



**MEMORANDUM FROM THE SECRETARY**

**PUBLIC HEARINGS  
ON CONDITIONAL GRANTS  
AND CAPITAL EXPENDITURE**

## 2. MONITORING CAPACITY OF THE DEPARTMENT

### 2.1 UNDERSPENDING AS AT 31 DECEMBER 2005

- The department had an under expenditure of R29,445 million as at 31 December 2005. Total unspent amount was R127,323 million as at that date.
- In terms of projections made the department should have been at 75%. The percentage achieved is 66%.
- Cancellations of non performing contractors  
52.3% of the contractors were cancelled as a result of non performance.

#### 1. DATA ON TRENDS IN ALLOCATIONS, TRANSFERS AND ACTUAL EXPENDITURE OF CONDITIONAL GRANTS

	2001/02	2002/03	2003/04	2004/05	2005/06
<b>Housing Grant</b>					
Allocation	309,434	242,038	275,408	296,457	321,123
Roll Overs	41,800	101,634	87,600	4,276	29
Adjusted Estimate		11,225	1,872	4,292	
<b>Total available</b>	<b>351,234</b>	<b>354,897</b>	<b>364,880</b>	<b>305,025</b>	<b>321,152</b>
Transfers/Received	309,434	242,038	277,280	305,025	225,003
Expenditure	249,600	267,297	360,604	304,996	211,397
<b>Total unspent</b>	<b>101,634</b>	<b>87,600</b>	<b>4,276</b>	<b>29</b>	<b>109,755</b>
<b>Human Settlement Redevelopment Fund</b>					
Allocation	5,000	6,000	7,000	7,420	-
Roll Overs		2,920	8,690	6,468	9,123
Adjusted Estimate		120			
<b>Total available</b>	<b>5,000</b>	<b>9,040</b>	<b>15,690</b>	<b>13,888</b>	<b>9,123</b>
Transfers/Received		350	9,208	4,765	9,123
Expenditure	2,080	350	9,222	4,765	5,443
<b>Total unspent</b>	<b>2,920</b>	<b>8,690</b>	<b>6,468</b>	<b>9,123</b>	<b>3,680</b>
<b>Flood disaster</b>					
Allocation	11,526	10,000	4,000		
Roll Overs		7,000	296		
Adjusted Estimate					
<b>Total available</b>	<b>11,526</b>	<b>17,000</b>	<b>4,296</b>		
Transfers/Received					
Expenditure	4,526	16,698	4,296		
<b>Total unspent</b>	<b>7,000</b>	<b>302</b>	<b>-</b>		

- The technical directorate which is mainly responsible for project management, engineering services, quality control and inspections has a vacancy rate of 71%. This has resulted in poor quality control, poor monitoring of projects, poor project management, poor reporting, slow delivery of houses and slow payments to contractors and developers.
- Currently the department has more than 600 projects (the majority of these projects are CBIS and CBRS projects) to manage and the lack of staff has made it very difficult for the department to perform in terms of the required standards.
- The other two components, Housing Performance and Human Settlements have a vacancy rate of 68% and 31% respectively. Generally, the lack of proper staffing has resulted in the slow delivery of houses.
- The department is constrained by the unavailability of funding to ensure that we fill the vacant posts.
- The other additional factor is that the regional offices need to be strengthened in order to minimize traveling and accommodation costs for officials who are involved in projects. However it must be stated that the Department is working towards addressing this anomaly.

### **2.3 CORRECTIVE MEASURES**

- The department is currently in the process of revising the organogram to be in line with Breaking New Ground (BNG) in order to address the lack of capacity and other housing logistics. The biggest challenge however is funding of these additional posts.
- The department has requested Provincial Treasury to revise the equitable share in order to deal with this problem.
- The department has appointed four firms of consultants to do monitoring work. This work is augmented by the services of the Cuban professionals who assist with the projects.
- Noting that the contract of the Cuban professionals will come to an end during July this year, the Department plans to recruit more technical professionals from universities and also considering funding students to study project management, engineering etc.
- Contracts have been entered into with material suppliers for purposes of the speedy delivery of material.
- Contractors who have not performed well in the past have been terminated and replaced with new contractors.
- Apart from the signed contracts with some material suppliers, the department has negotiated a 30 days payment process with suppliers who supply on credit which would then motivate the contractors to work towards meeting the targets in order to access more material.
- The department has resolved that there should be ongoing capacity building workshops/training to its regional officials to address

shortcomings in project management, financial management and technical issues.

- Service level agreements have been sent to 22 municipalities to bring them on board in doing quality inspections and claim certifications for work done making them accountable for their actions. This will also bring these municipalities as partners in service delivery.
- Provincial Treasury has allocated R40m for the unblocking of projects that were affected by inflation. This funding will assist the department in dealing with houses that could not be completed due to the escalation of material prices.

## **2.4 RESULTS**

- The filling of posts of dismissed inspectors has commenced.
- The granting of escalations has unlocked most of these slow moving projects.
- The department is closely monitoring the performance of the contractors who have replaced those contractors whose contracts were terminated.
- The Cuban professionals have been assigned specific functions in relation to quality control.
- All these measures have resulted in zero tolerance in quality assurance and revised drawings and specifications for strict adherence.

## **3. MONTHLY REPORTS FROM RECEIVING MUNICIPALITIES**

- We do not have accredited municipalities that could qualify to receive grant transfers from the department.
- The only reports that we get from municipalities are those in relation to inspections conducted by their inspectors in the various housing projects. Such reports are collaborated with our district offices.

## **4. CERTIFIED BUSINESS PLANS**

These plans have been submitted to National Department of Housing. Copies are attached.

Service level agreements were signed with the following municipalities for inspections:-

- Dr J S Moroka                      10 January 2006
- Msukaligwa                        22 December 2005

2003/2006

# HOUSING BUSINESS PLAN

DEPARTMENT OF LOCAL GOVERNMENT AND  
HOUSING

MPUMALANGA PROVINCE



# Business Plan: Housing Programme

## 1 Project Identification Mpumalanga

### Contents Page

<b>1</b>	<b>Project Identification</b> .....	<b>3</b>
<b>2</b>	<b>Project Plan Configuration Status</b> .....	<b>5</b>
2.1	History .....	5
2.2	Approval .....	6
2.3	Declarations .....	6
2.4	Distribution .....	6
<b>3</b>	<b>Project Origin</b> .....	<b>6</b>
3.1	Need .....	7
3.2	Mandate .....	12
3.3	Related Projects .....	122
<b>4</b>	<b>Project Purpose</b> .....	<b>133</b>
4.1	Objectives.....	133
4.2	Beneficiaries.....	133
4.3	Indicators of Success .....	144
<b>5</b>	<b>Implementation Strategy / Scope of the Project</b> .....	<b>14</b>
5.1	Overall Approach.....	144
5.2	Budget .....	144
5.3	Timeframes .....	144
5.4	Governance and Governance Structure .....	14
5.5	Project Organisational Structure.....	144
5.6	Other resources.....	155
5.7	External Interfaces.....	155
5.8	External Dependencies .....	155
5.9	Reporting.....	155
5.10	Monitoring .....	15
5.11	Evaluation .....	166
<b>6</b>	<b>Work Breakdown Structure</b> .....	<b>166</b>
<b>7</b>	<b>Milestone Schedule</b> .....	<b>166</b>
<b>8</b>	<b>Cost Breakdown Structure</b> .....	<b>17</b>
8.1	Cost per WBS Element.....	17
8.2	Cash Flow Projection.....	17
<b>9</b>	<b>Assumptions and Risks</b> .....	<b>17</b>
9.1	Assumptions .....	17
9.2	Risks.....	17
9.3	Abatement Strategies .....	177
<b>10</b>	<b>Human Resource Strategy</b> .....	<b>177</b>
<b>11</b>	<b>Procurement Schedule</b> .....	<b>188</b>
<b>12</b>	<b>Communication Strategy</b> .....	<b>18</b>
<b>13</b>	<b>ANNEXURES</b> .....	<b>188</b>

*This completion strategy is jointly monitored by firstly the Department as well as the Municipalities to the extent that the Municipal resources allow them to.*

## 4 Project Origin

*The programme was established to provide shelter to the homeless, empowering emerging contractors and providing job opportunities to the local communities. In doing so the intention is also to attempt to progressively reduce poverty.*

### 4.1 Need

*What overall situation created the need for the project?*

*The housing backlog in the province according to the last census figures stood at approximately 262 000 and the housing programme has been initiated to address this dire need. A full break down of the housing backlog per Municipality is appended hereunder. The figures depicted are the figures quoted in the last census.*

Area	Total
<b>Mpumalanga</b>	<b>260,261</b>
<b>CBDC2: Metsweding District Municipality (MP)</b>	<b>3,054</b>
<b>CBLC2: Kungwini (MP)</b>	<b>3,054</b>
<b>CBDC3: Sekhukhune Cross Boundary District</b>	<b>14,285</b>
CBDMA3: Schuinsdraai Nature Reserve	0
Schuinsdraai Nature Reserve	0
CBLC3: Greater Marble Hall (MP)	2,812
Greater Marble Hall	308
Groblersdal NU	189
Mokgwaneng NU	6
Moutse NU	113
Marble Hall	443
Moutse 1	2,064
Doornlaagte	48
Driefontein	197
Malebitsa	242
Matlala Ramosheba	325
Matlerekeng	115
Metsanangwana	405
NONE	0
Rathoke	62
Spitspunt	186
Tshikanosi	27
Uitvlugt	462
Rahlangane	6
<b>CBLC4: Greater Groblersdal (MP) -</b>	<b>7,294</b>
Greater Groblersdal	738
Groblersdal NU	736
Lydenburg NU	8
Moutse NU	0
Groblersdal	174
Mathula	1,301
Elandslaagte	113
Mathula	130
NONE	6
Sehlakwane	1,054

Eerstehoek	4,277
Ekulundeni	216
Embhuleni	3,712
Emfumbeni	150
Emjindini	86
Empuluzi	0
Enikakuyengwa	1,528
Lukwatini	383
Mandlamakhulu	55
Mpsikazi	2,106
Mpuluzi	794
Ndlela	205
Sandleni	73
Silobela	1,371
Steynsdorp	55
Tshabalala	408
MP302: Msukaligwa	12,043
Breyten	111
Camden	3
Davel	3
Ermelo	601
Kwachibikhulu	366
KwaDela	222
KwaZanele	846
Lothair	3
Msukaligwa	5,457
Phumula	950
Selindile	938
Sheepmoor	134
Wesselton	2,399
MP303: Mkhondo	18,469
Amsterdam	71
Dirkiesdorp	94
Driefontein	2,359
Ethandakukhanya	4,133
KwaNgema	122
KwaThandeka	343
Mkhondo	9,374
Ngema	612
Piet Retief	1,221
Shabalala	141
MP304: Seme	8,175
Amersfoort	94
Daggakraal	2,668
eSizameleni	209
eZamokuhle	472
Perdekop	234
Seme	2,952
Siyazenzela	106
Volkstrust	306
Vukuzakhe	999
Wakkerstroom	113
Witkoppie	3
MP305: Lekwa	12,823
Lekwa	3,269
Morgenzon	48
Sakhile	6,831
Sivukile	132



Standerton	2,310
Thuthukani	136
Tutuka	100
MP306: Dipaleseng	4,456
Balfour	89
Dipaleseng	1,199
Ekanini	11
Greylingstad	388
Nthwane	175
Siyathemba	2,592
MP307: Highveld East	29,225
Bethal	607
Brendan Village	0
Charl Cilliers	25
Leslie	95
Leslie Gold Mines	0
Mandela Section	349
Milan Park	728
Secunda	1,173
Sorento Park	3
Trichardt	239
<b>DC31: Nkangala</b>	<b>77,016</b>
MP311: Delmas	5,537
MP312: Emalahleni	30,836
MP313: Middelburg	13,373
MP314: Highlands	3,426
MP315: Thembisile	14,159
MP316: Dr JS Moroka	9,693
	0

Mbombela	2,793
Mbuyane	2,706
Mdluli	74
Mpakeni	970
Msogwaba	3,657
Nakambeni	3
Nelspruit	1,497
Ngodini	18
Ngodwana	14
Nkambeni	1,404
Nsikazi	79
Nsikazi	12
Rocky Drift	22
Wendywood	3
Witrivier	756
MP323: Umjindi	6,180
Barberton	292
Bonanza Gold Mine	395
eMjindini	3,467
Fairview Mine	6
Sheba Mine	9
Umjindi	1,606
Verulum	403
MP324: Nkomazi	23,536
Albertsnek	62
Baberton	394
Hectorspruit	21
Hoyi	255
Inyoni	187
Kamhushwa	166
Komatiepoort	102
Lugedlane	1,296
Malelane	133
Marloth Park	72
Matsamo	5,767
Matsamo	179
Mawewe	1,631
Mhlaba	1,150
Mlambo	2,851
Nkomazi	3,927
Siboshwa	5,318
Strathmore Mine	7
MPDMA32: Lowveld	143
Barberton Nature Reserve	0
DMA Lowveld	0
Matsamo	0
Pilgrim's Rest	137
State Land	3
<b>Total</b>	<b>260,261</b>

*How does the project relate to the strategic activities of the department?*

*The housing programme directly relates to the strategic activities of the Department in the context of providing houses to the homeless and empowering emerging contractors as well as the secondary objective of progressively reducing poverty. It is also part of the Project Consolidate element: Sustainable Human Settlements*

*In what environment is the project to be implemented?*

*Against the backdrop of the backlog of housing this programme is being undertaken. Most of the project are implemented in areas where people are currently residing where facilities so as not to uproot existing communities. The Pilot programme is targeting, through research & planning, informal settlements and backyard dwellings*

*Who are the key role players?*

*The key role players in the housing programme are the Department of Housing, municipalities, contractors, material suppliers, financial institutions and communities.*

#### **4.2 Mandate**

*What authority agreed on the need and instituted the project?*

*What approvals have been granted and by which authority / forum?*

*All of the attached projects have been approved by the MEC for Housing as a requirement of the Housing act. There has also been prior consultation with Municipalities both on a one to one basis and collectively through for eg MuniMan (Municipality Managers and Province) and MuniMEC (Municipality and MEC) structures.*

#### **4.3 Related Projects**

*Are there any other projects or initiatives in the department that relate to this project?*

*Are there any other projects or initiatives outside of the department that relate to this project?*

*Other related projects are bulk infrastructure projects funded by CMIP/ MIG funds as well as Multi purpose halls and infrastructure funded under the HSRP. Other related projects have been identified by Municipalities and contained in their IDP's for funding by themselves or relevant sector Departments.*

## 5 Project Purpose

*The purpose of the programme is to provide shelter to the homeless, empowering emerging contractors and providing job opportunities to the local communities.*

*These will be measured by the number of houses completed against the targeted figure, as well as the regular reporting on the number of jobs created through the projects. The empowerment of emerging contractors is a process and any single project cannot assess the empowerment success of the contractor. Part of the measurement is gauged from how successful he is to effectively manage his project and complete the project within the agreed timeframes. Research on pilot sites will provide information on types of settlements needing Sustainable Development.*

### 5.1 Objectives

*List the objectives with a concise statement defining each one.*

#### *1) Provision of quality houses*

*The attainment of this objective is through the Departmental design of the houses as well as regular inspections of the houses and testing of materials.*

#### *2) Empowerment of contractors*

*This is achieved primarily through the contractor based subsidy programme where actual empowerment is realised with the Department awarding projects directly to emerging contractors.*

#### *3) Provision of job opportunities*

*Projects that have been approved are in the main labour intensive as they largely involve the construction of top structures only on serviced stands*

#### *4) Research & Planning of 3 pilot projects*

*The pilot projects identified is the upgrading of informal settlements adhering to the principles of the new housing plan of integration and sustainability of communities*

### 5.2 Beneficiaries

*List the specific beneficiaries who will be impacted by the achievement of the stated objectives*

*Most of the beneficiaries have been approved for the projects listed. Beneficiaries have been approved in line with the criteria as laid down in the Housing Code.*

*The basic criteria are as follows:*

*The household income must not exceed R3500 per month;*

*The applicant must be married or single must have dependants;*

*The applicant must be over the age of 21;*

*The applicant or spouse must not have owned fixed property before*

*The applicant must be a South African citizen or have obtained a permanent residence permit.*

*It is not practical to list the details of the thousands of beneficiaries. Their details are however available from the Housing Subsidy System should it so be required.*

### 5.3 Indicators of Success

*The objectives listed earlier will be measured by the number of houses completed against the targeted figure, as well as the regular reporting on the number of jobs created through the projects. The empowerment of emerging contractors is a process and any single project cannot assess the empowerment success of the contractor. Part of the measurement is gauged from how successful he is to effectively manage his project and complete the project within the agreed timeframes. Completion of Research Projects and Plans for roll out of Sustainable Human Settlements.*

## 6 Implementation Strategy / Scope of the Project

### 6.1 Overall Approach

*As these are running projects more vigorous attention will be given to monitor these projects to ensure that they translate to completed houses. This entails more effective project management and site visitations. Non performing contractors have had their contracts cancelled and new adequately resourced HDI contractors have been appointed to complete these houses*

### 6.2 Budget

*Overall budget figure.*

*The conditional grant for housing for 2005/2006 is R321 123 000*

*Breakdown of budget against major activities and timelines*

*See annexure E*

### 6.3 Timeframes

*All of these projects are running project and it is envisaged to complete them during the 2005/2006 financial year. Blocked projects will be scaled down.*

### 6.4 Governance

*Theses projects will be managed by the Department. The Municipalities also assist in aspects of management eg building inspections. The Departmental has a transversal project management section, and there are three teams responsible for the management for the projects in each of the three regions. All claims for payment are initially verified and signed off by the Departmental Building inspector prior to payment. All payments are done on the HSS and its control mechanisms are applicable to all payments.*

### 6.5 Project Organisational Structure

*The project based subsidies have steering committees comprising representing the Municipality, the Councillor and representatives of the beneficiary community etc.*

*In smaller projects the ward councillor and ward committees undertake this role.*

## 6.6 Resources

*Identify all resources (other than financial) that will be required for a successful project implementation. Include consideration of staff, office space, equipment, etc. Identify those that have been assigned and those that still need to be assigned.*

*Departmental Resources: staff and the necessary tools to manage these projects ie. undertake site inspections, monitoring progress, regular reporting etc*

## 6.7 External Interfaces

*Are there any interfaces with existing departmental processes etc that need to be considered in the project?*

*These are all existing.*

## 6.8 External Dependencies

*This is similar to the interfaces identified above but for one important distinction. These are external interfaces upon which the project is dependent for its success*

*Mainly access to materials and labour.*

*Contractors*

## 6.9 Monitoring

*Monitoring is an ongoing assessment of how well activities are being performed*

*Theses projects are being monitored by the Department. The Municipalities also assist in aspects of managing the projects eg building inspections. The Departmental has a transversal project management section, and there are three teams responsible for the management for the projects in each of the three regions*

*Both physical progress and issues of quality are being closely monitored by the administrative and technical staff respectively*

## 6.10 Reporting

*Actual report on each of the projects is done on a monthly basis. Information is obtained through site inspections, input from Contractors/Developers which are interrogated. Reporting is done in terms of physical progress, expenditure, blockages, cash flow etc*

*Combined reports are also done on a quarterly, six monthly and annual basis,*

*Financial reporting is alos done in terms of DORA.*

## 6.11 Evaluation

*Evaluation is done on a quarterly basis to ascertain whether the project is progressing according to plan, whether there are any blockages, interventions needed etc. Once this is done appropriate interventions are identified and actioned by the responsible section/s.*

## 7 Work Breakdown Structure

*This is the heart of the plan in terms of what must be done to achieve the desired result of the project and it provides detailed guidance to the project team who will implement the project.*

*As indicated earlier these are all approved projects. Therefore the processes of evaluation of project proposals, approval by MEC, contract signature, updating the HSS has already been done.*

*Activities currently being performed are project management, verification of claims for payment, payment of approved claims, site inspections etc. Other activities performed include mediation in disputes, resolution of conflicts, unblocking projects..*

## 8 Statement of Work

*The lowest level of activities should be described with at least the following information; description of the tasks to be performed, timeframe for the task, inputs required, outputs to be achieved, costs that are expected, other resources required. This information will be used to give instructions to project team members and will be used to measure progress in the execution of the activities.*

*These are running projects and the items under 7 above will apply.*

## 9 Milestone Schedule

*From the Statement of work, establish a detailed schedule that indicates when each activity must be performed so as to achieve the overall result of the project within the required timeframe.*

*Previous activities of evaluation, obtaining of the relevant approvals, contract signature etc have been done already*

*Activities currently being performed are project management, verification of claims for payment, payment of approved claims, site inspections etc. Other activities performed include mediation in disputes, resolution of conflicts, unblocking projects.*

## 10 Cost Breakdown Structure

*The costs associated with each activity must be considered.*

*Note that some activities may not have associated direct costs but no costs can be incurred without some level of effort.*

*This is project specific and the cost breakdown is contained in each of the project agreements.*

### 10.1 Cost per WBS Element

*See item 10.*

### 10.2 Cash Flow Projection

*See attached projections per quarter*

### 10.3 Assumptions

*Sufficient capacity exists within the contractors and developers to complete the projects within this financial year.*

### 10.4 Risks

*Resources to manage the projects*  
*Lack of access to materials by contractors*  
*Escalation of building material prices.*

### 10.5 Abatement Strategies

*Resources to manage the projects: Co operation with municipalities in execution of certain activities*

*Lack of access to materials by contractors: Joint venture account agreements, material supply models*

*Escalation of building material prices: Joint venture account agreements, material supply models, fast tracking completion of projects*

## 11 Human Resource Strategy

*Human resources are to a large extent available to execute this plan. Critical vacant posts will be filled as a matter of urgency to ensure proper implementation of the projects. Shortages are being experienced mainly in staff needed to undertake building inspections*



## **12 Procurement Schedule**

*These are all approved running projects and this schedule will therefore not be applicable*

## **13 Communication Strategy**

*We have a resourced Communications division tasked with both internal and external communication utilising tools such as newsletters, brochures, media, posters etc*

## **14 ANNEXURES**

*Details of projects approved per sub programme  
Cash Flow projections*

## MPUMALANGA PROVINCE

### REPORT ON GRANTS AND CAPITAL EXPENDITURE

#### DATA ON TRENDS IN ALLOCATIONS, TRANSFERS AND ACTUAL EXPENDITURE OF CONDITIONAL GRANTS

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UNSPENT	7,000	302	-		

## 2.MONITORING CAPACITY

- 2.1 UNDERSPENDING AT 31/12/05
  - R29,445 million
  - Expenditure at 66% instead of 75%
  - 52,3% of contractors cancelled
  - 42% of projects granted escalations
  - 8 inspectors from technical unit charged for corruption
    - 3 dismissed
    - 2 transferred to other departments
    - 2 suspended

## 2.MONITORING CAPACITY

- 2.2 CAPACITY CONSTRAINTS
  - Lack of appropriate staffing and skilled personnel particularly in project management had a negative impact on monitoring and evaluation
  - Vacancy rate of 71% in technical directorate leading to poor quality control, poor monitoring of projects, poor project management, poor reporting, slow delivery of houses, slow payment to contractors

## 2.MONITORING CAPACITY

No of posts	Housing Performance	Urban Renewal and Human Settlement	Technical Services	Total
Filled	35	46	25	103
Vacant	70	21	60	151
Total	103	67	85	255
Percentage	68%	31%	71%	59%

## 2.MONITORING CAPACITY

- 2.3 CORRECTIVE MEASURES
  - Review of organogram
  - Review of the baseline allocation by Provincial Treasury
  - Appointment of four firms of consultants
  - Appointment of Cuban professionals
  - Contracting of material suppliers
  - Termination of poor performing contractors

## 2.MONITORING CAPACITY

- 2.3 CORRECTIVE MEASURES
  - 30 days payment process to suppliers
  - Ongoing capacity building of officials
  - Service level agreements with municipalities
    - 2 already signed
    - 22 still pending
  - Granting of escalations using the R40 million from Provincial Treasury

## 2.MONITORING CAPACITY

- 2.4 RESULTS
  - Filling of posts of inspectors has commenced
  - Granting of escalations has unlocked slow moving projects
  - Cuban professionals have added value quality control
  - Strict adherence to specifications and quality assurance standards

## ADDITIONAL INFORMATION

- MONTHLYL REPORTS
  - No municipality has been accredited
- CERTIFIED BUSINESS PLANS
  - Submitted
- SERVICE LEVEL AGREEMENTS
  - Dr J S Moroka 10 January 2006
  - Msukaligwa 22 December 2005
  - 22 municipalities pending

THANK YOU