

Section 2: Planning Reforms

Section 2.3:

Infrastructure-Led Growth through Spatially
Targeted Public Investment



Acronyms

Acronym	Definition
BEPP	Built Environment Performance Plan
BEVC	Built Environment Value Chain
CEO	Chief Executive Officer
CIF	Capital Investment Framework
COO	Chief Operating Officer
CSP	City Support Programme
DECOG	Department of Co-operative Governance
DED	Department of Economic Development
DFI	Development Finance Institution
DG	Director-General
DHS	Department of Human Settlements
DoRA	Division of Revenue Act (annual)
DRD&LR	Department of Rural Development and Land Reform
DPME	Department of Planning, Monitoring and Evaluation
DWS	Department of Water and Sanitation
GDP	Gross Domestic Product
HSDG	Human Settlements Development Grant
IDP	Integrated Development Plan
IDMS	Infrastructure Delivery Management System
IGR	Inter-Governmental Relations
IGRFA	Inter-Governmental Relations Framework Act, 2005
IGFRA	Inter-Governmental Fiscal Relations Act, 1997
IUDF	Integrated Urban Development Framework
IZ	Integration Zone
MD	Managing Director
Metro	Metropolitan Municipality
MSA	Municipal Systems Act, 2000
MSDF	Metro Spatial Development Framework
MTEC	Medium Term Expenditure Committee
MTREF	Medium Term Review and Expenditure Framework
MTSF	Medium Term Strategic Framework
NDP	National Development Plan
NT	National Treasury
PFMA	Public Finance Management Act, 1999
PPP	Public Private Partnership
PRASA	Passenger Rail Agency of South Africa
SANRAL	South African Roads Agency
SCOPA	Committee on Public Accounts
SDF	Spatial Development Framework
SOE	State Owned Enterprise
SPLUMA	Spatial Planning and Land Use Management Act, 2013
TCF	Technical Committee on Finance
TOD	Transit-Oriented Development
TRANSNET	Transnet SOC Ltd
UICF	Urban Investment Coordination Forum
UNS	Urban Network Strategy

Section 2.3:

Infrastructure-Led Growth through Spatially Targeted Public Investment

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1. Purpose

The objective of this section is to strengthen the role of metropolitan municipalities in promoting infrastructure-led growth through spatial targeting public infrastructure investment. The intention is for metros to guide infrastructure investment so as to have a stronger hand guiding private sector and household investment to realise government's desired built environment outcomes of a more compact, productive and sustainable city.

2. Problem Statement

Large South African cities face significant urban development challenges (such as service reliability, housing location and affordability, access and mobility, food insecurity, climate change resilience) that constrain faster and more inclusive economic growth. The persistence and entrenchment of apartheid urban spatial development patterns that are fragmented, sprawling and spatially inverted is a major inhibitor to growth and urban efficiency. This unproductive, exclusionary and unsustainable urban form transfers significant costs to the economy, the fiscus and poor households. (Treasury, An Inter-Governmental Urban Spatial Budgeting Perspective in the Medium Term Budgeting Process, 2017) To address challenges of weak growth and fast-paced urban development within a constrained fiscal environment, stronger and more inclusive economic growth is required. Urban centres are pivotal in driving such growth, yet the full benefits of urban spaces are not being realised. Co-ordinated public-sector planning, regulatory and investment approaches within a spatial targeted planning framework are essential to attracting and leveraging private sector and household investment in spaces that will contribute to a more efficient, equitable, sustainable and just spatial form. (Commission, 2011).

3. Methodology

A review of the enabling inter-governmental policy, legislative and regulatory environment for metropolitan municipalities to promote infrastructure-led growth was undertaken and research conducted into recent and relevant budgetary, policy, regulatory and fiscal reforms. Lessons were extracted from the 2017 Metro BEPP Evaluation (Treasury 2017) regarding existing inter-governmental planning and budgeting co-ordination and alignment practices. In-depth interviews were conducted with a key municipal official involved in the preparation of the 2017 BEPPs to unpack these practices (Tiaan Ehlers, 2017). The research process revealed an emerging performance continuum from compliance with the BEPP guidelines in terms of stakeholder engagement to actual influence of the metros over (some) inter-governmental planning and budgeting processes. The reasons for

movement or not along this continuum are the crux of the shared learning in this section.

4. Background

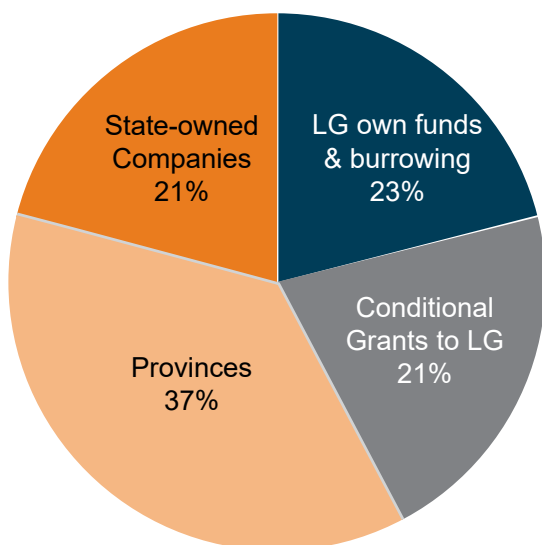
The National Development Plan (NDP) together with the Integrated Urban Development Framework (IUDF) (Governance, 2016) frame a new approach to public sector planning and delivery programmes, focusing public resources on strategic and measurable outcomes and positioning the public sector as a leading partner for growth and development. Metropolitan municipalities are recognised as the drivers of this new approach. National Treasury (NT) maintains that metropolitan municipalities face three major urban development priorities, namely: urban integration to realise the urban dividend; expanded investment in core infrastructure; and greater access to private financing. (Treasury, 2017) For the metros to respond to weak growth, fiscal constraints and urban development challenges, meaningful and practical partnerships across government and with the private sector are necessary.

Significant investment in the built environment takes place outside the municipal sphere by other spheres of government, state-owned enterprises (SOEs), the private sector and households. An inability by municipalities to influence and direct this investment results in a failure to manage the necessary sequencing of investments and to achieve substantial urban agglomeration benefits.

According to National Treasury, approximately R164 billions of public and private sector funds is earmarked for urban development annually. About 48% of this is public sector funding for capital investment projects. (Treasury, An Inter-Governmental Urban Spatial Budgeting Perspective in the Medium Term Budgeting Process, 2017) The remaining is private sector investment, with 80% of the Gross Domestic Product (GDP) being privately generated. (Treasury, 2017)

Public sector investment is generated by municipalities, provinces and SOEs, with provinces and SOEs contributing the major share (See Diagram 1). Over time, it is intended that municipalities become less dependent on grants through growing their own revenue sources and borrowing capabilities. A project portfolio approach to achieve the optimal funding mix and sequencing of the public catalytic project pipeline is regarded as a necessary step in this direction. (Niekerk, 2015)

Diagram 1: Budgeted capital investment in 18 urban centres for 2013/14 (Treasury, *An Inter-Governmental Urban Spatial Budgeting Perspective in the Medium Term Budgeting Process*, 2017)



Some metropolitan municipalities have made substantial strides in developing clear spatial logics to facilitate public and private investment decisions, and to ensure integrated planning and budgeting that is aligned to the city's development agenda as expressed in their Integrated Development Plans (IDPs). This is evident in improved alignment amongst metro IDPs and SDFs and provincial growth and development strategies. However, planning alignment must be broadened and strengthened, and be translated into budgeting and implementation alignment. This especially necessary in the current context of fiscal consolidation. (Treasury, August 2017) The role of metropolitan municipalities and their planning instruments in effecting such alignment and co-ordination is recognised as pivotal.

Many SOE, national and provincial plans are not formulated with local government, and in many instances are never, or not timeously, made available to local government. Weak inter-governmental co-ordination continues to undermine planning and budgeting alignment. Within different provinces the co-ordination challenges may be across the board with all, or just with some, sector departments and SOEs. Such challenges are evident in all stages of planning, implementation and management of urban development. The results are investment outcomes that diverge from spatial objectives and indicators, planning timeframes and intentions, and political and administrative decision-making. It is argued that these challenges need to be fixed if there is to be positive long-term impact and a better return on public investment. (Treasury, *An Inter-Governmental Urban Spatial Budgeting Perspective in the Medium Term Budgeting Process*, 2017)

To achieve the desired urban development outcomes, it is necessary for all spheres of government and SOEs to adopt a spatial lens to their budgeting and resource allocation processes that is aligned to the spatial and development strategies of metropolitan municipalities. A collaborative process of planning, resource allocation and the preparation and implementation of actual investment projects is required, described by National Treasury as an "Inter-governmental project pipeline". (Treasury, *An Inter-Governmental Urban Spatial Budgeting Perspective in the Medium Term Budgeting Process*, 2017) This is regarded as essential to provide clear signals to households and firms on the availability of infrastructure, public facilities and services, and thus the comparative locational advantages of different areas within cities.

5. Enabling Policy, Legislation And Regulations

5.1 Existing Instruments

The inter-governmental co-ordination instruments available to metropolitan municipalities to drive inclusive growth and spatial transformation are outlined below.

The Constitution (1996): Section 41 of the Constitution requires all spheres of government, and all organs of state, to maintain sound intergovernmental relations, which includes informing one another of, and consulting one another on, matters of common interest. Furthermore, the necessary legislation is required to establish or provide for structures and institutions to promote and facilitate intergovernmental relations.

The Intergovernmental Relations Framework Act, 2005 (IGRFA): provides for the necessary intergovernmental consultative and coordinating structures at national, sectoral, provincial and municipal levels. Section 35 of the IGRFA makes provision for implementation protocols, that can enable a spatial contract (Treasury, 2017). To the extent that intergovernmental disputes arise, processes for the resolution of such disputes are provided for by Chapter 4 of the Act.

The Inter-Governmental Fiscal Relations Act, 1997 (IGFRA): promotes inter-sphere co-operation on fiscal, budgetary and financial matters. Section 6 of the Act prescribes consultation with the Local Government Budget Forum on any legislation, policy or financial matter affecting the local sphere of government.

The Division of Revenue Act (DORA): is an annual piece of legislation which accompanies the national budget and sets the framework for financing arrangements amongst the various spheres of:

The Built Environment Performance Plan (BEPP): has been introduced as an instrument to drive spatial transformation in metropolitan municipalities. This is through improved internal and external stakeholder alignment around a shared “Urban Network Strategy” and investment programme for spatial transformation, focused on transit-oriented development and densification of corridors that link township hubs with established economic nodes. The prioritization and programming of “integration zones”, as a pipeline of municipal investment projects and regulatory interventions across sectors, and ultimately across spheres, is meant to drive improved outcomes. (Treasury, An Inter-Governmental Urban Spatial Budgeting Perspective in the Medium Term Budgeting Process, 2017) Annual Guidelines are published by the National Treasury.

The Medium Term Strategic Framework (MTSF): is aligned to the NDP and is meant to ensure government-wide co-ordination of planning and budgeting in terms of shared objectives and targets. Multi-year and annual performance plans are required to translate strategy into government’s programme of action and investment plans. Government’s planning framework is aligned to the annual and medium-term budgeting and performance review process.

Local Government: Municipal Systems Act, 2000 (MSA): Chapter 5 sets out the requirements for the development of Integrated Development Plans (IDPs) by municipalities, which is meant to guide and inform all planning and development in the municipality. The Municipal Planning and Performance Management Regulations sets out the process for the formulation of the IDPs and the performance management system that describes and represents how the municipality’s cycle and processes of performance planning, monitoring, measurement, review, reporting and improvement will be conducted, organised and managed, including determining the roles of the different role-players.

Relevant sector legislation: such legislation allocates roles and responsibilities for the function across spheres of government and can include inter-governmental co-ordination mechanisms.

The Spatial Planning and Land Use Management Act, 2013 (SPLUMA) provides the national framework for spatial planning and land use management. One of the objects of the Act is to provide for cooperative government and intergovernmental relations. The Act requires all spheres of government to adopt Spatial Development Frameworks (SDFs). The SDFs are to guide planning and development decisions across all sectors of government. The municipal SDF must be underpinned by a Capital Investment Framework (CIF sometimes called CEF). This requirement links the MSDF to municipal financial sustainability. Municipalities are allocated the control and regulation of the use of land within the municipal area where the nature, scale and intensity of land use do not affect the provincial

planning mandate of provincial government or the national interest. The Act provides for the establishment of Municipal Planning Tribunals with appeal processes and national and provincial monitoring and support and dispute resolution mechanisms. This links decision-making regarding land use and development management to the MSDF, thus further highlighting the importance of the MSDFs in the inter-governmental planning system.

Importantly, the objectives of SPLUMA include:

- Inclusive, developmental, equitable and efficient spatial planning;
- Spatial planning to be underpinned and supported by infrastructure investment; and
- Procedures and institutions to facilitate and promote co-operative governance and intergovernmental relations in respect of spatial development planning and land use management.

The SDFs of all spheres of government must further the SPLUMA principles of spatial justice; spatial sustainability; efficiency; spatial resilience; and good administration (including inter-governmental participation in planning processes). They must also:

- Represent the integration and trade-off of all relevant sector policies and plans;
- Contribute to a coherent, planned approach to spatial development;
- Provide clear and accessible information to public and private spheres for investment purposes;
- Provide direction for strategic developments, infrastructure investment, promote efficient, sustainable and planned investments by all sectors and indicate priority areas;
- Ensure that all spheres participate in spatial planning and land use management processes that impact on each other; and
- Prioritise, mobilise, sequence and implement public and private infrastructural and land development investment in prioripatial structuring areas.

5.2 Key IGR Reforms

National Treasury argues that there are three complementary mechanisms to achieve the primary goal of local government in making land development decisions to drive spatial transformation, namely: (a) planning reforms for improved spatial targeting of infrastructure investment across the public sector by adopting the Infrastructure Delivery Management System (IDMS); (b) budgeting reforms and (c) reporting reforms.

A reliance only on essentially retrospective regulatory controls (development control) will have the effect of delaying development (“red tape”), rather than coordinating

it to maximise development impact. (Treasury, An Inter-Governmental Urban Spatial Budgeting Perspective in the Medium Term Budgeting Process, 2017) Given the latter mechanism, National Treasury has embarked upon a process of IGR budgeting reforms at both national and provincial levels to improve coordination and alignment of public sector capital expenditure planning in large urban areas. These reforms are did in some detail below.

Planning Reforms

Since the 2014/15 MTREF when the BEPPs were introduced as a requirement of the Integrated City Development Grant (ICDG), metros have identified what spatial outcomes they will pursue and thus identified spatially targeted areas at a sub-metropolitan level based on the Urban Network Strategy (UNS). The spatially targeted areas include Integration Zones, Informal Settlements, which will be upgraded in-situ, marginalised areas, and economic nodes. The outcomes-led planning approach is outlined in another section of this series called Outcomes Led Planning.

The spatially targeted areas represent the spatial targets for the co-ordination of intergovernmental public investment (municipal, provincial and national government including state owned enterprises). This planning co-ordination will not be achieved overnight because it is like steering a huge sailing ship in another direction – there is substantial infrastructure investment every year by all spheres of government including state owned enterprises and this will slowly be steered by the metros in the direction of contributing to spatial transformation.

The Intergovernmental Programme Pipeline (IGPP) in the BEPP is a result of joint consultative planning between the metros and the other spheres of government. The planning co-ordination is boosted by the National Treasury requiring both provincial and metropolitan governments to follow the full life cycle planning and costing of infrastructure assets, and working within a control framework for the procurement of infrastructure programmes. The City IDMS (CIDMS) includes both a spatial perspective (alignment with spatial development frameworks as well as climate proofing of infrastructure. Having a solid infrastructure base in the metropolitan areas enables improved spatial targeting, and for spatially targeted areas to have intensified land uses, higher density residential development and the opportunity to attract private sector investment and unlock household investment too. In other words, it allows metros to pursue Catalytic Land Development Programmes (CLDPs) that should contribute to a more compact [city.in](#) terms of the [MFMA C88 Addendum 2020](#) the IGPP and CLDPs are required to be in the IDP.

Planning co-ordination and alignment: reforms have taken the form of improved project disclosure (spatial location

and budgets) by all spheres of government and SOEs within the metros and to support the development of an Inter-Governmental Project Pipeline. In addition DRDLR is considering the BEPP as the Capital Expenditure/ Investment Framework to fulfil the requirements of the SDF Guidelines that is a direct result of SPLUMA. Furthermore work is being undertaken by DECOG to inform the review the IDP Guidelines with good practice from the BEPPs.

Budgeting Reforms

The National Treasury is pursuing IGR budgeting reform in terms of its core interest in ensuring that urban public investment programmes generate high social and economic returns and the achievement of inclusive, productive and sustainable cities. The National Treasury can perform this role through creating an enabling inter-governmental environment for the coordination of infrastructure investment in cities, particularly through the budget process. (Treasury, An Inter-Governmental Urban Spatial Budgeting Perspective in the Medium Term Budgeting Process, 2017)

Until recently, national budgeting entailed complementary functional and intergovernmental processes. That is the allocation of resources to largely sectoral outcomes through the funding of outputs; and the management of the vertical division of revenue amongst spheres of government. The two processes interfaced when the National Treasury made recommendations to the budget process culminating in the Budget Council during 2018 to introduce an intergovernmental urban spatial perspective in planning and budgeting (Treasury, An Inter-Governmental Urban Spatial Budgeting Perspective in the Medium Term Budgeting Process, 2017).

National Treasury identified a weakness in the budgeting process as a lack of a spatial dimension and the failure to sufficiently incorporate specific issues and programmes for large urban areas. It was argued that a more interactive and spatially referenced process was necessary to enable a greater focus on urban development outcomes (Treasury, An Inter-Governmental Urban Spatial Budgeting Perspective in the Medium Term Budgeting Process, 2017). The metro capital investment or expenditure framework needed to be an outcome of a consultative process with other spheres of government and SOEs. The BEPP instrument (inclusive of the Inter-Governmental Programme Pipeline) was presented as the instrument to effect the desired reform in the budgeting process after having practically experimented with this approach for three years.

The budgeting reforms will result in budget allocations based on Built Environment Value Chain (BEVC) indicators. Over time, it is intended that an intergovernmental spatial budgeting perspective will result in a structured, sequenced

and aligned pipeline of urban investment programmes across all spheres of government that will in turn guide private and household investment in cities.

The budgetary reform process began in 2016 in preparation for the 2017/18 Medium Term Review and Expenditure Framework (MTREF). Short term measures were proposed as:

1. The setting up of an **Urban Investment Coordination Forum (UICF)** chaired by the Director-General (DG): National Treasury and composed of: DGs of relevant sector departments; the CEOs or MDs of SOEs; and City Managers. The selection of departments/ SOEs is based on the needs expressed by cities over the past 3 years through the BEPP process, namely: DECOG, DRDLR, DWS, DHS, DOT, DED, PRASA, TRANSNET and SANRAL. The focus of this forum is on translating the planning efforts of metropolitan municipalities into programmes and an inter-governmental pipeline that is funded and implemented, maintained and managed by well-governed institutions.
2. The establishment of technical committees to support the UICF, namely:
 - i. An **Urban Investment MTEC Sub-Committee**, included in the MTEC process, to provide a city and spatial perspective in the functional budgeting process with sector departments and SOEs;
 - ii. An **Urban Investment Technical Committee**, as a TCF sub-committee, to guide the budgeting process for provinces.

The alignment of provincial infrastructure to metropolitan priorities would be achieved through the Urban Investment Technical Committee mentioned above. Previously, Provincial Treasuries had been focused on getting the relevant provincial departments to work together on the Infrastructure Delivery Management System (IDMS), but limited progress has been made in working with municipalities to determine the spatial allocation of their investments or link such investments to metro priorities or vice versa. The planning and budgeting of housing programmes have not really been part of the IDMS to date but efforts are being made by Provincial Treasuries to now draw in the housing function. Similarly for the co-ordination and alignment of metropolitan and provincial public transport functions including passenger rail (national function).

At a metro level there are four main fiscal reform efforts, namely a review of the borrowing framework, development charges; ongoing review of the built environment grants; and developing long term financing strategies. In addition MSCOA has been established – see section on Budget, Fiscal & Financial Reforms.

In addition there is a section on [Strategy Led Budgeting](#).

Reporting Reforms

Circular 88: Rationalising Planning and Reporting Requirements for the 2018/19 MTREF aims to clarify how the goals and objectives set out over the medium term in the IDP will be measured and it prescribes municipal performance indicators for metropolitan municipalities at the integrated outcome level (standard indicators to measure spatial transformation across all metros) as well as the functional outcome and output levels.

National Treasury initiated a process to review, rationalise and streamline the reporting arrangements of metropolitan municipalities at the end of 2013. This initiative was undertaken in response to the following issues arising from metro reporting on performance information, particularly within the built environment:

- There are too many indicators that national departments expect metropolitan municipalities to report upon and they are not sufficiently strategic;
- There is duplication, fragmentation and insufficient coordination of how this performance information is managed and reporting resulting in an inefficient use of resources; and
- Indicators at the output and outcome level are generally undeveloped and insufficient attention has been paid to the relationship between outputs and outcomes in crafting and selecting performance indicators.

Central to this reporting initiative was the intrinsic linkage to planning, and the inescapable reality that reports are a response to plans, of which the inter-relationship necessitates consideration of the implications for both. This is described in greater detail in the section on [Outcomes Led Planning](#). It is important to note that the city transformational indicators or integrated outcome indicators (commonly referred to as BEPP indicators) are not used just for reporting but are a key informant of planning. There is a specific section on [Reporting Reforms](#).

6. Key Insights From The 2017/18 BEPP Evaluation

6.1 Reality Facing Metros

The 2017/18 BEPP Evaluation (Treasury 2017) and the key informant interview (Tiaan Ehlers, 2017) conducted for this report, highlight the reality facing metros in their attempts to co-ordinate public infrastructure investment. Some metros are more successful than others. Factors enabling or inhibiting success by metros in this regard are both internal and external to the metro.

Metros that perform weakly in influencing and guiding inter-

governmental and SOE investment showed the following patterns:

- Failure to engage or consult other spheres of government or SOEs at any level of land-use planning and budgeting – project, precinct, area or metro-wide;
- Weak or non-existent inter-governmental co-ordination structures for both planning and implementation;
- An ability to articulate some or partial SOEs and sector department budgets and plans but a failure to influence such plans; and
- Inability to sequence sectoral investments e.g. social facilities in integrated human settlements developments.

Metros that were performing strongly in terms of influencing the plans and budgets of some sector departments and SOEs demonstrated:

- Strategic municipal leadership: best practice was evident in metros where both the political and administrative leadership provide oversight to the BEPP process and drive collaborative change;
- Stakeholder engagement: institutionalised and formalised consultations with SOEs and relevant sector departments take place;
- Functional IGR structures: IGR structures facilitate planning and implementation alignment at strategic, programme and/or project levels. In some municipalities multi-stakeholder BEPP forums are convened within the offices of Municipal Managers or Chief Operating Officers; and
- Project level alignment: strong inter-governmental planning and budgeting co-ordination and alignment, especially transport and housing, was taking place at project levels.

In some of these metros, it is evident that success was greater in certain sectors, such as public transport, than in others. Several metros showed greater success in influencing provincial budgets than national and SOE budgets. Key instruments that were used by successful metros to co-ordinate public sector infrastructure investment are:

1. Approaching National Treasury to provide support in ensuring planning and budgeting alignment with certain SOEs, such as PRASA.
2. Focused sector engagements, for example in energy, that ensure project level planning co-ordination. ESKOM is regarded as a more co-operative SOE in that its plans are demand-driven.
3. Entering into formal project-level agreements, such as signing MoUs with SOEs.
4. Development of planning models, for example for social facility provision, with clear spatial logic; and
5. The spatial referencing of all infrastructure

investment projects within the metro.

Successful metros also showed evidence of broadening their co-ordination of planning and investment beyond the public sector, through:

1. Public Private Partnerships (PPPs) to stimulate investment and improve urban management at local area and precinct scale;
2. Aligning and restructuring their economic development incentives with spatial targeting imperatives;
3. Removing appropriate regulatory constraints to development to reduce time and financial risks;
4. Releasing land into the market and boost private sector investment;
5. Leveraging research through partnerships with relevant tertiary institutions to drive innovation and robust planning in service delivery and infrastructure investment; and
6. Proactively engaging a broad range of potential investors, including DFIs and donors.

Critical enablers and inhibitors at different levels (i.e. metro, IGR and SoE) for metros to perform a stronger inter-governmental co-ordination and spatially transformative role are included in Table 1 to follow:

Table 1

Level	Enabler	Inhibitor
Metro	<ul style="list-style-type: none"> • BEPP is focused on the holistic functioning of the Metro • BEPP drives both outputs and built environment outcomes • Buy-in of metro political and administrative leadership • Intra- metro accountability for programme and budget alignment • Strong metro SDF and planning framework and processes • Metro adopts multi-faceted approaches to IZs and precinct development that will leverage a wide range of investment and participation • Quality of individual programme/project managers • Metro takes responsibility for ensuring stakeholder participation and follows through on stakeholder commitments • Required metro transversal structures are in place and effective 	<ul style="list-style-type: none"> • Lack of high level City strategic leadership • Continuous policy and leadership changes within the metro • Weak metro planning-budgeting links owing to silo-operations • Weak urban development strategy underpinning the BEPP. Narrow • BEPP focus e.g. transport corridors and networks • Conflict between the status of the BEPP and SDF within the metro • Incorrect institutional placing of the BEPP resulting in weak linkages and influence • Lack of capacitation of the BEPP function by the metro • Intra-metro administrative divisions, power-play and tensions • Financial pressures in the metro (infrastructure decay & declining revenue) placing emphasis on the short-term as opposed to long-term spatial strategy
IGR	<ul style="list-style-type: none"> • Required inter-governmental co-ordinating structures are in place • IDMS Programme and Project information is shared with a significant level of joint planning and spatial prioritisation • Provincial governments have systems and annual processes in place to do joint planning with the metros • Metro has a solid relationship with the NT supported by the CSP. • NT provides support to metros in relation to some SOEs e.g. PRASA. • NT oversight and creating an enabling inter-governmental environment during the budgeting process • Buy-in of the provincial political and administrative leadership to the Metro's spatial targeting approach 	<ul style="list-style-type: none"> • Constant administrative and political turnover at national level undermining certainty and consistency in policy, planning and budgeting • Poorly performing inter-governmental structures • Weak provincial metro relationships • Inward-looking sector departments failing to meaningfully engage the metros • Delays by provinces in making available their plans and budgets to metros • Slow development implementation processes and long-project lead times that undermine co-ordination, sequencing and commitment • Decision-making processes within other spheres and SOEs exclude and are often not understood by metro municipalities • "Informal" or parallel decision-making processes undermining formal decision making in all state institutions • Functional budgeting that perpetuates sectoral focus amongst national and provincial sector departments
SoE	<ul style="list-style-type: none"> • Legislative and policy imperatives of the SOEs • Public interest mandates 	<ul style="list-style-type: none"> • Constant changes at board & management levels within SOEs • Lack of communication with metros re SOE land disposal • Weak IGR communication generally • Competing SoE sector challenges with metro priorities, such as: infrastructure backlogs, inadequate investment, skills shortages and institutional fragmentation • Undue political influence in some SoEs • High level of institutional concentration making it difficult to engage • SOEs • Some SoEs engage only at provincial and not metro-level

The highlighted enablers and inhibitors, show that whilst there is still room for improvement by the metropolitan municipalities themselves, there are external factors that need to be addressed and external role-players that need to come on board. Joint planning with provincial governments and SOEs have emerged as priority issues.

6.2 Progress Toward Joint Planning with Provincial Governments

National Treasury has begun addressing the weaknesses identified in the 2017 Metro BEPP Review regarding joint planning by metros and provincial governments. The approach is to target the weaker provinces, hence a focus on the Eastern Cape and Free State (Coovadia, Progress on TCF Lekgotla Aug 2017, 2018).

- In the Eastern Cape, the MEC for Finance and DG have endorsed a direct working relationship and information sharing between provincial government and the Nelson Mandela Bay and Buffalo City Metros. Currently, priorities for planning, budgeting and implementation diverge and this will need to be addressed through the institutionalisation of joint planning over time.
- In the Free State, agreement has been reached that the ad hoc sharing of information for the Mangaung Metro's IDP process should be formalised, institutionalised and coupled with the BEPP process going forward. (Coovadia, 2018)

In Gauteng, while there has been collaborative provincial and metro planning for the past 2 to 3 years, especially through the disclosure of spatially referenced budget allocations and projects within the context of the IDMS (for roads, health and education facilities), the need for improvement is recognised. The focus in 2018/19 is to move from project disclosure to effective joint planning led by the spatial priorities of the metros. (Coovadia, 2018) In October 2017, the province and City of Johannesburg conducted an exercise whereby alignment and misalignment of priorities were discussed. Gauteng is currently developing a "Live Portal" to facilitate joint provincial metro spatial planning alignment. The joint planning platforms are the Gauteng Planning Forum (consisting of all Gauteng municipalities) and a Tri-Metro Forum.

6.3 Leveraging the role of SOEs

SOEs fall into a range of categories, such as: power generation, transmission and distribution; information communication technology; transport; defence; and development finance institutions. Many are major land-holders.

As public entities, SOEs share many legislative and policy imperatives with the spheres of government - primarily the Constitution, the Public Finance

Management Act and overarching national policies such as the NDP and the Industrial Policy Action Plan (IPAP 2017/18 – 2019/20). They are also bound by the Companies Act, Act 71 of 2008. In terms of land disposal, SOEs are regulated by the Constitution, PFMA, Treasury Regulations, Government Immovable Asset Management Act, Act 19 of 2007; the State Land Disposal Act, Act 48 of 1961, the Expropriation Act, Act 63 of 1975, and DPME's "State-Owned Enterprises Non-Core Property Disposal and BBBEE Guidelines (2008).

In addition, the different SOEs are subject to specific sector legislation and policy that includes the allocation of roles and responsibilities amongst the spheres of government and SOEs. For example:

- Transport: National Land Transport Transition Act, Act 22 of 2000 and the National Public Transport Strategy (2007).
- Energy: National Energy Act, Act 34 of 2008; Electricity Regulation Act, Act 4 of 2006.
- Water: Water Services Act, Act 108 of 1997; National Water Act, Act 36 of 1998; Municipal Structures Act, Act 117 of 1998; Municipal Systems Act, Act 32 of 2000; and the National Water Resources Strategy (2004).

Sections 52 or 53 of the PFMA, depending on the respective SOE requires Schedule 2 public entities and government business enterprises to prepare an annual budget and corporate plan for three financial years. This must be submitted to the accounting officer for a department designated by the Executive Authority at least one month before the start of its financial year. A projection of revenue, expenditure and borrowings must be included. Corporate plans must include:

- Strategic objectives and outcomes as agreed by the executive authority in the shareholders' compact;
- Strategic and business initiatives as embodied in business function strategies;
- Key performance measures and indicators;
- Risk management and fraud prevention plan; and a
- Financial Plan.

In terms of the Act, Treasury has an oversight role in terms of ensuring transparency, borrowing/ funding and co-ordination amongst the Policy Minister, Executive Authority and National Treasury. Parliamentary oversight of SOEs is provided through SCOPA and Portfolio Committees.

Infrastructure Led Growth Through Spatially Targeted Public Investment

The SOE planning and budgeting processes, together with the oversight mechanisms, are strategic instruments for metros to utilise to spatially influence and ordinate their investment.

7. Lessons Learnt

Some of the key lessons learnt for metros and at a broader inter-governmental level are discussed below.

7.1 Metro-Level

Lessons for the metros pertain to strengthening leadership and governance; spatial planning and project preparation; the Inter-Governmental Project Pipe-Line; and, implementation and urban management.

Leadership and Governance

- Strategic and integrated political and administrative leadership is required within the metro to drive spatial transformation through co-ordinated infrastructure investment. This should be informed by a long-term City development and spatial strategy;
- Strategic and project-level BEPP structures are necessary to foster transversal alignment within the metro.
- Adequate capacity for the BEPP function within the Metro is required and the location of the function is important e.g. the Mayor's office.
- Metros must take responsibility to engage and then hold sector departments and SoEs to account for their commitments.
- The quality of programme and project managers is key to being able to deliver the development agenda of the City.

Spatial Planning and Project Preparation

- The Constitutional and legal obligation on all spheres of government and SOEs to consult each other regarding plans and investment can be used by the metro to support its inter-governmental co-ordination role.
- All spheres of government are obliged to prepare SDFs to inform their plans and investment. The role of municipalities as the primary decision-makers regarding land development must be respected by other spheres of government and SOEs.
- The BEPP should be informed by a strong metro SDF based on integrated sector data and articulate the real challenges facing the cities.
- The metro should structure multi-faceted precinct and project plans that reflect the required roles and responsibilities and investment of other stakeholders. Precinct planning alignment to be strengthened.

7.1.3 Inter-governmental Project Pipeline

- The BEPP should act as the primary implementation and resource leverage tool for the metro. Intergovernmental planning and budgeting

alignment processes and structures should be utilised to give effect to this, e.g. utilise the newly established Urban Investment Co-ordination Forum and its technical sub-committees.

- The metro should focus on critical departments to get the engagement process right e.g. DPW, DSD, Energy, Transport, Human Settlements, Health, Education etc.
- Metros should also focus on building provincial relationships as some tend to focus all their energy on relationships at national level.
- Metros should understand and influence SoE corporate planning and budgeting processes through engaging NT, SOE Executive Authorities and the relevant heads of departments. Metros should develop capacity to engage SoEs and the focus should be on generating win-win relationships.
- Metros should recognise that formal IGR co-ordination structures do not always deliver and that informal relationships within the spirit of the legislation may be more effective to secure inter-governmental co-operation.
- Any formal IGR agreements, such as an Implementation Protocol, entered by a metro should have a clear purpose.
- The metro should utilise legislated escalation mechanisms if IGR stalls at any point.
- Metros should broaden their inter-governmental pipeline to include all public sector and SOE commitments that are aligned to the spatial targeting perspective of the metro.
- Metros should develop an Inter-Governmental Pipeline Investment Strategy that will ensure a more proactive approach by the metropolitan municipality and to utilise existing IGR co-ordinating forums and arrangements to drive the strategy.

Implementation and Urban Management

- Ongoing stakeholder collaboration by a metro is essential during project implementation.
- Transversal intra-municipal and inter-governmental technical structures are required for the implementation of projects.
- Metros should build on successes and pockets of innovation e.g. Ethekwini Conurbia housing project.
- Metros should explore public-private partnerships to stimulate investment and improve urban management.
- Metro economic development incentives should be aligned with, and restructured to support, spatial targeting imperatives.
- Metros should remove appropriate regulatory constraints to development to reduce time and
- Infrastructure Led Growth Through Spatially Targeted Public Investment financial risks, release land into the market and boost private sector investment.

7.2 Inter-Governmental Level

Lessons at a broader inter-governmental level address the need for ongoing public-sector reform in: planning; inter-governmental co-ordination; fiscal relations; and municipal support.

Planning Reform

- National Treasury should strengthen the BEPP instrument at national level through:
 - Making the roles and responsibilities of sectors and SOEs explicit in the BEPP Guidelines;
 - Developing a BEPP monitoring tool that holds all spheres and SOEs accountable for achieving desired built environment performance outcomes;
 - Focusing the BEPP Guidelines less on demonstrating stakeholder consultation and more on the showing actual capital investment alignment across the public sector; and
 - Spatially referencing public investment to municipal spatial development frameworks (SDFs) and other local plans.
- Further planning reforms are required, such as: (Treasury, 2017)
- Addressing planning legislation alignment and responsibilities across departments, especially the:
 - DRDLR and its responsibilities for SPLUMA;
 - DECOG and its responsibility for the Municipal Systems Act; and
 - DPME in terms of its planning and budgeting co-ordinating responsibilities.
- Introducing a spatial perspective at national and provincial government sector planning level. This may involve an amendment to the National Treasury Guidelines for preparing Medium Terms Strategic and Annual Performance Plans. This reform will require a differentiated approach to municipalities – metros, ICMs, local and district municipalities – and a spatial perspective linked to an Urban Network Strategy (UNS). This approach would require joint planning and reporting by sector departments and municipalities and would make sector departments accountable for their contributions to spatial transformation at municipal level (Coovadia, E-mail: Progress on TCF Lekgotla Aug 2017, 2018).
- Development of Regulations or Guidelines that compel provinces to go beyond disclosure / sharing of planning and budgeting information with the metros and to achieve effective joint planning that will crowd in public and private investment.
- The articulation, testing, design, validation and institutionalisation of spatial transformation outcomes for different municipalities.
- Inclusion of a cost-benefit analysis element into spatial planning.

Inter-Governmental Co-ordination Reforms

- Offices of the Premier and Provincial Treasuries should play a stronger role in driving inter-sectoral and inter-governmental co-ordination.
- A broader inter-governmental response is necessary to support metros that appear to be caught in “low growth traps” that are constraining development.

Fiscal Reforms

- NT should pursue enabling instruments for metros that allow: improved utilisation of the debt market; value capture (e.g. development charges); grant pledging; and metro incentives to prioritise capital funding in targeted spaces. (Niekerk, 2015)
- NT should continue to use the grant reform process as a key lever for improving IGR and ensuring a spatial focus across government.
- NT should continue to reform the national budgeting process to facilitate spatial planning and investment alignment as stated earlier.

Support reforms

“On-the-ground support” being provided by the PGI and CSP be further reinforced by using all existing annual budget processes and mechanisms such as the Provincial Benchmarking sessions, TCFs, 10x10s, MTECs etc, where and if possible Annual Budget Circulars to Metros and Provinces should reinforce the requirement for joint planning. (Coovadia, Progress on Lekgotla Aug 2017, 2018).

8. Conclusion

Whilst significant progress is evident in metros in the adoption of clear spatial targeting frameworks and alignment of internal planning and budgeting processes, and substantial progress has been made in some metros in proactively engaging and aligning the plans and budgets of sector departments and SOEs with their own, the 2017 Metro BEPP Evaluation has highlighted areas where further work is required as discussed in the section above. Such work must take place both within the metros and within the broader inter-governmental arena.

The broader economic and political context impacts directly on the ability of the metros to progress further, with some metros finding themselves economically constrained and becoming increasingly short-term priority focused, and others experiencing strategic shifts that are leading to uncertainty owing

to political changes. The role of NT, COGTA and DPME as well as the CSP team in assisting the metros to stay on track cannot be under-stated. The broader budgeting and planning reforms underway are welcomed as being responsive to the needs articulated by the metros. The lessons highlighted above should inform ongoing reforms and work to create an enabling and supportive environment for metros to achieve the stated goal for a “partnership of prioritised, co-ordinated public and private catalytic interventions in space to emerge”. (Niekerk, 2015) In this way, metros will be able to actively guide and facilitate infrastructure-led growth within their boundaries.

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