



16 March 2015

SUPPLEMENTARY NOTE TO THE GUIDELINES FOR THE BUILT ENVIRONMENT PERFORMANCE PLAN (BEPP) 2015/16-2017/18

The Guidance Note for the BEPP 2015/16-2017/18 was issued in October 2015. This supplementary note has been drafted to provide further clarity after the receipt of all 8 Draft BEPPs in November 2014, and the completion of the BEPP Reviews in February 2015¹. This Supplementary Note therefore:-

- a) Describes the format for the pipeline of catalytic urban development projects;
- b) Details the information required on the allocation of grant funding to projects in the capital investment programme; and
- c) Clarifies the information required for outputs associated with grant funded projects.

1. INTRODUCTION

The key focus of the BEPPs guidelines for the 2015/16 MTREF is to emphasize the implementation of the pipeline of catalytic urban development projects². Metropolitan municipalities have used the Urban Network Strategy to spatially target “integration zones” as areas for priority development. This exercise is intended to identify catalytic projects that crowd-in public investment in order to leverage private sector and household investments in urban development and, in so doing, contribute to more inclusive growth.

The BEPP Review process highlighted a number of issues that need to be addressed to improve the quality of the 2015/16 final BEPP submissions, including:-

- a) Insufficient detail on catalytic urban development projects, with levels of information and formatting varying widely; and
- b) Inadequate information for reporting on and monitoring of inputs, outputs, outcomes and impacts with respect to the allocation of built environment grants vis a vis the cities’ capital investment programme.

These issues point to underlying weaknesses in the link between planning and implementation. The next few months (up to the May 2015 final Council-approved BEPP) provides an opportunity to close the gap on information on the pipeline of catalytic urban development projects and the application of grant funding.

¹ This was done as part of the Mid-Year Budget and BEPP Review process.

² Sections 3 and 4 of the Guidelines issued in October 2014

Senior leadership from metropolitan municipalities have jointly committed with the Ministers of Finance and Cooperative Governance³, to making this happen. This is an important commitment given the emphasis on accelerating infrastructure investment by the Minister of Finance in his 2015 Budget Speech, (pages 14 and 15).

This joint commitment by National Treasury and metropolitan municipalities to accelerate infrastructure investment, improve infrastructure maintenance and strengthen financial management will be evident when metropolitan municipalities announce details of their capital investment programmes in their forthcoming 2015/16 MTREF Budgets, IDPs and BEPPs.

This Supplementary Note is therefore intended to improve the quality of information on the pipeline of catalytic urban development projects with the objective of improving government efficiency and effectiveness in the delivery of infrastructure in metropolitan areas.

The National Development Plan emphasises the need for a new approach to providing infrastructure, housing and public transport services that realises the economic dividends of urban growth while overcoming the spatial divisions of apartheid. The 2015 budget acknowledges that this will require local economic growth, property development and revenue capacity, alongside national support and recognises the need to assist cities in mobilising the finance required for more rapid infrastructure investment and maintenance. This will be complemented by:-

- a) Amendments to the Municipal Fiscal Powers and Functions Act to clarify the rules for Development Charges
- b) The introduction of the Project Preparation Facility for catalytic urban development projects
- c) The review of local government infrastructure grants to enhance their alignment, flexibility and predictability
- d) Measures to improve access to capital markets for infrastructure finance by municipalities; and
- e) A conference on urban infrastructure investment in 2015 to enable private investors to obtain details of financing opportunities that will arise from metros infrastructure programmes.

2. FORMAT FOR THE PIPELINE OF CATALYTIC URBAN DEVELOPMENT PROJECTS

Various government departments are focusing on catalytic projects. Metropolitan municipalities have identified their own catalytic projects and the provincial and national spheres of government including state-owned entities have their own initiatives underway. There are various definitional issues about what constitutes a catalytic project. While the BEPP guidelines provide often complementary guidance, it is the metropolitan interpretation and alignment that should take precedence.

All metropolitan municipalities are already able to identify a pipeline of catalytic urban development projects even though they refer to them in different ways. A standardized format which articulates this pipeline of catalytic projects will enable various stakeholders to engage with metropolitan municipalities to prioritise projects, allocate resources, identify the dependencies to mitigate risks, and in this way enable effective tracking of project implementation. This is especially important to encourage the interest of potential private sector investors.

³ February 2015 meeting of Metropolitan Mayors and Municipal Managers with Minister and DG of Treasury

Generally, a package of projects forms a programme of intervention. A focus on the project pipeline rather than individual projects only, (whether mega, large or small projects) will enable effective identification, description and tracking of such interventions. Projects within a programme/pipeline can be prioritised and sequenced in terms of dependencies (for instance, which projects are needed to unlock resources, align with budget cycles, are in states of readiness, respond to market conditions, as well as manage political expectations). Projects within such a pipeline can be supported to manage potential risks and clearly demonstrate the consequences of delays. It will also allow for improved resource allocation across spheres and entities, clearer monitoring, better project management and improved political reporting and project marketing. The packaging of projects into a pipeline in a particular space, for example within Integration Zones (as per the UNS) should include the following:-

Fields	Information
1.	Name and description of programme
2.	Name and description of project
3.	Location of project
4.	Type of project
5.	Quantity
6.	Unit
7.	Funding sources by project phase
8.	Amount by project phase
9.	Expenditure by project phase
10.	Start date by project phase
11.	Completion date by project phase
12.	Status by project phase
13.	Dependencies
14.	Agency
15.	Key Documentation by project phase

Metropolitan municipalities are requested to use the format in **Annexure A** for the pipeline of catalytic urban development projects. Each required field of information in terms of the format is detailed in the Annexure A in text and graphic format (Figures 1 and 2) and translated into the Excel template in Annexure 2.

3. APPLICATION OF GRANT FUNDING TO CAPITAL INVESTMENT PROGRAMMES

Grants constitute a significant though varying component of funding for projects across metropolitan municipalities. It is important to describe the mix of funding sources allocated to a project within a pipeline/programme. When completing information field 7 (Funding Sources by Project Phase as outlined in Annexure A), please name the specific grant/grants (for instance, Urban Settlements Development Grant, Human Settlements Development Grant, Integrated National Electrification Programme Grant, Public Transport Infrastructure Grant, and Neighbourhood Development Programme Grant). This information will be read in conjunction with the relevant documents required for each of these grants submitted to the

relevant national or provincial department⁴. The specific outputs of the grants would be captured under information fields 4, 5 and 6 as outlined in Annexure A.

4. OUTPUT TARGETS FOR GRANT FUNDED PROJECTS

Targets associated with each project, in accordance with grant reporting requirements, are needed. This will enable the city as well as other stakeholders, to track progress with implementation and provide appropriate support, as the links between inputs and outputs will be more clearly identifiable. Cities will retain the flexibility to allocate grants, (as a project input) and still clearly demonstrate what output/s are produced. Collectively the outputs of all projects should contribute to outcomes and impacts.

For queries please do not hesitate to contact Yasmin Coovadia, 083 291 2723,
Yasmin.Coovadia@treasury.gov.za or your assigned CSP Co-ordinator:

References

1. Budget Speech, Minister of Finance, 25 February 2015.
2. Guidance Note for the Built Environment Performance Plan 2015/16 – 2017/18, October 2014
3. Minutes of the meetings on accelerating urban infrastructure investment to catalyse inclusive economic growth in the 2015 MTEF, 12 and 17 February 2015 (meeting of DG with Municipal Managers; meeting of Minister with Mayors)

⁴ Sector Plans for Human Settlements and Transport, as well as Business Plans for the NDPG and INEP which are requirements of the BEPP as per the original Guidance Note

ANNEXURE A

This Annexure provides definitions for the fields of information requested from metropolitan municipalities on their pipeline of urban development catalytic projects. The format is pictorially depicted in Figures 1 and 2. The format is captured in the attached Excel and returned to National Treasury together with the Council-approved BEPP.

1. Description of Programme

Name and describe the overarching programme in terms of transformative objectives, policies and strategies [e.g. Urban network Strategy], including a description of how the precincts, networks and projects combine to create the programme.

2. Name and description of project

This should be a specific name and project, and not “informal settlement upgrade” and it should be clear as to how this project contributes and relates to the overarching programme. These should be listed in order of importance and sequencing.

3. Location of project

This should be by specific area and GPS coordinates to easily locate the projects.

4. Type

Clear and standard descriptions, including sub-types

Residential:

- Subsidised (by subsidy type)
 - Social
 - Market (low, middle, upper)
 - Ownership/Rental
- * NB: Avoid using the term “Gap” market as it is too broad.*

Commercial:

- Office
- Retail
- Industrial
- Hospitality

5. Quantity – self explanatory

6. Unit – self explanatory

7. Funding Sources by Project Phase – self explanatory

8. Amount by Project Phase – self explanatory

9. Spend by Project Phase– self explanatory

10. Start Date by Project Phase– self explanatory

11. Completion Date by Project Phase– self explanatory

12. Status by project phase

The status should be described as per the elements of the different phases of the project cycle see Figure 3. For example, for the “Planning and Packaging” Phase, the following elements could be reported on:

- (a) Concept finalisation
- (b) Tender, contract & manage consultants to do:
 - (i) Detailed design
 - (ii) Detailed feasibility:
 - Market research
 - Detailed costing
 - (iii) Attain development rights
- (c) Raise finance
- (d) Phasing/Site packaging
- (e) Development guidelines
- (f) Marketing

13. Dependencies

Description of project dependencies in terms of:

- (a) Political approval
- (b) Site acquisition
- (c) Rights approval
- (d) Budget approval
- (e) Related project completion e.g. infrastructure

14. Agency

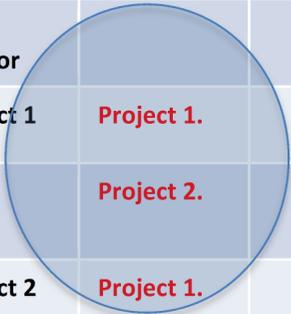
Personnel and departments responsible for driving and coordinating the project, including contact details.

15. Key documentation by project phase

- (a) Inception
 - Concept report
 - Acquisition documents [e.g. sale agreement]
- (b) Prefeasibility
 - Site analysis report
 - Market report
 - Zoning certificate
 - Title deed/S.G. diagram
- (c) Project delivery model
 - E.g. Memo of understanding/ partnership contractual documents
- (d) Planning & packaging
 - Detailed design
 - Feasibility
 - Project guidelines
- (e) Site preparation
 - Tender documentation
- (f) Site disposal
 - Disposal documents
 - Management agreements

Figure 1: Pipeline of Urban Development Catalytic projects

PROGRAMME OF INTERVENTION – PROJECT PIPELINE															
	1. Name and Description of Programme & Sequence of projects	2. Name and Description of project	3. Location By Area and GPS Co-ordinates	4. Type	5. Quantity	6. Unit	7. Funding Sources by Project Phase	8. Amount by Project Phase	9. Spend by Project Phase	10. Start Date by Project Phase	11. Completion Date by Project Phase	12. Current Status by Project Phase	13. Dependencies	14. Agency e.g. Department/Individual	15. Key Documentation by Project Phase [Dropbox link]
Network Element															
Hub / Corridor															
Precinct 1	Project 1.														
	Project 2.														
Precinct 2	Project 1.														
	Project 2.														



Cluster or network of related, reinforcing and inter-dependent projects

Figure 2: Project Cycle

