

## **SECTION 6: CAPITAL INVESTMENT FRAMEWORK**

### **6.1 Introduction**

The Capital Investment Framework (CIF) is the plan, which leads to the actual implementation of the IDP, the SDF, and the sector programmes. The CIF addresses and fulfils the realisation of the 6 identified Development Paradigms and the 12 Sector Areas of the Growth and Development Strategy and the IDP. It realises the goals and the objectives of the City of Joburg via capital budget expenditure allocation to specific developmental projects. The CIF is an outcome of a joint initiative between the Development Planning Directorate, Finance and all service providers within the City (Municipal Owned Entities and core internal Departments). The CIF provides for strategic and effective implementation of the SDF's development principles and strategies, which are in line with the City's Growth and Development Strategy. The SDF provides the development direction and spatial imperatives that will align City investment with the vision for the City and the Mayoral priorities. The purpose of the CIF is to ensure the improvement and the management of the existing infrastructure by addressing the many developmental challenges within the City, and, amongst the aforementioned to:

- Improve service delivery through infrastructure and services that are planned, delivered, upgraded or managed in an objective and structured manner that support the City's GDS vision and priorities
- Prioritise projects and programmes through a strategic and spatially-linked information system (Capital Investment Management System, more widely known as CIMS)
- Direct future public and private investment
- Strategically align capital budgets between Departments and Entities
- Identify types of infrastructure and services planning and implementation choices in a strategic manner that fulfils the City's developmental priorities

### **6.2 Methodology Employed**

CIMS is utilised to determine priority projects for Capex allocation. CIMS was specifically developed and tailored to act as a single database for the Investment Programmes and all associated capital requests, delivering on the development paradigms of the CGDS. CIMS therefore functions as a prioritisation tool, reporting module on specific scenarios and project management / tracking module. The system provides a platform for the City to understand the citywide implications of investment decisions as it relates to the Strategic Agenda. The 2007/2008 capital budgets represents a balanced sharing between the Programmes, giving equal prominence to the City's historical backlogs, existing infrastructure and future growth.

CIMS logs, prioritises and tracks projects on the annual Capital Expenditure (CapEx) budget. The MOEs and core departments are required to submit lists of CapEx projects on an annual basis for evaluation and prioritisation. When priority projects are implemented, tracking of the progress on these as well as regular report back and confirmation of progress is required. This section describes the methodology of prioritisation and how the various elements used within the model were derived and incorporated.

Although projects are often prioritised individually by the respective MOEs and Divisions, the projects still need to be prioritised from a City perspective. The City perspective involves important strategic elements that may not be perceived as important from an MOEs or internal division's point of view. Strategic

inputs need to be given to the decision makers to enable planning and suitable allocation of budgets and resources, to realise and affect the strategic direction provided by the City's vision and current agendas.

CIMS has a comprehensive model which has been developed to address these various issues and to respond to the deficiencies that have been identified in the past. The model is accessible to all various City service providers via the internet. It also provides the ability to track and manage the progress on projects that have been approved for implementation.

The system that was developed for the City of Johannesburg is called the Capital Investment management System (CIMS). The development of the system was influenced by a number of very important parameters. An understanding of the system's users, the information required by the model and the magnitude of information that are required were key considerations.

Since a number of elements have to be covered by the model, the level of detail and the model's sensitivity to these criteria were very important to establish from an early stage in the model's development. The influence of the City's annual programme and timelines were important as well as the level of feedback required by the City's planners from time to time. New prioritisation elements are introduced annually by, for e.g., the Mayoral priorities and these have to be taken into account in the prioritisation process. Typical, basic considerations taken into account by the model are:

- Project Locality in relation to priority development areas
- Project financials
- The projects contribution to City Programmes Identified in the GDS and SDF
- Mayoral Priorities
- Planning and infrastructure Issues (e.g. Service Delivery, Economic Growth, Social, etc.)
- Technical Issues (legal obligations, technical requirements, feasibility, etc.)

The purpose of the CIMS model is to ensure alignment of the capital investment programmes with the Mayoral priorities, the development paradigm and sector programmes of the GDS and the development direction of the SDF. It further provides an understanding of the development implications of certain investment decisions.

### **6.3 An overview of the City's Capital Budget**

Demands placed on the City's capital budget far exceed available resources. As such the City has to be strategic in its choice of projects, identifying only those critical projects that need to be undertaken. As shown in **Table 6.1** the total capital budget for the City is obtained from a number of different sources. It is funded from the tariffs, the rates base, bulk service contributions and external funding (e.g. housing subsidy, Municipal Infrastructure Grant (MIG), Neighbourhood Development Partnership Grant (NDPG), national department grants and loans and provincial department grants and loans).

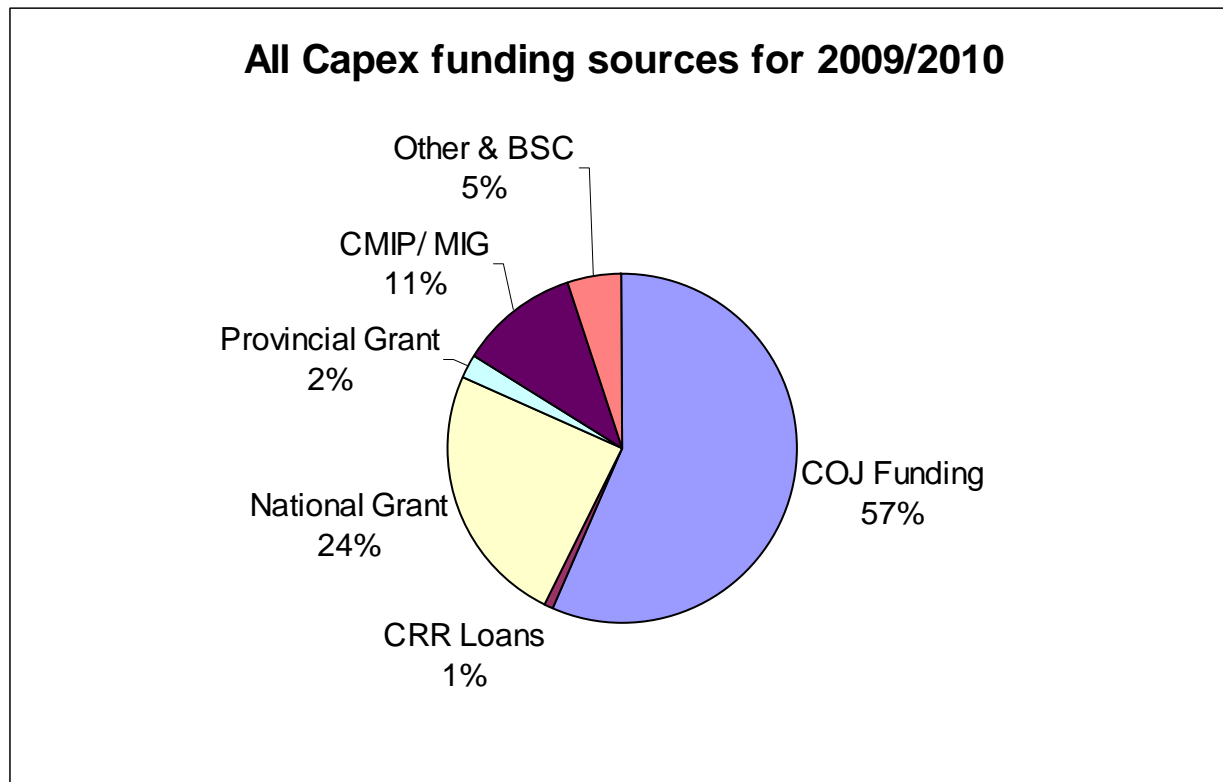
As can be seen from Graph 1, the majority of the capital budget is from the City's own resources<sup>1</sup>. The second largest contributor is national grants, other than MIG. MIG is the third largest source of funds, it is utilised for the provision of bulk and basic services and is focused on providing these services to the

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<sup>1</sup> Please note that the chart depicts some Divisions (Departments/ Municipal Entities) as having '0' budget allocation as these particular Divisions' budgets are too small to show as a percentage in comparison to other Divisions that have been awarded much larger budgets

poor. The broad breakdown of the respective line departments and Municipal Entities for the 2009/2010 financial year is depicted in Table 6.1 below, and Diagram 6.1.

**Diagram 6.1 Capex Funding Sources for 2009/2010**



**Table 6.1 Total City Capex Budget Breakdown for all Municipal Entities and Core Departments, 2009/2010**

DEPARTMENT VOTE	INDICATIVE BUDGET 2009/10 (R'000)	2009/10					
		SOURCE OF FINANCE (R'000)					
		COJ Funding	CRR (Cash)	Public Contributions			Other & BSC
National Grant	Provincial Grant			MIG			
<b>DEPARTMENT</b>							
Economic Development	574		574				
Environment	849		849				
Infrastructure and Services	361		361				
Transportation	804,825	150,000	611	654,214			
Community Development: Core	1,908		1,908				
Community Development: Libraries	8,738	8,000	738				
Community Development: Social Services	9,382	9,000	382				
Community Development: Sport and Recreation	64,656	7,000	1,656			56,000	
Community Development: Arts, Culture and Heritage	382		382				
Health Services	7,034	5,000	2,034				
Office of the Executive Mayor	2,297		2,297				
Office of the Executive Mayor 2010	173,066	173,000	66				
Speaker: Legislative Arm of Council	1,151		1,151				
Finance	4,441		4,441				
Revenue and Customer Relations	7,385		7,385				
Corporate and Shared Services	7,321	5,000	2,321				
Housing	407,277	144,625	2,095		90,000	170,557	
Development Planning and Urban Management	289,979	79,000	2,390	193,589		15,000	
Development Planning and Urban Management: Inner City	300,000	300,000					
Emergency Management Services	7,308	6,710	598				
Johannesburg Metropolitan Police Department	835		835				
<b>TOTAL CORE ADMINISTRATION</b>	<b>2,099,769</b>	<b>887,335</b>	<b>33,074</b>	<b>847,803</b>	<b>90,000</b>	<b>241,557</b>	
<b>MUNICIPAL ENTITIES</b>							
City Power	863,874	600,000		107,174		39,000	117,700
Johannesburg Water	695,500	519,000				110,000	66,500
Pikitup	47,793	45,000				2,793	
Johannesburg Roads Agency	170,000	103,000				67,000	
Metrobus							
Johannesburg City Parks	44,000	15,000				10,500	18,500
Johannesburg Zoo	7,000	7,000					
Johannesburg Development Agency	60,000	60,000					
Johannesburg Property Company	45,000	45,000					

DEPARTMENT VOTE	INDICATIVE BUDGET 2009/10 (R'000)	2009/10					
		SOURCE OF FINANCE (R'000)					
		COJ Funding	CRR (Cash)	Public Contributions			
National Grant	Provincial Grant			MIG	Other & BSC		
Johannesburg Fresh Produce Market	20,000	20,000					
Metro Trading Company							
Johannesburg Tourism Company							
Johannesburg Social and Housing Company	92,913	40,000		52,913			
Johannesburg Civic Theatre	1,000	1,000					
Roodepoort City Theatre	200	200					
<b>TOTAL ME's</b>	<b>2,047,280</b>	<b>1,455,200</b>		<b>160,087</b>		<b>229,293</b>	<b>202,700</b>
<b>TOTAL CITY OF JOHANNESBURG</b>	<b>4,147,049</b>	<b>2,342,535</b>	<b>33,074</b>	<b>1,007,890</b>	<b>90,000</b>	<b>470,850</b>	<b>202,700</b>

## 6.4 Capex Allocation per Region – 2009/2010

The administrative regions of the city are responsible for the urban management function within their jurisdiction. Unless there are quality infrastructure and public amenities in place the regions are unable to fulfill their functions meaningfully. Given the limitations on the capital budget, regions that serve largely marginalised and/or poor communities have received the largest allocations. This is represented in **Table 6.2**. Region F, which includes the inner city, that has the largest CAPEX allocation due to the growth of slums in the region, the ageing infrastructure that requires replacement and the importance of the region as an economic growth generator. This is followed by Region D, Soweto, due to the historically disadvantaged background of the area and the persistence of poverty. Region G, Orange Farm, arguably the most geographically and socially marginalised area in the City receives the third highest allocation.

**Table 6.2 Overview of the City's Regional Capex Share**

Region	COJ CAPEX Funding	Total CAPEX Funding
F	R 1,055,092,441.00	R 1,849,608,500.00
D	R 372,538,500.00	R 940,633,000.00
G	R 323,059,500.00	R 603,293,000.00
C	R 180,215,985.33	R 336,341,985.33
E	R 174,950,000.00	R 537,088,500.00
B	R 123,141,666.67	R 300,333,166.67
A	R 114,246,000.00	R 307,598,500.00

## 6.5 Growth and Development Strategy (GDS) Sector Programmes - Capex allocation for 2009/2010

In the identification of 12 sector programmes in the GDS that mirror the Departmental configuration of the City; the provision of a policy timeline that is aligned to budget planning cycles; and through its development paradigm that promotes economic development, environmental sustainability and poverty eradication the GDS provides the foundation for capital expenditure allocation in the City.

**Table 6.3** provides an indication of the capital expenditure per sector programme of the GDS for 2009/10. It should be noted that capital allocations are concentrated in specific programmes: namely Infrastructure and basic services, housing, transportation, economic development and spatial form and urban management. The nature of these allocations, and projects associated with the critical sector programmes will be described further.

**Table 6.3 Capex Allocation per Sector Programme**

Capex allocation per sector programme	
Sector Programmes	Capex
Economic development	263940000
Human and community development	24000000
Housing	184625000
Infrastructure and basic services	1164000000
Environment	22000000
Spatial form and urban management	439000000
Transportation	253000000
Health	5000000
Safety	6710
Financial sustainability	
Governance	2297000
Corporate and shared services	7321000

### **Economic Development Programme**

A critical aspect of the GDS and IDP is to bridge the divide between the City's first and second economies; to ensure that balanced, equitable and shared growth is attained; and to prioritise the development of marginalised areas and disadvantaged communities. The programme seeks to provide critical infrastructure to marginalised areas by addressing the backlogs within the shortest possible time period. The key marginalised areas are Soweto, Diepsloot, Orange Farm and Greater Ivory Park, (including the areas of Kaalfontein and Rabie Ridge). From the four prioritised regions, Soweto gains the largest share, as it is a pivotal area for redevelopment, holding vast economic potential.

Another critical aspect of economic growth in the City is the promotion of the first economy, and putting structures and systems that facilitate the shift of businesses from the second to the first economy. Critical projects in this regard include the construction of an information hub, the construction of linear markets, and the facilitation of cheap broadband for the City.

### **Infrastructure and Basic Services Programme**

This programme includes the full spectrum of infrastructure and social amenities provision for strategic developmental interventions in the following areas:

- Infrastructure provision with relevant capacities;
- Provision of new social, health and recreation facilities;
- Procurement of land for open space provision as well as servitudes;
- Provision of bulk infrastructure to new housing opportunities;
- Public lighting;
- Resolving power outages;
- Addressing storm water drainage;
- Provision of waste removal services; and
- Increasing the overall infrastructure capacity levels of the City to meet rapid development
- Implementation of demand side management interventions

The capital budget allocated to this programme is approximately R1.16bn, with Johannesburg Water receiving R519m, City Power receiving R600m, and Pikitup receiving R45m.

### **Environmental Programme**

This programme sees to the conservation of the natural and built environment, and to provide for public open space in the most sustainable manner possible, given constrained resources and urbanisation pressures.

The total capital budget allocated to the Sustainable Environments Programme from the City is R22m, allocated towards key environmental priorities and towards Johannesburg City Parks.

### **Housing Programme**

This programme focuses on addressing the housing backlog, the eradication of informal settlements and the removal of slums in the City. The programme includes a number of departments with different responsibilities. This financial year sees R169m budget for the Housing Department, R90m for JOSHCO and R48m for ARP. The total for all Housing related projects in the 2009/2010 financial year is R307m. The CIF prioritises housing projects in terms of the GMS.

### **Transportation Programme**

The Transportation Programme includes the City's transport related entities, i.e. Transportation Department, Metro Bus, and the Johannesburg Roads Agency (JRA). Their contribution from the City is R196m. Of this JRA receives R105 million, the Transportation Department – R91 million and Metrobus R0. The main focus of the Transportation Programme concerns the implementation of the Bus Rapid Transit system (BRT), its link with the Gautrain station developments and transport infrastructure for the 2010 World Cup. The bulk of the BRT funding comes from the National Transport Department.

### **Spatial Form and Urban Management Programme**

Integrating the fragmented nature of the City, upgrading existing public and residential environments and developing sustainable human settlements forms the thrust of this programme. Areas that are prioritised for funding under this programme are the marginalised areas (detailed above), the Inner City, Alexandra, Cosmo City.

A key issue determining the allocation of capital in this Programme is the need to regenerate existing developed areas that have been and are in decline for a number of reasons, through:

- Upgrading and maintenance of infrastructure;
- Pavement management;
- Storm water management;
- Upgrading and maintenance of social, health and recreation facilities;
- Provision of new housing where possible;
- Provision of public transport facilities;
- Promoting a safe environment; and
- Protection of cultural amenities.

The City has committed more than R379m towards area regeneration projects in the Inner City (Region F) and Alexandra (Region E). These funds address the upgrading of infrastructure, housing provision and the provision of social, health and recreation facilities. The Johannesburg Development Agency and the Department of Development Planning and Urban Management have been allocated R241million and R65 million respectively in order to facilitate projects.

### **Inner City Regeneration**

Inner City regeneration is a key focus of the City Of Johannesburg for the current 5-year IDP period, having started in the 2007/2008-budget cycle. The City had spent a dedicated, ring-fenced budget of R300m in 2007/2008. In the 2009/2010-budget cycle the amount will no longer be ring fenced, though significant

funds will be dedicated to public environment upgrades and housing through the Johannesburg Development Agency and JOSHCO. Other departments will receive funding for inner city projects, examples include the Bus Rapid Transit system, storm water reticulation; substation and electrical upgrades, improved refuse removal systems (underground bins), social housing provision and upgrades, and social and health facilities.

### **Key outcomes defined in the Inner City Charter**

The following are anticipated outcomes of the Inner City Charter:

- Through a developmental, not simply regulatory approach, the City of Johannesburg will work with all necessary stakeholders to ensure that there is no more unmanaged trading on the streets of the Inner City;
- Develop a citywide broadband network in line with international trends in municipal broadband deployment. This will facilitate access to broadband connectivity for businesses in the Inner City;
- The City of Johannesburg wishes to see an economic resurgence in the Inner City, to result in a dynamic multifaceted local economy. Envisaged results include an Inner City hub of cross-border wholesale and retail trade and related increased entrepreneurship and job creation in the retail, wholesale, freight logistics, tourism and transportation industries. (Also) development and marketing of Johannesburg as a world-class Business Process Outsourcing / off-shoring / call centre destination;
- The City also wishes to see negotiated agreement on options for extension of the UDZ. Also broader take up with a view to achieve balanced and shared growth by increasing BEE participation;
- The City of Johannesburg will lead targeted support measures to solve problems that may be weighed in relocation decisions, so that key economic institutions maintain and extend their footprint in the Inner City;
- The City wishes to see a systematic improvement in the general business environment, with key constraints inherent in the built environment in the Inner City being systematically addressed; and
- The City will ensure improved data and information on economic conditions, trends, opportunities and constraints is made easily accessible to investors interested in the Inner City.

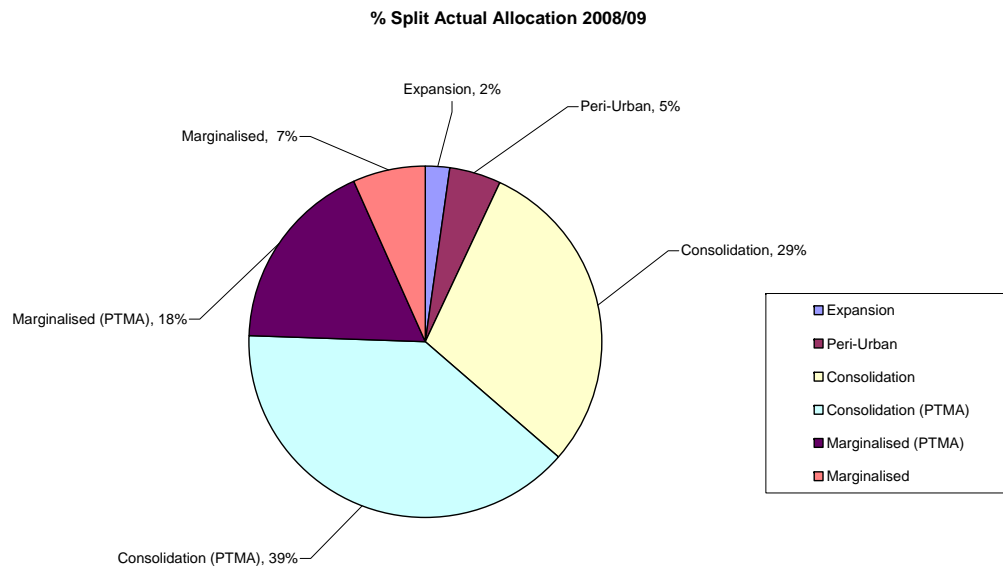
## **6.6 Growth Management Strategy (GMS) and Spatial Development Framework (SDF)**

The GMS indicates that the City should prioritise the development of Public Transport Priority Areas and Marginalised Areas in the short term. The areas defined reinforce the other GDS programmes and their project priorities. In turn the CIF prioritises infrastructure and public amenity upgrades that are located in those areas defined in the GMS. Projects in these areas should:

- Upgrade existing infrastructure in order to support more intensive land uses and higher density residential development;
- Facilitate the implementation of Phase 1a and 1b of the BRT system;
- Facilitate mobility along important arterials;
- Provide quality pedestrian and cycle facilities integrated with public transportation facilities;

- Offer economic opportunities to the poor and marginalised;
- Provide necessary public amenities; and
- Integrate transportation modes, especially the existing rail network with the BRT and Gautrain Stations.

**Diagram 6.2 Percentage Split of Actual Allocation 2008/2009**



Of the 264 capital projects identified for the 2009/10 financial year 78% of projects were located in the Public Transport Priority Areas and Marginalised Areas (Marginalised, Marginalised(PTMA) and Consolidation PTMA categories as per legend) as defined by the GMS. This proves that there is a strong correlation between the allocation of capital expenditure and GMS, and that projects are following policy imperatives. A possible concern is that 39% of the projects are located within the Consolidation (PTMA), which includes the North-South Link of the BRT and the Gautrain Stations, while the marginalized areas (townships) only make up a combined 25 percent of projects. The mitigating factor though is that the Consolidation (PTMA) category also includes the Inner-city, which is a mayoral priority for the City.

**Map 41**, below, provides a graphic representation of the alignment of 78% of capital projects with the GMS priority areas. The public transport priority areas are coloured in pink, while the marginalized areas are coloured in yellow. The individual projects, by Department or Municipality are shown by the icons.

Finally, it should be noted that to a large extent the GMS Public Transport Priority Areas and Marginalised areas coincide with the corridor development strategy outlined in the SDF.

### **Nodal Development**

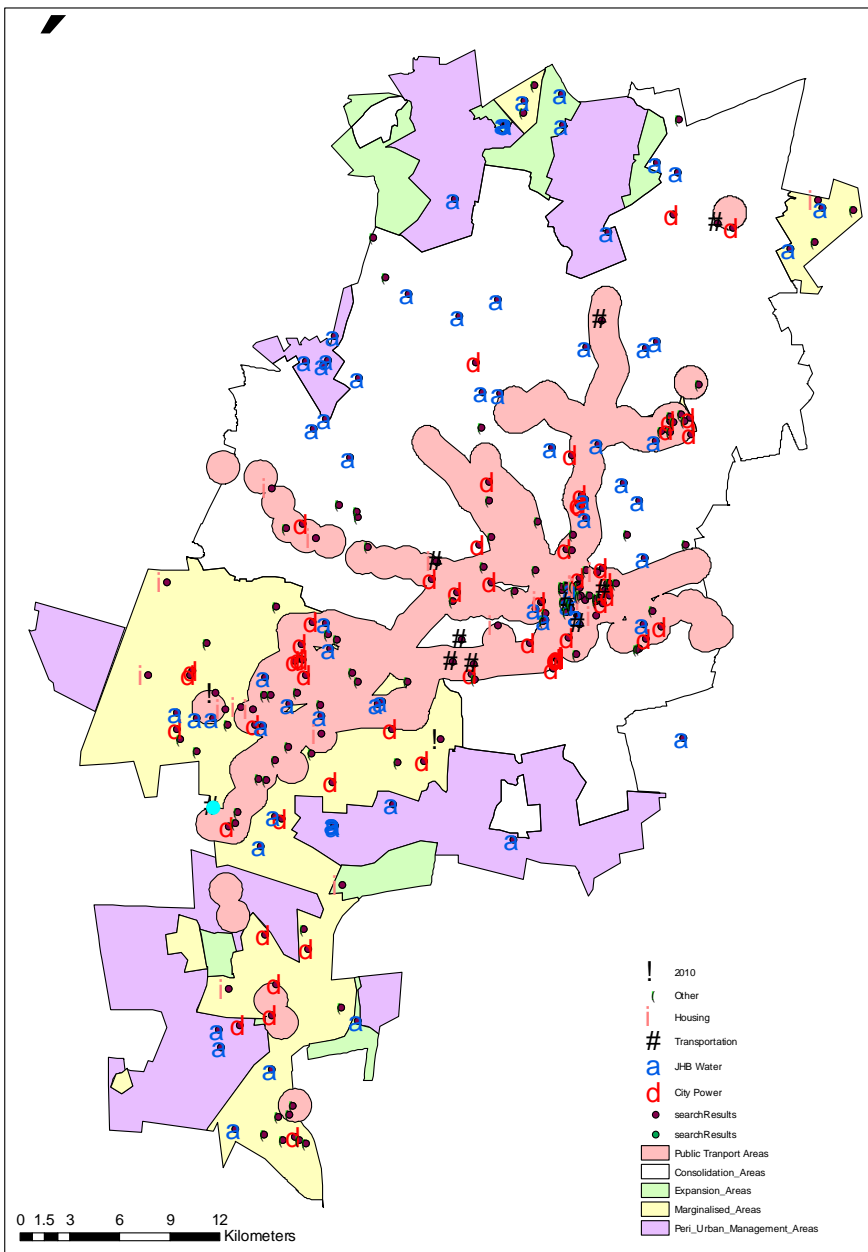
The SDF notes the key contribution that strong, viable nodes play as structuring elements within the City. The CIF views nodes, as defined in the SDF and RSDFs, as one of the priority areas for capital expenditure given the importance of these concentrations of development in promoting economic growth within the City. This Programme supports the efficient management and growth of the City's existing nodes through the following interventions:

- Upgrading and maintenance of infrastructure to support increased intensity of uses and residential densification;
- Pavement management;
- Storm water management;
- Upgrading and maintenance of social, health and recreation facilities;
- Providing of public transport facilities; and
- Supporting the Gautrain Station and BRT developments.

The nodes involve the following key areas: Sandton, Randburg, Stretford, City Deep, Baralink, Lenasia, Kliptown, Roodepoort, Nasrec, Fourways, and Ennerdale. The total budget of the nodal programme is R974 million. This is certainly a significant capex portion and once again shows the City's strategic intent of densifying and compacting the city to enable the provision of infrastructure, services, and economic development that will enhance the quality of life for all the City's citizens.

### **2010**

The 2010 Programme is aimed at gearing the City for the 2010 World Cup in terms of its infrastructure requirements. Apart from the 2010 Office, The Municipal Entities and Core City Departments are directly involved in the upgrading of infrastructure for 2010. This includes City Power, the Johannesburg Development Agency, Johannesburg Water, Social Development (Sports and Recreation), and Transportation. A total of R179m will be allocated to 2010 in the forthcoming financial year.



Map 41 Capital Projects in relation to GMS

## 6.7 Conclusion

Given the limited capital budget available to the City in the current economic downturn, and the Growth and Development Strategy that makes both social upliftment and economic growth development an imperative the city must prioritise its capital expenditure. Policy in terms of the Sector Plans, the GMS, the SDF, and local area plans provide guidance in determining capital expenditure. Discussions between and within departments, and with communities, refine the priority capital projects further. Further to these considerations the City strategically prioritises its capital expenditure to:

- reduce infrastructure backlogs;
- enhance the physical infrastructure base of the City;
- improve the levels and standards of services to the residents, businesses and commercial users of the City's infrastructure;
- attain assets that will improve the quality of life of its residents; and to
- Ensure that the capital expenditure of the City is directed towards sustainable development.