



PROGRAMME MANAGEMENT UNITS (PMU'S) – ARE THEY AN EFFECTIVE INSTRUMENT FOR MUNICIPAL INFRASTRUCTURE DELIVERY? A CASE STUDY

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ABSTRACT

Between July 2010 and December 2013, the Department of Economic Development and Tourism in KwaZulu-Natal managed a Programme Management Unit (PMU) with the Abaqulusi Municipality in KwaZulu-Natal with the objective of promoting local economic development, stimulating jobs and alleviating poverty in the region. The initiative was known as ALEDI – the Abaqulusi Local Economic Development Initiative.

By using a case study this paper discusses the efficiency of PMU's with respect to infrastructure delivery – relative to other delivery processes including privatisation, private-public partnerships, framework agreements, panel appointments, contracting project-by-project, the establishment of municipal entities and infrastructure delivery administered directly by government departments or municipalities.

The paper provides some practical issues for municipalities to consider in contracting and managing PMU's and concludes by arguing that PMU's are more effective in managing the allocation of funds for public infrastructure in multi-year programmes, and less useful if used as a mechanism to stimulate economic growth by providing grants to the private sector. The time based nature of grant funding for economic development makes it difficult for applicants to get all their ducks in a row and be in alignment with the grant fund rules. Business incentives should be left to the departments who provide this service. Municipalities, given their limited resources should be offering incentives by managing their services efficiently, upgrading public spaces and providing public and economic infrastructure.

INTRODUCTION

Between July 2010 and December 2013, the Department of Economic Development and Tourism in KwaZulu-Natal managed a Programme Management Unit (PMU) with the Abaqulusi Municipality in KwaZulu-Natal with the objective of promoting local economic development, stimulating jobs and alleviating poverty in the region. The initiative was known as ALEDI – the Abaqulusi Local Economic Development Initiative.

By reviewing the successes and shortfalls in the delivery of this case study, this paper poses some general conclusions with regard to the usefulness of PMU's in the delivery of infrastructure services. Of course the conditions of this project, and the conditions of Abaqulusi were quite unique, but it is hoped that through these experiences the paper will assist municipal officials in answering some of the following questions:

- When should Municipalities consider appointing and contracting private consultants into PMU's?
- What are the advantages and disadvantages of appointing PMU's?
- What should municipalities consider in procuring and contracting these services (What to do and what not to do)?
- How should municipalities manage these PMU's? How will municipalities (and other stakeholders) get the most from the PMU?
- How should these PMU's be structured and what types of skills are required in PMU's?
- Can municipalities ensure that there is a proper skills transfer process between members of the PMU and municipal staff?

In the paper I will also discuss the efficiency of PMU's with respect to infrastructure delivery – relative to other forms of delivery processes. In so doing, I will touch on the debate in South Africa on the optimal

contractual and institutional arrangement between municipalities and the private sector with respect to municipal infrastructure delivery. These institutional arrangements range from the wholesale privatisation, through private-public partnerships, framework agreements, panel appointments, contracting project-by-project, to the establishment of municipal entities which take on the full responsibility for all aspects of service delivery. It also includes infrastructure delivery administered directly by government departments or municipalities.

I will argue there is no one form of contractual relationship which is inherently superior to the other. They all have strengths and weaknesses and their use is appropriate in different circumstances.

As with all development terms, "Programme" or "Project Management Units" (PMU's)¹ come in many different forms and guises. They have not been without some bad press in the recent past. The most notorious of which was the PMU from the Limpopo Department of Roads and Transport which farmed out R43 868 900 to On Point Engineers (Pty) Ltd between 2009 and 2012 to carry out functions which most probably should have been carried out by departmental officials.

The type of PMU's to which I refer are those which are regularly utilized by all spheres of governments as well as global finance and development agencies for technical assistance programmes aimed at improving the delivery of social and other infrastructure. These PMU's, staffed (often through a combination of full time and part time secondments) by private consultants are usually contracted for anything between one and five years and have often played a critical role in delivering infrastructure whilst simultaneously transferring skills to public officials to enable them to continue with the delivery process at the end of the contract period.

PMU's include a set of activities which are transferable across different areas of service delivery, within the broad ambit of social and economic development or infrastructure provision. They can include all or a combination of the following sets of competencies:

- Programme strategy and design
- Fund management
- Project management
- Procurement, Contract management and administration
- Financial management
- Programme Governance
- Management Information Systems
- Monitoring and Evaluation
- Institutional capacity building
- Training and skills transfer
- Specialist technical services
- Stakeholder engagement
- Procurement management
- Risk management
- Quality management.

A REVIEW OF CURRENT FORMS OF PROCUREMENT AND INSTITUTIONAL DELIVERY MECHANISMS FOR MUNICIPAL INFRASTRUCTURE DELIVERY

The debate on the optimal set of relationships required to speed up the delivery of infrastructure has raged for some time in South Africa and is fueled by unspent municipal finances returned to the national fiscus year after year. A number of "alternative" models have been mooted from time to time with the aim of offering more effective solutions than the "conventional" project-by-project model employed by the public sector. This section provides an overview of these different solutions and argues that all have their place if used in the appropriate context.

¹ The term "Programme Management Unit" and "Project Management Unit" will be used interchangeably in this paper although one could define them differently.



Conventional (project-by-project) contracting for municipal infrastructure

This is the dominant form of contracting within the engineering and infrastructure delivery process. It goes through a number of phases with the procurement of separate consultants to undertake different phases of infrastructure planning and delivery.

It may initially include an audit and assessment of infrastructure needs, infrastructure planning, feasibility studies and broad budgets. This is followed by the appointment of engineers to undertake preliminary and then detail design and to prepare costs estimates to be included in municipal budgets for construction. These engineering consultants may also be appointed to procure the services of a contractor and to supervise construction. Consultants are contracted on a time and costs or a percentage of capex basis. In some cases the supervision may be carried out by different consulting engineers to those who undertook the design especially if there have been delays in delivery while the municipality attempts to raise the necessary finance.

This process can be painstakingly slow whilst the many procurement hurdles are navigated. Although it may provide certainty for budgeting, it limits creative or alternative engineering solutions as consulting engineers respond to clearly defined technical briefs. The separation of responsibilities between engineers and contractors help in establishing checks and balances. The procedure is suited to smaller to medium size assignments, and particular types of infrastructure (eg. roads) which have very specific and clearly defined scopes and outcomes.

Recently, and this is particularly a trend in countries outside of South Africa reliant on donor funding, turnkey and/or EPC solutions are an increasing feature of the procurement methodology. This shortens the procurement cycle, but it requires that the skills are in place within government to manage these more complex contracts. It is relevant to both small and emergency works right through to large scale multi-year infrastructure projects.

As CESA (Consulting Engineers of South Africa) has stated, the project-by-project delivery model "results in a stop/start mode of delivery as there are simply too many contracts to procure and manage and insufficient appropriately skilled public sector personnel to do so. The model also has insufficient flexibility to enable expenditure within a financial year to be managed" (CESA & SAFCEC. 11 July 2011).

Framework Agreements

Framework agreements – or variations thereof – have been promoted by professional engineering bodies for some time in South Africa. Framework contracts are a key feature of European Union procurement. They have also been used in the United Kingdom where the equivalent of municipal entities contract with engineers over a period of time to maintain a suite of infrastructure. In the past, contracts for road maintenance in South Africa have been procured on a similar basis.

Framework agreements are put in place through an open procurement process and "enable infrastructure clients to procure works and services on an instructed basis (call off) over a term without any commitment to the quantum of work instructed" (CESA & SAFCEC. 11 July 2011). The agreement would generally include:

- A fixed term to which the agreement applies.
- A broad scope of work to which the framework agreement applies.
- The basis for remuneration (this can be fixed for the period of the contract (eg. rates) but may still require the submission of quotations on a project by project basis).
- The framework for calling for work if there is more than one contractor appointment for a particular term.

One can immediately see the advantage of such a procurement instrument.

"The promotion of secondary procurement objectives (e.g. contractor development, SMME participation and work opportunities for the

unemployed) in this contracting arrangement is also very flexible and, unlike most other delivery models, allows targets and requirements to be adjusted over time.

Framework agreements reduce the need to re-advertise and approach the market for goods, services or works falling within the scope of the agreement over the term of the agreement, reduce the number of relationships to be managed and provide clients with programming flexibility to manage expenditure relating to the delivery and maintenance of infrastructure over time" (CESA & SAFCEC. 11 July 2011).

On the flipside of course, it can "crowd out" other consultants or contractors who may not have access to work in a particular region for a number of years. This could have a catastrophic impact on smaller entities that are geographically dependent to working in one area.

Panel appointments

Panel appointments can be a variant of the Framework Agreement, but in South Africa, panels are used in significantly different ways and have in some respects lost their usefulness. In some instances they are simply a first stage of procurement to ensure administrative compliance. They are also at times extraordinarily large and consultants are still required to submit a full tender in order to secure work despite being on the panel. Other municipalities have a more organized, and transparent roster process which has the benefit of ensuring that different companies are able to access opportunities within a municipality and it is not dominated by a one group of consultants. If transparently established, managed and structured panels can provide municipalities with the ability to secure services more rapidly according to their specific need. A simple roster system however, where companies rotate and are assured of work according to the gazetted scale of professional fees, is largely a thing of the past.

Public-private partnerships (PPP's)

PPP's in South Africa have never taken root except perhaps in the national roads sector and a very few water projects. Even road tolling is now being questioned. This indifference to PPP's is, in large part, due to the very onerous legal requirements (which are necessary for large projects) being applied to much smaller projects which may not require such attention. It is also affected by the fact that regulations do not allow the public sector to accept unsolicited proposals.

With regard to using PPP's being used to deliver basic services, the socio-economic condition of the majority of South African's and the ideological "baggage" which PPP's bring make it almost a non-starter. This impacts on the political will required to drive a programme in which services are delivered and maintained and operated by the private sector.

Municipal or Development Agencies/Entities

Post-1994, Municipal Development Agencies and Entities became the flavour of the day. Often these were set up outside of government as a way of trying to circumvent – and speed up - procurement processes and infrastructure delivery. The loopholes which existed post-1994 have been progressively closed by National Treasury and most of these entities are now governed by very similar legislation to those which apply to any government department.

There is a strong rationale for independent agencies to manage certain infrastructure assets which require specialised management and operational structures. Electricity supply and distribution, and water management being the two cases in point. Less successful have been those Development agencies with a broad investment and development mandate tied to municipalities.

Development agencies, which require private and public sector co-operation, with a specific focus (eg. for the development of an economic zone) have been more effective. The examples of COEGA in the Nelson



Mandela Bay Municipal area, or the Point Waterfront Development Company in Durban come to mind.

Programme Management Unit's

The advantage of PMU's as an institutional arrangement is that they are relatively easy to establish and to close-down. After being procured, they derive their legal mandate entirely from the entity which has appointed them. It allows government to scale up and scale down to deal with extraordinary forms of infrastructure provision which may only take a few years.

Many are familiar with the PMU's established within the Municipal Infrastructure Grant (MIG) and more recently those associated with Infrastructure Programme Implementation Plans frameworks. PMU's come in various shapes, sizes and forms and I cannot hope to deal with the nuances and differences between all these different forms of PMU's in this paper. There are some elements common to all PMU's however. They:

- make a focused intervention to address a very specific infrastructure need
- sit alongside the normal technical and administrative systems of government
- establish a particular set of project management and administrative procedures specific to the design of that intervention
- combine a group of individuals with specific skills sets required for a particular intervention.

There are also a number of variables which may or may not be incorporated into a PMU:

- They are made up of public officials or a combination of public and private consultants.
- Generally a PMU is time bound but some municipalities have now established more permanent PMU's whose function is manage "projects" or "special projects" and they now have a longer life.
- They are often responsible for prioritizing and managing the funding of a number of projects in multi-year programmes.
- When composed of consultants the PMU may have a systems development and skills transfer component. PMU's in the European Union context are very strong on this especially where there are weak systems of governance. In South Africa the PMU may also act to assist in the transfer of skills to less experienced consultants and contractors.
- They often have a strong specialist technical skill component which is dependent on the nature of the assignment. On the engineering side, it is seldom that the PMU will take responsibility for the design and construction supervision of infrastructure. They may play the role of owners' engineer, and are more likely to oversee the procurement of engineering services than provide them.

Choose your delivery vehicle appropriate to your need

In this section I have briefly outlined some the delivery vehicles than can be used to efficiently deliver municipal infrastructure. I have tried to indicate that there is no one method which is necessarily better than others. Some have inherent weaknesses and can slow down the delivery process. But used for the right project even they may offer the best

TABLE 1 AbaQulusi Municipal Election Results: May 2011 (Independent Electoral Commission)

Political Party	Council Seats	%
ANC	17	39
IFP	16	36
NFP	7	16
DA	3	7
Independent	1	2
TOTAL	44	100

solution. The critical issue is for municipal infrastructure planners and decision-makers to carefully choose and structure their vehicle according to the needs of their project, and after a proper risk assessment and evaluation of the alternatives on offer.

THE ESTABLISHMENT OF A PROGRAMME MANAGEMENT UNIT FOR THE ABAQULUSI MUNICIPALITY

PMU's are appropriate to a number of different forms of infrastructure delivery but their structure and content can vary considerably. A PMU established to assist with the roll out of anti-retrovirals in the fight against HIV-Aids, is different to the one helping a municipality to deliver a Bus Rapid Transport System, which is again different to one responsible for managing funds for the delivery of a range of say disparate rural water and sanitation projects. The PMU structure must align not only to the technical requirements of the project to be delivered but also to the context within which they are established.

As was the case with the PMU in AbaQulusi, the context provides the playing field upon which PMU's either falter or flourish.

The Institutional and Political Context

The PMU in AbaQulusi had its origins in a report generated by the Department of Economic Development and Tourism (DEDT) in KwaZulu-Natal in 2009 (KZN DEDT, 2009). The study relied heavily on the IDP Review of 2007/2008 for the area, and recommended the formation of a PMU for the municipal area to help kick-start economic development within the area.

The AbaQulusi Municipality IDP Review 2007/2008 (AbaQulusi Municipality, 2008) noted both 'income poverty' and 'human poverty' in the area where less than 16% of the population were employed, 20% of the population reported no income earned per year, and 11% of the population earn less than R200 per month. The economy of Vryheid was in decline with agriculture, previously a key source of employment especially hard hit. The situation was exacerbated by many unresolved land claims. The municipality was a "Project Consolidate" municipality and was experiencing significant challenges with respect to service delivery.

During the course of 2006 the municipality had undergone severe destabilization and although by no means functioning optimally some level of stability had been reached by 2009 when the DEDT report was completed. It was argued that the municipality was in a post-conflict situation and in a position to launch a program for economic development.

The report provided the basis for the preparation of the terms of reference for the appointment of the PMU. The PMU however only arrived on site after an extended procurement process a full two to three years after the initial research had been done – in August 2010. This was just 8 months before municipal elections which were held on 18 May 2011 and was to impact significantly on the work of the PMU.

The Close Out2 report for the assignment (AbaQulusi Local Economic Development Initiative (ALEDI), January 2014) identifies three distinct institutional phases which had significant impacts on the delivery of the assignment:

- **Phase 1 (July 2010 – April 2011):** Integration and Contestation: Due to the timing of the inception of the project, the PMU was viewed skeptically by some councilors and the business sector. The PMU was caught between the differing expectations of the provincial department and the municipality who wanted control of the funds. The relationship between the PMU and the AbaQulusi administration was strained and there was limited co-operation and support through to outright obstructionism across a range of municipal divisions.

² Large parts of this paper dealing with the details of the ALEDI activities draw heavily on the Close Out and other Reports prepared by the PMU for the ALEDI programme.



• **Phase 2 (May 2011 – March 2013):** Political fragility and administrative uncertainty: This phase dominated the life of the PMU. The municipal elections changed the political landscape in the municipality. There was a transfer of political leadership from the Inkatha Freedom Party (IFP) to a coalition headed by the African National Congress (ANC) with the National Freedom Party (NFP). No political party had a clear majority.

The leadership of the municipal administration was politically and legally contested and the municipality slipped into paralysis being unable to fulfill its legal and constitutional obligations. The Municipal Manager was suspended in October 2011 and an Administrator was only appointed in April 2013 after the municipality had been placed under administration by the Provincial Department of Co-operative Governance and Traditional Affairs in March 2013. In announcing the decision in March 2013 to place the municipality under administration, the MEC of Co-operative Governance and Traditional Affairs, Ms N Dube, indicated that her move was “aimed at preventing a total collapse of the administration which would have crippled service delivery” (Daily News, 23 March 2013).

Existing Senior Directors were uncertain of their positions and their contracts eventually lapsed over the six month period between September 2012 and February 2013. The municipal department responsible for the PMU on the part of the municipality (The Department of Development Planning) had its own difficulties. The Manager - Town and Regional Planning, resigned at the end of August 2011 and was never replaced. The Local Economic Development (LED) Officer was suspended between May 2012 and October 2013. These were the two staff members critical to municipal participation in the PMU.

Phase 3 (April 2013 – December 2013) Stability and Renewal under Administration: When the municipality was placed under administration an Administrator was appointed, and a number of Acting Directors took up the management of the development planning, technical and community services in June 2013. From June through to December 2013, focus was placed on resolving a number of long outstanding service delivery matters. There was a new coherence, energy and focus in the Planning and Development component of the administration and long outstanding development approvals were finalized, and bottlenecks in the ALEDI initiated projects were resolved.

The ongoing political and administrative instability and lack of municipal service delivery during the life of the PMU tempered the willingness of the private sector to engage in any way with the municipality and the ALEDI programme. Within this context the PMU took on a different role to what it had been appointed for. It was able to act as a point of continuity for development as it was “independent” from the political and administrative contestation taking place within the municipality. It was able to build the trust of senior elected politicians who relied on the PMU to provide some momentum for delivery.

The PMU provided councilor training, supported catalytic economic development projects and most importantly assisted in securing funding for economic infrastructure, and for planning initiatives which created greater certainty and a foundation for longer term private sector investment. Part of the reasons why the PMU was able to adapt to these challenging circumstances was due to the terms and conditions of its appointment.

The Terms of Reference, Contract Model and Expected Outcomes

The DEDT had set the rather lofty overall objective of the contract “to establish a PMU that would induce a sustainable LED programme and that over a period of time will grow the local economy, lead to a reduction in poverty and unemployment and secure a sustainable development path in the area” (KZN DEDT, 2009 Terms of Reference; p49).

The LED DEDT Terms of Reference (p.49) for the ALEDI project set out the following core objectives:

- Establish and operate the Project (Programme) Management Unit
- Establish and support the work of the Project Steering Committee
- Package and implement the three identified development programme viz:
 - Institutional and administrative interventions
 - Planning and spatial development
 - Economic development
- Package and implement a project for building the capacity and skills of selected counterpart staff in the local municipality and integrating such staff in the work of the PMU
- Manage a Project Development Fund, provide support services as required and leverage co-funding from donors and /or private sector and/or public sectors.

There were six ways in which the Terms of Reference were framed which impacted on how the project was delivered.

First, the overall objectives of the assignment were too ambitious and overestimated what could be achieved with a limited budget in a short period of time. There are no overnight miracles in generating economic growth. Development takes time. If the pursuit of immediate jobs becomes the primary indicator of success, the foundations which are required to establish a climate for sustainable development may be overlooked.

Second, the Terms of Reference and design of the project had been prepared provincially with very little contribution by the Municipality. The municipality was involved in the adjudication of the consultants to perform the work but the Terms of Reference were a *fait accompli*. This resulted in a “top-down” approach to intervention and it was one which the PMU, as private consultants had to mediate between the two other contracting parties.

Third, the assignment called for a core of full time experts, based in Vryheid to be assigned to the PMU. Four full time experts were located in the offices of the municipality and a pool of about 10 specialist experts were available to the PMU on a call down basis. Seconding individuals has benefits for a municipality. It provides resources and capacity on a daily basis. It allows the consultants to develop a real understanding of the challenges facing the municipality and to adapt accordingly.

Fourth, the contract was structured for payment against the delivery of time sheets and the approval of work plans, minutes of meetings and progress reports. This built flexibility but on the downside the contract was not output driven. It may be more effective to contract PMU's according to outputs, and allow the consultant to determine how best to provide the resources to deliver these outputs. On time based appointments, the measure of contractual compliance is availability on site and the preparation of progress reports.

Fifth, there was flexibility in the appointment of the PMU. It is extremely difficult to set specific outputs three years in advance and to second guess what should be achieved. The production of annual work plans with specific indicators but within the framework of meeting the three year objectives, assisted greatly in adjusting the sites of the PMU. The ability to replace experts over a three year period also improved the ability of the PMU to secure the appropriate skills set to meet the shifting challenges.

Finally, goods and services for use in the programme had to be procured by the PMU in accordance with public procurement methods. This should be avoided. It is almost impossible for private consultants to mirror the public procurement process to secure goods and services. Thus although a disbursement budget was approved at the outset of the project, hours and hours of wasted time and resources were spent on trying to procure goods and services in line public procurement regulations. This should be avoided by where possible having these items priced in the original bid document and included as part of the contract.



The Project Outcomes: What was achieved?

To meet the requirements of the Terms of Reference the PMU identified a set of risks and identified four result areas with respect to meeting the very broad objectives set out in the Terms of Reference. At the end of the contract period and through three integrated interventions - institutional and administrative, planning and spatial and economic development intervention the following results were to be achieved:

- Established an effective institutional mechanism for the on-going management of local economic development projects in the municipality
- Empowered and capacitated municipal and other economic stakeholders to participate and partner in ongoing economic initiatives in the municipality
- Completed a number of interventions aimed at improving the enabling environment for business growth
- Launched a number of sustainable economic interventions aimed at growing the local economy.

Institutional and Administrative Intervention

It is not the purpose of this paper to deal with the specific content of the deliverables of the contract. I can only highlight some of the core results of the interventions. The institutional and administrative intervention dealt with marketing and communications, the establishment of a monitoring information system (MIS), institutional support, training and capacity building. Given the state of the municipality, the institutional, training and capacity building were the most difficult to achieve.

A Municipal and Stakeholder Gap analysis report was prepared in the early part of the project from which a number of the training interventions flowed. The skills development and training of Municipal staff never got off the ground due to the turmoil within the municipality. Other training interventions were however more successful.

Eight LED modules and training events targeting the 44 councillors were delivered during a 9 month period. Attendance varied per learning event, but an average of 12 councillors regularly attended all the sessions. An orientation session and three modules (3 days each) were delivered to 17 informal traders during the 3 month period between March to May 2012.

The Vryheid Entrepreneur Development programme involved 24 SMMEs and co-operatives in a joint programme involving the DEDT Integrated Business Support Division and the FET College. The programme included business plan development, financial management, record keeping, office administration and marketing.

Planning and Spatial Intervention

Given the state of the Planning Department within the municipality, the PMU played an important holding role in the municipal planning function. The PMU was instrumental in securing additional funding for the planning and delivery of infrastructure. It led the preparation of funding proposals, motivating to other spheres of government, drafting terms of reference and managing the procurement of consultants and contractors.

As a result of these efforts the Department of Rural Development and Land Reform committed funding (approximately R1,5 million) for the preparation of detailed precinct plans for Emondlo/Hlahlindlela, Hlobane/Coronation and Louwsburg - secondary nodes identified in the Abaqulusi Spatial Development Framework.

Similarly on the back of motivations and presentations by the PMU, in October 2012 the Department of Co-operative Governance and Traditional Affairs (COGTA) approved a series of projects to the value of R22,9 million over a two year period to revitalize and upgrade the Vryheid Town centre. This was part of the KZN provincial government's Small Town Regeneration Programme and included:

- an urban design framework for Vryheid and precinct plans for the

Central Business District (CBD) and railway precinct

- the upgrade of Mason Park
- the upgrade and expansion of Mason Street Informal Trade spaces and facilities
- the upgrade of East Street and Mason Road taxi connector
- Hoog Street Bridge development to connect the CBD and the northern suburbs to relieve traffic congestion on East Street. (See Annexure A). It is highly unlikely that any of these activities would have been completed without the presence of the PMU in the municipality.

Economic Development Initiatives and Management of the Project Development Fund (PDF)

The Project Development Fund (PDF) was intended to stimulate job creation and enterprise development in the Abaqulusi local economy through the promotion of partnerships. The partnerships aimed to facilitate private and public sector investment in sustainable, pro-poor local economic development initiatives. R8 million was allocated by the DEDT to the fund. The grant covered a maximum of 70% of the direct costs of the initiative up to R4 million - the other 30% being provided by the partnership group from their own funding in the form of loan financing or own equity.

The rules of the fund required applicants to submit proposals with strict eligibility criteria and tight deadlines after a public call for proposals. The success of such initiatives depends very heavily on submitting parties complying with the specific requirements of the fund and project readiness.

The first Call for Proposals (PDF 1) took place in February 2011. There were 10 applications of which only 5 were administratively compliant. After further phases of evaluation, no projects qualified for funding. PDF 2 was launched as a 2 stage process (requesting Project Concept notes as a first stage) in May 2013. To promote project applications, 6 sectoral mini workshops were held in May and June and attended by 35 emerging entrepreneurs. By the deadline of 28th June 2013, 17 concept notes had been received from local enterprise partnerships. Of the 17 concept note applications, only 6 qualified through the evaluation to proceed to the full application stage but only one project was eventually approved for funding from the PDF.

The applicant secured R4 million from the PDF and matched their 30% contribution with loan finance of R1,8 million, from a term loan of R6,9 million from Ithala Finance and Development Corporation. The overall value of the project was estimated at R10 million. The applicant projected that the funding would result in the preservation and upgrading of the existing agricultural 20 jobs, and the creation of an additional 67 full time jobs - 23 immediately, another 30 within 2-3 years and a further 14 by year 5. This is in addition to the estimated 28 temporary jobs opportunities during construction.

The PDF proved to be a minor aspect of the PMU's activities in attempting to stimulate economic growth in the region. As a result the PMU introduced a focus on "catalytic projects". There projects whilst not being eligible for PDF funding would have a major impact on the economy of the region. This focus was not envisaged in the initial Terms of Reference of the appointment.

These projects included:

- The Abaqulusi Truck Stop
- The Vryheid Hospital
- Frozen and Fresh Vegetable Value Chain Revitalization (Just Veggies)
- Ntinginono (Vryheid Hills) /Klipfontein Cultural Tourism Development
- Transfer of Transnet Land
- Mondlo Business Hub.

Collectively these projects ensured a large inflow of funding into the area and will have a significant impact on the local economy of Abaqulusi (see Annexure A).



LESSONS LEARNT AND CONSIDERATIONS IN THE ESTABLISHMENT OF MUNICIPAL PMU'S

The relevance of an integrated ALEDI intervention

The Close Out report by the PMU identified four key lessons with specific reference to the PMU in the AbaQulusi Municipality. (AbaQulusi Local Economic Development Initiative (ALEDI). January 2014).

First, the correct institutional option was chosen to establish the ALEDI. In establishing a PMU however, it is critical that there is flexibility in terms of the changing skills sets and capacity of the PMU so that it is able to respond to the changing demands of local conditions. Indeed, it is this flexibility which provides the PMU with an advantage over a range of other institutional mechanisms.

Second, the spatial planning, public infrastructure and catalytic projects proved to be the most effective initiatives. The original project intention was that the capacity building and management of the PDF grant funds would constitute the core of the project. The "planning and infrastructure" and "catalytic projects" resulted in the leveraging of R250 320 000 and the long term creation of over 2 000 sustainable jobs.

Third, the involvement of the private sector as partners was hard to achieve. The ALEDI experience cannot claim success in establishing sustained and systematic partnership between the public and private sector beyond the immediate project level. The private sector was engaged on a project-by-project basis and then only when they required some assistance and support to projects which they were pioneering.

Fourth, LED is a long term process. The ALEDI experience indicated that the identification, planning and implementation of development initiatives takes years before the benefits can be fully reaped. More importantly it requires a committed team with the right skills over a sustained period. While three years may see the establishment and anchoring of an LED initiative, it is insufficient to see LED processes to fruition.

The potential of PMU's in Infrastructure Delivery: When to consider appointing a PMU and for what

The experience of ALEDI suggests that the PMU was most effective in the area of public infrastructure. This was both in the area of preparing proposals to access funding, and to manage this funding through the drafting of project briefs, the appointment of consultants and contractors to deliver this infrastructure. Granted this is largely a municipal function, but the PMU which is time bound and focused can stimulate momentum in getting development processes off the ground. The building of municipal capacity and the stimulation of economic growth through development funds are far more difficult objectives to achieve. PMU's are particularly effective when there is a special project to deliver, or where a municipality gets access to tranches of funds which are to be spent in a defined area of time. In both these cases the municipality may not have the skills in-house and it is quicker and easier to go to the market to secure these resources for fixed period.

The procurement and contracting of PMU's: Key issues to consider

The three ALEDI interventions should have run parallel and reinforced each other. Simply put, economic development projects should have been identified which required various planning interventions to speed up their delivery. Institutional support mechanisms would be put in place to assist the municipality and business to support and take advantage of the economic opportunities. This is the real world however, and in time bound programs these processes can very quickly fall out of sync with one another.

When procuring the services of a PMU:

- Ensure that the overall objective of the assignment is realistically defined i.e.:
 - Is it required to develop capacity and systems or simply to fast track a particular development initiative?

- Make sure that the establishment of a PMU is the best mechanism with which to achieve this overall objective.
- Could the service be provided in-house?
- Would the process be better served by establishing a panel with a draw down facility for specialist skills?
- Given the type of project, would a Framework agreement be more appropriate?
- Prepare a very clear and detailed scope of work with indicators for success in the areas where one intends to impact. If this cannot be done within the municipality, secure the services of an experienced consultant who is familiar with the terrain. Such services can be quickly procured, are not expensive and are generally money well spent.
- Clearly identify the skills sets required to meet the overall objectives of the assignment.
- Ensure that the obligations and responsibilities of you as the Client are clearly established.
- Allow some flexibility with respect to the nature of the contract. If a PMU does not offer flexibility you may as well employ individuals directly. This is especially important with respect to multi-year assignments.
- Determine whether the PMU should be located at the municipal public offices and whether you require full time or part time services.
- Consider how to set deliverables and set your payment schedules against these deliverables. Separate out overall impact deliverables which are difficult to measure and often not controllable by the consultant from project deliverables and milestones which are easily quantifiable.
- Ensure that there is clarity with respect to how time is accounted and paid for.
- Ensure that the contract spells out how changes of personnel in the consultant team should be managed. This should allow the Client to request the removal of individuals and the Consultant to deal with unforeseen circumstances.

Managing PMU's

For varying reasons, the appointment of consultants to a PMU can lead to conflict between the full time staff and the PMU. This can be due to the PMU dealing with high profile funding initiatives whilst the officials are left to continue doing "mundane work". PMU's are time and fees driven and may offer technical solutions and run rough shod over political and social issues. The most effective PMU's are those in which the municipality or department is firmly in the driving seat. Senior officials engage with and lead the PMU and don't allow the PMU to manage itself. They understand and value the presence of the PMU and make sure that it works for their objectives. It is therefore critical that there is able senior municipal management and political buy-into the PMU who support and facilitate its work. Where more than one sphere of government is involved, both the municipality and the provincial and national government department must have a common understanding of the objectives of the PMU. These issues should be resolved early on in the design of any PMU. This process must be driven by the contracting parties in order to provide the consultant with clear direction and purpose.

Ensuring that PMU interventions are sustainable: Skills transfer and project close-outs

If a PMU has the objective of skills transfer specific interventions are designed to achieve this goal. They are particularly difficult to achieve in a municipal environment where there are continual changes in personnel. Interventions should focus more directly on the establishment and management of systems which may help in the ongoing management and reporting on projects for example. Clear programmes and monitoring frameworks should be in place to evaluate the skills transfer process



if these are to be pursued. Unless the PMU includes an education and training specialist it may be better to procure training and capacity services from professionals outside of a PMU once the training needs have been properly identified and scoped.

CONCLUSION

This paper began by reviewing different forms of municipal delivery mechanisms and commented on their appropriateness to South African conditions. PMU's as one such delivery mechanism then received more detailed attention. A case study of the ALEDI PMU was then undertaken and a number of proposals made with respect the establishment and management of PMU's.

It has been argued that PMU's are more effective in managing the allocation of funds for public infrastructure in multi-year programmes and less useful if used as a mechanism to stimulate economic growth by providing grants to the private sector. The time based nature of grant funding for economic development makes it difficult for applicants to get all their ducks in a row to be in perfect alignment with the requirements of the grant fund. Business incentives should be left to the departments who provide this service. Municipalities, given their limited resources should be offering incentives by managing their services efficiently, upgrading public spaces, providing public and economic infrastructure.

Annexure A

TABLE 2 Funds Leveraged during the ALEDI Programme³

Project	Investor/Funder	2013 (In Rands)	On Completion
Mason Park Upgrade	COGTA	4 900 000	
Mason Street Informal Traders market	COGTA	3 600 000	
Upgrade of Demonina Street from East Street, Mason Street and Taxi Rank	COGTA	3 600 000	
Hoog Street Bridge Development	COGTA	8 900 000	
Urban Design Framework	COGTA	920 000	
Secondary Nodes Precinct Plans	DRDLR	1 500 000	
ALEDI PDF/3/2012 Automation and Equipment of Free Range Chicken Project	Clemcor (Pty) LTD	6 900 000	
Revitalization of Fresh and Frozen Vegetable Supply and Value Chain	PIC Term Loan	65 000 000	
	Just Veggies	15 000 000	
	Agribusiness Development	11 000 000	
	Agency DRDLR (RECAP)	15 000 000	
	DBSA Jobs Fund	30 000 000	
	Total Investment		136 000 000
Private Hospital	KZN Growth Fund	84 000 000	
Abaqulusi Truck Stop and logistics			35 000 000
Ntinginono Cultural Tourism			5 800 000
TOTAL		250 320 000	40 800 000

³ Please note that these figures were presented in the Close-out Report of the project. They represented the status as at January 2014 and not all agreements and contracts had been signed. The situation may have altered after this date.

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