

# **Section 1: Introduction to Urban Reforms**



# Introduction

The Urban Reforms Knowledge Series comprises reforms in metropolitan municipalities since 2013/14 focused on the planning; budgeting, fiscal and financial; and reporting functions, led by the National Treasury (NT) in collaboration with the following departments: Cooperative Governance (DECOG and/or COGTA); Land Reform (initially DRDLR and now DALRRD); Planning, Monitoring & Evaluation (DPME); and more recently in 2020 Public Service & Administration (DPSA). The South African Cities Network (SACN) is a long-standing partner of the urban reforms programme.

The rationale for the urban reforms programme is set out hereunder followed by an overview of the different sections that make up the urban reforms knowledge series.

## Rationale for Planning, Budgeting & Reporting Reforms

The division of powers and functions in terms of the Constitution is logical and clear. Similarly, the National Development Plan is clear about the need to assign functions to metropolitan municipalities, yet this has not been done to date (e.g. passenger rail, housing). Even when powers and functions are clear and uncontested between spheres/ entities of government, or there is an abundance of money, there is still a need to align and co-ordinate planning, budgeting, implementation and reporting for achieving outcomes (rather than outputs only). Outcomes are good if they positively make a difference to people's daily lives. For example, health and education facilities and/or services are provided in close proximity to where people live, work and play while at the same time being affordable and of good quality. The cost of failure to plan for outcomes (and just plan for outputs) can be measured by how easy or difficult it is for people to go about their daily activities in cities. The more difficult it is for people, the higher the incidence of civil protests and increasing inequality and hardship.

The Municipal Systems Act (MSA) and the Municipal Financial Management Act (MFMA) require alignment between planning, budgeting, and reporting instruments such as the Integrated Development Plan (IDP), Service Delivery and Budget Implementation Plan (SDBIP) and Annual report. Similarly, the Spatial Planning and Land Use Management Act (SPLUMA) requires alignment between planning instruments such as the IDP and Municipal Spatial Development Frameworks and budgeting.

Development planning policy, legislation, processes and practice are currently ineffective in meeting the expected outcomes of a developmental state and developmental local government. The planning regulatory environment is fragmented across various national departments while at the same time being highly contested ([Review of Planning Regulatory Environment 2016](#)). Development planning has not achieved the delivery of more compact, productive, sustainable and inclusive cities that are better governed

despite a sincere intention as demonstrated in legislation, policies, regulations, etc. Intergovernmental planning practice and processes also need to be reformed so that all of government complements each other in achieving its objectives and outcomes. However, development planning and spatial planning, in and by itself, is unlikely to succeed in achieving the outcome of spatial transformation.

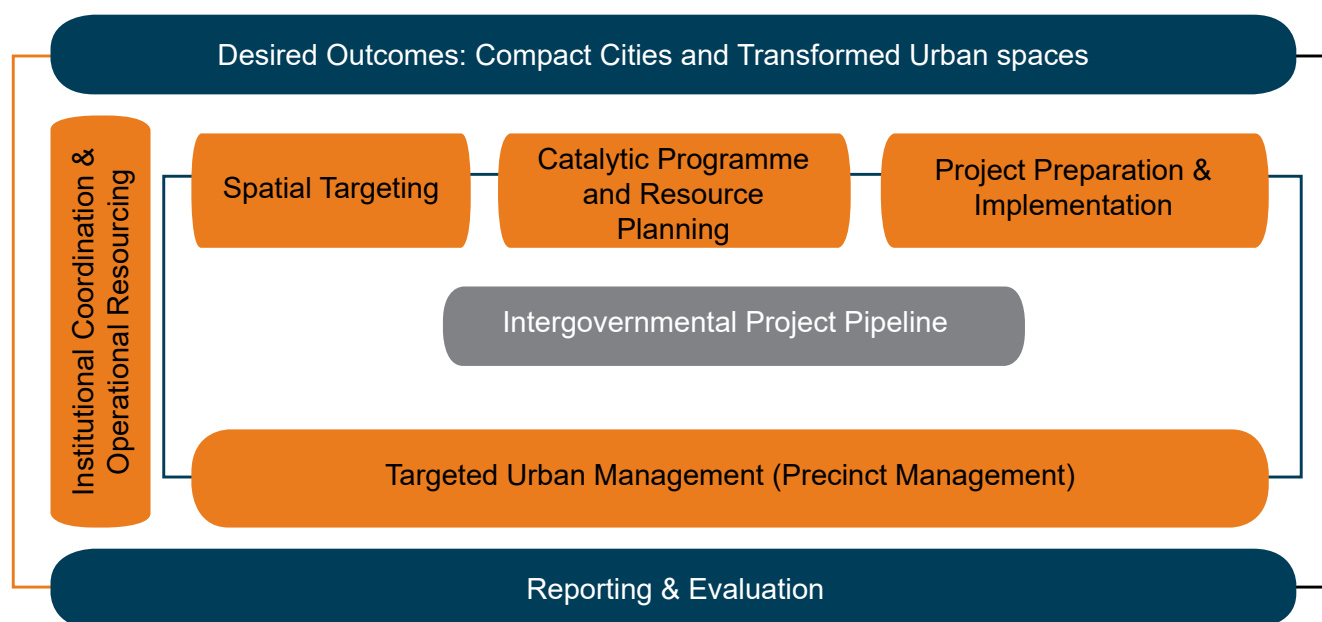
Public and Municipal Financial Management has been reformed since 1994 to be more responsive and aimed at meeting the needs of a developmental state that recognises the independence of local government within the intergovernmental system. Despite various budgetary and finance reforms over the last ten years the planning regime has remained relatively sluggish.

Reporting requirements for metropolitan municipalities were based on 2 572 indicators and 18 467 data elements to be reported annually until the rationalisation effort in November 2017. The rationalization of reporting has made annual incremental strides since 2017 with the latest update made in terms of the publishing of the MFMA Circular 88 Addendum 2 on 17 December 2020. Having clearly defined and predetermined outcome statements and indicators is the start of adopting an outcomes led approach to planning.

Metropolitan municipalities and a range of related stakeholders acknowledge that planning, budgeting and reporting reforms need to be complemented by policy and regulatory reform. National Treasury and its partners address all of these reforms and its inter-linkages to policy and regulatory reforms in a programmatic and systematic way. The urban reform agenda was designed to take a series of deep dives on planning, budgeting and reporting reforms based on the experience of metropolitan municipalities over seven years (2014 to 2021) in producing their Built Environment Performance Plans (BEPPs) in line with the Built Environment Value Chain (BEVC) depicted below to contribute to spatial transformation of their cities. The experience of the metropolitan municipalities is documented and produced as sections in this Urban Reforms Knowledge Series.

The BEPP was introduced to reform planning, budgeting, and reporting given that the diagnostic in the National Development Plan (NDP) identified serious shortcomings in meeting our urban spatial transformation outcomes. That is, addressing the apartheid spatial legacy where poorer people are forced to live on the periphery of cities and thereby incur increased transport costs and long travelling times in generally unsafe and unreliable public transport on a daily basis to access social and economic services – this is generally referred to as the Commuting Burden in the NDP (pg. 267). Besides the impact on the daily lives of most people in our cities, there were a range of other spatial issues that needed to be addressed – these are spatial justice, efficiency, sustainability, resilience, and quality.

### Built Environment Value Chain



The BEPP was an additional planning, budgeting, and reporting requirement in the government system for seven consecutive years since 2014 during which metropolitan municipalities led the reform process, supported by the National Treasury's Cities Support Programme. The reform was a collaboration with key national sector departments such as Planning, Monitoring and Evaluation (DPME), Cooperative Governance (DCOG), Agriculture, Land Reform and Rural Development (DALRRD), Water & Sanitation & Human Settlements (DWSHS), Transport (DOT), Economic Development (DTIC) and Environment, Forestry & Fisheries (DEFF), including the relevant provincial government departments and state owned enterprises. The collaboration was, and continues to be enabled by the establishment of the Planning Alignment Task Team and more recently in 2020 by the Joint Steering Committee for Planning, Budgeting and Reporting Reforms (PBRSC), a special IGR structure co-chaired by the National Treasury and DECOG with explicit support from DPME.

By 2018 there was sufficient evidence and consensus on what reforms worked (and those that did not work) and how these lessons learnt could be used to strengthen the key existing legislative planning, budgeting, and reporting instruments. Metropolitan municipalities did their last BEPPs for the 2020/2021 MTREF and part of their work involved outlining how they were going to institutionalise the approach/method, process, content, and practice in their municipalities.

All metros made commitments to institutionalising their BEPPs and planning, budgeting and reporting reforms during the Annual Assessment of BEPPs & City Plans in 2020. These commitments will be monitored in the 2021/22 MTREF plans and budgets – key content and process from the planning reforms that should be in the 2021/22 IDP are

the Intergovernmental Programme Pipeline and Catalytic Land Development Programmes (previously Annexure 2 and 1 of the BEPPs respectively) that should be brought into the IDP. Progress with the institutionalization process will be a key part of the national oversight function for the next 5 years and will be complemented with support where required.

Support will be provided to all stakeholders in order that the planning reforms are successfully implemented and institutionalised. The BEPP Guidelines will be turned into a toolkit for outcomes-led planning and spatial targeting to provide technical guidance for both longer-term and term-of-office planning. Existing and new knowledge products provide another form of support, as does technical support from the Cities Support Programme. Work has started on bringing professional institutes on board to promote continuing professional development for municipal finance, planning and engineering officials. Specialist capacity building and training institutions such as Municipal Institute of Learning (MILE) and the Tshwane Leadership and Management Academy are being engaged to do training and capacity building. Tertiary education institutions are being approached to factor in the planning reforms into curriculum development.

In addition, National Treasury, with the other stakeholders mentioned above as part of the collaboration, worked with DCOG in developing metro-specific IDP Guidelines and the complementary IDP Assessment Framework that incorporates the planning, budgeting, and reporting reforms, and this has been approved by COGTA for implementation.

Further, on the back of reforms that worked in metropolitan municipalities, the main planning, budgeting, and reporting reforms for Category B municipalities were introduced in the

Circular 88 update in 2020 getting closer to a standardised single set of indicators for all municipalities. That is the incremental roll-out of reforms to all municipalities.

The planning, budgeting, and reporting reforms collaboration continues to work on the reforms to longer term planning during 2021 and continues to use the existing platform which is a special IGR structure called the Joint Steering Committee for Planning, Budgeting and Reporting Reforms.

## Overview of the Urban Reforms

The section on [Directions in Planning Reform](#) provides a background to approaches to planning in different countries and provides some insight into the reasons those approaches were chosen. This sets the scene for looking at the South African metropolitan experience over the last 7 years that has been captured in the other sections as outlined below.

The identification and definition of desired integrated outcomes represents the starting point of the BEVC. One of the key shifts that is required for planning is the adoption by all of government to an outcomes-led planning approach based on one set of clearly defined outcomes established at the outset of the planning process. The [Outcomes-Led Planning](#) section defines what is meant by outcomes-led planning and why it is important. The section teases out the current legislative landscape and notes that there have been attempts by various stakeholders to better realise spatial transformation. To this end, the BEPPs have made significant progress in planning and budgeting for interventions and investments in programmes that build towards transformation through its focus on establishing a clear line of sight between setting outcomes and knowing how to measure/report them upfront. These good lessons will be institutionalised in all planning, budgeting and reporting from the 2021/22 MTREF.

The section entitled [Strategy-Led Budgeting](#) draws on the successful experiences of the BEPPs to recommend the implementation of an approach to budgeting that depends on a stronger and more direct relationship between strategic planning and budgeting. Again this will be institutionalised in the budgeting process.

[Outcomes-led planning](#) and Strategy Led Budgeting at the metropolitan sphere should be complemented by co-ordinated public-sector planning, regulatory and investment approaches within a spatially targeted planning framework to attract and leverage private sector and household investment in spatially targeted areas. The section on [Infrastructure-led Growth through Spatially Targeted Public Investment](#) takes a look at intergovernmental alignment in strategy, planning and infrastructure investment programming. The section details lessons learnt by metros within the broader inter-governmental planning context.

A reflection on best practices in municipalities that have implemented the principles and methodology of aligning

strategy, planning and budgeting is provided in the section on [Aligning Planning & Capital Budgeting](#). The section provides a guideline at an introductory level of detail together with considerations that make up the strategy led budgeting process. The section also provides notes on lessons learnt based on experience at local government level, for consideration for further enhancement of the process.

As part of the drive to strengthen the financial link to planning and strategy and towards fostering a more evidence-based spatial planning decision making environment, the Fiscal Impact Tool was developed. The purpose of this tool is to inform better decision-making around development approvals and to identify the incidence of cost over the long-term to inform negotiating cost-sharing. Despite the expressed demand by metropolitan municipalities for such a tool, the uptake in the years since its development have been less than satisfactory due to a lack of project data. [The Fiscal Impact Tool](#) section looks at the Metro experiences (both successful and unsuccessful) of applying the tool and makes recommendations for refining the tool to increase uptake within municipalities.

The series of Urban Reforms are:

1. **Section 1: Introduction to Urban Reforms**
2. **Section 2: Planning Reforms**
  - Section 2.1: Directions in Planning Reforms (international perspective)
  - Section 2.2: Outcomes-led Planning
  - Section 2.3: Infrastructure-Led Growth through Spatially Targeted Public Investment
3. **Section 3: Budgeting Reforms**
  - Section 3.1: Strategic Planning Led Budgeting
  - Section 3.2: Budgeting, Fiscal & Financial Reforms
4. **Section 4: Reporting Reforms**
  - Section 4.1: Rationalisation of Reporting Requirements
5. **Section 5: Tools for Spatial Transformation**
  - Aligning Planning and Capital Budgeting
  - Fiscal Impacts Tool – Metro Experience
  - Spatial Targeting Toolkit
  - Functional Integration Platform

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## Acknowledgement

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