdrawn' after initially being deferred.

The Strandfontein Road project was the most often cited example by respondents (1, 2, 3, 5, 6 and 8) of the kind of project that was not funded by the USDG. In this instance, it was said to not meet the objectives of the USDG, in part because the cost of the project was substantial (R60 million approximately) and because the extent to which it had a clear pro-poor orientation was debatable. According to the project application database, this project was deferred and then officially withdrawn, rather than categorically refused funding by the PRC, the official account being a slight discrepancy from what was recounted by the respondents, although the same result nonetheless.

The BEPP provides a breakdown of the allocation of USDG funding by project type for the 2012/13 financial year, shown in Figure 4. The bulk of the funding (75%) is allocated to Bulk, Connector and Community Infrastructure, a further breakdown of which is provided in Figure 5.



**Figure 4: Committed projects for USDG (2012/13) – Source: BEPP 2013:21**



**Figure 5: Breakdown of Bulk, Connector and Community Infrastructure for 2012/13 – Source: BEPP 2013:21**

The table above illustrates that the bulk, connector and community infrastructure budget is shared between Roads & Stormwater (28%), Water Services (26%) and Electricity Services (23%).

Considering the extent to which bulk, connector and community infrastructure has been budgeted for by the City of Cape Town in 2012/13, and using the PRC project allocation table and supporting databases as an indication of how funds have been allocated both historically and going forward against the intentions of the USDG, the following findings are made:

- There have been limited allocations for land acquisitions (less than 3.32% of PRC awarded funds to date have been allocated to Housing, Land & Forward Planning as the developer) although BEPP 2013/2014 does indicate a substantial planned budget increase of 350% for 2014/2015 going forward (CoCT, 2013: 18).
- Utility services have been collectively allocated the majority of approved USDG funding at R1 262 882 235. This is split between Water & Sanitation (R569 498 248), Electricity (R502 602 266) and Solid Waste Removal (190 781 722) respectively.
- Within the broader Human Settlements functional area, R675 035 837 has been allocated to date with new settlements and informal settlements (incl. management) receiving substantial apportionments.

#### 4.3.3 Leveraging capital finance

The theoretical framework for the assessment highlights the ability of the grant to gear in other finance as a secondary characteristic of the grant. Respondent 8 noted that a significant strength of the USDG is the ability to re-orientate line department spending so that they are pro-poor – a so-called ‘magnet effect’ of USDG spending drawing departmental funds with it to poorer areas. The following quote expresses this well:

*'At a macro-level, it also means that if we're spending a billion Rand a year on USDG funding, probably with all the counter-funding, and I haven't done the arithmetic, you're probably looking at 20% of the other line department budgets being pushed into the same policy direction' (CoCT respondent 2).*

This is a perspective that when presented at the Validation Workshop was largely affirmed by representatives from the City of Cape Town. Unfortunately, the amount of co-funding sourced for each project is variable and cannot be easily disaggregated from internal reporting to substantiate the approximation suggested. While the BEPP 2013/2014 is silent on the extent to which the USDG has become a beacon for other capital projects, the endorsement of this quote expressed at the Validation Workshop would appear to provide further evidence that this is the case.

In terms of the USDG as a potential opportunity to partner with the private sector, there is only one proposed project to date where private sector land and funding is being used to complement the USDG and other City funding. However, feedback from respondents 10 and 11 indicated there are on-going problems with the financing arrangements and service standards. So although there would appear to be evidence in the City of Cape Town that the USDG has begun to leverage private sector capital finance, feedback obtained from private sector respondents indicated there remains a lack a clarity around the USDG and no publicly available information on which they can rely to inform on-going developments with the City of Cape Town.

To date, the City of Cape Town has never used the USDG to leverage debt finance for capital investment and has no intention of doing so according to respondent 9. Respondents 8 and 9 expressed their beliefs that the grant should not be used to leverage debt finance as the pro-poor orientation of the USDG means that it is primarily spent on 'consumptive' uses as opposed to 'economic' uses which can generate revenue to pay back loans. The following quote expresses this position well:

*'It [the USDG] is essentially a consumptive expenditure. It doesn't generate income into the future. So debt financing for housing does not yield productive returns and does not result in any major assets for the city. We must concentrate our debt financing on those income producing services like water and electricity and so on.'* (CoCT Interview 9)

## **4.4 Grant expenditure and outputs**

### **4.4.1 Grant spending against budget to date**

In the 2011/12 financial year, the City of Cape Town spent R753 million of its R824 million USDG allocation, or 91.4%. This is the fifth best spending rate of the eight metros (DHS, 2012b: 5-6). An amount of R70.8 million was rolled over to the 2012/13 financial year and a total budget of R1 042 846 798 was allocated for the USDG. An analysis of the spending rate for the 2012/13 financial year follows the table below:

**Table 6: USDG - Department Expenditure 2012/13 Financial Year**

<i>DEPARTMENTS</i>	<b>REVISED BUDGET 2012- 2013</b>	<b>Expenditure as @ 30/07/2013</b>	<b>PERCENTAGE SPENT 2012- 2013</b>
Electricity Services	175 806 318	170 872 20.90	97.2%
Solid Waste Services	50 000 000	49 999 98.82	100.0%
Water Services	195 835 513	171 295 081.69	87.5%
Parks	33 530 144	32 625 490.62	97.3%
Sport, Recreation & Amenities	70 400 377	70 329 655.13	99.9%
Library and Information Services	1 840 180	-	0.0%
Roads & Stormwater	213 343 340	203 181 823.88	95.2%
Transport	2 375 817	1 531 793.69	64.5%
City Health	10 700 000	10 544 508.33	98.5%
Existing Settlements	22 507 597	16 403 619.22	72.9%
New Settlements	162 478 056	144 923 583.89	89.2%
Land & Forward Planning	24 855 212	18 359 474.48	73.9%
Urbanisation (incl in-situ upgrades)	21 029 000	19 255 301.97	91.6%
Urban Renewal Programme	1 650 000	1 149 468.21	69.7%
Social & ECD	921 685	890 360.98	96.6%
Total Capital	987 273 239	911 362 981.81	92.3%
Provincial Allocation	36 110 850	36 110 850.00	100.0%
Total Operating	19 462 709	29 097 171.08	149.5%
<b>GRAND TOTAL</b>	<b>1 042 846 798</b>	<b>976 571 002.89</b>	<b>93.6%</b>

When considering the amount of expenditure identified in the table above against the annual budget for the 2012/2013 financial year, initial financial information indicates spending of USDG funds to 93.6%, an improvement on last year's expenditure rate. Data captured in the Performance Evaluation Report 2012/2013 corroborates this amount, with a 94% expenditure rate for 2012/2013, although noting that five other metropolitan municipalities have an expenditure rate of 94% or higher (DHS, 2013b: 4).

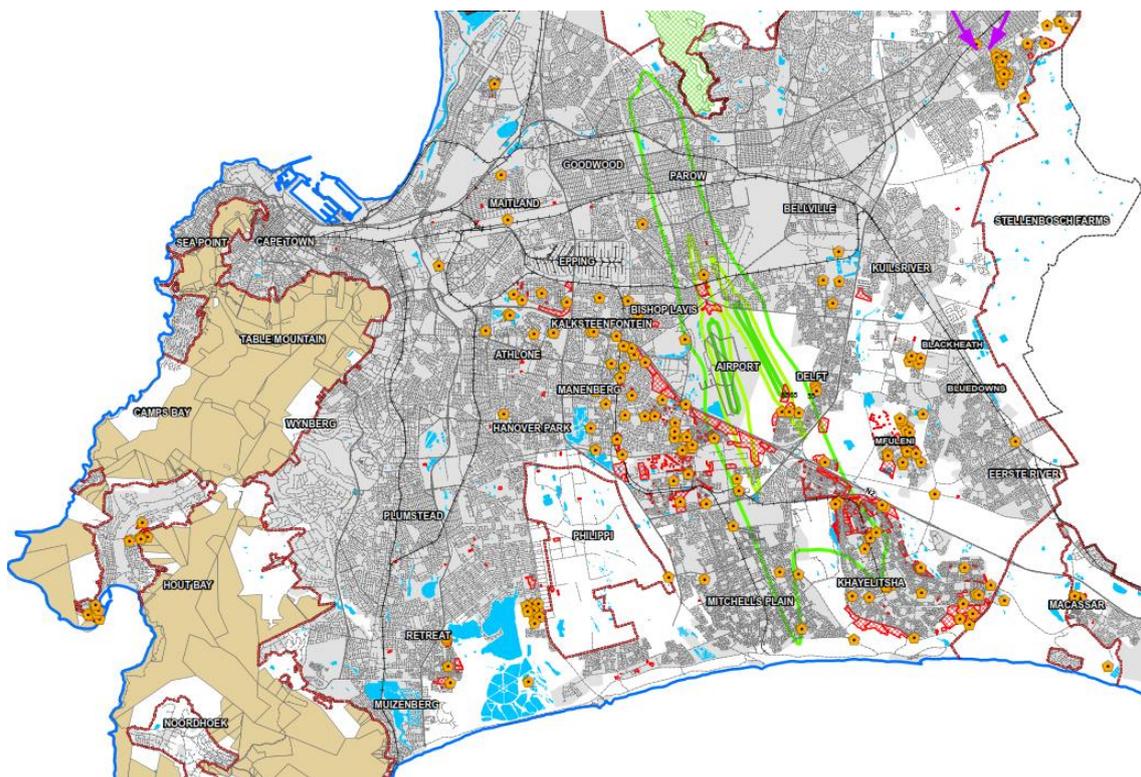
When considering the table above against the figures reported in the BEPP 2013/2014 for the financial year 2012/2013 (the BEPP referenced the previous year's financial expenditure up until March 2013, 9 months into the financial year), only 47% of the funding was reportedly spent at that time (CoCT, 2013: 16). If these figures are accurate, this means that approximately half of the annual expenditure of the USDG for 2012/2013 was spent in the fourth quarter, reflecting

a skewed expenditure pattern towards the end of the financial year. This skewed expenditure would be consistent with comments made by the provincial focus group.

Amongst the various respondents, participants of the provincial focus group expressed a frustration with the City's rate of capital expenditure. Specifically, respondents found it problematic that the City spent the bulk of its funds in the final quarter of the financial year. Focus group respondents expressed a shared frustration around funds that they had been told previously were committed, but became available in the final quarter of the year as a result of either under-spending or cost-saving.

#### 4.4.2 Spatial distribution of USDG projects

The map below presents the distribution of on-going and completed USDG projects to date (CoCT, unpublished 2013). Orange dots provide clear indications of the geographic location of the projects, and there is a clear concentration in areas such as Gugulethu, Mannenberg and Khayelitsha. Peripheral concentrations of capital projects are also found around Hangberg, Imizamo Yethu, Pelican Park and Scottsdale, amongst others. This is indicative of an allocation to projects that tend to target previously disadvantaged communities and informal settlements.



**Figure 6:** GIS map of approved USDG funded projects

When city officials were asked how spatial allocation is taken into consideration in the project application process, responses varied from claims that they are embedded within the motivation for the project (respondent 3), to space as something that is not systematically considered during the application stage (respondent 1). In particular, it was noted and acknowledged by respondents 1 and 2 that spatial mapping of projects in the pipeline or at development stage for the

application was not something that has occurred. The BEPP 2013/2014 does indicate that “the location of the project in relation to previously disadvantaged areas and/or the extent to which such areas will benefit from the project” (CoCT, 2013b: 34) is one of ten criteria to be applied when selecting projects for funding, but it appears not to be something considered systematically, or mapped, in the course of project selection.

Respondent 1 believed that spatial location is not being emphasised enough at project evaluation stage, and that all project *applications* should be mapped and not just on-going projects or project completions, as presented above. This would enable the PRC to understand the overall city-scale effect of the projects and the inter-relationships between multiple investments. However, there is an acknowledgement by respondents 1, 2, 6 and 8 that the USDG and the BEPP development process have introduced a level of spatial coherence that was not evident with MIG or MIG-Cities.

The following quote alludes to how spatial considerations are taken into account:

*“As a Capetonian, I know [what is a good area to spend money] up front. But [applicants] will give a motivation in the application which identifies the community and beneficiaries (CoCT respondent 3).*

The table below provides a breakdown of expenditure by area for the 2012/2013 financial year, as distinct from the map provided earlier which presents the location of all completed and on-going USDG projects.

**Table 7: Capital expenditure by area geographic 2012/2013 (Source: CoCT, unpublished 2013)**

<b>AREA</b>	<b>Actual Expenditure 2012/13</b>	<b>Percent of exp.</b>	<b>AREA</b>	<b>Actual Expenditure 2012/13</b>	<b>Percent of exp.</b>
Athlone	42,489,359	6%	Langa	5,950,706	1%
Atlantis	12,578,251	2%	Lwandle	7,450,078	1%
Azalea	596,492	0%	Macassar	9,320,568	1%
Belhar	131,580	0%	Maitland	2,790,529	0%
Bellville	90,675,092	12%	Manenberg	5,653,367	1%
Blackheath	43,253,102	6%	Matroosfontein	840,732	0%
Bluedowns	4,409,272	1%	Mfuleni	3,765,432	0%
Bonteheuwel	4,016,642	1%	Milnerton	16,018,492	2%
City Wide	3,362,403	0%	Mitchells Plain	31,149,020	4%
Crossroads	146,501	0%	Monwabisi	146,501	0%
Delft	19,185,422	3%	Nyanga	5,740,206	1%
Du Noon	5,314,343	1%	Ocean View	6,486,377	1%
Eerste River	3,256,910	0%	Ottery	228,651	0%
Elsies River	4,964,059	1%	Pelican Park	77,548,019	10%
Factreton	812,067	0%	Phillipi	672,142	0%
Fisantekraal	1,724,440	0%	Retreat	4,459,595	1%
Grassy Park	41,839	0%	Scottsdene	115,508,821	15%
Gugulethu	19,835,081	3%	Seawinds	4,474,092	1%
Hangberg	350,308	0%	Somerset West	2,391,506	0%
Hanover Park	25,160,396	3%	Steenberg	5,185,220	1%
Hazendal	560,665	0%	Strand	12,674,072	2%
Heideveld	15,460,811	2%	Strandfontein	564,345	0%

<i>AREA</i>	<i>Actual Expenditure 2012/13</i>	<i>Percent of exp.</i>	<i>AREA</i>	<i>Actual Expenditure 2012/13</i>	<i>Percent of exp.</i>
Imizamo Yethu	2,966,711	0%	Valhalla Park	22,897,321	3%
Joe Slovo	11,823,322	2%	Wallacedene	13,033,803	2%
Khayelitsha	85,051,558	11%	Zeekoevlei	995,770	0%
Kommetjie	88,850	0%			
Kraaifontein	277,827	0%			
Kuilsriver	8,448,257	1%	<b>Total</b>	<b>762,926,924</b>	<b>100%</b>

When the table above is considered in relation to the map of current and completed USDG projects, it is clear that areas where there is a significant concentration of orange dots, in particular areas like Scottsdene, Khayelitsha, and Pelican Park, have received a substantial portion of the year's expenditure.

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

In terms of the theoretical framework for USDG assessment in the metro, it was established that the outputs of the capital grant were the key products acquired or services delivered such as hectares of well-located land available, households in informal settlements upgraded, household access to basic services, the creation of socio-economic facilities and economic infrastructure, and jobs created through these initiatives, as well as households with title deeds transferred to them.

Given the products and services identified in the theory of change, the following table presents the available data on products and services delivered for the two years of the USDG's implementation based on the City of Cape Town's own reporting:

**Table 8: City of Cape Town outputs relevant to the USDG**

<i>Indicator measures relevant to the USDG outputs</i>	<i>2011/2012<sup>4</sup></i>		<i>2012/2013<sup>5</sup></i>	
	<i>Target</i>	<i>Actual</i>	<i>Target</i>	<i>Actual</i>
Number of Expanded Public Works Programmes opportunities created	11000	22500	35000	35556
Number of housing opportunities provided in terms of serviced sites <sup>6</sup>	3000	5072	6071	6391
Number of housing opportunities provided in terms of top structures <sup>7</sup>			3833	4300

<sup>4</sup> Referenced from DHS USDG Performance Evaluation Report 2011/2012

<sup>5</sup> Referenced from the DHS USDG Performance Evaluation Report 2012/2013

<sup>6</sup> For the 2011/2012 financial year the housing opportunities are not distinguished between the three indicators but aggregated as the City of Cape Town does not distinguish between the three indicators used in the following financial year.

<sup>7</sup> It is noted that top structures are beyond the scope of the USDG, but they are included here as part of the aggregate housing opportunity provision for 2011/2012 as recorded by the municipality.

<b>Indicator measures relevant to the USDG outputs</b>	<b>2011/2012<sup>4</sup></b>		<b>2012/2013<sup>5</sup></b>	
	<b>Target</b>	<b>Actual</b>	<b>Target</b>	<b>Actual</b>
Number of housing opportunities provided in terms of Other provision (Re-blocking, CRU, backyards)			1224	1725
Number of water service points provided	120	277	1000	599
Number of sanitation service points (toilets)	1000	3354	3000	8035
Number of informal settlements receiving door-to-door refuse collection and area cleaning services	N/A	N/A	204	204
Number of electricity subsidised connections installed	650	1050	2200	918

From the above, it is clear that most of the reporting of USDG outputs has occurred in relation to basic service access, housing opportunity provision (linked to the HSDG) and job creation. On the whole, the City of Cape Town appears to have mostly achieved its output targets as reported, with the exception of electricity subsidised connections and water service points intended in the past financial year. In the case of water service points, an explanation was given that protest action had prevented contractors from accessing 16 different sites for which multiples taps were to be installed. Further, underperformance in subsidised electricity connections was attributed to a negative variance in applications, suggesting demand was lower than anticipated (DHS, 2013b: 121).

Noticeable in terms of the theory of change is the absence of tangible achievements related to land acquisition and title deeds transferred.<sup>8</sup> In the case of socio-economic facilities and economic infrastructure, the existing project databases provide a clear indication that there are such projects occurring and benefitting from USDG funds. However, how these deliverables are accounted for does not appear to be standardised and integrated into the existing USDG related reporting.

Respondents 1, 2 and 8 provided a range of reasons as to why the USDG is not being spent on acquiring land. The first is that there is a shortage of land for purchase in suitable areas. The second is that the price of well-located land in Cape Town is high and the large, strategic pieces of land would take up too large a portion of the USDG, at the expense of all the other project commitments. The third reason is that state land release is blocked through the delayed response (or lack thereof) from national departments. The fourth reason is that the timing of land purchases is too unpredictable and subject to numerous bureaucratic delays to budget effectively. The implications of not spending the large amounts of money required for land purchase are such that the money is not budgeted for at the beginning of the year, but is only placed on adjustment budgets once the sale is

<sup>8</sup> In the latest performance evaluation report the City of Cape Town claimed to introduce an indicator related to title deed transfer, but none has since been provided. Also, the City of Cape Town Housing Plan 2012-2017 Annual Review 2013/2014 identifies nearly 1750 title deed transfers across six projects in the previous financial year, and expects another 1800 more, but the City has yet to standardise this as an indicator for reporting.

guaranteed. This is why the amount allocated to land purchase in the previous section is so low.

*"Buying land is not a capital project – there is no cash flow, so it is not a smooth spend. It is [either] bought, [or] not bought."* (CoCT respondent 2)

Respondent 2 also raised the perverse incentive for not gaining the best price for land, in that officials are measured against how much of the budget is spent and spending less than the budget amount is seen as under-performance. Nevertheless, the BEPP 2013/2014 indicates clearly that there is an intention to increase spending on land acquisition within the metro given the 392% increase in terms of budget allocation for financial year 2014/2015 (CoCT, 2013: 23).

With regard to title deeds transferred, this output is an administrative process secondary to the capital projects for which there are no consolidated figures currently tracked by the municipality in relation to the USDG. The BEPP 2013/14 reports on pilot processes in 9 areas whereby historical title deed mistakes were corrected, but the number and nature of these are not specified. Notably, the USDG's potential to help rectify historical mistakes with regards to title deeds, and avoid them in the future, was referenced in the Housing Plan 2012-2017 (CoCT, 2013) and by respondent 2 as a key benefit in this regard. However, outside of title deed figures in the City of Cape Town's Housing Plan 2012-2017 (which are not necessarily linked to the USDG) there is limited supporting data to corroborate this.

According to the evidence from the project application databases and protocols confirmed by respondent 6, the City of Cape Town has only officially completed seven USDG funded projects since the inception of the PRC in October 2011. Due to the long lead times and construction period, it takes a long time to complete, close-off and claim the outputs of approved funding as 'complete' for the hundreds of projects that have been approved by the PRC. There is documentary evidence of only seven of the 512 USDG projects being closed through formal PRC approval decisions<sup>9</sup>. Amongst the currently completed projects are two bulk water extensions/refurbishments, three road rehabilitations, one built transport facility, and the completion of Phase II of the Turfhall Stadium in Athlone. When considering these 'closed' projects in the strict sense of measurement purposes, the outputs delivered as associated with the USDG at this stage are significantly fewer than what has been reported via SDBIP quarterly reporting submitted to DHS.

According to respondent 6, all projects approved by the PRC for funding must return to the PRC for reconciliation and close-off of the project following inspection and recognition of completion. Any of the unspent funds are returned since the project would have been paid for and the decision to 'reconcile and close-off' on the project application database is indicative of a project completion that can be cross-verified against the original PRC approval.

Respondents were able to provide a number of examples of USDG projects in Cape Town which were said to best exemplify the USDG's intentions. According to respondents 5 and 6, the Factreton project serves as a best case example where services such as electricity, water and refuse removal were provided to backyarders

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<sup>9</sup> Project decisions may include approvals for USDG (512) as well as the HSDG projects, deferrals, withdrawals, and not supported projects, of which the balance of 564 in total have been made to date. Further, whenever a decision is taken to close a project, as in the case of seven projects to date, this can be verified against the original decision to approve funding for the project and thus one project effectively receives two 'approvals': the first to fund it, the second to close-off and reconcile it.

and this project would not have been possible without the USDG. Pelican Park and Scottsdene are two other good examples of integrated human settlements projects identified by respondents 1, 3, 5, 6, and 8. The following box outset provides a brief profile of the Factreton project.

### **Facilitating backyard servicing in Factreton**

The lack of services for backyard shack dwellers is a major issue in Factreton, and this area was used as a pilot project for backyard servicing interventions benefitting from USDG funds. Electricity, water and refuse removal were provided to backyard structures as part of the pilot project.

The electricity system in Factreton needed to be upgraded due to lack of capacity. This was planned to be upgraded in 5 years' time because of a shortage of capital funds. However, USDG funding enabled the City to co-fund the project and bring it forward by five years. This funding provided 'backbone' infrastructure to provide bulk electricity capacity, which then allowed electricity connections to be made to individual backyard structures. The entire project cost +/- R70 million with approximately R25 million coming from the City and the USDG making up the remainder.

156 backyard households benefitted from the provision of electricity, water & sanitation and the provision of dirt bins. This also provided important lessons for further refining and improving the backyarder programme including:

- The need to improve communication with tenants and backyarders about who qualifies, on what conditions, and what the upgrade entails
- A credible and accessible public consultation and participation process is vital
- Better information sharing and communication between Human Settlements and the Utility Services is necessary
- In some instances backyard households may also choose not to pursue service upgrades.

*Source: City of Cape Town. 2013. "Urbanisation Backyarder Programme Presentation". Unpublished. 12 August 2013.*



One respondent made the proposal that unused USDG funds should be permitted to be set aside in a fund for strategic land purchase. This could be built up over multiple years to accumulate sufficient funds to purchase large strategic land parcels once they become available. This suggestion resonated with one made by

the private sector developers, who have a long history of land banking large areas of land outside the city. They suggested that the City should be using USDG funds to purchase land for future growth of the city to achieve the objective of reducing the average cost of serviced land production.

Respondent 2 indicated that the City has in fact banked certain land parcels. However, one of the problems associated with the idea was that when land was purchased, but houses were not delivered, this has raised problems with the Provincial Department and there is not an appreciation for the strategic long term acquisitions when there are such pressing immediate needs and demands. The political focus on delivery results in the discouragement of land banking. Respondent 2 indicated that there was an expectation that the HDA would assist the City in purchasing land, but this has not happened to date.

## **Provision of community facilities in Valhalla Park**

The community facilities at Valhalla Park give substance to the creation of human settlements that go beyond serviced sites with top structures, creating a safe, recreational space for children contributing to a sense of community and shared public space.

"In Valhalla Park there is a 'spray park' there for kids. It is the first of its kind in South Africa, I think, and that spray park with the sports fields and some other upgrades around it, it comes to a lot of money.... but the impact is huge for that community. It's massive. That was USDG funded." (CoCT respondent 2)

A spray park in Valhalla Park is one of the recreational community facilities projects the USDG was used for in the City of Cape Town. It was developed by the Sport, Recreation and Amenities Department as part of a plan to develop six such water recreational areas across the metropole.

A spray park/splash pad is a water-play area without any standing water. It eliminates the need for lifeguards or other safety supervision as with public pools. Spray parks/splash pads have been a feature of cities worldwide for decades and are increasingly being installed as a solution to water-wise aquatic recreation. They also respond to reducing capital and operational costs in comparison to swimming pools.

The spray parks consist of a series of spray features or structures that create a play environment for children by means of different spray nozzles, and interactive collecting and dumping features. Water is recirculated and treated through a process similar to that of a swimming pool reticulation system.

The Valhalla Park development is the first of recreational features in Du Noon, Ocean View, Scottsville, Khayelitsha and Nyanga, to the total approximate cost of R12-million, benefiting from USDG funds. These areas have been earmarked for spray parks as there are currently no municipal aquatic facilities there. *Source: City of Cape Town. 2013. "City embarks on major facilities upgrade and development". Accessed: [www.capetown.gov.za](http://www.capetown.gov.za)*



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

This section of the findings addresses the background processes and interface between government spheres of government which may affect the implementation of the USDG.

### 4.5.1 The USDG and the Housing Accreditation process

In the City of Cape Town the USDG has been viewed as one part of a broader shift towards a new approach to planning and managing the built environment. The following quote from the BEPP 2013/2014 illustrates how the City views the USDG in conjunction with other changes related to built environment planning:

*"Equally important is that the USDG has been introduced in parallel with other measures and instruments related to the built environment which also place more responsibility on the City. Specifically significant is the City's accreditation as a housing delivery agent and transport authority. The increased accountability and responsibility has forced the City to review the way in which it approaches its built environment challenges, undertake planning for service delivery, and eventually deliver services to local communities." (CoCT, 2013: 17-18)*

Within the context of the Housing Accreditation process, officials at the metro have seen the introduction of the USDG as directly related to the devolution of the housing function. The following quote explains:

*"We saw [the USDG] almost as a test for assignment, because suddenly you are getting a grant coming directly to you. You are now solely responsible for it, in terms of the full process: allocating, administering, giving reporting to it [sic], and so forth. So, in that sense, being able to soundly administer the USDG speaks to your ability to manage the HSDG through assignment. It is...seen to us as a test case...as a rite of passage. If you can work this, you can work the other one." (CoCT respondent 6)*

In fact the PRC committee, for which the City of Cape Town has received praise (DHS, 2012; 2013), is modelled to accommodate the requirements of the HSDG administration process (CoCT, 2013: 86), which the city has embraced as part of the incremental devolution of the housing function, and with the added benefit of allowing a degree of synchronicity between USDG and HSDG decisions. Respondent 8 expressed that the alignment of the HSDG and the USDG funding would be better after assignment, as projects could be planned together and would be less susceptible to the shock of funding being reallocated by the Province. Provincial representatives in attendance at the Validation Workshop expressed some concerns regarding the extent to which there is USDG and HSDG complementarity, based in part on the Province's original understanding of what the USDG was designed for.

In the provincial focus group it was raised that part of the underlying rationale for the devolution of the housing function and accreditation to Metros was that it would reduce red tape and expedite approval and construction processes. From the Province's perspective, with the City at level 2 currently, this has not yet happened. A provincial perspective was expressed that if assignment is granted, the City will be faced with the same bureaucratic delays as the Province and changes will be minimal because all of the same standards and rules around the National Housing Code and various Housing Programmes still apply to the Metro, just as they apply to Province.

Respondent 9 relayed a concern around the funding for the increased mandate. Assignment of the housing function to the metro was seen as a risk since there

does not yet appear to be a financial model for how the Metro will realise the associated mandate of integrated human settlements when assignment does eventually come.

#### 4.5.2 The Cities Support Programme

Within existing planning documentation there is an absence of reference to the Cities Support Programme (CSP). Similarly, there was little initial knowledge of the Cities Support Programme amongst the interviewees in general. Where the CSP was known amongst respondents 5 and 8, the idea was supported, but it was not known what impact this would have on the USDG or the functioning of the City in the built environment. However, the Integrated City Development Grant (ICDG), which is linked to the Cities Support Programme, was mentioned in interviews with respondents 1, 2 and 8. This new grant, which incentivises integrated spatial and infrastructure investment planning, was said by respondent 1 to have had the effect of pulling the spatial planning closer to capital investment decisions, from which it has been previously marginalised. However, a view was expressed by the same respondent that the way the USDG and HSDG are being used to build housing on the periphery is militating against the objectives of a compact, denser city. The ICDG was described as trying to address this, but the scale of the grant is miniscule compared to the other two grants.

Discussions at the Validation Workshop with the City of Cape Town indicated that engagements with the Cities Support Programme have since eclipsed this research and that there is now greater clarity around the CSP and its potential benefit to the City of Cape Town.

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

The City of Cape Town has credited the USDG as having significantly influenced its strategic approach to the built environment, particularly with regards to coordination and alignment between policy, programmes and service delivery (CoCT, 2013b: 17). Although the grant is administered by the Department of Human Settlements within the metro, there is a strong sense amongst respondents that inter-departmental cooperation has improved as a result of the grant, not least because of the diverse representation that comprises the PRC. Respondent 2 expressed an appreciation that there are a large number of professionals within the City departments that are able to assess the need, viability and design of projects prior to submitting the applications.

However, the process of having to apply to the PRC for funding approval of projects that are already on the capital budget could seem an extra bureaucratic step in getting projects underway:

*"[The engineers] feel that the additional process of going through the Project Review Committee is an issue...at first it didn't make sense, and for a lot of the guys on the ground, the project managers, would disagree with you and say 'Let's go back to the old way', because it was just easier. But what is nice now, is that you're getting independent people to make sure the outcomes of the project are what is required."* (CoCT respondent 3)

Respondents 2, 5, 6 and 8 were positive about the capacity within the City to administer the grant and to facilitate its implementation. However, respondents 3 and 8 noted that there was a shortage of good project managers within the City and this also reflected in the annual Performance Evaluation Reports (DHS, 2012; 2013) as an on-going weakness. Further, the City's BEPPs have also emphasised the need for up-skilling and building of capacity across a range of areas. There is currently a programme in place to address this, and the operating portion of the

USDG, the 'OPSCAP' amount<sup>10</sup> is being used to fund these positions according to respondent 8.

According to respondent 5 and 2, the City has also identified the need for an overall planning and prioritisation model for capital projects to ensure that there is a pipeline of appropriate projects. "Current capacity constraints in terms of project planning, readiness" are areas identified as weaknesses in the Performance Evaluation Reports (DHS, 2012; 2013). However, respondents 2 and 5 indicated there is currently a project underway to develop such a planning model.

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

The main external engagements that the City has around the grant are with the national Department of Human Settlements and National Treasury. These engagements are detailed in the BEPP 2013/2014. The BEPP Assessment Reports and annual Performance Evaluation Reports compiled by DHS are tangible evidence of these engagements with DHS. This contact mainly entails the BEPP panel process (described earlier), monitoring and reporting (discussed below) and intergovernmental platforms like the City Budget Forum. There is limited external involvement in the USDG planning or grant allocation process, either from the Province, the private sector or civil society. Even within the BEPP 2013/2014 where provincial engagement is listed as part of the intergovernmental engagement process, it is presented in a perfunctory manner without detail or evidence that there was any meaningful input from province. "The City's Human Settlements Directorate interacts on a regular basis with Provincial counterparts to integrate the contributions of various City and Provincial departments responsible for aspects of integrated human settlement development and the built environment" (CoCT, 2013: 38). Despite this claim in the BEPP, there was limited evidence to corroborate this from the provincial focus group or from provincial representatives at the Validation Workshop.

The provincial focus group did not initially express any desire to be more involved in the BEPP process, but provincial representatives at the Validation Workshop did indicate a historical wish to have been consulted and explained the thinking around the USDG and BEPP following the decision to create them. Further, the province did note an issue with the way funds have been allocated to them historically. Focus group respondents indicated that they have been told that all the USDG funding has been allocated for the next three years. However, it was said that historically, towards the end of the local government financial year, funds were made available to reimburse provincial spending of own funds on projects in Cape Town that would qualify for USDG funding. In this way the Province is providing bridge funding, but has no guarantee that it will be reimbursed. This claim was also corroborated independently by another research respondent external to the metro and province.

## 4.6 Monitoring, reporting and oversight

This section provides a description of how the USDG is monitored and reported in the City of Cape Town as a key element of the interface between national and local government in terms of the theory of change.

### 4.6.1 Metro monitoring and reporting

Evidence from historical BEPPs and DHS Performance Evaluation Reports indicates that the City of Cape Town has been consistent in its reporting of non-financial

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<sup>10</sup> The portion of the USDG that is being used for funding operating expenses

information. Evidence to show that this has been done quarterly as per the terms set out in DORA and Section 71 of the MFMA since the introduction of the USDG in financial year 2011/2012 was difficult to obtain, outside of the consolidated annual reporting. Nevertheless, respondent 3 indicated that consistent and compliant reporting from the City of Cape Town has been the case to date.

The BEPP Performance Matrix in the 13<sup>th</sup> draft of the USDG Policy Framework provides for 45 indicators across nine output areas. When these indicators are cross-referenced with the USDG related reporting captured in the Performance Evaluation Reports, there are only seven indicators (the eighth is excluded since it measures top structures) which roughly correspond between the two sets. That is not to claim the City is not actively delivering on many of the other indicators; but the City is not regularly reporting on these things as part of its USDG work amongst all of its other reporting requirements.

Some of the existing reporting expectations to national government are considered problematic according to respondents 2, 5, 8, and 9. This resonates with the weakness noted for the City of Cape Town in both the annual Performance Evaluation Reports for the USDG to date (DHS, 2012; 2013). Respondents in the City of Cape Town indicated that some of the reporting does not seem to serve a purpose and there were instances when they doubted whether the reporting was ever read. The focus is on compliance, rather than the strategic impact of the grant, according to respondent 2. The following quote expresses the frustration:

*"From a reporting point of view, we struggle immensely with National Housing {sic}. Treasury is not too fussed with this...Treasury wanted to see a list of projects...payments made... basically that is what they are interested in."* (CoCT respondent 2)

Respondent 8 claimed that the financial reporting required is not onerous, and the City's systems (specifically SAP) are able to provide this information easily. The non-financial performance information however, was said to be considerably more difficult to collate and report on. However, the fact that the City has historically submitted its SDBIP quarterly reporting (CoCT, 2012; 2013) to satisfy this requirement is indicative.

When respondents were asked to further engage on the issue of non-financial performance, the monitoring and reporting of the USDG was generally believed to be of limited value and at times inappropriate. Respondent 3 noted a recent request for USDG reporting around household beneficiaries in relation to Outcome 8 which simply could not be addressed due to the onerous reporting expectations for projects that may already be underway, yet had not captured or reliably estimated the number of beneficiaries as was being requested. The issue has since been escalated within the City.

Respondents noted the serious challenge of accounting for the outcomes of the USDG through trying to measure changes in people's lives. Multiple officials expressed neither having the resources nor the capability to account for these things directly.

*"To measure outcomes is difficult. What is the outcome? The outcome is that the person sitting with their feet in water is now dry. That's a good outcome. How do you measure that?"* (CoCT respondent 8)

*"It is no use asking an official...to go out there and make, almost post-shot value statements about how others are now living as a result of our spend. It is very difficult."* (CoCT respondent 2)

Two respondents motivated for drawing a better distinction between reporting on outputs and outcomes, particularly with regards to what can be verified in terms of existing state auditing practice. The following quote encapsulates this well:

*"They must distinguish between what is auditable, and what is not. So when we spend a lump of money on the upgrade of an informal settlement, which produces 10 toilets, 50 this, and a bit of road, don't ask us how many people benefitted. I don't know because I don't know the exact number of people living in that settlement. All I can tell you from a shack count on an aerial photograph is roughly how many people there are...that is not auditable."*  
(CoCT respondent 2)

#### 4.6.2 Metro perspective on national involvement and oversight

The oversight role of the national department has been a source of some tension with the City of Cape Town at times. References in both Performance Evaluation Reports to a "tendency toward micromanagement" (DHS, 2012; 2013) and disparate expectations around the grant's application noted by respondents were evidence of this. One respondent (2) explained that greater direct involvement in the metro by national government may disrupt delivery, when there are more effective ways of getting involved.

*"I somehow get the feeling that the national department wants to have a more 'hands-on-approach' in terms of what is going on, and I see them more as having the role of oversight, than to get involved. So if I was in their position I would send guys out to audit what is happening on the ground."* (CoCT respondent 3)

The challenges of monitoring and reporting outputs and outcomes have compounded concerns that changes to the policy by national Department of Human Settlements may limit what it is that makes the USDG unique. The following quote addressed this:

*"The intent of the USDG for integrated human settlements in the built environment must be kept. If it becomes overregulated and reported to death, and people don't understand outcomes and outputs, it will kill it"*  
(CoCT respondent 6).

## 5 Analysis of the findings

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The analysis of the findings from the City of Cape Town 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)

There is clear evidence that the City of Cape Town has interpreted the USDG as a pro-poor supplementary grant aimed at achieving a better managed built environment and this is largely in line with the intentions of the policy framework. While there is some variability of understanding amongst actors within the City of Cape Town, this is to be expected given the evolution from MIG-Cities and the various iterations of the policy framework, as well as adjustments to the annual DORA requirements. Despite this variability, it is clear the USDG has positively influenced the metro's understanding of the human settlements agenda as reflected in organisational structures. The representation of a re-structured and multidisciplinary human settlements staffing complement on the decision-making

forum responsible for allocating the USDG funds, the Project Review Committee, is one example of the integrated approach now advanced by the City, reflective of an understanding of urban settlements that goes beyond the outdated notion of just housing. Such an integrated approach is necessary to remain consistent with the defining characteristics of the grant and to ensure that the USDG's application advances its intent.

Although there may be varying interpretations as to the extent to which the USDG can and should be used for land acquisition and socio-economic facilities, the grant is clearly understood by most respondents, within and outside of the metro, as providing bulk, connector and community infrastructure to low-income and under-serviced areas, which includes, but is not limited to informal settlements. The City of Cape Town has applied the USDG for servicing backyard dwellers as well, which it also considers as falling within the ambit of the grant's intentions and this represents an innovative application of the grant, particularly in light of the service connections provided as a result. Furthermore, the expectation of co-funding and the open nature of the application process support the conclusion that the USDG has been seen as a platform for revisiting internal built environment planning and interdepartmental cooperation within the metro. By making the USDG a funding beacon for a diverse range of unfunded projects, a silo approach to built environment planning had to be broken to motivate projects in line with the broader desired impact of human settlements.

Despite an understanding of the USDG within the City of Cape Town largely in line with the intentions of the grant, this interpretation has remained in conflict with the province's understanding to a significant extent. The province has interpreted the USDG mainly as a response to the historical challenges of providing infrastructure to housing developments, with a main emphasis on bulk and connector infrastructure, to the exclusion of a range of other broader human settlements related considerations. In this respect, the province does recognise the significance of the USDG as enabling integrated human settlements development within the metro, but sees it mainly as a tool to improve metro infrastructure delivery, and to an extent, land production, particularly in relation to the HSDG. In this regard, the province remains unconvinced as to whether allocating the metro these funds (apportioned from the HSDG) has actually supported the achievement of the human settlement delivery goals.

The fact that the USDG is a direct allocation to the metros by the national accounting officer does not absolve the province from its legislated support and monitoring roles. Yet, it would seem that the manner in which the USDG was created disadvantaged the province at the outset by failing to give it any clear guidelines or point of reference for what its role might be, even after apportioning a significant portion of its expected HSDG funds. The mechanism through which the province was expected to influence the planning has been woefully inadequate and contributed in part to the gap in understanding between the metro and the province around the USDG, although this may be underscored by more nuanced differences in understanding around the human settlements agenda more broadly, as evidenced by the exchanges at the Validation Workshop. Most concerning is that it would appear that provincial understanding does not recognize the USDG as part and parcel of the broader decentralisation processes of the national housing programmes and devolution of the housing function.

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

The USDG is being implemented in the City of Cape Town mostly consistent with the primary features of the grant, albeit with a shorter horizon and some deviance from the theory of change. In particular, the City has implemented the grant with a great degree of internal interdepartmental engagement, which is a critical point of element of the USDG approach. However, the extent to which the planning surrounding the BEPP and the selection of projects for USDG funding are truly informed and integrated with broader provincial and national strategic imperatives (with the exception of Outcome 8) is questionable. The difference of understanding of the USDG between province and metro has been exacerbated by the intergovernmental planning gap between province and the metro at the start of the intervention process, notably via participation on the BEPP panel and meaningful influence of the City's built environment planning process.

Despite an extensive list of criteria against which the PRC assesses projects for USDG funding, these criteria are not explicitly derived from the USDG Draft National Policy Framework or the USDG conditions set out in the Division of Revenue Act (DORA), although there is clearly much alignment. Given that the grant is said to be an unconditional grant in terms of Schedule 4B of DORA, it is debatable whether the application of any criteria should actually be applied to USDG at all. However, historical practice in Cape Town and nationally has introduced the clear expectation of some kind of selection criteria requisite to realise the goals and outcomes associated with the USDG. Thus, when PRC members were questioned on what criteria were used, the varying responses were indicative of differing priorities or interpretations as to how projects should be judged given the supplementary and diffuse nature of the grant. While this is not necessarily problematic given the lack of an adopted national policy framework, a lack of well-defined and consistently applied criteria certainly becomes problematic if there is the intention to introduce any type of prescribed monitoring regime and attribute changes to the built environment in respect of the USDG.

Within the metro, current planning for the application of the USDG is not necessarily guided by the medium-term intention of achieving greater efficiency of the built environment, but by better servicing existing peripheral low-income communities. The historical allocations by department provide an indication that a human settlements orientation (implying greater integration across line function) has increasingly informed the allocation of the grant. However, the extent to which it was intended to be used to acquire well-located land would seem to be at odds with the rather limited allocations to date. Thus far, there is no evidence to suggest that the City's planning or implementation of the USDG is advancing the 'well-located' land for human settlements intention of the grant or really advancing objectives of densification. As a result, there is a contradiction whereby the USDG seems to be contributing to an organisational environment within the metro conducive to better management of the built environment, but this may not necessarily be contributing to a more efficient built environment, as it perpetuates current spatial patterns. The lack of utilisation of the grant for land acquisition in particular is particular cause for concern.

The limited expenditure on socio-economic infrastructure and facilities is another deviation from the design of the USDG, while there has been no discernible attempt to link the administration and transfer of title deeds to that of the USDG, despite it appearing in DORA (2013: 181) as an associated output indicator. This represents a deviation from the intentions of the grant. Further, bulk, connector and community infrastructure remains the defining feature of the grant's allocation, much along the lines of its predecessor, MIG-Cities, albeit now motivated through a human

settlements lens. Thus, while there is evidence that the USDG has prompted positive changes in terms of how the metro approaches it work, there are still significant variances from the intervention logic identified for this assessment.

The extent to which the USDG is contributing to the achievement of other specific USDG outputs also appears variable and this cannot be attributed to the USDG because of the way in which the funds are apportioned and reported. So as the City responds to its immediate and specific capital investment needs, for example, servicing backyard shack dwellers and addressing a historic bulk infrastructure backlog, it is unclear the extent to which these priorities are now being addressed because of the USDG or because they were already in the pipeline.

There is a clear intention to use the USDG and the BEPP process in the near future to shape long term planning of the built environment so that other indicators of sustainable human settlements in a metro context, such as densification and compaction, also improve. This suggests that the City is in a process of adjusting its own processes and thinking to align with the longer-term intentions of the grant design, but this process is not yet complete and this in part may explain some of the contradictions at present.

At the same time, the theory of change includes heavy assumptions related to the expansion of public transport provision, the availability of well-located and accessible land, and capacity within the metro (especially in terms of project management) to deliver these projects in a coordinated manner under acceptable and consensual social conditions. There has not been substantial evidence that these enabling assumptions are also being met to allow the products and services delivered by the USDG to eventually manifest in the desired outcomes. The implication is that the grant's implementation fails key assumptions tests, which represents a serious threat to the realisation of its intended goals.

### **5.3 To what extent has the USDG through the Built Environment Performance Plans found its place within the suite of the development-planning framework? Do these planning instruments talk to one another across national, provincial and local departments involved in the implementation of the USDG? (2.6)**

The scope of the BEPP, as provided in the 13<sup>th</sup> Draft of the National Policy Framework, is broader than its current interpretation in the City of Cape Town. While the BEPP is prepared within the overall strategic context of the IDP and is informed by other statutory plans as envisioned, it is difficult to provide the overall "rationale for the Capital Investment Programme" (NDHS, 2012: 12) when it follows on the products of other planning processes. A significant finding of the study is that the BEPP and USDG operate at an arm's length from other planning processes within the City, despite some basic representation in planning documents. The current result seems to be that rather than give impetus to a vision of a better, more efficient built environment, the BEPP seems reactive to what is being produced elsewhere. However, as much of the prescribed content of the BEPP is dictated by statutory planning that has already been done (IDP, SDF, EDS, WSDP, SDBIPs, etc.), officials believe there is little point in replicating this work, hence the comment about 'stitching together' existing plans.

The BEPP is most closely aligned to the HSDG and housing planning processes by virtue of it being administered by the Department of Human Settlements. Its interaction with other processes is mainly through the BEPP as a post hoc collation of the many existing plans, and in this way is inherently aligned with those plans that inform it. The BEPP does not seem to inform other planning processes within

the City, nor with the Provincial Department of Human Settlements, at least not in the constructive sense. The exception to this was where the Provincial Department of Human Settlements was forced to revise its targets for housing delivery as a result of underperformance in 2011/2012 as attributed to losing a portion of the HSDG's budget to the USDG (WCDHS, 2012).

One plan that was not mentioned by any respondents, but which should be interacting strongly with the BEPP is the Integrated Transport Plan. This is most likely because the planning and implementation of public transport interventions revolve around a separate funding instrument, the Public Transport Infrastructure Grant. Although the BEPP references the Integrated Transport Plan, the MyCiti Bus services and the Non-Motorised Transport Strategy, there is no indication of how these initiatives integrate with the USDG projects, or whether public transport considerations are considered in terms of project pipelining. The USDG process does not appear to encumber any of the other processes in the City, but could certainly be more closely integrated into the infrastructure and spatial planning processes particularly in terms of spatial prioritisation.

The BEPP does not "unambiguously indicate how municipalities utilise their capital budgets to achieve a balance between economic growth, poverty alleviation, and environmental protection in a way that contributes to a more compact urban form" (DHS, 2012:13). Although the total capital budget is provided in the BEPP and commentary is given, the BEPP focusses on capital budgets that are impacted on by the USDG, and not the capital budget as a whole. It could be argued that trying to achieve this would duplicate the capital budget process and the IDP, but then this is a clear shortcoming of the policy framework.

There is limited evidence that the BEPP is used for "negotiation between the City and other spheres of government" (DHS, 2012:13) as described in the Draft National Policy. Where there is evidence of this, it is mainly between national government and the metro circa 2011, while there has been little indication of the benefit since. The interaction between the City and the other spheres of government through the platform of the BEPP panel, and the panel's influence on the BEPP and hence the City's implementation of the grant, is a key component of the theory of change. However, the involvement of the City of Cape Town with the BEPP Panel as an intergovernmental coordinating forum has been of variable value since its initial engagements, especially with regard to provincial involvement. The interaction increasingly appears to be more a process of information sharing than of active engagement and alignment of priorities. The provincial Department of Local Government has a well-functioning IDP inter-sectoral engagement process within the province, which could possibly be used as a platform to ensure provincial inputs are made into the BEPP, but at the moment the provincial perspective is absent from the BEPP and this is to detriment of a broader regional and provincial consciousness within the BEPP.

The perspectives provided by officials provide evidence that the BEPP is not being used as a strategic planning document, but more as a coordination tool, both for inter-departmental collaboration and for administration of the grant. The positioning of the BEPP within the suite of existing planning would appear to have been more of a compliance exercise borrowing from other planning, rather than that of a trajectory setting plan. Strategic direction for City interventions is gained from other existing plans. There is almost no acknowledgement of the USDG in the provincial planning documentation, except indirectly and in the negative sense. The BEPP therefore does not fulfil the role as outlined in the theory of change in the Design Review and therefore falls short of the ambitious objectives for the plan as outlined in the Draft National Policy. The findings around the BEPP validate the

hypothesis proposed in the Design Review that an additional plan is not required in order to access USDG funding.

#### **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)**

##### *Policy*

One of the key challenges noted by all of the metro respondents is the shifting versions of the policy and the links between the USDG and the HSDG. The main issue in this respect would be the uncertainty around the policy and the gradual shifts, without certainty as to what it could or could not be used for. This has created a kind of apprehension on the part of the metro as to what may change next (specifically, fears were raised about it not being used for electricity), and although none of the challenges in terms of roles and responsibilities appear to be negatively affecting programme delivery, there is certainly apprehension that it may in the near future. There is a strong preference that the metro be assigned the housing function and administer the HSDG Grant and officials believe this will have a minimal effect on the metro's operations, other than to improve programme delivery, given that they are performing almost all of the functions already. An even better alternative, in their opinion would be to consolidate the HSDG and USDG into a single supplementary grant. Of course, the implications of this would be extensive given the current conditions attached to the HSDG in light of the National Housing Code and the HSDG's importance as a funding instrument across the suite of human settlements programmes. Such an alternative is therefore not likely possible without revisiting broader national human settlements policy prescripts.

##### *Reporting*

It should be noted that the metro non-financial monitoring and reporting on the USDG is not well defined in the Draft National Policy, although it appears to be more explicit in DORA. The Draft National Policy states that the reporting will be limited to: a) monthly reports in terms of Section 11 of DORA and Section 71 of the MFMA; and b) Quarterly reports on capital programme performance on the basis of the SDBIPs. However, it also says that municipalities will 'report on targets provided for in the BEPP and Performance Matrix in conjunction with the reporting requirements of Section 71 of the MFMA' (DHS, 2012: 32). The evidence produced from the City of Cape Town indicates that this reporting has largely been limited to existing quarterly reporting in relation to the SDBIP, while mostly disregarding the performance matrix.

Given that many City of Cape Town officials highlighted reporting on non-financial performance as a challenge, this is something that needs to be properly addressed in any final policy or future DORA requirements. These challenges seem to be a function of three things. Firstly, the metro is battling to reconcile the outcomes of the grant with the reporting requirements, and question the link between these two. The flexibility provided by the grant needs to be matched with accountability to reflect whether the grant is being used as intended. The shift to an "outcome-oriented, performance-based approach" (DHS, 2012:28) means that monitoring of the grant spending is inherently difficult. The defined outcome for the USDG is a long-term project, measuring the achievement of which is beyond the current capabilities of the metro. The Draft National Policy concedes that "[I]t must be accepted that the desired outcome of the USDG, cannot be achieved in the short term neither can it be measured annually with an open ended time frame" (DHS, 2012:13). However, officials feel that the focus of scrutiny on annual project output

reporting misses the longer term emphasis of the stated grant outcomes as the grant intent says “long term” while the accounting expectations say “outputs at scale”. This is exacerbated by different reporting approaches/emphases stressed to the City of Cape Town between the NDHS and National Treasury. On one hand National Treasury is providing guidance around what the grant can and cannot be used for, but the responsibility for monitoring outputs and outcomes rests with NDHS, who appear to have a different understanding.

There is also a mismatch between what the metro chooses to report on, based on what they measured before the USDG was introduced, and what is expected in the Draft National Policy. The findings suggest that the metro has met the required conditions set out in DORA by submitting quarterly performance reports and monthly financial reports. However, the extent to which the BEPP Performance Matrix (as it appears in the 13<sup>th</sup> version of the Draft National Policy) reflects within the SDBIP is extremely limited. The fact that only seven out of 45 indicators in the BEPP Performance matrix roughly correspond to the SDBIP indicators suggests that many of the BEPP indicators are not necessarily in line with the CoCT’s priorities in relation to how it spends the USDG. While there is still uncertainty around how, or whether, the specified outcomes of the USDG can be measured by the metro on a regular basis, reporting on the vast majority of these measures has not occurred. However, there is evidence that a more recent template of mostly output measures for the entire metro (rather than the USDG) is now being submitted by the City of Cape Town. Despite this, an argument could be made that it would be at odds with the nature of the grant to expect the City to report against any of these prescribed indicators because it would represent a kind of condition for a supposedly unconditional grant.

Thirdly, there are difficulties in the format of reporting and the understanding of what the outputs or the grant actually are, how and when they are measured, and how these can be attributed to the USDG. The extent to which any of the reported USDG outputs can be attributed to the USDG is debatable since many would have been delivered with co-funding, in conjunction with another programme, or may include measures from unrelated capital projects (such as EPWP) due to the supplementary nature of the grant’s design. In fact, it could be argued that the majority of outputs reported upon are not USDG projects because only seven of the USDG projects have been closed at the time of this report. This is not necessarily contradictory because much of what has been reported would have previously been funded by MIG or MIG-Cities and all of the projects initiated years ago would have been completed and where relevant, reported in relation to the USDG. This finding does not indicate that the grant is not being used, just that the outputs are either being delivered as a result of the overall capital spend (and not as a result of the USDG), or that outputs are being reported before the projects are officially closed via the PRC. This raises the issue of timing of the reporting on outputs: officials battle to report on ‘work in progress’ and it is not clear whether they should do this or whether they must wait until the project is officially complete and the output is auditable.

There is a clear disjuncture between the reporting expectations at a national level and the need for accountability, and the feasibility of these requirements at the local level. Metro officials question the relevance and usefulness of these performance matrix output indicators and their link to the grant objectives.

#### *External engagement*

The theory of change indicates that the key mechanism through which external engagement takes place is through the BEPP planning process and the BEPP Panel in particular. It is clear that the City of Cape Town considers this process and the

USDG budget allocation process as internal matters, with limited formative influence from external parties on the content of the BEPP, excepting the first BEPP planning process. Involvement of the provincial government is limited to the extent that the participation on the BEPP Panel is either ineffective or unknown, and the USDG seems to be interpreted as a metro instrument which can be accessed by the province only at the discretion of the metro, usually at the eleventh hour. This is at odds with the provisions of the USDG National Policy Version 13 (DHS, 2012) and represents an intergovernmental planning gap which threatens the achievement of the desired results of the intervention from the outset.

Engagement with any parties external to the state is limited to the rather indirect engagements via the IDP process of the City of Cape Town. To some degree this is justified, and the USDG projects are selected from those already on the approved capital budget, which is included in the IDP. While the prospects of public participation may seem unnecessary or onerous given the manner in which the recent BEPPs have been compiled as post hoc collations, there are important decisions about spatial form, prioritised corridors and nodes integral to a better built environment which will require external engagement with private companies, developers, community groups and social formations if there is to be consent to advance a long term Built Environment Performance Plan, as is currently mooted in the City of Cape Town BEPP 2013/2014.

#### *Internal management of the grant*

A final, but lesser challenge that has arisen with the USDG's implementation has been the shifting role of the Department of Human Settlements within the metro, moving to the centre of built environment planning and coordination between departments. Moving the department into this space has certainly been consistent with the intention of promoting the devolution of the built environment to cities. Although there has been some minor resistance and reluctance to this within the metro, the respondents claim that this shift has coincided with improved functioning and delivery to prioritised areas, mainly poor areas, of the built environment. A focus in project selection and approval can be substantiated, but the outputs and results for this cannot yet be substantiated.

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

#### *Efficient use of resources*

The first part of the question can be answered to an extent. The City of Cape Town has developed an innovative, and seemingly efficient, institutional mechanism to administer the grant, in the form of the PRC, which has enabled the application of the broad USDG aims as criteria to inform project selection. An inspection of the approved project list, as well as those projects that have been rejected by the PRC, indicates that the grant is allocated to projects very much in line with the intentions of the grant and that the adjudication process and allocation of funding occurs regularly and consistently, triggering the implementation of planned projects set out in the BEPP. The frequency and regularity with which this occurs is in part due to the delegation of the decision-making authority from the Council to the Executive Director for Human Settlements, allowing him to chair and convene approval meetings on a scheduled basis, with ad hoc provisions when necessary. This has resulted in a consistent and relatively expeditious approval of projects that are in line with the intentions of the USDG.

However, one area of uncertainty is the use of the USDG for operating expenses, the so-called 'OPSCAP' portion. While this is a small portion of the total USDG

expenditure in Cape Town (<3%) and is used to increase project management capacity in order to accelerate implementation, there is no official policy basis for this expenditure. The DORA (2013) and the Draft National Policy are explicit that the USDG is a capital grant. It is assumed that this expenditure is based on the fact that the HSDG and MIG policies both contain a 5% OPSCAP provision. This expenditure has a direct impact on the efficiency and effectiveness of the grant, but policy clarity is required to describe the circumstances in which this may be acceptable, so that all metros are treated equally and that this provision is not abused.

Two years of implementation have seen the City of Cape Town utilise 91.4% and 93.6% of the USDG respectively, while more recent financial reporting suggests a concentration of the spending in the final quarter of the year. This is indicative of an inconsistent spend, despite a relatively consistent approval process. Given the rate and frequency of project approvals, procurement and project management appear to be the main reasons for expenditure performance. An expedient procurement process that ensures the lowest cost for the volume and quality of project outputs is necessary, and the current situation would seem to be a threat to the efficiency of the process. Further, poor project management and prolonged or incomplete implementation also jeopardises the delivery of the intended outputs within the intended period of time, or to the expected standard.

Although there is evidence of efficiency on the part of the metro's management of resources in terms of project identification and allocation, this becomes muddled when it moves to the complexity of procuring and managing projects to their full conclusion. Whereas it would have been ideal to undertake analysis between the financial inputs and the outputs delivered this is not possible for the following reasons:

- Most City of Cape Town projects are co-funded to some extent meaning the USDG is only part of the input and cannot be disaggregated;
- The City of Cape Town reports against its overall capital programme and therefore all output reporting cannot be differentiated in terms of the USDG. Further, not all of the USDG funded outputs are measured while many other outputs from alternative funding sources are aggregated with USDG related outputs; and
- The variety of possible outputs associated with the grant is so expansive and diverse that any number of such analyses would be unwieldy and largely incomparable between outputs.

The overall result of which is that no firm conclusions can be made with regards to efficiency, while it is clear that the City of Cape Town has introduced a rather efficient start to the process of project selection and allocation. Thereafter, any judgement of efficiency of the USDG outside of the overall capital programme becomes problematic, and that is well beyond the scope of this work.

#### *Value for money?*

The determination of 'value for money' cannot be empirically determined in a meaningful manner in relation to the application of the USDG in the City of Cape Town. Whether the 'best' use is being made of the available resources, is a difficult approximation that can be proposed for the sake of addressing the evaluation question. In such a complex environment, there is no simple measure of this. The two points that could be considered are: Is the project needed? And is it being provided at the best price? The answer to the first question lies again in the project selection, which is a combination of the City priorities defined in the IDP and the professional judgement of municipal officials. An imperfect assessment would have

to conclude that, in an environment of inordinate need, the City has the ability to identify the most pressing of these. The answer to the second question lies in the Supply Chain Management process, which is closely regulated, and therefore the only way for the City to procure services. One exception to this is the process of purchase of land on a 'willing buyer, willing seller' basis. The perverse incentives to spend more on land acquisition does not seem to impact on the City of Cape Town in gaining the best prices that they can, this is an important issue for consideration as it pertains to obtaining best value for money.

The spatial analysis also indicates that the grant is being directed to the poorest areas of the City, albeit not through a rigorous spatial prioritisation process, but rather through a familiarity on the part of the municipal staff, but also the extent to which a 'case' for benefit can be made. This approach also implicitly raises another issue – that money is being allocated to improving previously disadvantaged areas, or upgrading informal settlements, but these areas are not necessarily *well-located*. This has the effect of entrenching the inefficient apartheid spatial patterns in the City, rather than creating the more compact and efficient cities as intended in the USDG outcome statements. The value of the grant in terms of its contribution to spatial transformation therefore appears to be challenged and a case could be made that if the objective is spatial transformation, then the USDG may not be the best means of achieving those results at this time.

A further consideration of 'value for money' is whether the use of the grant has leveraged other resources. In this respect, there is evidence that the funds have managed to leverage existing capital funding to co-fund and compliment USDG funds into poorer areas and for projects that would have otherwise not been funded or not drawn sufficient funds within the short to medium term to be completed. In this sense, the USDG has had a knock-on effect where it has enabled and unblocked a range of other projects that previously could not get done, while causing a re-orientating of the associated line departments to view their projects through a human settlements prism in order to obtain funding. Despite the City not using the grant to leverage debt finance for low-income housing, it has clearly provided the space and freedom for the city to innovate and unlock potential human settlements opportunities with private developers. In this sense, it is creating value, but a more robust cost-benefit or cost-effectiveness analysis cannot be conducted at this time.

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

### *Municipal accreditation*

Promoting the devolution of the built environment responsibility to cities is a key feature of the grant's broader intent, and in this sense the City of Cape Town has utilised the USDG to better prepare itself in anticipation of the devolution of the housing function. The PRC as a governance structure has clearly helped the City to prepare for its responsibilities by developing a process, systems and protocols that allow it to all but fulfil this function on its own. The delegation of the decision-making responsibility from the Council to the Executive Director: Human Settlements via the PRC is but another example of how this process has prompted the kind of preparatory arrangements that will be conducive to an efficient and effective operational environment when the devolution does come.

The conditionality of USDG funding linked to the BEPP has also resulted in the metro human settlements department having to consider and plan its work within a broader built environment context. While the BEPP is still a post-hoc collation of

existing plans, the shift towards longer term planning around the built environment will also promote an integrated, urban human settlements approach that is imbued by the range of considerations necessary to transform undesirable spatial conditions and improve built environment efficiency. Unfortunately, it is still too early to suggest this has happened, but findings appear suggestive that this will be the case and in this sense, the USDG has also contributed to devolving the built environment responsibility to the metro.

### *City Support Programme*

At the time of the initial research the CSP had limited interface in relation to the USDG in the City of Cape Town. However, in the course of completing the assignment engagements were said to have eclipsed the process and become entrenched. Although the interface of the CSP was limited in terms of this research, the potential of it remains great, particularly in light of some of the issues identified in the course of monitoring and reporting on the USDG in relation to the overall capital expenditure programme of the metro and its broader goals and objectives. Specifically, the tracking of outcome related measures on a metro-wide scale is a critical source of information which is necessary to provide credible evidence of the effectiveness of interventions such as the USDG, and the CSP seems to moving in this direction.

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

The City of Cape Town appears to have the institutional capacity to manage the USDG grant but it has exposed a few gaps which are not USDG specific, but linked to the broader municipal capital programme. One capacity gap that was identified was project managers to implement, manage and report on capital projects. Ultimately, the results of the USDG will be dependent on this, and there was limited evidence in the way of output reporting or respondent accounts that suggest the City of Cape Town has the project management capacity to carry through all of the related projects. Although not a USDG funded project, the example provided by civil society representatives of the failed sanitation facility provision further highlights the importance of monitoring contractor performance and it is clear that this could be improved not only for the USDG, but the municipality as a whole. Furthermore, project delivery is still significantly vulnerable to bureaucratic delays (EIAs, land purchase, planning approval, tender challenges, etc.) and project disruptions (community protest, contractor disputes, etc.). There also appear to be teething problems in coordinating the use of the USDG for developer-driven projects on private land, as this is a new delivery mechanism.

## **6 Conclusion**

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### **6.1.1 Overall assessment of the implementation of the USDG in the City of Cape Town**

The case of the City of Cape Town demonstrates that despite the broad and shifting prescripts of the grant, it has contributed meaningfully to how the City approaches the management of its built environment. The USDG is understood by the metro as an overwhelmingly progressive grant, consistent with the grant's overall intentions, and it is for this reason that the metro has established structures, systems and processes for ensuring that it is applied in a supplementary nature, with a pro-poor focus, in line with broader policy imperatives such as Outcome 8. It is clear that the

grant has had a positive influence on the coordination and integration, despite the limitations of the BEPP planning process. The PRC has become a platform for making the realisation of the human settlements outcome a determinant for project funding, and that is breaking silo approaches within the municipality.

There is evidence to suggest that the grant has enabled the City to do things it has not been able to do in the past, such as developer-driven projects on private land. In terms of the City of Cape Town's implementation, these things are undoubtedly escalating the support to, and coordination of, capital projects with a pro-poor orientation around an integrated human settlements outcome and a better built environment, even if there is limited evidence produced indicative of whether these broader outcomes are being achieved.

### 6.1.2 Theory of change

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

In terms of **inputs**, the City of Cape Town BEPP can be considered integrated, holistic and credible with regards to the other statutory planning, but it does not specifically address spatial inequalities and remains a post-hoc collation of other documents. The BEPP panel has provided inputs to the BEPP, albeit without meaningful input from the province and with limited benefit of late. So while the BEPP is intended as a plan to guide the improvement of the built environment and the application of the USDG, evidence would suggest it is done for compliance purposes and is not necessarily applied as a roadmap for implementation. Thus, the assumption that the BEPP is consistent with other statutory plans is valid, but it has not prompted the kind of intergovernmental coordination, planning and engagement around built environment that it was intended to in terms of the USDG draft National Policy. Therefore, the assumption that the provincial housing plans are aligned to the BEPP was found to be invalid as there is little interaction between the Province and the metro in the BEPP development process.

In terms of **activities**, the City of Cape Town supplements its projects capital budget with the USDG in the literal sense, requiring line departments to co-fund and motivate for any projects that seek USDG funds in line with the intentions of the grant. This is leveraging internal funding towards a human settlements agenda, but the amount or proportion that would otherwise be directed elsewhere is not clear. The USDG has not prompted the metro to borrow any debt finance, while it is still beginning its first foray into a private developer initiative, thus giving the USDG in Cape Town a mixed and largely unquantified record in terms of leveraging additional funds.

The PRC ensures a relatively efficient project selection, approval and allocation process which supports the assumption that the metro has sufficient institutional capacity to apply the funds as planned, to an extent. Acknowledged shortcomings around supply chain management, project management and the monitoring of project implementation are indicative of the fact that these assumptions are not fully met at this time.

The **outputs** of the USDG that are produced by the City of Cape Town appear broadly consistent with those expected, with the notable exception of the purchase of well-located land and the qualifier that these outputs cannot be attributed solely to the USDG. The barriers to obtaining well-located land have been presented in the findings section of the report, and for various reasons the assumption that well-located land is readily available is not necessarily correct. The theory of change

assumes that increased funding will result in the purchase of well-located land, failing to consider existing availability and location of land (especially state land), community dynamics and human resources. In addition, the link between the USDG and the transfer of title deeds is tenuous at best, seemingly a peripheral and inconsistently handled output. Further, there was limited evidence in Cape Town of a link between the grant outputs and the availability of accessible and safe public transport.

It is premature to draw conclusions as to whether the outputs are integrating under the necessary social and economic conditions to result in the desired **outcomes**, as this would require further study and at present there is a lack of meaningful outcome indicator measures tracked in relation to the USDG, or across the metro, to render a judgement on this. However, challenges in the acquisition of well-located land have serious implications for the spatial objectives that would need to be achieved to enhance overall built environment efficiency and this casts doubt on whether the medium-term outcome and impact could be achieved under the current USDG arrangements alone.

### 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 and how the City of Cape Town implements the grant. There are a number of lessons that can be learned going forward and the following recommendations serve as emergent suggestions in relation to both the City of Cape Town and the grant more broadly. Recommendations to take forward in consideration of the synthesised national report include:

- Finalise the policy framework, taking note of the metro concerns that any additional prescriptions will counteract the flexibility, which is the major perceived benefit of the grant.
- Improve upon and make clear the roles and responsibilities of the national and provincial departments with regards to the built environment process and ensure engagements occur at a time and in a manner that allows for meaningful input and consultation.
- Consider a separate funding instrument with different timing to facilitate the purchase of land.
- Review the monitoring and reporting requirements of the grant and how these get used with the aim of streamlining metro reporting across a range of government programmes.
- Clarify the possibility and conditions around an operating 'top-slice' of the grant.
- Focus monitoring and evaluation on the process of project selection, rather than the list of projects, or project outputs given the supplementary nature of the grant.

In the case of the City of Cape Town, there are also lessons learned that demonstrate good practice:

- Applying a co-funding approach that requires line departments to motivate for funding in relation to the USDG's intentions may prove a boon for incorporating human settlements considerations into current and future project planning across line departments.
- Delegation of the decision-making authority from Council to the Executive Director: Human Settlements has invested the senior manager (as head of

the technical team) with the power to make financial approvals in relation to the USDG project selection process.

- A multidisciplinary Project Review Committee and Secretariat with established systems, protocols and templates for applications has standardised and routinized the process for approving USDG funding, bringing greater transparency and accountability to the application of funds.

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