NATIONAL TREASURY
REPUBLIC OF SOUTH AFRICA

Neighbourhood Development Partnership Grant

NDPG Toolkit (No 2 of 5)
Grant Details

Version 5
July 2007

Table of Contents

1 SUMMARY

1.1 Introduction

It is estimated that well over 60% of South Africa's population live in townships, informal settlements and low-income housing developments. These areas tend to lack both community and commercial infrastructure, such as town centres, nodes, high streets and other economic activity areas which provide places for communities to live, work and play. In addition, these areas often constitute the bulk of the land area of the municipalities, yet contribute little to the municipal GGP, and are characterised by minimal and marginalised local economies, with little access to economic opportunities closer to home.

The Neighbourhood Development Partnership Grant (NDPG) is a new and unique grant offered by the National Treasury to Municipalities for developments that provide community infrastructure that leverages private sector development physically focusing on target areas that include:

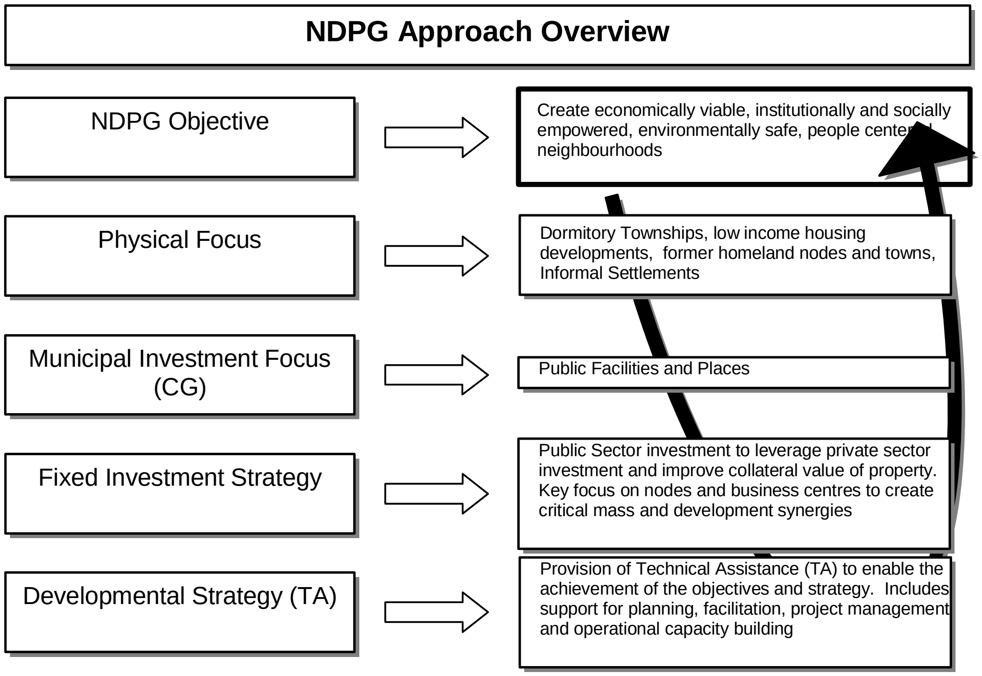
- Townships that were originally created as separate areas for Black people. generally located on the periphery of towns and cities
- Low-income housing estates, which are generally not fully functional neighbourhoods
- Informal settlements

The NDPG is available both as a Technical Assistance (TA) grant and a Capital Grant (CG), with the intention that the National Treasury and the Municipality engage in a strategic alliance to deliver the successful project, with a certain measure of security of capital for local government investment identified at early stages of project preparation.

The typical ideal project demonstrates a critical mass of both community and commercial development. The council would drive the development of project packages and the establishment of key, appropriate community infrastructure and the creation of the platform for commercial development.

1.2 NDPG in a Snapshot

The NDPG aims to create economically viable, institutionally and socially empowered, environmentally safe, people centred neighbourhoods. Municipalities are encouraged to invest through the NDPG in public facilities and places to leverage private sector investment and improve the collateral value of property. The key focus is on nodes and business centres to create a critical mass of community and commercial facilities and amenities. The provision of technical assistance through the NDPG enables the achievement of the objectives and the strategy through the provision of support for planning, facilitation, project management and operational capacity building. Details of the NDPG are provided in this document.



2 INTRODUCTION AND OVERVIEW

2.1 Purpose of Document

This document provides an overview of the Neighbourhood Development Partnership Grant (NDPG) administered by the Neighbourhood Development Programme Unit and describes the key information that is required to understand the principles and objectives of the NDPG. It is divided into three parts. Part 1 provides the introduction and overview. Part 2 outlines the evaluation and financing framework. Part 3 outlines the business, institutional and operational framework.

2.2 What is the NDPG?

In his 2005 Budget Speech the Minister of Finance stated, "We must seek to build partnerships that mobilise our most creative energies in constructing recreational and sports facilities, health and education services, administrative infrastructure, business opportunities and community resource centres."

The Neighbourhood Development Partnership Grant (NDPG) was subsequently announced by the Minister of Finance in his budget speech on 15 February 2006. The primary focus of the NDPG is to stimulate and accelerate investment in poor, underserved residential neighbourhoods by providing technical assistance and capital grant financing for municipal projects that have either a distinct private sector element or an intention to achieve this.

The NDPG is structured in the form of a conditional grant to municipalities through the Division of Revenue Act (DoRA). In the initial stages a token amount is allocated for technical assistance, with a steep ramp up for capital grants to fund construction in later years. It is expected that the NDPG will have at least a 10 to 15 year time horizon. Actual allocations in future years will depend on the readiness of the projects for implementation. The first few years will focus on building an appropriate pipeline of projects (see Appendices for the outline of the NDPG as approved by the 2006 Division of Revenue Act (DoRA)).

The NDPG has its genesis in the recognition that strategic public sector investment in community facilities and places can provide the impetus for sustainable private sector investment and improvement in the collateral value of township properties. Thus the NDPG focuses not just on the nature of the community facility or place, but specifically on how this investment can lead to the sustained improvement in the investment desirability of the township. The funding should thus play a key role in unlocking the resources and initiating the property developments required to transform NDPG target areas into vibrant and economically functional neighbourhoods that are pleasant to live in and provide residents with access to shops, markets, recreational and community facilities, and public transport. In order to maximize the impact of the NDPG funding, township nodes in particular are seen as key localities to initiate this transformation.

Since the dawning of democracy, public investment in restructuring settlements and redressing imbalances in the provision of economic infrastructure and social facilities has been driven through a number of programmes. Whilst investment in facilities by sector departments like Health and Education and capital projects by municipalities in the last ten years have made significant impacts, for the large part they focused on backlogs and have not been strategically focused to have had significant transformational impact on the form of settlements. Very little coordinated private investment to supplement the quality and scope of these facilities and services has been leveraged.

The Urban Development Zone Tax incentive, introduced in the 2004 budget, to incentivise private investment in urban regeneration is limited to city centres. In a similar fashion, the NDPG provides an opportunity to extend this thinking to townships and under-serviced neighbourhoods. The Sector Charters that have been developed by various industry sectors, especially the Financial and Property Sectors, have the potential to unleash significant financial resources. With the NDPG, government is seeking to facilitate this investment and unlock the social and economic capital in new and existing residential neighbourhoods. The NDPG thus also represents a challenge to the private sector to work with Municipalities in capitalising on these opportunities.

It is estimated that over 60% of South Africa's population live in townships, informal settlements. These areas tend to lack both community and commercial infrastructure, such as town centres, nodes, high streets and other economic activity areas which provide places for communities to live, work and play. In addition, these areas often constitute the bulk of the land area of the municipalities, yet contribute little to the municipal GGP, and are characterised by minimal and marginalised local economies, with little access to economic opportunities closer to home. Indeed, early research indicates that there are about 17,000 communities that may benefit from such an initiative, with over 3,000 displaying the potential to attract a variety of private sector i8nvestments. The challenge is thus for the NDP Unit to provide support mechanisms to municipalities that do not qualify for the NDPG, such as Best Case examples, which wish to inform their approaches to projects,

2.3 The NDPG Vision

The NDPG is driven by the notion that public investment and funding can be used creatively to attract private and community investment to unlock the social and economic potential within the targeted neglected townships and neighbourhoods (NDPG target areas) and that this in turn will contribute to South Africa's macro-economic performance and improve quality of life among its citizens.

2.4 NDPG Objectives

The NDPG represents a part of government's commitment to achieving the outcomes of the various sector Charters. The NDPG is a resource available to Municipalities that will enable them to negotiate, and partner, with the private sector in investing in, and developing properties as the targeted location for, township businesses and economic activity. The NDPG would thus enable municipalities to put human, physical and environmental resources and infrastructure in place that would enable the private sector to invest with reduced risk and in a positive physical setting. Beyond that, it will also assist the Municipality to work with local businesses and entrepreneurs in jointly developing investment opportunities.

Physically the NDPG can support the creation of a variety of viable economic nodes. In many of the largest and most significant townships, many primary nodes are already being developed as a result of Urban Renewal and municipal investment strategies. The NDPG would seek to invest in community facilities that will enable marginalised communities to get better access to services.

Through redressing imbalances in the provision of community facilities and quality places, the NDPG aims to address economic underdevelopment that will contribute directly to the economic prospects of the country as a whole. The aim is thus to:

- Leverage private and community investment into NDPG target areas
- Enhance the collateral value of properties in NDPG target areas
- Create the conditions for the broadening of Black capital formation and business development
- Achieve efficiency in the movement of goods and people by restructuring the spatial form of neighbourhoods by introducing mixed land uses and supporting the introduction of activity nodes and movement corridors
- Create vibrant public and economic spaces
- Build institutional and developmental capacity that will contribute to social and economic cohesion
- Inject a new economic and social vitality into the predominantly residential nature of the target areas
- Make lessons learnt (positive and negative) available so processes can be replicable

2.5 NDPG Rationale

It is anticipated that the NDPG can achieve its goals by accelerating investment in community amenities in the target areas by providing a combination of technical support and capital financing for municipal projects that will leverage private sector investment at scale.

Historically, a number of issues have stood in the way of this type of synergy between public investment and its ability to creatively attract private and community investment. It is hoped that the NDPG will provide a vehicle with which to overcome these barriers. The following table illustrates some of these challenges and the responses to these envisaged under the NDPG.

Challenge	*NDPG response*
The absence of nodal development plans and limited municipal capacity to develop integrated projects contributing to the economic growth of these areas	The NDPG will provide technical assistance to municipalities to develop appropriate project proposals
Limited funding for capital works for public facilities and places that unlock collateral value of fixed investment and investment potential	The NDPG will contribute to public investment in community facilities and places to attract private investment in property development and management (including improvement in the collateral value of private property)
Low levels of private sector investment	The NDPG will fund necessary negotiation, strategy

	formulation, economic and other feasibilities, land expropriation and project packaging required to create the appropriate environment for private sector investment
Limited municipal capacity to assemble and align multiple funding sources in a single large-scale multi-faceted property development project	The NDPG aims to fund technical assistance to municipalities to assess and package public investment initiatives through which private investors and/or partners and other co-funding sources can be leveraged
Risk of mismatch between capital investment made and maintenance and operational budgets of municipalities	NDPG aims to incentivise innovative partnerships to enable the exploration of different maintenance options and regimes (including use of green and eco-technologies which reduce operational and maintenance expenditures)
Inequitable focus on inner city metropolitan areas and established business centres where private investment is easier to attract	The NDPG will provide technical assistance to proactively identify projects for marginalised and/or under-serviced nodal development areas (NDPG target areas)

The NDPG aims at building on current good practice that is emerging. For example in urban nodes where investment in high quality infrastructure and clustering of quality public facilities have proven to be a successful model for attracting private investment and stimulating economies in townships. The NDPG's aim is to support and accelerate this model, particularly given the notion of cities are engines for growth and the need for government to be pro-active in creating opportunities and stimulating growth through investment in neglected areas.

2.6 NDPG Target and Priority Areas

In South Africa, the term "township" generally refers to the underdeveloped, usually urban, residential areas that during Apartheid were reserved for non-whites (Africans, Coloured and Indian) who lived near or worked in areas that were designated 'white only'. Although formal segregation ended with the new democracy, many of these township areas as well as other low-income housing areas (such as informal settlements and low-income housing estates) have seen rapid growth. Townships were also called "locations" or "lokasie" (Afrikaans translation and are still often referred to by that name in smaller towns. The term "kasie" – a popular short version of "lokasie" - is also used (source: Wikipedia).

[The term "township", used by planners, to designate areas of various kinds regardless of its racial structure, and often applied to planning areas and describing the legal and zoning aspects of land in a specific area, is not the focus of the NDPG.]

NDPG target areas (i.e. physical locations and places which the NDPG targets) include the following:

- Dormitory townships that were originally created as separate areas for Black people (generally those without franchise prior to the 1994 elections). Typically these represent dormitory suburbs, located on the periphery of towns and cities (and may also be located in rural areas), and whose development as full functioning neighbourhoods was curtailed
- New, post 1994 (generally), RDP housing and low-income housing estates, which have often repeated the same planning and locational patterns of the dormitory townships and which have not had the time and/or resources to develop their status as fully functional neighbourhoods
- Areas and town centres which, although previously demarcated homeland areas under Apartheid, are populated mainly by Black people and low-income communities.
- Informal settlements

All these NDPG target areas are characterized by low levels of community facilities and commercial investment, high unemployment, low household incomes and poverty. Note that the term 'township' is used herein and is deemed to include all NDPG Target Areas.

NDPG Target Areas include any of the above in all Metropolitan Councils, District Councils and Incorporated Local Municipalities.

It is important that cognisance is made of other township and economic development related, national or provincial initiatives and/or priorities, such as:

- South African Cities Network (SACN)
- Development Bank of South Africa's (DBSA) Sustainable Communities Initiative
- Urban Renewal Programme (URP) by DPLG
- Integrated Sustainable Rural Development Programme (ISRDP) by DPLG
- Gauteng Top 20 Townships
- NSDP high growth economic concentration and other focus areas
- NDP Unit's identified special areas
- Any other related and relevant national, provincial or local priority initiative

From time to time, National Treasury may identify special Priority Areas.

2.7 Strategic Focus of the NDPG

In achieving the aims outlined, the strategic physical intent and focus of the NDPG is to:

- Support South Africa's macro-economic development objectives – with a specific geographic focus on low income and neglected townships where potential exists to use the NDPG to leverage and grow private sector investment
- Work with the strategic intent of the NSDP, PGDSs and IDPs – to help deepen these physical investment strategies
- Specifically support municipal plans to develop and invest in neglected townships and low income areas to create vibrant and economically active areas
- In doing so the aim is to enable local government to target key nodes and localities:
- To use the process of redressing inequities in the provision of community facilities to build vibrant economic places
- Attract private and community investment in targeted property developments (without replicating other public investment programmes, especially MIG)

The NDPG thus offers the chance to towns and cities to explore and develop projects that, in their scope and vision, will alter the patterns of economic and social infrastructure investment to disrupt stubborn Apartheid settlement patterns and contribute to local and neighbourhood identity.

The Appendices provide some examples of the types of programmes currently underway which are in keeping with the NDPG approach and philosophy.

2.8 Development Challenges and the NDPG

The NDPG seeks to help address current development challenges.

2.8.1 Improving the quality of public facilities and environment

Economic infrastructure is limited. This is evident within the (still growing) dormitory towns and urban townships within places such as Galeshewe and Thembalethu. Urban renewal programmes have been initiated in some of these areas such as Alexandra in Johannesburg and Galeshewe in Kimberley, but lack of capacity, alignment and other social and institutional issues within these areas have limited the impact of these programmes. In Galeshewe for example, the Urban Renewal Strategy identified a number of innovative approaches to support economic development in the area. However, these strategies required a combined approach with a number of different line departments each of whom was asked to invest differently in order to unlock private sector investment. The lack of capacity and ability to bring all players on board means that implementing these effective strategies has been hampered (although success has been achieved).

In many township areas and/or towns, there is currently still no infrastructure provision for informal traders. There is also currently no infrastructure, such as hives or incubators, for the transformation of these informal traders and small-businesses to formalise and become part of the 'first' economy.

Other facilities lacking are mixed-use developments that would create an economic hub within dormitory towns and townships that could harness the latent potential within these areas. Such developments could typically include:

- Mixed use nodal developments which include top grade, good quality retail services (shops, restaurants) as well as retail spaces for emerging black entrepreneurs who want to formalise their informal trading and which could incorporate business support centre and serve as an incubation programme
- The provision and maintenance of quality urban place with areas set aside for business nodes often derelict pieces of land

The framing of the NDPG recognises that the creation of quality public spaces in and around nodal embryonic or newly identified areas (close to public transport interchanges for example) within these dormitory townships has provided one of the most effective mechanisms for stimulating private sector investment. In addition to infrastructure investment, there is a need to create a sense of 'place' in the essentially mono-land use environment of the township and to ensure that the institutional networks and connections exist to create a viable business operating environment.

2.8.2 Job creation

Job creation is not necessarily a criteria for evaluation of registrations for the NDPG. The greater challenge is the creation of spaces for informal and formal economic activity thus unleashing sustainable employment opportunities through the support of business development in nodes. Job creation may be an outcome of the NDPG processes, but the NDPG will not focus on this aspect directly as it is creating the necessary conditions in the physical and economic environments for job creation to take place.

2.8.3 Improving access to property and security of tenure

Within our cities and towns much of the State's investment into housing and settlement has often resulted in a negative return. Improving the collateral value of the housing stock in these areas is a key challenge and would make a large contribution to economic empowerment for many (in part enabling people to use their property as collateral for business loans). Often the most effective way of achieving this is to invest in the public spaces and facilities which make these areas desirable and convenient places to live, for example, street-scaping, parks, pavements and so forth. However maintenance of these facilities, once provided, is a major issue that equitable share distributions and other strategies may ultimately need to address.

2.8.4 Technical advice and business support

The effectiveness of current government business support initiatives and centers has recently come under the spotlight. For example, some of the findings of the Micro-Economic Strategy for the Western Cape, 2005 were that:

- A lack of awareness within marginalised communities about the type of business support that is offered as well as the type of programmes that are on offer
- Skepticism among entrepreneurs about the quality of service being offered at business support centres
- Skepticism among entrepreneurs about the type of mentorship that is being offered as well as the credibility of the mentoring offered at these support centres
- A critical need for mentorship programmes to have a much more technical approach, thereby including actual guidelines on production inputs (and not only include general business and financial content)
- A perception that SMME strategies formulated by local and provincial departments, in general, are too generic and should be much more industry specific
- Currently a move (based on international experience and benchmarks) away from business support being offered by government, arguing that government should rather facilitate and support the use of these centres that should ideally be offered by private institutions. This is due to the fact that many of these business centres have not had the desired outcomes due to lack of funding, lack of expertise and capacity as well as bureaucratic procedures

Whilst some of the issues raised above go beyond the immediate scope of the NDPG, it is important to recognise that entrepreneurial development in dormitory townships and poor suburbs is a highly challenging process. Providing technical assistance to Municipalities in helping them to refine and deepen their investment strategies is critical.

2.8.5 Leveraging private sector investment

The lack of private sector investment in dormitory towns can be directly related to:

- Red-lining of dormitory towns by financial institutions due to perceived social instability and crime
- Lack of economic infrastructure
- Lack of marketing and packaging of existing and new business opportunities
- Lack of real opportunities for investment
- Low accessibility to economic linkages or cluster activities due to ineffective transport linkages
- A low critical mass of production systems
- Lack of business environment and business culture
- Poorly developed and resource business networks and organisations (institutional thickness)

The focused development of business nodes within dormitory townships can act as a catalyst for many of these non-spatial issues to be addressed. However, it is important that funding address issues related to building institutional and development capacity to drive and manage growth.

2.9 NDPG Strategy

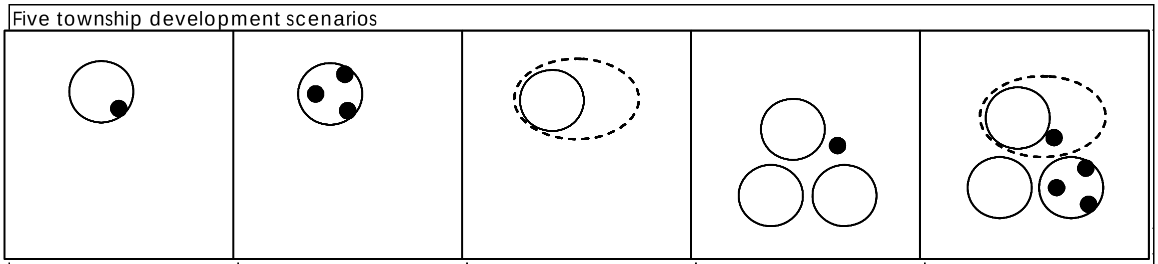
2.9.1 Township development scenarios

Municipalities need to consider how they package registrations for the NDPG. The next diagram lists a number of township (with nodes) permutations that exist in South Africa.

TA is available for all relevant planning matters for any of these development scenarios. Ideally, any projects to be funded by the capital grant should be within the context of an overarching township regeneration plan or strategy.

The preparation of the overall township regeneration plan is likely to fit within one of the following township development scenarios:

Five township development scenarios



1	2	3	4	5
A node within a township	A number of nodes within a township	A township within a city or town	A number of townships around an economic core	A combination of various options

1. **A node within a township**: An overall township development strategy is prepared (with TA, and/or other municipal resources) and highlights that the appropriate project to catalyse development is a node which may serve as the neighbourhood shopping centre for the township. The node may be funded by a combination of funding sources, including the CG. An example is nGangelizwe, near uMtata, where a centrally located site, home to emerging businesses, is identified for the creation of a mixed-use node (small-scale manufacturing, retail, mixed-income residential, Publicly-provided medical services).

2. **A number of nodes within a township**: In the context of the larger townships, an overall township development strategy is prepared (with TA, and/or other municipal resources) and highlights that the appropriate projects to catalyse development are precincts and nodes which may serve a number of retail and community functions for different parts of the township. The precincts and/or nodes may be funded by a combination of funding sources, including the CG. An example is Soweto, where the City of Johannesburg has identified a number of precincts for development and/or further support, e.g. upgrade of Kliptown CBD, development of the Vilakazi Street precinct as a tourism-and-related-retail precinct, and the development of the Zola precinct - as the home of kwaito – as a mixed-use precinct housing recording studios, music venues and related retail.

3. **A township within a city or town**: An overall township development strategy is prepared (with TA, and/or other municipal resources) and highlights that there are little or no nodal development prospects as the local market is adequately served by existing community and commercial facilities. In this case, the CG request may be aligned to a general improvement of the environment (e.g. cleaning up rivers, planting trees, providing lighting and signage, addressing safety and security issues, etc.) The municipality may wish to address the improvement of linkages internal to the township, and between the township

and the main economic centre. An example is the case of an urbanised town in possibly a rural setting, where the township is immediately adjacent to the town.

4. **A number of townships around an economic core**: A set of township development strategies are prepared (with TA, and/or other municipal resources) that clearly define the relationships of the townships to each other and the main economic core. An example where some CG could be applied is where the planning demonstrates market demand for a new node that could serve more than one township, e.g. Bridge City in eThekwini, a Greenfield, edge-of-townships node.

5. **A combination of various options**: this is usually – but not exclusively – the case with larger cities in South Africa. A coordinated set of township development strategies are prepared (with TA, and/or other municipal resources) that clearly define the relationships of the townships to each other and the main economic core, or cores. An example is the City of Tshwane where a number of different planning initiatives, such as the Gauteng Top 20 Townships initiative, housing development, economic development plans and Tsosoloso (upgrading of public spaces) are drawn together and various development initiatives identified and prioritised for implementation, some of them through the use of the CG.

Once the strategy is in place, CG projects will usually correspond to one of four project types that support the key objectives of the NDPG programme – namely to fund public infrastructure, places and facilities that will attract private and community sector investment and enable better access to government services, within the context of the overarching township regeneration strategy.

Examples of such projects include, but are not necessarily limited to, the development of the following:

- Nodal and/or precinct projects
- Linkage projects (internal and/or external)
- Environmental Improvement projects
- Other

In each instance the key focus is not necessarily on the facilities themselves, but how the investment both addresses a need and contributes to the economic and social development prospects of a node or neighbourhood), and may leverage investment from public and private sectors. CG can be directed, for example to areas where there is a critical mass of:

- Public transport interchanges and linkages
- Libraries as hubs of information, education and e-government
- Tourism precincts
- Heritage, cultural, social, and traditional amenities and/or precincts
- Sports precincts (providing it can be demonstrated to fulfill a critical community and economic role in the township)
- Educational precincts
- Revitalisation of existing nodes/centres/precincts/high streets/economic activity centres
- Multi-Purpose Community Centres (MPCCs), including town halls and youth centres
- Informal trading facilities

CG can also be directed to investment in:

- The improvement of linkages (pedestrian and public transport) both internal and external to the township

- The general environmental improvements to the township (e.g. greening, sidewalks, lighting, signage, street furniture, safety and security measures, etc.)
- Any element that may be required in order to secure private sector investment, providing it can form part of the project, and can be demonstrated to be instrumental in securing that investment into the project area

NOTE: The NDPG funds can only be utilised in respect of the capital grant component at elements that local government normally supplies. However, TA can be provided to prepare the framework for the investments to be made by other spheres of government and the private sector. NDPG funds should compliment, not duplicate, other sources of funding (e.g. MIG, PIG, PTIF, and so forth).

It is important that, where single facility funding applications are made, these make reference to a broader development framework so that the project may contribute to a critical mass. If this approach is not adopted by the municipality, the project is unlikely to be ranked highly in the evaluation process.

Projects most likely to be popular with the NDPG are those that demonstrate the involvement of the private sector, i.e. nodal projects (although other projects too may demonstrate the success factors of nodal projects). This is because these:

- Can act as catalysts to the implementation of the overall township regeneration plan
- Discreet, prioritised, 'ring-fenceable' projects which can be delivered within a relatively short time span – whereas the implementation of the township regeneration may take many, many years
- Are more likely to meet the objectives of the NDPG fund in terms of being places where private sector can invest

2.9.2 Fixed Investment strategy

The investment strategy for the NDPG is to use the development of community infrastructure, facilities and places to create value through property development partnership projects and act as a catalyst to township development.

Community facilities, places and infrastructure can be broadly defined as:

- Public parks, spaces and places
- Public transport facilities such as bus and taxi stops and ranks and pedestrian links to these
- Buildings for government services such as administrative, health and education services
- Informal trading facilities (for street vendors) within public spaces
- Buildings or structures (such as halls or amphitheatres) to accommodate social, cultural and traditional activities
- Sports grounds and play parks
- Associated environmental improvements (street lights, trees, street furniture, etc.)

The NDPG will support the planning, construction or refurbishment of any of these facilities, within the framework and context of a comprehensive development strategy where such community investment contributes to broader economic development strategies and goals within that area and where a 'critical mass' of community and commercial infrastructure is required and possible.

Specific nodes, places and neighbourhoods (and within these places such as libraries, multi-purpose community centres and public transport interchanges) that have some development potential should be targeted. Municipalities, through a process of negotiation with private sector investors and property developers, locally owned businesses and community groups must develop strategies for the development of an area. This should be prioritised and assembled on the basis of its strategic location within an underserved neighbourhood.

The NDPG will support the process of negotiation, strategy formulation, economic feasibility and packaging. It will then fund the necessary community infrastructure, facilities and places that will attract private sector investment, as well as investment by other levels of government.

Propsed projects that meet NDPG requirements will have been identified as areas with potential to become fully fledged functional areas through the municipal planning processes (such as nodes, places and neighbourhoods). Other linked projects may also be identified through the registration process.

Ultimately, the investment in places must lead to the enhancement of the collateral value of property. Sometimes this may take as little as planting trees or creating an intangible sense of identity in a neighbourhood, but in general it takes a sustained process of public investment in human, physical and environmental resources and facilities. The NDPG must therefore support project planning beyond the initial capital spending on infrastructure. Plans for maintenance and management of the area must be an integral part of all of these property developments, along with the necessary institutional, social and economic capacity building to broaden the empowerment impact.

2.9.3 Partnering strategy

The focus of the NDPG is to take advantage of the opportunities presented by the sector charters - particularly the Financial and Property Sector Charters. The charters represent the intention and commitment of established financial intermediaries and property developers to address BEE, under-development and investment in poor communities and areas. Targeting the resources held within these financial institutions for investment in marginalised areas is thus a key objective of the NDPG. The NDPG can also be seen as part of government's commitment to supporting the implementation of these charters.

In addition to creating property development opportunities that will target private investment towards underserved neighbourhoods, there is a role for Government to influence the type of property development. It is recognised that the financing of a retail centre in a NDPG Target Area – a shopping centre that will house a range of conventional major retail outlets – is not necessarily the most appropriate development in all cases. Such investment may actually crowd out local, possibly informal, retail activity without contributing much to economic development in the township.

In exploring the mechanisms to grow private sector investment in the NDPG projects, careful attention must also be given to building local business organisations and their capacity so that they are in a position to engage and negotiate with the financial sector and other investors. In supporting the Financial Sector (and other charters – such as the Property Charter) government's responsibility goes beyond providing infrastructure. The NDPG must also actively support the strategies and processes aimed at identifying local businesses and entrepreneurs who may be ready to take on larger projects and assist them in working and negotiating with the Financial Institutions. This is referred, in part, as the process of building institutions in these areas.

The partners are identified as the municipality concerned, the private sector investment community, the NDP Unit and other community players.

2.9.4 Developmental strategy

There is a sizeable leakage of income from the NDPG target areas to the historical and established CBDs and centres of commerce. There is little formal private sector investment and often the infrastructure and business environmental conditions do not exist to attract this investment. The lack of private sector investment is a function of physical limitations (access, business infrastructure, location), institutional and management limitations (lack of certainty around who to negotiate with, often disorganised and poorly resourced local business organisations, fragmented civil society structures, and so forth) and perceptions (safety concerns, the often neglected and barren nature of the investment nodes in these areas).

Accelerating economic growth and development and creating the conditions for private sector investment has to be done on the basis of sustained and committed public sector investment, facilitation and promotion.

A key aspect of building investment conditions thus goes beyond the physical. It must include aspects such as building institutions and creating the circumstances to attract private sector investment. Experience thus far seems to indicate that CBDs and business nodes within these dysfunctional areas are often the most effective loci to build critical thresholds and institutions. In particular, there are key government facilities that serve as attractors and generators of activity (libraries, sports grounds, MPCCs and public transport interchanges) that government can offer both as a valuable service to these communities as well as providing the private sector with the 'feet' and dignified public places that would reduce the collateral and operating risks associated with their investments.

2.9.5 Economic development strategy

Despite national legislation (and private sector initiatives) aimed at empowerment and economic development, such as the sector charters and BBBEE, actual capital investment and formation has been extremely limited in the NDPG target areas.

South Africa has a large and growing number of informal businesses and SMMEs that exist within these areas. These types of businesses are by their nature often marginal and survivalist, and constitute what has been dubbed the 'second economy'.

The National Treasury recognises the critical challenges facing economic development, especially in the marginalised urban areas (Accelerating Economic Growth – a diagnostic scan, National Treasury, 17 June 2005):

- Over 2 million people have small or informal businesses, with 80% being black-owned
- Barriers to growth include:
    - Insecure property tenure
    - Poor physical facilities or municipal services
    - Lack of integration into market networks
    - Restrictive business regulations
    - Lack of technical advice
    - Congested and overtraded markets

The key policy challenges are to address regulatory barriers, and bring the private sector into small business promotion.

There are a number of complementary programmes aimed at addressing this situation, including the urban renewal and rural development programmes, the expanded public works programme, the expansion of micro-credit to small enterprises, the provision of adult basic education and modern skills, and the development of the social and economic infrastructure. These strategies provide an important foundation for long-term economic growth. However, short-to-medium term growth requires a much stronger and more interventionist approach by government to provide the economic infrastructure and related conditions to unlock growth potentials in these areas. The NDPG thus follows a medium-term approach (0-15 years), to facilitate private sector investment into project areas.

3 EVALUATION AND FUNDING FRAMEWORK

3.1 NDPG and Development Strategies

Whilst urbanisation is a feature of South African cities and towns there is a need to recognise that not all urban spaces are subject to the same forces. The national space economy reflects the increasing dominance of metropolitan areas as the drivers for economic growth. Whilst these centres, as well as in some cases the secondary towns and cities, are leading economic growth, this growth is often jobless, linked to limitations in the formal sector's ability to create jobs and impact significantly on levels of unemployment. In this context, there is significant migration to metropolitan centres, although trends toward migration to areas with weak, declining or non-existent economic activity (such as smaller towns and/or dense peri-urban or rural settlements) feature strongly (National Spatial Development Perspective (NSDP), 2003).

The urban centres, along with their growing populations (bolstered by in-migration), reflect increasing levels of poverty as well as strong concentrations of social problems (such as HIV/AIDS), and high levels of crime. Urban areas, and particularly the major metropolitan areas, reflect a significant opportunity to create the preconditions to support sustained economic growth and address social imbalances.

In the context of trends in the national space economy, the NSDP has sought to develop an approach to guide infrastructure development and development spending throughout all spheres of government. The NSDP is underpinned by a set of principles in this regard:

- Economic growth is a prerequisite for achieving other policy objectives key among which would be poverty alleviation
- Government spending on fixed investment, beyond the obligation to provide basic services to all citizens, should therefore be focused on localities of growth and/or economic potential in order to attract private sector investment, stimulate sustainable economic activities and/or create long term employment opportunities
- Efforts to address past and current social inequalities should focus on people, not places. In localities with low development potential, government spending, beyond basic services, should focus on providing social transfers, human resource development and labour market intelligence. This will enable people to become more mobile and migrate, if they chose, to localities that are more likely to provide sustainable employment or other economic opportunities
- In order to overcome the spatial distortions of apartheid, future settlement and economic development opportunities should be channeled into activity corridors and nodes that are adjacent or linked to main growth centres. Infrastructure investment and development spending should primarily support localities that will become major growth nodes in South Africa and the South African Development Community region to create regional gateways to the global economy

These principles are thus important starting points in considering the spatial distribution and application of the NDPG by National Treasury.

These principles have implications both for the location and form of government spending. Most notably, economic growth potential is identified as a prerequisite for capital spending on infrastructure (beyond that which is obligated by the constitution). Whilst this national perspective is based on sound logic, there remain a number of challenges to channeling infrastructural investment in the desirable manner and are linked to:

- A lack of alignment of strategic planning between the spheres of government;
- The NSDP approach has not been internalised by sub-national spheres of government (although the formulation of PGDSs is changing this)
- Limited identification of areas of local potential has occurred which would allow for a nuanced, locally specific, operationalisation of the NSDP;
- Challenges around ‘ad hocism’ remain - patterns of infrastructural investment are often illogical and influenced by factors beyond rigorous understanding of need and potential.

Based on this, it is thus also critical that sufficient resources and technical assistance is provided to ensure that the NDPG allocations are correctly and appropriately applied – both in terms of locality and in the of nature of investment.

A key aspect of evaluation of NDPG registrations is whether or not the project is located within the type of area identified by the NSDP as an area displaying potential for physical development and economic growth. However, it also recognized that the NSDP is a broad national perspective, and that other national, provincial and local priorities also need to be considered.

It is expected that provinces, through their Provincial Growth and Development Strategies (PGDSs), will work from the NSDP to create a provincial deepened and nuanced application of the NSDP. The NSDP by its nature is based on historical trends. It may thus be expected that provinces may identify areas or opportunities which, through their interventions and local understanding, can create economic development potential. Thus areas and townships which have been identified by the PGDSs as displaying these potentials, and which the Province itself is allocating resources to support, would also rank better in terms of the NDPG evaluations.

Finally, Municipal IDPs and SDFs provide a further detailing of the NSDP/PGDS alignment. The degree to which a Municipality has evaluated and investigated areas of potential within their NDPG target areas and have initiated investments and strategies to support these (in partnership with Provinces and National Departments), will also be a factor that the evaluation process would consider. Once again, the fact that these areas have not been identified by the NSDP or PGDSs is not in itself a reason why they should not be funded. However, such registrations would need to illustrate the how the NSDP principles, PGDS strategies and NDPG criteria have been applied and deepened.

Whilst the NDPG represents a substantial grant fund from National Treasury, it cannot alone achieve the transformation of South Africa’s townships. A broad strategic focus is required as per the NSDP/PDGS and IDP alignment. In addition, the NDPG also seeks to maximize the impact of investment in key nodes and precincts to serve as catalysts for development in townships (but is by no means limited to this focus). The logic is that focused investment in a focused node or neighbourhood will enable greater synergies and leveraging opportunities. Furthermore, the creation of a number of viable nodes and precincts could serve as the anchors for further investment and upgrading.

3.2 NDPG Evaluation Criteria

Based on this understanding, inter alia, registrations may be evaluated according to the following criteria:

- Council support for project
- Whether the area is a township
- Whether there is a prospect for a partnership with the private sector
- Whether the project is in alignment with national and provincial initiatives and priorities
- Whether the project has a large catchment area reinforcing the possibility of private sector investment
- Whether there is a potential to create the critical mass of both commercial and community facilities and amenities that the NDPG requires
- Whether the project is ready to implement
- Whether the project is sustainable at all stages of its life cycle

National Treasury reserves the right to amend these criteria from time to time.

3.3 NDPG Parameters

The previous section outlined the evaluation framework and approach. This is linked to government's economic objectives. Many of the challenges in the NDPG target areas go beyond the provision of economic or social infrastructure. Of critical significance are the infrastructural and locational legacies of Apartheid planning and development. Unlocking the economic and social capital of these areas will be an ongoing challenge for government and the private sector. However, there are areas of potential where public sector investment in community facilities, places and infrastructure can generate effective economic development.

3.4 NDPG Funding Thrusts

The NDPG has the following main thrusts:

3.4.1 Funding community infrastructure, public places and facilities

Community infrastructure, public places and facilities that will attract private sector investment and enable better access to government services, would typically include:

- Libraries as hubs of e-government and community access to information and educational and information services (e.g. labour market needs)
- Multipurpose Community Centers (MPCCs - government service access facilities)
- Public transport interchanges and links to them, including pedestrian walkways (improvements to stations, bus stops, taxi ranks, path- or cycle-ways e.g. street lighting, CCTV, furniture, and so forth to make them safer, attractive and to leverage private investment)
- Trading facilities within public spaces, transport interchanges and town centres and other economic activity areas (formal or informal) in a manner that will leverage and/or support private sector investment
- Public spaces and place making (landscaping, tree planting, paving, furniture, play equipment, public art, ablutions and sundry facilities such as pavilions and so forth for formal squares, parks, road reserves, nature reserves, cycle-paths, etc.)
- Sports grounds and play parks (construction of club houses, ablution facilities, surfaces and equipment for sports and play areas e.g. soccer fields, cricket fields, tennis/ basketball courts) in appropriate locations
- Social, cultural and traditional amenities such as the construction and equipping of theatres, art schools, cultural and traditional spaces and amenities such as initiation schools or performing arts schools, community hall and even child-care facilities

- The refurbishment, upgrading, extension and conversion of any existing public facility including those listed above

In funding the above the following elements will be considered. The project should:

- Achieve and contribute to a number of developmental goals (e.g. creating dignified places, providing access to government services and creating a platform for private sector investment)
- Working in partnership with the private sector and community it should create the basis for ongoing investment and confidence in an area
- Contribute to the efficient and/or multi-purpose use of scarce public land and facilities
- Have been identified in an IDP and/or SDF, LED strategy or approved local development plan for the area
- Be constructed as part of a broader public investment framework, town centre or development node within the neighbourhood and be located in such a way that they reinforce one another
- Where possible, be constructed using energy and resource efficient methodologies and technologies
- Contribute to improving private assets or leveraging new private investment
- Be funded through normal municipal procurement frameworks, in accordance with normal municipal duties

3.4.2 Building capacity, social capital and institutional robustness

In many municipalities there is an absence of project planning and property development capacity. In local neighbourhoods there is a further shortage of institutional capacity that enables the local business community to get involved in, negotiate and benefit from investment. In order to make the outcomes of the NDPG sustainable, technical assistance to prepare appropriate property development projects; to manage the project through construction and the initial months or years of operation; and to identify and engage the social and economic organisations and networks that will underpin and support local economic development is necessary.
In funding community facilities, the NDPG can be directed to:

- Fund technical assistance by making relevant expertise available to municipalities for the initial project planning and design. Whilst potential projects must have been identified in IDPs, it is important that a thorough process of project design and planning is undertaken in partnership with private and community stakeholders. This process may include feasibility studies to attract private investors, project design (including decisions on what project model to implement, what technology to use etc), land assembly (perhaps including the purchase of land), applications for planning approval including rezoning and environmental applications, and the conclusion of partnership agreements for the construction and management of the project
- Broaden Black Economic Empowerment in these property developments by supporting the capital accumulation and development of Black owned SMMEs. This means that facilities and activities funded in terms of the NDPG must be used to help existing SMMEs within these areas to grow and development their capital base
- Fund the appointment of a 'project coordinator' who is accountable to the municipality and the NDP Unit. This project coordinator should be assigned to the project – if it is adopted by the NDP Unit - from concept initiation, through the NDPG registration and construction phase, and for a period of at least 18 months after construction is complete to ensure that the project is managed and that all the necessary operational funding agreements and allocations are sustainable. This project coordination support could extend to supporting municipalities to develop LED strategies associated with the projects; develop and organise local business networks in the target areas; identify and mobilise a range of different stakeholders, NGOs and other bodies who could contribute

to development; and attract additional investment and funding from other sources and programmes
- Fund the documentation of experiences and a knowledge management function that will allow for sharing of lessons and replication of best practice
- Fund the operational and close-out aspects of projects through appropriate capacity building in the municipality for the project

3.4.3 Contribution to neighbourhood creation

Ultimately, the investment in community infrastructure, facilities and places must contribute to better quality living environments and add to the collateral value of property through the creation of dignified, vibrant, integrated and safe neighbourhoods.

In funding these facilities the Fund must ensure that what is produced is of a high standard and quality. The investment must send the signal that these are places of quality and dignity, that these investments are permanent and that they represent a great faith in the area and its location.

The technical assistance, project co-ordination support and knowledge and learning components of the programme must:

- Ensure the creation of quality infrastructure and public places that send a signal of confidence, quality and permanence to the local and external investors
- Support the planning and design of property developments that are cost-effective, environmentally sustainable, and create a local sense of identity
- Ensure ongoing sustainability of the project area with appropriate operational management
- Support the involvement of local artists and artisans in the creation of these public spaces
- Create a sense of place

3.5 Dual nature of NDPG fund

There are two categories of funding available under the NDPG – namely, funding for Technical Assistance (TA), and Capital Grant (CG) funding.

3.5.1 Technical Assistance Fund

It is envisaged that Technical Assistance (TA) grant fund will play a critical role in assisting municipalities in two ways. Firstly, in the development of a business case for the project (including preparation of feasibility studies and business plans, etc.) for release of the capital grant funding in line with the aims and strategic intent of the NDPG. Secondly, by providing funding for training, capacity building, facilitation, project management and knowledge management in the context of supporting capital investment (i.e. in combination with capital grant funding).

In the first instance, the TA component of the NDPG may be accessed and used by the municipality to undertake an assessment of possible projects wherein investment in public facilities, spaces and places could potentially result in the leveraging and/or partnering of private sector investment. In other words, the TA grant could be used by a municipality to determine whether there are sufficient grounds to pursue with a more detailed project proposal (refer to Section 4 for more detail).

Where a municipality already has grounds to believe that a capital funded project of the sort envisaged under the NPDG is feasible (either by having done a feasibility study of the sort envisaged above, or through other strategic planning processes), the TA component could be accessed to be used for the development of a detailed project proposal or business case for capital grant funding and implementation.

Given that the NDPG represents a new approach by a government grant, it is important that municipalities do not submit Capital Grant registrations if they cannot illustrate how this converges with the strategic intent of the fund. In such instances it would thus more appropriate for municipalities to seek Technical Assistance in framing their Capital Grant registrations so that these are properly considered and motivated in terms of the NDPG.

In the context of actual project implementation, TA may also be used for the project management and close-out phase of the project, particularly for building capacity within the Municipality for ongoing management.

The approach of the NDP Unit is to work in partnership with municipalities that qualify, to undertake project preparation. From here the next step is to define the key opportunities and priorities and build a business case that details all aspects of the project and NDPG and other funding streams required.

3.5.2 Capital Grant Fund

The Capital Grant (CG) funding component of the NDPG will be used to cover the capital, maintenance and operational costs (only in the short-term and if required in terms of the business case) associated with the implementation of projects, programmes and strategies identified for funding. This component of the NDPG will be accessed by municipalities who submit a Business Plan The size of these CG allocations will vary depending on the nature and scope of the project. It is expected that the average project size will be in the R30m to R100m range, although projects may be significantly larger, or smaller.

Aspects to be covered by the CG include:

- Capital funding to construct, purchase, refurbish and re-utilise any public facilities or places
- Funding associated with implementing any of the above (e.g. marketing and information campaign associated with a new development initiative as a central component of its successful implementation – like attracting additional investors)
- Medium-term (less than one year) operational and maintenance expenditure associated with the implementation of new or innovative approaches (this may be funded through the TA fund and will be finalized at a later date)

3.6 Other Funding Sources

As the NDPG matures, increasing demand is likely for the grant. Municipalities should, at an early stage, ensure own sources of funding and funding from other levels of government, including parastatals, in terms of developing the business case for the project. It is integral to project success to be able to ring fence funding from a variety of sources to provide the required infrastructure and facilities (e.g. SARCC for rail station upgrades, department of Education for schools, etc.) A key objective of the NDPG is to leverage private sector investment into projects and efforts must be made to draw in the private sector as soon as possible.

3.7 Who Should Apply

The NDPG is a resource to municipalities that will enable them to put human, physical and environmental resources and infrastructure in place that will enable the private sector to invest with reduced risk and in a positive physical setting. The funding will enable the municipality to work with locally-owned businesses and entrepreneurs in jointly developing investment opportunities. The registration may **only be submitted by a municipality**.

There are two initial criteria to whether the registration for the fund will be assessed:

- Whether the Municipality is eligible
- Type of project being applied for

It is advantageous if potential investors are identified early on and incorporated into the project concept.

All Municipalities are essentially eligible for funding. However, not every municipality is automatically eligible for funding under the NDPG. Given the underpinning principles outlined above, the following points should serve as a guide as to which municipalities ought to consider applying for funding under the NDPG programme:

- Municipalities which fall within an area identified as a physical growth area in the National Spatial Development Programme (NSDP) should be eligible for funding from the NDPG programme, subject to a suitable quality registration and/or business case
- Priority will be afforded to major urban conurbations, followed by secondary towns, followed by advanced rural areas, followed by rural areas. All areas need to demonstrate economic development and investment opportunities
- In addition to these criteria, the NDPG Evaluation Committee represents the key screening mechanism and it will recommend funding on a discretionary basis, according to available budget

3.8 Types of Projects

One of the key objectives of the NDPG programme is to fund community infrastructure, places and facilities that will attract private and community sector investment and enable better access to government services. Examples of such projects include, but are not necessarily limited to, the development of the following (in each instance the key focus is not necessarily on the facility itself, but how investment in this facility both addresses a need and contributes to the economic and social development prospects of a node or neighbourhood):

- Public transport interchanges and linkages
- Libraries as hubs of information, education and e-government
- Tourism precincts
- Heritage, cultural, social, and traditional amenities and/or precincts
- Sports precincts (providing it can be demonstrated to fulfill a critical community and economic role in the township)
- Educational precincts
- Revitalisation of existing nodes/centres/precincts/high streets/economic activity centres
- Multi-Purpose Community Centres (MPCCs), including town halls and youth centres
- Informal trading facilities
- Any element that may be required in order to secure private sector investment, providing it can form part of the project, and can be demonstrated to be instrumental in securing that investment into the project area

NOTE: The NDPG funds can only be utilised in respect of the capital grant component at elements that local government normally supplies. However, TA can be provided to prepare the framework for the investments to be made by other spheres of government and the private sector. NDPG funds should compliment, not duplicate, other sources of funding (e.g. MIG, PIG, PTIF, and so forth).

It is important that, where single facility registrations are made, these make reference to a broader development framework so that the project may contribute to a critical mass. If this approach is not adopted by the municipality, the project is unlikely to be ranked highly in the evaluation process.

3.9 Conditions of NDPG

The NDPG funds will not be allocated as one lump sum. Funds will be disbursed according to agreed milestones as set out in the Business Case for the project.

Projects will only receive NDPG funds on the basis of a council resolution. For the purposes of initial registration, an 'in principle' support from the City Manager will be sufficient.

In terms of the institutional mechanisms, the Project Manager for each NDPG project must report directly to the Municipal Manager (or via the NDPG Coordinator who will have the mandate to report directly to the Municipal Manager).

The Municipality receiving the NDPG will be responsible for:

- Project Management of the project
- Procurement of relevant services, in line with MSA and MFMA compliant procurement procedures
- Creation and management of partnerships with the private sector and other players

Failure to comply with NDPG conditions may result in withholding of further funds and/or return of funds to the NDPG.

In funding any project, the National Treasury reserves the right to put a project under direct administration of the NDP Unit should the project and/or municipality fail to comply with conditions or display problems in managing the project.

National Treasury reserves the right to modify, refine and structure evaluation criteria at its discretion if, in its opinion, this will result in better projects and outcomes.

3.10 Evaluation

The National Treasury will consider all registrations and will evaluate them according to the criteria identified herein, and on the suitability of the municipality's locality in terms of identified potential growth prospects.

Municipalities will be informed of the outcome of their registration and funds disbursed accordingly. In most instances, funding will be provided with specific reporting and monitoring conditions.

In the event of TA funds being requested to conduct an opportunity scoping exercise (pre-feasibility) in order to assess whether it is feasible to proceed with a more detailed business case development exercise:

The growth potential of the locality will be assessed and the merits of the registration process justify the allocation of funding. In doing key aspects considered may include:

- Location of the township in the context of the NSDP and recommendations of the PGDS
- The degree to which this has been identified and incorporated into the municipal IDP
- The degree to which the registration can illustrate that the municipality has grasped the strategic intent of the fund
- The degree to which such an exercise could contribute to, enhance or catalyse other secured or actual investment (from government, community or other sources) in township nodes and neighbourhoods

In the event of NDPG funds being requested in order to support the municipality in developing a detailed project proposal (Business Case for CG) and having satisfied themselves that there may be grounds to proceed with a capital grant request; TA funds can be accessed by:

- The basis upon which the municipality believes that public investment in various facilities within a node or neighbourhood will leverage private sector investment, requests will be strengthened by securing investment commitments from private sector investors
- Evidence of a market potential demand analysis and any other relevant analysis
- Clear identification of the node or neighbourhood within which the planned investment will be focused
- Quantification of the expected benefits of a successful development

The NDPG evaluation committee would then assess if the growth potential of the locality and the merits of the project justify the request for funding.

4 BUSINESS, INSTITUTIONAL & OPERATIONS FRAMEWORK

4.1 NDP Unit's Strategic Alliance Business Model

The NDP Unit seeks to facilitate and manage the development of NDPG projects through a strategic alliance between National Treasury with the municipalities per project. Through a phased process of project registration, technical assistance and capital grant funding, the NDP Unit will work in partnership with qualifying municipalities to develop and evolve projects that meet the objectives of the NDPG. This approach will ensure certainty of funding for the qualifying projects and will enable the NDP Unit to concentrate on the knowledge management, learning and innovation opportunities offered by the NDPG fund.

4.2 Project Cycle and NDPG Availability

The following diagram represents a diagrammatic overview of the relationships between the NDPG pipeline, the various stages of the project cycle and the availability of the NDPG relative to project stages, which can serve as a guide to applying municipalities (refer to the 'Building the Business Case' document in the Toolkit for more details).

Firstly, the Project Cycle is made up of a number of key stages from Concept; to Pre-Feasibility or Scoping; to Detailed Investigation; to Business Planning and Project Design; to Implementation; to Exit and lastly to Review.

Secondly, these stages of the Project Cycle link directly to the Pipeline for the NDPG projects and a project may enter at any stage of the Project Cycle. Project Registration, however, is most likely to occur up to and including the Implementation stage. All stages of the Project Cycle – up to the Implementation stage – can be considered as critical phases of Building the Business Case for the project and each stage builds on the stage preceding it. The final stage in the NDPG Pipeline is the one during which the project is actually being implemented, with an ultimate project exit. It is this NDPG Pipeline that the NDP Unit manages. Each NDPG-funded project is included in the portfolio of projects for its Neighbourhood Development Programme.

Finally, Technical Assistance (TA) and Capital Grant (CG) funding components relate to the various stages of the Project Cycle. TA is generally applicable for all work required properly planning the project, building the Business Case for it, and possibly providing project management capacity to the municipality driving the NDPG project.

In this document thus, is an inherent methodology for Building a Business Case for capital grant funding for NDPG projects. Municipalities should not however, be bound to the contents herein, but should judiciously assess what elements of work may be necessary to ensure the ultimate sustainability of their projects whilst building the business case for their projects. Note that National Treasury will be utilizing this approach when evaluating the business case for each NDPG project.

NDPG Project Pipeline, Project Cycle and Grant Availability (serves as a guide only)

	Project stage						
Project Cycle	1	2	3	4	5	6	7
	Concept	Pre-feasibility/ Scoping	Detailed Investigation(s)	Business Planning/Project Design & Planning	Implementation	Exit	Review
NDPG Project Pipeline	Project registration & adoption (if qualifying) - (projects submitted at stage 4 will need to demonstrate business case to access CG)						
			Building the Business Case				
					Implementation & exit		
TA Availability	Usually driven by municipality from own resources but in some cases Treasury can assist	Yes, to define and motivate project & align to NDPG goals	Yes, to undertake detailed assessments and develop business case/investment strategy	Yes, to develop business plan for implementation	Yes, for project management of NDPG project as identified in business case (can also be used at other stages)	Yes, if identified as part of business case & required for ongoing sustainability	Generally no, as municipality probably will review as part of Stage 5, or in later years. Treasury will monitor some KPIs centrally to ensure NDPG's goals are met
CG Availability					Yes, for NDPG projects		

4.3 Roles and Responsibilities of Parties

The following are general guidelines on the roles and responsibilities for the National Treasury and Municipality in terms of the NDPG. This outline is based on the idea that the NDPG fund and its application is approached as a strategic alliance between Treasury and the municipality. In the case of smaller municipalities, or where there is only one NDPG project, the roles of the NDPG coordinator and NDPG project manager, as outlined below, could be collapsed into one person.

4.3.1 Role of NDP Unit of National Treasury

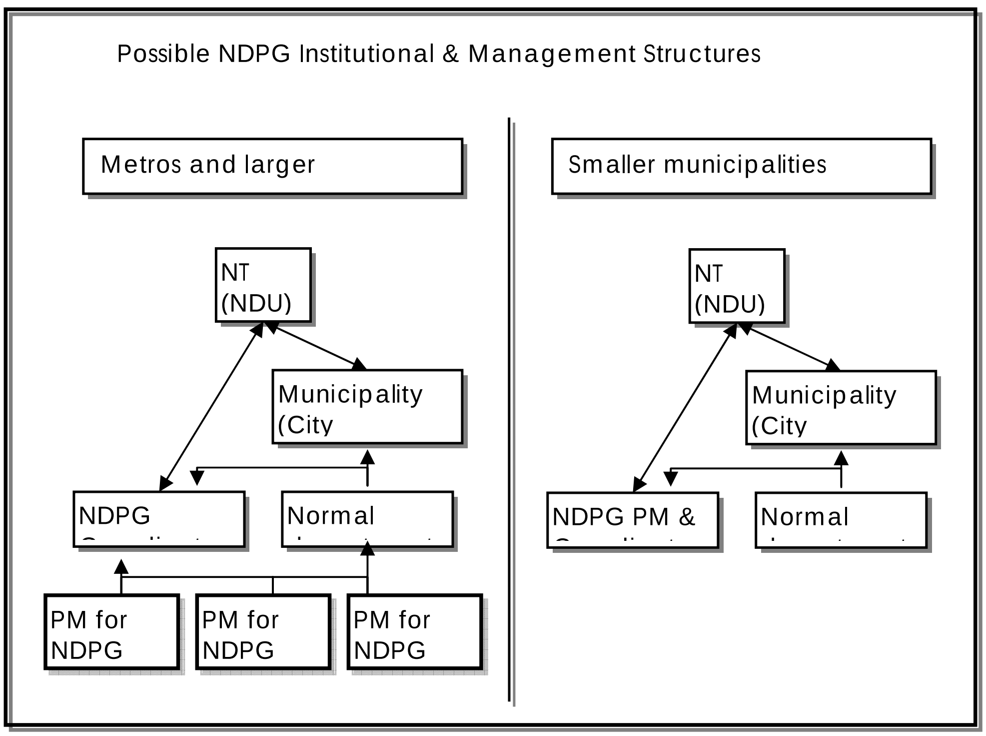
Functions include:

- Administration of the NDPG
- Project evaluation and funding
- Project 'deepening' and guidance
- Contractual compliance and monitoring
- Linkage to other programmes and departments
- Elevation of, and support to, renewal as national priority,
- National marketing, best practice and lessons learned

4.3.2 Municipal manager

Suggested functions in terms of the NDPG include:

- General knowledge of NDPG project process
- Able to intervene and unblock bottlenecks
- Authorised to sign NDPG contracts with National Treasury



4.3.3 NDPG Coordinator (Municipality)

The Project Manager may also be known as the Project Officer, in terms of NDPG fund. This person is key to the success of the project. Suggested functions in terms of the NDPG include:

- Reports directly to municipal manager
- Provides support to the municipal manager to comply with the legislated requirements of the project(s) and/or the fund
- May be required to drive a project secretariat and manage any steering or planning committees in accordance with the objectives of the NDPG fund as described in DoRA
- Drives internal coordination and prioritization of initiatives for submission to National Treasury

- Manages and reports on grant cash flows and transfers
- Facilitates council approval of NDPG submissions and resolutions required in terms of NDPG criteria
- Reporting on high level progress to National Treasury as required
- Up-to-date on all NDPG project progress
- Drives internal processes to prioritise submissions to National Treasury
- Ensuring the appropriate knowledge and key personnel succession management processes are in place throughout the project cycle
- Ensuring close links with the NDP Unit
- Ensuring compliance with all municipal by-laws, rules and polices

4.3.4 Municipal Project manager for NDPG Project

Suggested functions in terms of the NDPG include:

- Responsible for project compliance
- Reporting and monitoring
- Fund management and reporting to NDPG Coordinator
- General responsibility for one NDPG project
- Drafting Terms of Reference and securing consultants as required in terms of the TA fund
- Directing and managing the consultants
- Undertaking all approval functions as required
- Managing all information systems necessary for the planning and implementation of the project
- Project Management function can be outsourced, but remain responsible for delivery to council
- Must have alternate details (presumes normal departmental reporting lines) who can assist with queries

4.4 Monitoring, Evaluation and Reporting

The NDPG is provided in the form of a conditional grant to municipalities through the Division of Revenue Act (DoRA). Appropriate procedures consistent with DoRA will be followed in accordance with requirements set out by National Treasury.

Appropriate monitoring, evaluation and reporting mechanisms will be developed on a case by case basis, depending on the nature of the NDPG and the projects that are funded.

4.5 Disbursements of Funds

The NDPG is administered by a Neighbourhood Development Programme (NDP) Unit. The TA components will be funded via a separate funding window within Treasury's existing project Development Facility (PDF) to the municipality-slected consultants in accordance with the municipality's cash-flow and milestone requirements, on the back of an agreement between the National Treasury and the municipality. The CG funds will be disbursed directly by Treasury to the municipality on the basis of the joint recommendations of the NDPG Coordinator and National Treasury (this procedure may change).

4.6 Frequency of Registrations and Evaluation

As it is expected that the projects in the NDPG portfolio are likely to take up to a decade to implement, the implication is that registrations will probably take place in the first two to three years of the NDPG.

Registrations will occur about once every six months, with about a three month period to provide feedback to municipalities post-evaluation.

Thereafter, the focus will be on developing and deepening the NDPG project portfolio and rolling out Best Practice cases to non-qualifying municipalities, once the NDP has been established (possibly from 2008).

4.7 Best Practice Cases

A critical component of the TA component would be the learnings and experiences gained in the implementation of the successful projects will continue to be an important aspect of the outcomes. As such, the NDP Unit will seek to ensure that the lessons and experiences are applied broadly. It is thus likely that, whilst capital grant funding will be limited primarily to the projects identified in the first two to three years, the NDP Unit may continue to work with, and provide technical assistance to, municipalities wishing to implement NDPG type projects.

This TA may include:

- Assistance with identifying funds
- Developing project concepts and business plans
- Helping to build strategic partnerships between municipalities and the private sector and other significant role-players
- Monitoring and evaluation
- Information sharing
- Development of best Practice cases
- Training and development

4.8 Steering Committee

The NDP Unit is tasked with convening a Steering Committee which will include representatives of identified stakeholder groups. It will operate at a strategic level providing guidance to the programme.

5 APPENDICES

5.1 Introduction to Nodes

This Appendix provides guidance in respect of the use of the term ‘nodes’ in respect of any NDPG and nodal projects. Note that the term ‘nodes’ is not as has been defined in the URP – these ‘nodes’ generally incorporate the entire township area into the project boundaries, rather than the a node which contains a concentration of community and commercial activities.

5.1.1 Note to municipalities

Nodes are places of more intense physical development than the areas surrounding them. This is the one common and unchanging attribute of all nodes. Other characteristics may or may not be present in different nodes in various combinations.

Nodes are constantly changing. They respond to a variety of pressures and trends in fields such as economics, transportation, society, housing, politics and technology. Because nodes are dynamic they can change function and form over time. Consequently there are nodal cycles. For example a node can start out small, emerge over time from a small node fulfilling local needs into a large, mature node that attracts people from a wide catchment area. Then for whatever reason, investors may leave the node and users find another node to support. The node declines until the public sector intervenes to revive it, or it changes function and takes on a different purpose. Gradually it can again expand in significance.

5.1.2 Characteristics of nodes

All, most or some of the characteristics can be present in nodes in various combinations and with various elements being dominant. The characteristics can be grouped under four broad headings.

Movement
- Situated at the intersection of, or along, major movement lines
- Accessed by a variety of transport modes
- Destination points for public transport
- Needs of pedestrians as the basic tenet

Physical development
- Clustering of activities – high intensity development
- Multi-functional with a mix of land uses e.g. retail / entertainment / residential or mono-functional e.g. industrial, educational
- Variety of spatial configurations
- Recognisable core (nodal core)
- Recognisable edge to the node
- Skyline illustrates higher buildings than in surrounding areas
- Higher density residential use in and/or around the node
- The higher the density and the greater the intensity of development, the greater the need for open space

Economy

- Maximisation of economic activity through agglomeration
- Formal and/or informal economic activity
- Concentration of location of one economic sector or a mix of economic sectors
- Social:
- Facilitate and support social interaction
- All ages and physical disabilities accommodated

Social
- Facilitate and support social interaction
- All ages and physical disabilities accommodated

5.1.3 Nodes as a structuring element

Nodes play a very important role in structuring towns and cities. They are places that attract development and so become magnets for growth.

Nodes work hand-in-hand with the movement system. The start of a node is frequently in response to public transport such as a train station or mini-bus taxi terminus. Traders (both forma and informal) locate in places where there are large numbers of people who could trade with them. The public transport users provide this critical mass.

Nodes become destination points for public transport as they are places of employment and economic activity. Some nodes are planned to be located at the intersection of major routes. Roads form the basis of the structuring elements and this is reinforced by the nodes.

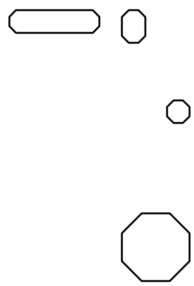
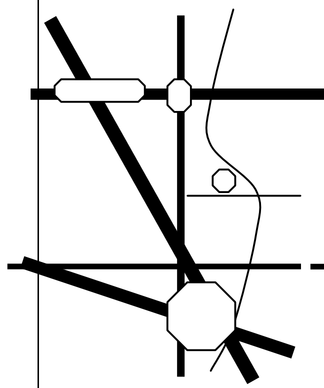
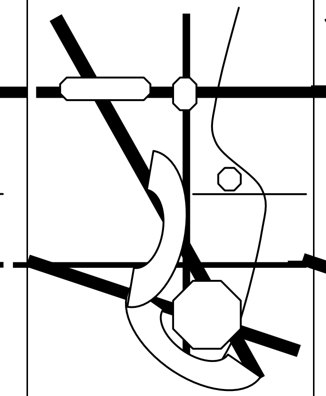
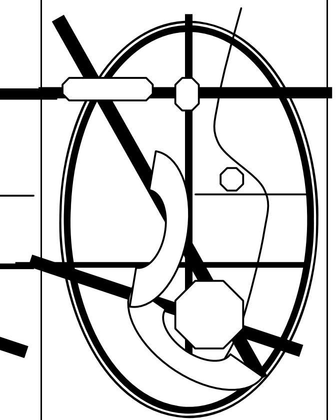
The higher the density and the greater the intensity of development within nodes, the more need there is for open space. Open space is another of the primary structuring elements.

Nodes may have a defined edge or boundary. This prevents nodal activity from spilling into adjacent areas and so protects the character and integrity of both the node and the surrounding area.

Over time the capacity for development within a node may become saturated. Development will then spread along the major routes connecting nodes. This linear activity route plays a vital role in structuring built areas.

A number of nodes may, together with transport routes, be linked together into development corridors. Corridors are, thus, large structuring elements containing a number of other structuring elements.

Nodes are significant in structuring built environments. This is done in conjunction with the movement system, open space, other nodes and development corridors.

Nodes	Movement System	Open Space	Corridor
			
Hierarchy of nodes. Variety of shapes and sizes	Link to the movement hierarchy. Nodes at places of best access	Especially around intense development and high residential density areas. Preferably connected to one another	Wide strip of land containing mixed uses, nodes and transport routes
Nodes as a structuring element			

5.1.4 Nodal cycles

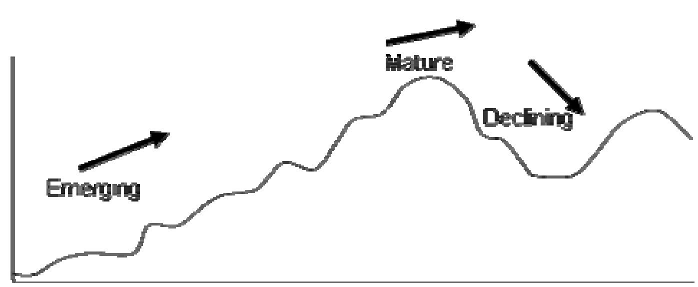
Nodes are dynamic. They change function and the way in which they are utilised over time. If they are well located and designed, there will be peak use periods with high property values. Then there may be periods of decline when users move elsewhere, buildings are not used or only partially used, property values drop and there is general neglect of the area. Gradually new users could move in, perhaps with new functions for the space. Over time the node takes on a new identity, property prices rise and the node becomes vibrant. So nodes may decline, peak and reinvent themselves in a continuous cycle over time.

Changes in nodal use may be due to numerous factors such as technological advances, changes in surrounding land uses, economic trends, political and ideological pressures, security and crime in the area or absentee landlords.

In many instances, township nodes may nodes may have characteristics that indicate the node is emerging, yet the node may also have characteristics indicating it is in decline, simultaneously. Consideration should be given to the considered planning of any new nodes to ameliorate any negative cycles.

Cycle	Definition					
	Demand for space	Space utilisation	Property values	Economic activity	Engineering services	Public/ private sector roles
Emerging	Continuous and increasing	New developments; presence of vacant land and buildings	Rising	Single large land use could be catalyst e.g. shopping centre or hospital, or response to public transport activity, formal and informal activity	May be provided in response to demand or put in place to attract development	Emergence may be public or private sector driven; some private sector display of appetite for investment
Mature	High or stable	Peak utilisation of land and buildings	High	Formal activity dominant	All services in place	Management of public space, marketing, safety and security often by private sector e.g. city improvement districts
Declining	No demand	Vacant buildings due to flight of formal sector Buildings derelict	Dropping	Formal activity moves elsewhere	Aging or overloaded services may be one reason for move to new areas with new infrastructure	Management of public space, marketing, safety and security often by private sector e.g. city improvement districts and/or private sector disinvests or relocates elsewhere
Re-emerging	Slow gradual increase	Existing spaces utilised as are, or reinvented and redeveloped to accommodate changing needs	Gradual increase	Slow return of formal activity	Infrastructure in place, but aging, may require refurbishment	Interest stimulated by public incentives and investment and/or private investment
Combi-nation	Any of the above	Any of the above	Any of the above	Any of the above	Any of the above	Any of the above

The different phases may be cyclical and both public and private sector investments can compress or extend the different phases.



Nodal cycles diagram

5.1.5 Nodal types

There are **no exact definitions** of nodal types. They are not mutually exclusive entities that are easily reproduced. Each node is unique with its own set of characteristics. However, in order to create a common language for the NDPG, nodes are defined in very broad terms.

The descriptions refer to a difference in the scale of the various functions and the size of the node and its components. Nodes form a **hierarchy** in terms of size and function. Accordingly a particular land use may be found in a number of nodes, but the scale of the particular function changes from small or of local significance only, to very large and of regional, provincial or even national significance.

An example of this **nodal continuum** is found in education. At one end of the continuum is the local crèche or childcare facility, perhaps in a private home. At the opposite end of the continuum is a large university with a number of facilities such as medicine and engineering. The university attracts people from around the country, and beyond. In between these two extremes are primary schools, high schools, other tertiary education facilities such as training colleges.

As the function of the land use within the node increases, the **catchment area** from which users are attracted may expand to include more beneficiaries that utilise the facilities within that node. The size of the node also increases, whether it is measured in terms of floor space or hectares. A nodal hierarchy exists, with the nodes relating to a road hierarchy. Thus the smaller nodes will be found on quieter local streets, while the large nodes will be associated with the major movement routes such as highways. The boundaries of the catchment area capture all those beneficiaries that directly benefit from the facilities in the node.

The **configuration** of the nodes will vary considerably. A node could be a single point in space, such as a few informal traders situated at near a petrol station. Or it could be a large point where activity is contained within a single building or development, such as a shopping mall that has not attracted other development to the vicinity. A node could be in the form of a line, along a road. Or it could be a formless, unstructured conglomeration of land uses.

The land in nodes may be the property of a single **land owner** or multiple land owners.

Nodes are found in both **urban and rural** areas.

The following table contains a list of nodal types. It provides a hierarchy of possible nodal types. A town may or may not contain all types of nodes. The descriptions are broad and not all the aspects described for each type may be present in every node.

Nodal type	Definition
Regional Node	High order goods, facilities and services May develop as the result of a single land use e.g. university, stadium, hospital, etc. May centre around a speciality, e.g. entertainment Attract users from outside the area/city/town due to its specific function Public transport access Good infrastructure May contain a very dense centre, known as the 'core' of the node, where activities are very intense
Central Business District (CBD)	The economic and/or civic heart of the town Historically the focus of all activity Contains or is surrounded by high density residential activity Mixed land uses Mixed use buildings e.g. retail below with offices and residential above Public transport access Provision of bulk infrastructure and reticulation. Catchment area is large Generally contain a very dense centre, known as the 'core' of the node, where activities are very intense
Metropolitan Node / Town Centre	Intense mix of land uses, one may be dominant Catchment area is the city or town Public transport access Good infrastructure May contain a very dense centre, known as the 'core' of the node, where activities are very intense
Suburban Node / Activity Street	Linear configuration also known as a street, strip or spine Mixed land uses, may contain residential use Serve local needs and broader community May have a dominant speciality use Public transport access Pedestrian orientation On-street parking May be a slip road parallel to a major road Fine grain urban fabric
Neighbourhood Node / High Street	Small scale activity to meet immediate daily needs of the local residents Mainly retail land uses Low and medium rise buildings Pedestrian orientation On-street parking Not on major movement routes Fine grain urban fabric Barren neglected open space surrounding the node
Corridor	Wide long bands of land containing major roads and public transport routes, a number of nodes of various sizes and functions and residential uses
Rural Node	Not located in, or not part of, an urban conurbation More intense development than the surrounding areas Concentration of mixed uses Serve dispersed communities and users i.e. residential density can be very low (farms) but higher in villages and towns Large geographic catchment area (small population size so people travel long distances to access nodes) Hierarchy of rural nodes, as for urban nodes Scale can vary from micro to villages and towns. E.g. single store with petrol pump would be micro. Agricultural co-op, post office, station, school, police station, school, a few shops would be a village May contain a very dense centre, known as the 'core' of the node, where activities are very intense
Township Nodes	Township nodes may be located in townships or informal settlements or other low-income areas Hierarchies exist although the mix of land uses may not be great and the intensity of development may not be in stark contrast to the surrounding land uses May be formal, informal or a mix of economic activity types Nodes may be surrounded by barren open undeveloped land Nodes may be emerging due to increased economic activity, but the scale could be

Nodal type	Definition
	small and this may be within an area which is declining economically, physically and socially; hence merging yet declining simultaneously May contain a very dense centre, known as the 'core' of the node, where activities are very intense A single spaza shop in a private home is not a node, the ice cream or sweet seller outside a school is not a node Examples of small and/or informal nodes could be a number of spaza shops, with a tavern/shebeen, informal traders, telephone services and shoe repairs close together in the same area, or informal food sellers and traders at a community centre or clinic, with public transport stop The concentration of formal and informal economic activity at public transport points such as stations and mini-bus taxi stops, may be the start of emerging nodes
Point node	A very significant facility that has a regional catchment area, such as a single manufacturing plant, a sports stadium, an MPCC, etc. Generally this would not be considered a node as it does not display the bulk of the characteristics that generally make up a node but is included here as usually the point node may generate some economic activity arising out of its functionality

Note: 'Arteries' or 'arterials' refer to roads, not nodes. Nodes may be located along arteries and corridors may contain arterial roads.

5.1.6 Economic sectors and nodes

The economic activity within a node may be focused on one economic sector or on a mix. A sector may be dominant but may still accommodate other sectors within the node.

Sectors that could cluster activities are: retail, industrial, manufacturing, educational, medical, entertainment, tourism, transportation, civic services, government, legal, sport. These are not the only sectors that cluster in nodes.

Examples of various possible mixes are:

- Light non-polluting industrial activity may be mixed with some retail
- Entertainment including cinemas, casino, restaurants, retail and hotels
- Retail, commercial and residential
- Value retail, motor and golf driving range
- Motor vehicle sales, spare parts dealers, furniture sales and schools
- Health (hospital), retail, residential
- Civic (magistrates court), offices, retail
- Agricultural co-op, Health (clinic), retail

Development strategies to support specific (economic) sectoral activities may assist in positioning a node in a unique way within the local economy.

Nodes can contain the economic sectors that can co-exist in the space, that support one another by providing goods and services that are required by one another and that provide services to the clients.

Sectors that may cause inconvenience to others through pollution, be it noise, air or water pollution, should not be in mixed use nodes. For example industries such as spray painting and heavy manufacturing will not mix with retail or entertainment. Motor racing will not attract residential development.

5.1.7 Nodal catchment areas

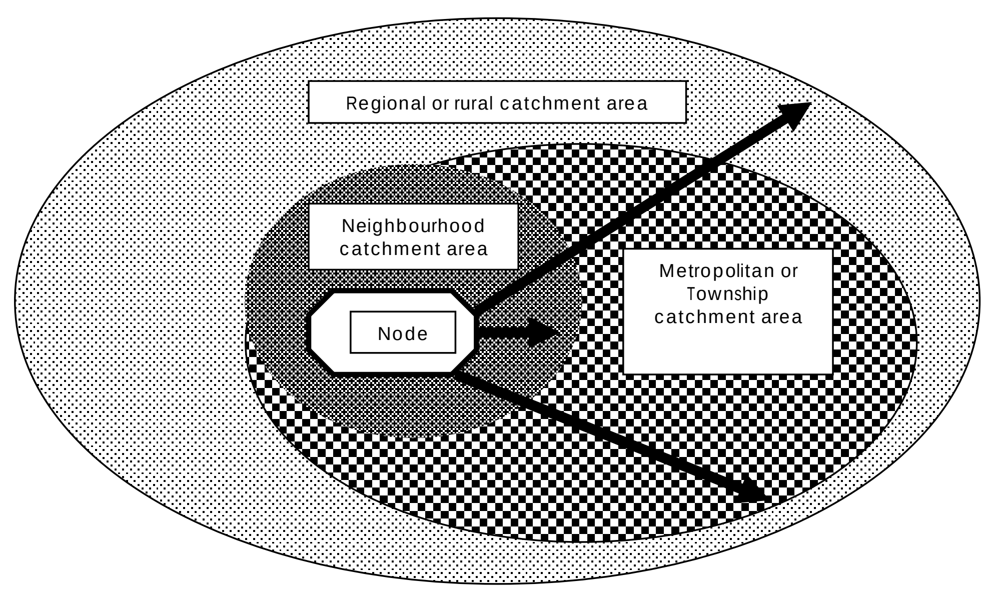
Catchment areas refer to the geographic areas which the nodes serve and from which the users of the node are attracted. A small node which meets local residents' needs will attract users from the immediate vicinity. It can be said to have a small catchment area. A node that contains specialized functions that attract people from long distances will have a large catchment area. In economic terms the higher the order of goods and services supplied, the larger the catchment area.

In rural areas where the population is spread over space, a large catchment area is required to support nodal activity.

In township areas the catchment area is often large, even though there may be a high population density. This is due to the spatial configuration of the townships, with wide undeveloped strips between highly populated areas. Another reason may be that the buying power of residents may be low thus requiring more people to create the volume needed to support the node.

For the purposes of the NDPG, the following definitions apply:

Catchment Area	Definition
Neighbourhood	Serves local, day-to-day needs; within walking distance of most users
Metropolitan or township	Serves large area such as city or township; goods and services more varied than at neighbourhood level (i.e. greater choices); public transport destination; can be urban or rural
Regional	Attracts visitors from the entire region; higher order goods and services; can be urban or rural
Rural	Centred around public transport, e.g. railway station or agricultural services (e.g. mill or co-op); may be a village or a town in a rural area; serves a wide-spread geographical community that is a lower population density than an urban area
National or international	With national or international significance, can be any size (e.g. international convention centre) and attracts national or international visitors; high level of specialisation of goods and/or services



Catchment areas diagram

5.1.8 Retail Centres

As many nodes serve as centres of trading activities for their catchment areas – some terminology may assist in defining the types of retail activities that currently exist

Retail centre type	Definition
Regional	Attracts visitors from the entire region; higher order goods and services; can be urban or rural
Community	Serves local, day-to-day needs; within walking distance of most users
Neighbourhood/ convenience	A group of retailers, restaurants, and other outlets that locate along a street or at a central point to exploit local shopping externalities. Unlike other shopping developments, street front retail may comprise a number of different property owners
Power or value	Centres with multi-tenants and typically warehouse-type outlets with separate access to each shop
Speciality retail	Single-tenanted centre with a specific use, e.g. Macro, Hyperama
Retail warehouse	Similar to a power centre, except the anchor tenant would be the only tenant in the centre, e.g. a free-standing Sportsman's Warehouse
Other (describe)	

5.1.9 Well-functioning nodes

Nodes do not automatically function well. They need a number of factors to be put in to place and to be maintained on a continuous basis for them to function well and to attract new investment.

Firstly there has to be sufficient infrastructure to support the intensity of development. This includes roads, electricity, water, storm-water drainage, sanitation, and telephonic support.

Secondly nodes require constant management of issues such as safety and security, public spaces, greening and informal trading. Specialised management vehicles can be created such as City and Business Improvement Districts (CIDs and BIDs).

Thirdly nodes are a tool that can be used for the management of the larger area (town or city) by directing development into the appropriate locations i.e. nodes with the apt function.

Fourthly well-functioning nodes have a good relationship with public transport and use pedestrians as the basic building block.

Finally nodes have a recognisable purpose, function or identity.

5.1.10 Role of municipalities

Municipalities can only intervene in the public realm. The public environment consists of places such as parks, stations, squares, markets (if not privately owned), sidewalks, roads, transport facilities, public facilities.

Municipalities are not directly responsible for housing, however, they can create the preconditions needed to direct housing to the areas required, e.g. in and around nodes. This can be done by a variety of mechanisms such as ensuring the provision of bulk infrastructure, appropriate zoning, policies promoting residential density and the release of appropriately located municipal-owned land. In the same manner investment in a mix of land uses can be attracted to nodes. Specialised functions for nodes should only be decided upon with the consensus of all stakeholders.

Investors follow the lead of municipalities. If the municipality is seen to be investing in infrastructure, street furniture, lighting, sidewalks, planting of trees and the like, it creates certainty about the area and private investors are likely to respond and invest in the area.

Having a defined nodal boundary is another way of creating certainty as developers then understand where various types of development are permitted.

The existence of management structures that include the private sector and are transparent, also act as an incentive to investors.

All the above is should only be implemented after meaningful consultation with all stakeholder groups.

5.1.11 Conclusion

Nodes can be found in a variety of sizes and configurations. They provide different functions in various combinations. They attract different users according to the scale of the service offered. As such the size of the catchment area varies. Nodal hierarchies can be found in both urban and rural areas.

There are two common features of all nodes. Firstly there is the intensity of land uses within the nodes in comparison to the surrounding land uses. Secondly there is the relationship to the movement system. The nodal hierarchy relates to the movement hierarchy with smaller nodes on quiet narrow suburban-type streets and large regional nodes on major arterials.

Nodes are dynamic. They react to social, political and economic changes and pressures. Nodes consequently go through cycles in which they may peak, then decline and peak again.

5.2 Community Participation

The meaningful involvement of the potential beneficiaries is a key to the sustained success of any development project. The local community understands the existing issues and interpret them in a manner that could be very different to any well-meaning outsider. The community has, therefore, to be involved in identification of the project – in prioritizing this project over any other possible projects. Participation is required in the planning of the project. This has to include the management of the project after its completion. Feedback to the community is necessary during the implementation phase.

The participation of the community can ensure that the type of development, its components and its location are aligned to the actual needs of the future users of the development. In this way the commitment to use and maintain the facility is assured. The investment of public, and perhaps private, sector funds will be relevant to the beneficiary community.

Each community has its own array of affected and interested groups for the specific project which will need to be involved in the consultation process. The groups may be clearly defined with recognizable leadership or they could be unstructured clusters of people. The groups could be minorities, local community based organizations, religious groups or NGOs. They could be administrative or political groups such as ward committees.

There are two important aspects to consider when inviting the groups to participate in consultation. The first is to ensure that the representatives are actually representative of the group and have a mandate from its members to speak on their behalf. The second is accepting the participation process undertaken for the Integrated Development Plans (IDPs) or Strategic Development Frameworks (SDFs) as being sufficient for the particular project. Inevitably a separate process that is targeted only at the project will be required.

Community participation is a usually a long, time-consuming process. It is, however, a vital aspect for sustainable projects in which the communities feel they have a stake and are proud of.

5.3 Sustainability

Sustainability is a much bandied about term and as such requires elaboration in terms of the NDPG.

The short explanation of sustainability in the NDPG context is the continued long-term utilisation of the project by the community, economic viability and the on-going private sector involvement and the resultant socio-economic benefits to the community.

There are a number of explicit and implicit elements contained in this description described next.

5.3.1 Role players

The community is the beneficiary group and consequently must want the particular development and approve of the manner in which it was conceived, planned, designed, implemented and is managed. Constructive community involvement from the early stages of the project is vital to ensure buy-in from all sectors of the community.

The municipality is not only responsible for the packaging the project. It is usually responsible for the implementation and, as land owner, the continuous management and maintenance of the facility.

The private sector will invest and remain economically active in the project as long as it is financially viable.

5.3.2 Time

For a project to be successful (sustainable) over the long-term, it is essential to ensure that the investment is made in the short-term, at the start of the project, in ensuring that as many of the preconditions for success as possible are dealt with. These could include the investigations into need, affordability, other development proposals, design options, management models. There is normally a desire to spend funding as soon as it is available. One reason is often that the municipality has to spend funding within the particular financial year. Another reason is the lack of facilities and consequent urgency to have the project operational in the shortest time possible. Unfortunately this urgency may have a negative impact on the lasting utilization of the project.

5.3.3 Economics

The facility will only be used if it offers the community what is needed and if the services and/or goods are affordable. The mix of service providers has, therefore, to be correct to ensure that they are offering what is required. This mix will inevitably change over time. The affordability levels of the community could change, either upward or downward, leading to changed requirements in the types of goods and services. This could also be reflected in the ratio of formal and informal businesses which could change over time. The design has to be sufficiently robust to withstand changes, and be sensitive to the delicate balance between community and investment interests.

Another aspect to consider is the on-going operation of the facility. Funds are required for employment of officials to manage and maintain the place, for maintenance and periodical upgrading and for operational / running costs such as security and electricity.

Yet another consideration is the retention of private sector investment. Making a profit is important, but the formal section of the private sector will only maintain its involvement as long as it is considered safe to do so, so social unrest and crime could impact on the private sector involvement.

Local Economic Development (LED) and job creation are other important economic considerations. The creation of employment opportunities for the long-term is essential in order to create a stable local economy. A desired outcome of the project should be its contribution to the local economic base and the improved monetary circulation within the community, thus preventing leakage out of the local economy. The creation of LED and employment opportunities will assist in this.

5.3.4 Social

A variety of issues contribute to making a project socially sustainable. They range from having community buy-in to the project, to the economic up-liftment as a result of the project. Other factors are changing demographic profiles. Most important in this regard is the impact of HIV/AIDS on family structure and consequently on buying power and on community requirements.

5.3.5 Space

The project will be developed in space. This spatial context is a sustainability consideration. The use of space has to be looked at from two perspectives. Firstly the larger context which includes the proximity of similar facilities, the future development proposals for the broader context as this could indicate that the peferred location for this particular facility may be elsewhere. Secondly the local context and how the facility fits in to that, is to be taken in to account. This includes the actual physical design of the facility, its interaction with neighbouring uses, with public transport facilities etc. Other spatial aspects to be considered for sustainability are the access to the facility, particularly for pedestrians, and the supply of engineering infrastructure.

5.3.6 Natural environment

There is a natural component to the sustainability considerations. These include issues such as pollution control, recycling facilities which can be incorporated in to facility, to the use of sustainable construction materials and methods.

5.3.7 Conclusion

Sustainability is a complex concept. It involves people, economics, the place and time. The various aspects are not mutually exclusive, and are not limited to those elements described here. They impact on one another and thus sustainability needs to be considered in an integrated manner which encompasses all aspects of the project and facility.

5.4 Division of Revenue Act and NDPG

As per Vote 8 (National Treasury 2006 (Programme 6: Provincial and Local Government Transfers)) and Government Gazette, 13 April 2006, No 28740: Schedule 3: Frameworks for Conditional Grants to Municipalities, Page 107)

Neighbourhood Development Partnership Grant (NDPG)	
Transferring Department	National Treasury (Vote 8)
Purpose	To provide municipalities with technical assistance to develop appropriate project proposals for property developments in townships and new residential neighbourhoods that include the construction or upgrading of community facilities, and where appropriate attract private sector funding and input
Measurable Outputs	These outputs include, but are not limited to: The identification of potential sites for node development Assessment of the need for community facilities Feasibility studies and project design and costing Procurement of private partners through competitive tenders Funding approvals from co-funding sources Required planning, environmental and building plan approvals Technical assistance for projects that are at the procurement stage Technical assistance for projects that are stalled in their implementation, and Documentation of best practice information
Conditions	The receiving officer must: Submit an activity plan in a prescribed format with detailed budgets and time frames on the implementation of projects Submit monthly expenditure reports in accordance with the Division of Revenue Act Obtain a council resolution striving to achieve the measurable outputs in the action plan
Allocation Criteria	Allocations are made to category A, B and C municipalities based on capacity constraints and priority needs to implement community facility and infrastructure projects that include: Community facilities – including public parks and recreational spaces, public transport facilities such as bus, taxi stops, ranks and pedestrian links, buildings for government administrative, welfare and social services, trading facilities and infrastructure for lease or development as commercial premises; buildings or structures for community purposes (such as MPCCs, halls or amphitheatres) – in underserved neighborhoods The design, planning and implementation of township restructuring and development projects that facilitate commercial and social upliftment, through well-considered nodal concentration of investment and community activities Support for well-structured partnerships between municipalities, government service delivery departments and private investors in township property development
Reasons not incorporated in Equitable Share	The grant assists municipalities in implementing community facility projects that are not presently funded either through the equitable share or other grants and will be managed through the Project Development Fund under the National Treasury vote
Monitoring system	Submission of quarterly reports on support provided to municipalities and the progress made with the implementation of the plan according to the outputs identified Submission of monthly expenditure reports by municipalities as stipulated in the DoRA
Past Performance	New grant introduced in the 2006/07 financial year
Projected Life	The grant will be ongoing to assist municipalities in implementing projects identified above, with a review in 2007/08. The initial year's allocation is earmarked for technical assistance to municipalities, with the allocations for 2007/08 and 2008/09 being focused on disbursement for capital
2006 MTEF allocation	R50 million for 2006/07, R950 million for 2007/08 and R1 500 million for 2008/09 financial years
Payment Schedule	Transfers will be made in accordance with the requirements of the Division of Revenue Act and the milestone payment dates as determined by the Project Development Facility in tranches. The first transfer will be made on submission of activity plans. The second transfer in accordance with the payment schedule
Responsibilities by national department	The National Transferring Officer must: Determine the criteria for evaluating requests for technical assistance for municipalities Allocate technical assistance as appropriate Request registrations for capital funding for neighbourhood development partnership projects Ensure that projects submitted for capital funding must demonstrate the inclusion of private sector funding and involvement in the project structure Determine the capital allocations for the 2007/08 MTEF period (2007/08 – 2009/10)
Process for approval of 2007 MTEF allocations	The distribution mechanism/criteria to be finalised by 31 October 2006 Final allocations to be submitted to the National Treasury by 15 January 2007

5.5 Constraints to Municipal Partnerships for NDPG Projects

5.5.1 Introduction to municipal PPPs

World-wide, public-private Partnerships (PPPs) have been found to be an excellent means of government's accessing private sector financing and technical expertise in the provision of public services infrastructure and related services. They are relatively new in South Africa, having first appeared around 1997-98 with the signing of the Nelspruit and the Dolphin Coast water services concessions.

Since that time, legislation has been enacted at both the national/provincial and local government levels that address the processes whereby South African governmental entities can procure the provision of public infrastructure and related services by the PPP mechanism.

It deserves mentioning that a PPP is not a technical or financial solution to a public entity's service delivery problems – it is a procurement option whereby a governmental institution can access private sector financial, design, construction and maintenance and operation expertise relating to the delivery of a public service.

While PPPs have flourished at the national and provincial levels in South Africa they have languished, after a promising start, at the municipal level. This paper and the accompanying presentation address the challenges facing municipal PPPs in 21st Century South Africa.

5.5.2 Background to PPPs

PPPs are partnerships between governmental institutions and private sector businesses, whereby the private sector designs, plans, finances, constructs and operates and maintains public service infrastructure, pursuant to a written contract that demonstrates affordability and value for money to the governmental institution and transfers significant financial, operational and technical risks to the private sector. A PPP often involves the construction of public infrastructure – such as a potable water treatment plant – and the maintenance and operation thereof, to specified standards. An alternative procurement method for a governmental institution is to hire an architect to draw up plans, put out a public tender for a construction firm to build the facility, whereafter the governmental institution takes over the facility and runs it with government employees, paying all of the construction, operation and maintenance costs out of public funds.

In South Africa, PPPs are also defined to include the use, by the private sector, of government-owned land, for commercial purposes.

Typical PPPs run the gamut from a Management Contract, where the private sector only manages a government activity to a concession, where the private sector finances, designs, operates and maintains a public service facility. Privatisation, where government sells off a public service asset to the private sector is not a PPP.

In South Africa, there have been fourteen PPPs completed at the national and provincial level, and an additional 46 or so PPPs in the project pipeline. At the municipal level, depending upon how generous one wants to be with the definition, there have been approximately 13 PPPs completed, with 4 currently in the pipeline.

PPPs at the national and provincial level are governed by the Public Finance Management Act (PFMA), Treasury Regulation 16 and the PPP Manual, a set of guidelines and standardized PPP agreement provisions. PPPs at the municipal level are governed by the Municipal Systems Act (MSA), under the Ministry for Provincial and Local Government and the Municipal

Finance Management Act (MFMA), under the Ministry of Finance. The Minister of Finance has also issued municipal PPP regulations under the MFMA.

5.5.3 Municipal legislation hinders PPPs

As just noted, there are two sets of statutes, under two different Ministries, that govern municipal PPPs in South Africa. In the writer's view, there are overlaps, ambiguities and inconsistencies between the two sets of legislation that seriously hinder the development of municipal PPPs in this country. One such ambiguity that has had serious consequences is the fact that under the MSA, the views of organised labour must be considered, whereas there is no such requirement in the MFMA. In South Africa, the municipal employee labour organisations are opposed to PPPs in any form.

The MSA requires activities that could culminate in a PPP that are not required by the MFMA, which activities are time-consuming to the point that recently, the great majority of municipalities that have embarked upon these activities have given up.

Under the MSA, the term 'public-private partnership' does not appear. The euphemism applied to the provision of a governmental function by the private sector is "an external mechanism." To further compound the ambiguity, an "external mechanism" includes a municipal entity, another municipality, an organ of state, community based organisations, non-governmental organisations, and "any other institution, entity or person legally competent to operate a business activity." This, itself, is a euphemism for "private party."

Before a municipality can even consider a PPP as to a particular municipal service, it must first assess the continued provision of that service through an "internal mechanism" – that is, via the status quo. This assessment is extremely time consuming and, in most cases, irrelevant, because the major driver for a municipality to do a PPP is because it lacks the financial resources.

Once this internal assessment has taken place, it must be placed before the municipal council where it may either decide to continue to provide the service internally, or delay a decision and explore the provision of that service by an external mechanism. If it decides to explore an 'external mechanism' it must do so by a feasibility study of each external mechanism, another time consuming and irrelevant exercise.

In contrast, the MFMA states that a municipality can only enter into a PPP after it has conducted a feasibility study, without an 'internal assessment' having taken place. While the statutory and regulatory descriptions of what the feasibility study must address are similar, they are not the same. There is no clear demarcation as to when a municipality need only do an MFMA feasibility study and when it must conduct an MSA feasibility study.

Furthermore, the MFMA requires a municipality to obtain various "views and recommendations" from different Ministries and the provincial treasury before the feasibility study can even be presented to the municipal council. And, while the views of the community must be solicited, there is no requirement that the views of organised labour be sought, as previously noted.

5.5.4 Basic services PPPs hit the hardest

Finally, a major hindrance to municipal PPPs in the areas of potable water and wastewater treatment and solid waste collection and disposal are provisions in the MSA and other legislation that the Minister may enact guidelines limiting tariff increases. No PPP in these areas can, therefore, be financed by a bank. Only a private sector firm with a strong balance sheet can take on such a PPP.

5.5.5 Initiatives to remove roadblocks

The PPP Unit at National Treasury is aware of these roadblocks and, under a World Bank-funded initiative, is drafting municipal PPP guidelines that attempt to bring order to the existing legislative and regulatory chaos. This initiative is well along, nearing internal completion. However, under the MFMA, any guidelines proposed by the Minister of Finance must be concurred in by the Minister for Provincial and Local Government. While DPLG has indicated its agreement, in principal, to discuss these matters with the PPP Unit, these discussions have yet to take place.

If these consultations are successful, and a set of meaningful guidelines are agreed upon between the two Ministries, they will go out for public comment, as was done for the existing PFMA PPP Manual and Standardized PPP Agreement provisions.

5.5.6 How the private sector can assist

The most important thing is for the private sector to be aware of this legislative minefield. There are many municipal Local Economic Development initiatives involving the private sector using municipal lands, for example, that are technically PPPs. Unless great care is taken, these projects may be delayed or stopped until the requirements of both the MSA and the MFMA are met.

The private sector should also focus on municipal PPP initiatives that do not involve the generation of revenues from tariffs or rates for payment. PPPs that do not involve these revenue flows include social housing, office accommodation and fleet management, among others. The private sector should shy away from proposing any use of municipal land for commercial purposes, as this would clearly be a PPP.

Finally, in this regard, the private sector should not approach a municipality with a sole source or unsolicited proposal involving the use of municipal land. Not only is it a probable PPP, but the MFMA supply chain provisions counsel strongly against a municipality entertaining unsolicited proposals.

What the private sector can do is to talk to municipal officials and politicians to bring these matters to their attention, and energize your trade groups and associations to become active in seeking needed legislative reform.

5.5.7 Legal matters and partnerships for NDPG projects

The high-level legal framework for the NDPG programme is the Division of Revenue Act (DoRA), 2006, which provides, in part, as follows:

“Purpose: To provide municipalities with technical assistance to develop appropriate project proposals for property development in townships and new residential neighbourhoods that include the construction or upgrading of community facilities, and where appropriate attract private sector funding and input”.

“Measurable outputs: [include]

- Feasibility studies and project design costing
- Procurement of private partners through competitive tenders”

There are several statutes and regulations that may apply to a municipality's activities under the NDPG programme, including:

- Municipal Systems Act (MSA)
    - Section 77 – Occasions when municipalities must review and decide on mechanisms to provide municipal services
    - Section 78 – Criteria and process for deciding on mechanisms to provide municipal services
    - Section 80 – Provision of services through service delivery agreements with external mechanisms
    - Section 81 – Responsibilities of municipalities when providing services through service delivery agreements with external mechanisms
    - Section 83 – Competitive bidding
    - Section 84 – Negotiation and agreement with prospective service provider

- Municipal Finance Management Act (MFMA)
    - Section 14 – Disposal of capital assets
    - Section 19 – Capital projects
    - Section 33 – Contracts having future budgetary implications
    - Part 1, Chapter 11 – Supply chain management
    - Part 2, Chapter 11 – Public-private partnerships

- MFMA Regulations
    - Regulation 309 – Municipal public-private partnership regulations
    - Regulation 868 – Municipal supply chain regulations

- MFMA Guidelines – Supply Chain Management: A guide for accounting officers of municipalities and municipal entities

The following two scenarios illustrate the application of existing legislation to NDPG activities:

5.5.8 Illustrative scenario I

A municipality contains a township that consists mostly of residential units, without any community facilities or commercial activities. There are several vacant stands in this township area that are owned by the municipality and others that are in private ownership. The municipality's IDP has identified the need for developing community and commercial facilities in that township. The municipality decides to apply for an NDPG for technical and grant assistance to identify suitably-located municipality-owned stands and nearby privately-owned stands, whereby the privately-owned stands would be purchased and made available to a private sector developer for the finance, design, construction and operation of a commercial centre that would involve a combination of retail and professional services outlets.

The NDPG would finance technical assistance for the procurement of consultants to undertake the initial identification of suitable stands, regardless of ownership; undertake a feasibility study to assess the sustainability of the commercial centre on the envisioned stands; where the feasibility study indicates sustainability, assistance in the purchase of the privately-owned stands (funded by an NDPG capital grant), undertaking any required subdivision, zoning and town planning activities, preparation of tender documents for the procurement of the development of the commercial centre and providing technical assistance and support to the municipality in terms of the completion of the tendering processes and award.

The legislation/regulations that may be applicable to this scenario include:

No	Municipal Activity	Applicable legislation/regulations
1	Decision to implement IDP in terms of township	MSA section 77
2	Decision to apply for NDPG	DoRA
3	Procurement of consultants	MFMA Chapter 11, Part 1, (section 112) Regulation 868, MFMA Supply Chain Guidance
4	Conducting feasibility study	DoRA, MSA section 78, MFMA Chapter 11, Part 2, (section 120) Regulation 309
5	Acceptance of feasibility study recommendation for private sector participation	MSA section 78, MFMA Chapter 11, Part 2, (section 120) Regulation 309
6	Purchase of private stands with NDP capital grant	DoRA, MFMA sections 19, 33
7	Preparation of tender documents for procurement of development	DoRA, MSA sections 80, 83, MFMA section 33, MFMA Regulations 309, 868, MFMA Supply Chain Guidance
8	Negotiations with preferred bidder to award of contract	MSA section 84, MFMA section 33, Regulations 309, 868, MFMA Supply Chain Guidance
9	Execution of contract and implementation	MSA section 81, MFMA Chapter 11, Part 1, (section 116) Regulations 309, 868

5.5.9 Illustrative Scenario II

A municipality is approached by a private developer that owns land near an established township area. There are municipality-owned stands between the private developer's land and the established township. The private developer suggests a 'joint venture' with the municipality, whereby the private developer will construct mixed use (i.e., social and bonded housing) residential units, light manufacturing facilities, warehousing facilities, community facilities and commercial centres on the land it owns. The community facilities and commercial centres will also serve the adjacent township area. There is also the potential for the residents in the established township to secure jobs in the light manufacturing, warehousing and commercial facilities proposed. The private developer has, at its own expense, conducted a feasibility study that indicates the economic viability of the proposed 'joint venture'. The terms of the proposed 'joint venture' include a requirement that the municipality sell the stands it owns to the private developer at an agreed upon price and to make certain infrastructure contributions by way of constructing streets and installing all required utilities – water, sewerage, electricity distribution – at an agreed-upon cost, which municipal contributions will be matched by the construction of the above-described facilities by the private sector at its own cost.

Development of the lands near the established township is a Local Economic Development objective in the municipality's IDP, as is providing for community facilities for that township. The municipality decides to apply to the NDP for a technical assistance grant to assess the feasibility study prepared by the developer, advise on the sale of the municipal stands, assess the costs of the municipal contributions and assist the municipality in complying with the unsolicited bid provisions in the MFMA and for a capital grant to pay for the infrastructure contributions.

The legislation/regulations that may be applicable to this scenario include:

	Municipal Activity	Applicable legislation/regulations
1	Decision to implement IDP in terms of township	MSA section 77
2	Decision to apply for NDPG	DoRA
3	Procurement of consultants	MFMA Chapter 11, Part 1, (section 112) Regulation 868, MFMA Supply Chain Guidance
4	Assessing the feasibility study	DoRA, MSA section 78, MFMA Chapter 11, Part 2, (section 120) Regulation 309
5	Acceptance/ proposed changes to feasibility study	MSA section 78, MFMA Chapter 11, Part 2, (section 120) Regulation 309
6	Complying with unsolicited bid provisions	MSA section 83, MFMA section 113, Regulation 868, MFMA Supply Chain Guidance
7	Disposal of municipality-owned stands	MFMA sections 14, 111, MFMA Regulation 868, Municipal Supply Chain Guidance
8	Execution of contract and implementation	MSA section 81, MFMA Chapter 11, Part 1 (section 116), Regulations 309, 868

5.5.10 Important Note

The NDPG programme must be implemented within the context of existing South African statutes, regulations and guidelines.

It is strongly recommended that municipalities obtain competent advice in terms of this context by availing themselves of the technical assistance grant provisions of the NDPG programme.

When making a decision to prepare a Concept Note in terms of a registration for NDPG funding, the following should be borne in mind:

- A “joint venture” with a private developer is an unsolicited bid, and must comply with MFMA section 113, Regulation 868, the National Treasury’s Supply Chain Management Guidance and may require compliance with MFMA section 33
- The use of municipal property by the private sector for its commercial purposes may be a public-private partnership (PPP), which will require compliance with MFMA section 120 and Regulation 309, and may require compliance with MFMA section 33
- A municipality may only dispose of its unneeded land (a capital asset) in compliance with MFMA section 14
- A municipality may only acquire land (a capital asset) in compliance with MFMA section 19, and where applicable, MFMA section 33
- The decision-making process whereby a municipality determines to involve the private sector in the provision of any municipal service is governed by both the MSA and the MFMA, and close attention must be given to the requirements of both Acts
- The requirement by DoRA, the MSA and the MFMA, of a feasibility study prior to the execution of any agreement in terms of an NDPG capital grant-funded activity involving private sector participation
- With the exception of an unsolicited bid, as mentioned above, DoRA, the MSA and the MFMA require the procurement of private partners through competitive tenders
- The requirements of the MSA and the MFMA for post-contract execution management, monitoring and regulation of any contract executed by a municipality

If you have any questions as to the potential application of these statutes and regulations to your envisaged NDPG activity, consult with your municipal legal advisor, or call the Municipal Desk at the National Treasury PPP Unit at 012 315 5981.

5.6 Project Example (Soweto Development Initiative)

5.6.1 Soweto as strategic focus

The historic township of Soweto, housing nearly half of Johannesburg population, is large enough to be classed as a city on its own. At present, the township functions primarily as a dormitory town and lacks an economic base. This is highlighted by the clear lack of nodal concentration and a skewed internal economy (which is driven by community services rather than commercial and industrial entities). Soweto experiences a severe shortage of capital investment which might have tapped into the estimated 80% leakage of disposable income. There has been a strong growth in the informal sector. However, trade is mostly survivalist in nature, due to the increase in unemployment. Thus, investment in Soweto has largely been unsuccessful as the area has little comparative advantages over other industrial areas in Joburg.

5.6.2 Status Quo

Since 1994, there have been strong improvements in basic services and infrastructure provision, a reduction in informal settlements, and numerous projects upgrading non-residential spaces.

However, a large housing demand still exists. Housing developments are generally single storey uniformly designed buildings, and secondary housing markets are static.

In spite of the progress made over the past 11 years, there is a clear lack of creativity and design innovation. Also, the past positive interventions have generally been more reactionist than forward-looking. Thus, mechanisms have not been put in place to lay down the foundations for future, positive and sustainable economic growth. Therefore the challenge is not only to gravitate towards mitigating measures with regard to area regeneration, but also to focus on forward-thinking developmental initiatives that produce sustainable spin-offs.

5.6.3 The role of the City of Johannesburg

The role of the City of Johannesburg consists of four facets. Firstly, It is one of facilitation of institutional processes, communication between economic stakeholders, and the provision of business-conducive environments. Secondly, it is a managerial role to give guidance and direction to development in accordance with the objectives of the Soweto Development Initiative and the Soweto Investment Framework. Thirdly, the CoJ must provide the physical infrastructure to lay the foundation for developmental investment. Fourthly, the City must set up capacity for support in a technical and advisory capacity, in order to help small businesses get off the ground and to bring about partnerships between these smaller businesses and larger investors.

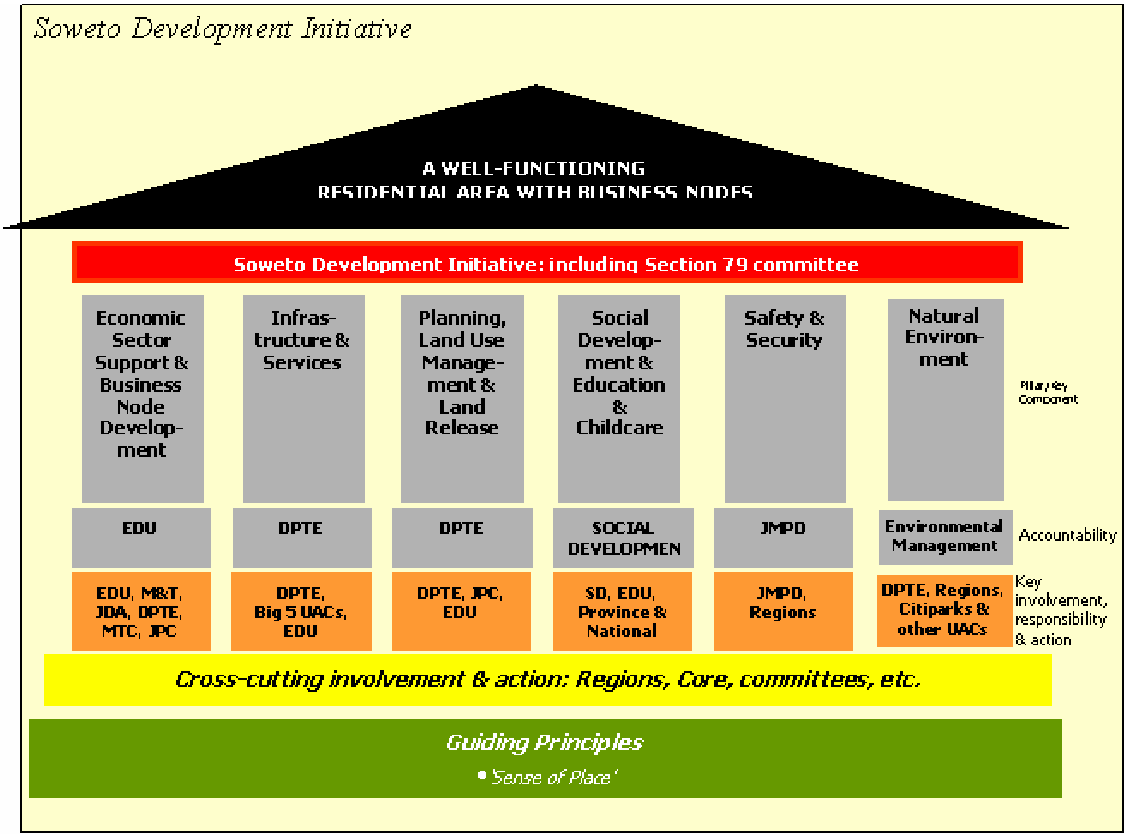
5.6.4 The Soweto Development Initiative (SDI)

The goal of the SDI is to set up an investment framework (Soweto Investment Framework (SIF) to create a well-functioning residential area with business nodes attracting private sector investment.

The SDI mechanism for achieving this goal is a two-pronged approach:

The first is the spatial mechanism of **area regeneration**. This is an area-based approach, combining strategic economic planning (analytical and feasibility studies, etc.) with other relevant sectors. These sectors include infrastructure provision, security of land tenure and forward planning policies for the Soweto Area. The bulk of these projects comprise of infrastructure upgrades to pave the way for private sector projects. These are predominantly physical undertakings that are visible to the public, and are labour intensive. Therefore affected inhabitants are made aware that their area is being upgraded. Existing projects are strategic area-based regeneration initiatives that are product-based. These are visible projects that focus on primary objectives of hard infrastructure, landscaping and urban design as the platform for secondary objectives of sectoral developmental investment.

The second mechanism of the SDI approach is to focus on **institutional investment**. This is also an area-based approach, which builds institutional capacity in development projects, but incorporates the guiding principles of integration and 'sense of place'. The approach focuses on the strategic option of a medium level of decentralisation of private sector investment entities with a high level of integration into the existing economic network of Joburg. The nett result of which, is one regional city economy served by smaller well-connected nodes, while maintaining the residential 'sense of place' that Soweto is characterised by, thereby avoiding problems such as unsustainable and fragmented economies or cannibalisation of the CBD.



5.7 Project Example (Khayelitsha CBD)

Khayelitsha is located in the metro north-east of the City of Cape Town. It was established as a 'new town' under Apartheid, with the intention that it should be an independent, self-sufficient satellite town of Cape Town. The Khayelitsha CBD is approximately 25 km from other major, establishes, CBDs of Cape Town. Khayelitsha has an estimated population of more than 500 000 people, mostly first and second generation migrants to the City. Khayelitsha is characterised by the following socio-economic profile: high levels of unemployment (more than 50%); widespread poverty and low levels of economic investment. The Khayelitsha Central Business District (KBD) is located on a 75 ha site is one of the City of Cape Town's priority projects given its location within one of eight urban renewal nodes targeted by national government to serve as pilot projects for the development of a national urban renewal strategy. As part of the City of Cape Town's strategic planning to facilitate development in the urban renewal nodes of Khayelitsha and Mitchells Plain, the KBD has been identified as the anchor project for the Khayelitsha Urban Renewal programme alongside a similar project for Mitchells Plain.

The existing development in the KBD includes a regional magistrate's court, railway station, roads and service infrastructure, provincial welfare offices, Department of Home Affairs offices and swimming and cricket complex. Construction of the retail centre began in March this year. The retail centre, to be developed by Futuregrowth Asset Management (part of the FirstRand group), is the first private sector-funded project to be established in Khayelitsha.

Other projects to be initiated shortly include a fuel station, 1,200 houses, a system of public open spaces and squares, a multi-purpose centre, and the completion of the bus and taxi rank.

5.7.1 Institutional arrangement

The development of the Khayelitsha Business District (KBD) has been brought about by the continued work and persistence with which the City of Cape Town, in partnership with others, has set up an innovative and enabling framework. The City of Cape Town, in close partnership with Rand Merchant Bank, developed a framework to suite the needs of the private sector, whilst ensuring community benefit and empowerment.

5.7.2 Public and private sector role-players

The development of the KBD is based on a collaborative public/private sector partnership between the City of Cape Town and a number of role players with varying roles and tasks. These are set out below:

Key Role Players	Roles and Tasks
City of Cape Town, formerly the City of Tygerberg	Key driver in establishment of the KBD
Khayelitsha Community Trust (KCT)	Representatives of the broader community Ownership of the project in accordance with the “Stakeholders’ Forum Agreement” and “Development Principles
Futuregrowth Asset Management, First Rand	Developer of retail centre Establish financial viability of development scenarios for retail centre
Rand Merchant Bank	Project feasibility assessments Project management Procurement of financial packages Credit approvals for private sector funding Underwriting the community equity share
Development Bank of Southern Africa	Funder
French Development Agency (AFD)	Funder
German Development Bank (KFW)	Funder
Khayelitsha Development Company (K DEVCO)	Holds the management contracts for approved projects
Khayelitsha Operational Team	Operational and financial issues Development facilitation Community involvement Establishment of management framework Marketing Security Securing financial proposals
Khayelitsha Development Forum	Community based organisation
Khayelitsha Management Company	Represent all private developers on site Operation and management of various developments

5.7.3 Funding

The total value of the public and private funded projects is estimated at R370 million, of which the public sector contribution is R105 million or 32% of the total cost. The public sector contribution will be sourced from various national, provincial and local budgets. Private sector funds total R265 million, from the various partners/actors. RMB has provided credit approval for the private sector funding portion.

5.7.4 Community involvement and benefit

A key aim of the development of the KBD has been to ensure community involvement in, empowerment through capacity building and benefit from the development of the KBD. In order to achieve this goal, the Khayelitsha Community Trust was established to represent the interests of the broader Khayelitsha community. The Khayelitsha Community Trust (KCT) will, on behalf of the residents of Khayelitsha, take responsibility and ownership of the project in accordance with the “Stakeholders’ Forum Agreement” and “Development Principles”. KCT has entered into a Land Availability Agreement with the City for the utilisation of the land in question on a basis as agreed between the two parties. On the other hand KCT will enter into funding agreements with RMB to secure the necessary funding for the development of the commercial projects. In addition, the KCT will establish entities to, on its behalf, take responsibility for the implementation of the various development projects, such as ‘K Retail’ (a partnership between Futuregrowth Asset Management and the KCT).

5.7.5 Conclusion

The development approach to the Khayelitsha Central Business District is characteristic of a public-initiated partnership model. The municipality placed importance on the viability and sustainability of the project through emphases on securing a private sector investor as a pre-condition for the CBD development. The City of Cape Town utilised public sector investment in public infrastructure and mutually beneficial partnerships and agreements to leverage private sector investment into the node.

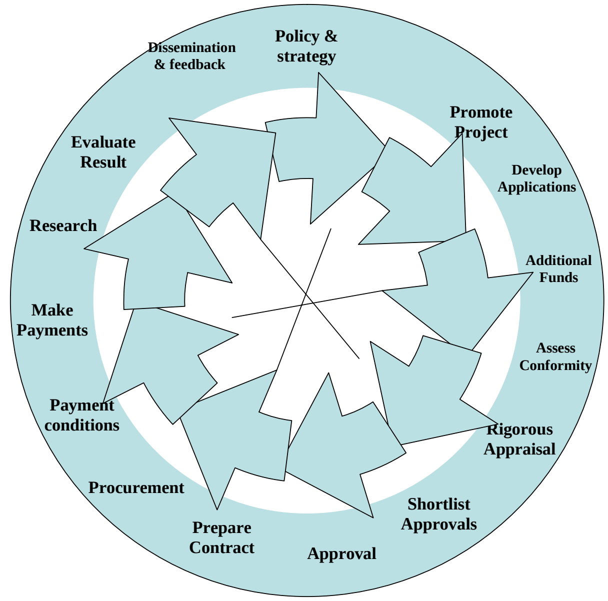
5.8 Project Example (KZN LED Support Programme)

5.8.1 LED Challenges & Programme Design for Grant Funding

The main objective of the KZN LED Support Programme is to mobilise capacity within in Local Government departments and entities to create an enabling environment for LED growth and sustainable economic investment. In order to achieve this goal, government spending within the LED context had to be addressed.

Government spending is very rigid. Programmes are often nationally driven and funding is focused on unsustainable projects in reaction to the declining economic status of small towns. There is a lack of facilitation between private and public sectors at local level, and assistance is focused predominantly on established businesses. This offers little contribution to the development of local economies that perpetuate the occurrence of dualistic economies and further divides commercial and survivalist entities.

The KZN LED Support Programme is funded by the European Union, and promotes pro-poor local economic development. It aims to build capacity in government structures to assist business development, and increase local competitiveness through partnerships between established and emerging businesses. In order to do this the following programme instruments were implemented.



5.8.2 Business Enabling Fund (BEF)

The objective of the BEF is to assist government departments create conducive and enabling environments for LED to grow.

5.8.3 Local Competitiveness Fund (LCF)

The objective of the LCF is to:

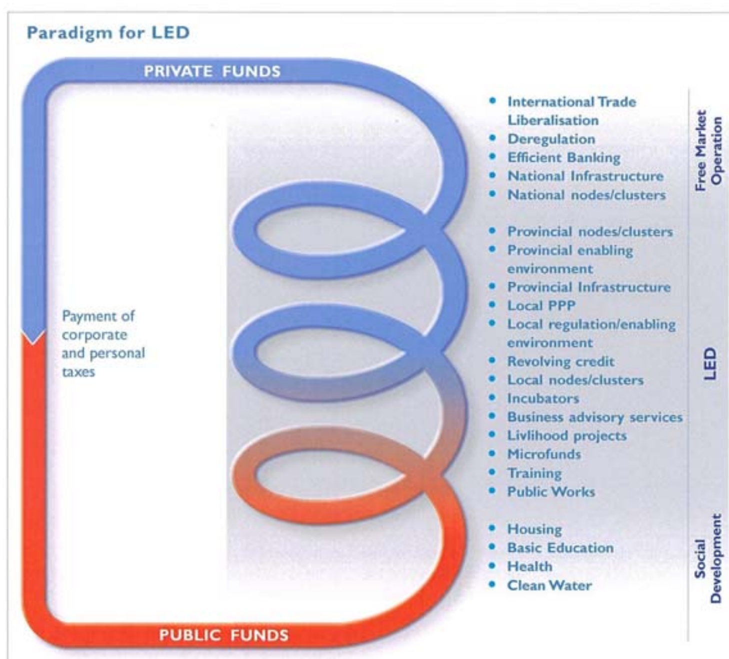
- promote and facilitate partnerships between private and public sector investment groups in sustainable and pro-poor development projects;
- To create measures that increase economic competitiveness through partnerships; and
- To give support to partnership groups that identifies specific sectors that have potential to boost socio-economic objectives

5.8.4 Networking and Co-operation Fund (NCF)

The objective of the NCF is to give LED institutional support through marketing and communications, research and monitoring.

The Project Coordinating Unit (PCU) coordinates these funds.

The desired operation of grant funding is to take a more proactive approach to LED by mobilising capacity for technical assistance for bottom up development. This enables more competition between applicants by leveling the playing field through systemic interventions for longer-term intervention by the government - thereby, facilitating the progression of emerging businesses from start up status to maturity.



However, the challenges of grant funding schemes must be overcome in order for the programme to be successful. These challenges include:

- Higher risk of immediate but unsustainable benefits,
- The tendency to become dependent,
- The risk that funding may not reach the intended beneficiaries
- The risk that grant funding may reinforce divisions between those with access to resources and those without as the possession of resources enables a better chance of accessing funding.
- The failure to reach desired programmatic outcomes may lead to unstructured project interventions and structural change.

The mechanism in response to these challenges is to focus on programme design in the project cycle (see next page for diagram):

The mechanism operates by creating a clear structure of programme governance. Various governing bodies function in specialised but interconnected roles within the project cycle and give technical and advisory assistance at different levels. Therefore the result of the focus on programme design is the combination of grant funding and programmatic technical assistance. Thereby, minimising risks, and maximising benefits and impacts.

5.9 Lessons Learnt: Special Funds

Traditionally government has focused on infrastructure investment to support business activity. The following issues, drawn from experience with capital infrastructure programmes, require further consideration:

- Issue of maintenance and operational expenditures
- Need for technical assistance
- Need for project management and implementation capacity
- Need for prompt and timeous release of funds (not caught in bureaucratic delays)
- Stuff 'falling between the gaps' of existing funds, especially related to sustainability issues
- A developmental approach should ensure that a combination of personal empowerment, community solidarity (social capital) and institutional capacity is put in place during the lifespan of the project/programme to ensure ongoing financial sustainability
- Delivery of infrastructure does not necessary assist people in addressing the cycle of poverty
- Budgeting and policy are easy; setting up the systems, programmes and project design that ensures the effective implementation of the fund is the challenge
- Extremely difficult to institutionalise capacity for capital programmes and projects that have a developmental impact
- Partnership between fund, government and civil society – needs dynamic and competent leadership

The following characteristics of the Municipal Infrastructure Grant (MIG) should be noted:

- No application needed – money transferred to municipality with performance requirements.
- Grants linked to IDPs & community participation
- Predictable flow of capital
- Part of EPWP, and must maximise employment generation and promote SMMEs – explicit link between capital investment, job creation and growth
- Spending of funds on infrastructure via structures that allow for above is critical (basic services do not eradicate poverty)
- Sustainability of capital investment – are we considering environmental impacts?

Some lessons from other funded programmes:

- Special Integrated Presidential Projects (Presidential Fund flowing out of RDP)
  - Role of top sliced funds
  - Role of different implementation vehicles
  - Role local capacity and follow through
- Human Settlements Redevelopment Programme (Department of Housing)
  - Good support to Urban Renewal
  - Many similar objectives to NDPG in terms of facility provision
  - Limited size to make an impact
  - Included Technical Assistance type funding (planning, design, project management, etc.)
- Consolidated Municipal Infrastructure Programme (DPLG)
  - Infrastructure heavy
  - Necessary and important interventions
- Local Economic Development Fund (DPLG)
  - Applications processes
  - Lack of policy framework
  - Lack of clear strategic interventions

5.9.1 Special Funds Issues and Lessons: Swiling and Van Breda

This is a summary of a paper ('Institutionalising the Developmental State: the Case of the Special Funds', written by Prof. Mark Swilling and John Van Breda, 2005.)

The RDP fund was the first mega fund introduced by government to address the developmental backlog inherited by the state in 1994. It is widely accepted this fund failed because of a lack of capacity and systems at provinces and departments to spend the large amounts of money that was available at the time. In addition the implementation of the RDP also required a new vision of a "developmental" state, which would have been largely absent in the departments and provinces at the time.

Since the RDP there have been a number of special funds aimed at achieving a variety of developmental goals ranging from employment creation through to funds aimed at supporting entrepreneurs to the provision of infrastructure for basic needs. A number of lessons can be learned from the relative success or failure of these funds.

In general it is agreed that funds with a developmental approach, i.e. financial interventions coupled with a capacity/institution building intervention programme, require particularly sophisticated administrative systems and skilled staff to achieve the desired results. Even so results may take a couple of years to materialise.

The lessons - outlined next - can be learned from some recent funding mechanisms.

5.9.2 Special Poverty Relief Account (SPRA)

The SPRA was originally set up as vehicle to run old RDP projects. As the name indicates the fund had a specific poverty relief focus. Departments could apply to fund projects that could meet the stringent criteria set for project selection. This fund had tremendous difficulty in spending its allocated funding. Issues identified were chronic underspending of allocations, a lack of co-ordination and integration between line departments; leakage of funds to consultants needed to fast-track delivery and projects that caused unintended maintenance costs for other spheres of government and line departments.

In summary the experience of this fund shows that it is extremely difficult to institutionalise the capacity to spend money on projects that have developmental impact beyond the core service rendered (Swilling & Van Breda, 2005).

5.9.3 The National Development Agency (NDA)

The NDA focuses on distributing funding to NGOs and CBOs for anti-poverty programmes and also to facilitate research and dialogue around state-civil society relations. This fund has had the same difficulties in spending its allocated funding, largely because of the challenge presented by institutionalising the capacity to spend large quantities of money for anti-poverty work. In particular it has been suggested that the board members and management of the fund lack the appropriate skills to implement the fund successfully.

5.9.4 Operation Jumpstart Association (OJA)

This organisation, based in KZN, used money from the old KZN lottery to fund capital projects aimed at providing community facilities such as clinics, classrooms and trauma centers. It is generally regarded as a successful example of institutionalising the capacity to spend money, bearing in mind that the focus has been on poverty alleviation rather than a developmental approach aimed at poverty eradication.

5.9.5 Local Economic Development Fund (LED Fund)

The LED fund was set up by the Department of Local and Provincial Government to support the establishment of developmental local government. In particular the fund provided support to municipalities to actively pursue local economic development initiatives aimed at job creation and poverty alleviation. Key issues that impacted on the success of this fund include:

- The lack of a comprehensive policy to direct municipalities on how to address local economic development
- Lack of monitoring of funds allocated to provinces
- Inefficient administration and release of funds
- Lack of technical advice programmes and aftercare programmes
- Lack of a multi-year planning programme for the identification and implementation of programmes

This fund has now been absorbed in the MIG Fund.

5.9.6 uTshani Fund

The fund forms part of an alliance between the SA Homeless People Federation and an NGO, the People's Dialogue (PD). Projects are based on the communal savings practices, which are linked to loan finance and housing subsidies, which in turn result in self-help housing construction. The PD NGO provides professional services. uTshani has a track record of successful role out of projects and return on investment.

The uTshani Fund was initially set-up as a financial tool to assist the Federation to attract and leverage resources from the State and other actors in development. Its mandate was recently expanded to include creating assets. Based on this mandate, uTshani Fund, on behalf of the Federation:

- Receives grant funds
- Provides project preparation services for land and housing development projects
- Administers revolving funds. These revolving funds are aimed to bridge-finance government housing subsidies, to provide top-up loans for housing improvements, to enable savings schemes to purchase land, to facilitate demonstration projects in community led infrastructure, and to capitalise regionally-managed income generation activities
- Administers trust funds. These trust funds include housing grants entrusted to uTshani for distribution to Federation members

- Administers the collectively held assets of the Federation, such as land and community buildings
- Is a signatory on behalf of the Federation in contracts with others

This fund is based on a bottom-up developmental approach that includes the mobilisation of community-based capital, which is not the model that will be followed by the NDP Fund. Never-the-less the importance of technical assistance in project implementation, in addition to administrative capacity, is illustrated by this fund.

5.9.7 Municipal Infrastructure Grant (MIG)

This fund resulted from the collapse of a number of government's funds such as the LEDF, the CMIP (Consolidated Municipal Infrastructure Programme), and UTF into one fund under the control of the DPLG. The focus of the fund is on basic service provision, with the condition that it is used to maximise employment generation and to promote SMMEs. It would seem that this fund has already taken on board a number of lessons learned from government's experience in special development funds. Key aspects of the MIG that bears consideration include:

- No application needed to access money – funds are transferred to municipalities with performance requirements for implementation
- The grants are linked to IDPs & community participation
- In this way the fund provides a predictable flow of capital
- The fund forms part of EPWP, and must maximise employment generation and promote SMMEs, i.e. it is not only aimed at capital investment; rather it establishes an explicit link between capital investment, job creation and growth

However the sustainability of capital investment needs consideration. In particular one has to question whether environmental impacts and appropriate/alternative technologies are adequately considered in the implementation of this fund.

5.10 Toolkit Glossary

BBBEE	Broad-based Black Economic Empowerment
CBD	Central Business District
CFO	Chief Financial Officer
CG	Capital Grant
CMIP	Consolidated Municipal Infrastructure Programme
DBSA	Development Bank of Southern Africa
DoRA	Division of Revenue Act
DPLG	Department of Planning and Local Government
EIA	Environmental Impact Analysis
GAAP	General Accounting and Auditing Practice
GCS	Government Communication Services
HSRF	Human Settlements Redevelopment Fund
IDP	Integrated Development Plan
KPI	Key Performance Indicator
KSF	Key Success Factor
LED	Local Economic Development
LEDF	Local Economic Development Fund
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant
MPCC	Multi Purpose Community Centre, now known as Thusong Service Centre
MSA	Municipal Systems Act
NDP	Neighbourhood Development Programme
NDP Unit	Neighbourhood Development Programme Unit (National Treasury)
NDPG	Neighbourhood Development Partnership Grant
NGO	Non-Governmental Organisation
NSDP	National Spatial Development Perspective
O&M	Operating and Maintenance
PDF	Project Development Facility
PGDS	Provincial Growth and Development Strategy
PGDS	Provincial Growth Development Strategy
PIDP	Provincial Integrated Development Plan
PMU	Project Management Unit
PPP	Public Private Partnership
RFP	Request for Proposal
SACN	South African Cities Network
SIPP	Special Integrated Presidential Projects
SLA	Service Level Agreement
SMME	Small, Medium and Micro Enterprise
TA	Technical Assistance
TSC	Thusong Service Centre
VAT	Value Added Tax
VFM	Value for Money

6 CONTACTS

Chief Director: Neighbourhood Development Programme Unit (National Treasury)
Tel: +27 (0)12 315 5075
Fax: +27 (0)12 315 5779
Email: Talita.vdWesthuizen@treasury.gov.za
Web page: www.treasury.gov.za/ndp

14th Floor, 240 Vermeulen Street, Pretoria, Gauteng
Private Bag X115, Pretoria, 0001