DISTRICT DEVELOPMENT MODEL (DDM)

DISTRICT DEVELOPMENT MODEL KNOWLEDGE EXCHANGE AND PEER LEARNING SESSION

INTEGRATED INFRASTRUCTURE PLANNING AND INVESTMENT AS A CATALYST FOR A SUCCESSFUL DDM

10 DECEMBER 2020
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The DDM is an all-of-government approach to improve integrated planning and delivery across the three spheres of government with district and metropolitan spaces as focal points of government and private sector investment.

The DDM is aimed at facilitating integrated planning, delivery and monitoring of Government’s development programmes through the concept of a joint “One Plan” in relation to 52 development spaces / impact zones through the establishment of national technical capacity as well as district hubs that will drive implementation of the programme.

This approach will not only accelerate local economic development, urbanization, economic activities but also the provision of basic services and other tailor-made solutions such as “Covid-19 interventions” at grass roots level.
OVERVIEW OF THE DISTRICT DEVELOPMENT MODEL (DDM)

BENEFITS OF THE DDM

Opportunity for Reflection, Key Shifts and Bold Ideas:

1. Strategic response to socio-economic impact of Covid-19
   • Immediate and Long-Term
   • Economic recovery and Economic resilience
2. Stimulate new thinking, new socio-economic paradigms, new and bold solutions and alternatives
3. Fundamentally change conditions
   • People
   • Economy
   • Space
4. Desired Future, Results and Outcomes
5. Develop resilience and prosperity of the Country
6. Facilitate Responsive Institutions and Change Management
7. Embed Programmatic Approach (Cooperative Governance)

Accelerate and Improve Implementation

Strengthen Accountability

Identify/Implement immediate priority actions/projects
OVERVIEW OF THE DISTRICT DEVELOPMENT MODEL (DDM)

District Development Model (DDM) Strategic Implementation Framework

1. Establishment
   - Objectives: To develop and obtain approval for the DDM concept document.
   - Outputs:
     - Concept note developed.
     - Broad intergovernmental & private sector consultations held.
     - DDM concept approved by Cabinet.
     - National and provincial DDM intergovernmental coordinating structures established.
     - CoGTA and national and provincial DDM teams established.
     - Political champions appointed.

2. Piloting
   - Objectives: To launch the three pilots and establish the requisite technical capacity for the DDM implementation.
   - Delivery packages/work streams:
     - Launch of three pilots
     - Appointment of Implementing Agent (DBSA)
     - Development of 52 district/metro profiles
     - Establishment of DDM hubs in pilots
     - One Plan development
   - Key indicators:
     - 3 pilots launched by Nov 2019
     - DBSA appointed by March 2020
     - 52 profiles developed & published by Aug 2020
     - One Plan process guidelines issued by Sept 2020
     - 5 DDM hubs launched by Oct 2020
     - One Plan prototypes developed by March 2021
     - DDMIMS/One Plan module launched by March 2021
     - CoGTA internal DDM realignment completed by March 2021

3. Institutionalisation
   - Objectives: To improve integrated long-term planning, budgeting & implementation and the sustainability of local government.
   - Delivery packages/work streams:
     - Budget reorientation and spatialisation
     - One Plan development & implementation
     - Intergovernmental (IGR) coordination & structures
     - Local Government Recovery & Stabilisation
   - Key indicators:
     - IMS fully developed by Sept 2021
     - IGR structures strengthened & aligned to DDM approach by March 2021
     - IGR Act regulations promulgated by April 2021
     - 52 One Plans developed & adopted by March 2022
     - Identified DDM hubs established by March 2022
     - LG support & shared services (powers & functions) reviewed & implemented by March 2023
     - Budget reorientation and spatialisation principles inferred across gov’t by March 2025

4. Sustainability
   - Objectives: To improve quality of life and transform district/metro economies and further enhance the institutional and financial sustainability of LG.
   - Delivery packages/work streams:
     - One Plan implementation & monitoring
     - IGR coordination & structures
     - Local Government Stabilisation
   - Key indicators: All 52 Spaces;
     - Inclusive repositioned economies
     - Spatial transformation and environmental sustainability
     - Sustainable Infrastructure Development
     - Reliable service provisioning
     - Empowered citizens and good governance
     - Functioning hubs & IGR coordinating structures by 1 April 2025
     - LG system supported & effectively performing mandated functions

Enablers (tools, frameworks & systems):
- DDM Information Management System
- Stakeholder Management & Communications
- Risk Management, etc.

Critical Success Factors:
- CoGTA internal DDM realignment & focus
- Whole of government buy-in, Leadership & guidance
- Spatial budgeting, Opportunities for reflection, key shifts & bold ideas
- Credible data & evidence-based planning
- Process management & joint planning facilitation, etc.

Phases:
- Yr. 2-5 (April 2020-Mar 2025)
- Yr. 5+ (April 2025 onwards)
**DDM- PILOTS ROAD MAP**

1. **DBSA IA Appointment**
   - Sign MoA and establish programme governance
   - 17 June 2020

2. **Rationalize IUDF transfer to DDM**
3. **Set-up and mobilize PMO & DH**
   - Resources, offices, tools and equipment
   - 07 August 2020

4. **Develop IMS**

5. **Final one plans**
   - Gazetted one plans approved by three spheres of Government
   - 31 March 2021

6. **LED strategy development**

7. **NDMC capacitation**
   - Resource capacitation and integrate the IMS
   - 21 May 2021

8. **IUDF in DDM**

- 31 March 2021
  - CEF, IAMP & SDG localization project

- 12 February 2021
  - LED strategy, interventions and co development of one plan

- 23 March 2021
  - Spatially referenced information and dashboard system

- 26 June 2020
  - Review and reconcile budgets, resources and programmes
**Project preparation, including cost benefit analysis and feasibility studies**

- Identify strategic, critical and high impact projects that will deliver the transformations/change required;
- Develop project concepts;
- Develop business cases for these projects;
- Undertake costing exercises;
- Identify revenue streams;
- Prepare feasibility studies with cost-benefit assessment;
- Prepare financial models and institutional arrangements;
- Undertake due diligence;
- Engage with funders and investors; and
- Legal and finance capabilities to close transactions
Implementing projects and actions

- Secure and apply budget allocations and pair with external funding;
- Funding and procurement strategies;
- Credible procurement processes;
- Contract management;
- Project and delivery management;
- Manage project institutional arrangements;
- Project meetings – secretariat and administration;
- Stakeholder and community engagement; and
- Ongoing Public communications.
- Look at mandatory adoption of the framework for infrastructure delivery and procurement management (FIDPM)
Some of the monitoring and evaluation activities include:

- Develop Long-Term Planning Key Performance Indicators (KPIs);
- Specify performance measures and targets;
- Incorporate into the municipal performance management system;
- Translate into departmental performance measures;
- Translate into individual performance measures;
- Regular monitoring and reporting against institutional, departmental and individual KPIs
- Conduct independent evaluations and ongoing benchmarking exercises;
- Conduct community satisfaction surveys; and
- Identify key issues for updating and reviewing plans and actions.
OVERVIEW OF THE DBSA

**Catalyze economic growth through investment in economic & social infrastructure and supporting regional integration**

<table>
<thead>
<tr>
<th>1</th>
<th>Founding year</th>
<th>1983</th>
</tr>
</thead>
<tbody>
<tr>
<td>2</td>
<td>Shareholding structure</td>
<td>100% owned by SA Government through the Ministry of Finance</td>
</tr>
<tr>
<td>3</td>
<td>Vision</td>
<td>A prosperous and integrated region, progressively free of poverty and dependence</td>
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</tbody>
</table>
| 4  | Mission             | - To advance the development impact in the region by expanding access to development finance and effectively integrating and implementing sustainable development solutions  
- Improve the quality of life of people through the development of social infrastructure  
- Support economic growth through investment in economic infrastructure  
- Support regional integration |
| 5  | Strategic objectives | - Sustained growth in development impact  
- Integrated infrastructure solutions  
- Financial sustainability |

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**Strategic objectives:**
- Sustained growth in development impact
- Integrated infrastructure solutions
- Financial sustainability
OVERVIEW OF THE DBSA

DBSA’s mandate covers the whole of Africa, but the bank focuses mainly on South Africa, SADC and priority countries outside of SADC

VISION
A prosperous and integrated resource-efficient region, progressively free of poverty and dependencies

MANDATE
Our primary purpose is to promote economic development and growth, human resource development and institutional capacity building in South Africa and the wider African continent

GEOGRAPHIC FOOTPRINT

PRODUCTS & SERVICES

- Plan
  - Master and sector plans
  - Sustainable services deliver plans
  - Planning Support to reduce water and electricity losses

- Prepare
  - Project identification
  - Feasibility assessments
  - Technical assistance
  - Financial structuring
  - Lead Arranger
  - Fund management

- Finance
  - Providing vanilla and boutique financing
  - Debt
  - Mezzanine finance
  - Limited non-recourse lending

- Build & Maintain
  - Manage design and construction of projects in education, health in housing
  - Support the maintenance

SECTORS

Primary:
- Energy
- Transport
- ICT
- Water & Sanitation

Secondary (only in SA):
- Education
- Housing
- Health
DBSA’S VALUE PROPOSITION

Project development value chain from planning to maintenance of infrastructure

1. Plan
   - Infrastructure plans
   - Sector and master plans

2. Prepare
   - Project identification
   - Feasibility assessments
   - Technical assistance
   - Financial structuring
   - Project Preparation funds
   - Lead arranger

3. Finance
   - Provide vanilla and boutique financing opportunities
     - Debt
     - Mezzanine Finance
     - Limited non-recourse lending

4. Build
   - Managing the design and construction of key projects in the education, health and housing sectors
   - Project Management support
   - Supporting the maintenance and/or improvement of key infrastructure projects

5. Maintain / improve
   - Managing the design and construction of key projects in the education, health and housing sectors
   - Project Management support

Through integrating across the value chain, DBSA will drive infrastructure delivery in an effective and timely manner.

- Clients
  - South Africa
    - Municipalities
    - SOE
    - PPP
    - Private sector
  - Rest of Africa
    - SOE
    - Public–Private Partnerships
    - Sovereigns

- Services
  - Infrastructure plans
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**DBSA’s CRITICAL SUCCESS FACTORS**

*Assuming early risks to enable participation of others in financing sustainable infrastructure development*

### Success factors for DBSA

#### Additionality
- **Going where other investors don’t**

#### Catalytic Effect
- **Paving the way for others to follow**

#### Project Sustainability
- **Reducing dependence on aid**

### Explanation

- **Prioritising under-resourced and under-financed** communities, sectors, segments and geographies (e.g. ANDM WTW, Umvoti Electrification, surfacing roads in Mdantsane, etc.).
- Focusing on **developmental opportunities** that may not be important to commercial banks (e.g. implementation agent for government, capacity building, etc.).
- Structuring financing mechanisms to allow for **greater risk appetite by the appropriate party in the transaction**.

- Crowding in private sector investment by setting a **precedent** for development in particular **high risk environments**

- **Creating distribution channels** and expanding **supply chains** in certain sectors to accelerate development and more investment

- Using **investment** to build **sustainable sources of jobs, tax income** and **infrastructure** within the targeted area

- Providing a basis for investments to grow to be **self-sustaining**

- Ensuring investments align with **environmental, social, and governance best practice**

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Source: Dalberg (2010), Team analysis
**DBSA’s SUPPORT TO LOCAL GOVERNMENT (LG)**

Supporting LG to create an enabling environment for infrastructure investments by public and private sector

<table>
<thead>
<tr>
<th>Inputs For Sustainable Investment</th>
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<tbody>
<tr>
<td>Project Preparation (Infrastructure Development and Upgrading)</td>
</tr>
<tr>
<td>Early-stage programme and project development (strategic and economic case)</td>
</tr>
<tr>
<td>Risk Analysis and Mitigation, Commercial Viability, Financing Options</td>
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<tr>
<td>Affordability and Project Structuring</td>
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<tr>
<td>Social Environmental and Governance Alignment to National Strategic Goals</td>
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<tr>
<td>Capacity to Deliver, Implementation Structures, Monitoring and Evaluation</td>
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<table>
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<tr>
<th>Spatial restructuring</th>
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<tr>
<td>Spatial Planning, Land Use Management Planning, Township Establishment, Integrated Infrastructure Investment Planning</td>
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<th>Integrated Services Support</th>
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<tbody>
<tr>
<td>Asset Care/Maintenance Management</td>
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<td>Revenue Management Support</td>
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<tr>
<td>Embedded Generation</td>
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<tr>
<td>Institutional Skills Development (e.g. Leadership, Contract and Project Management)</td>
</tr>
<tr>
<td>Project Implementation Support</td>
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**Envisaged Outcomes**

- Financial sustainability of LG
- Increase in useful life of assets
- Improvement in quality and reliability of service supply
- Improved customer service
<table>
<thead>
<tr>
<th>Instruments</th>
<th>Description</th>
</tr>
</thead>
</table>
| 1 Bridging Finance | - Bridging finance (BF) to assist with expediting grant funded projects or bridging proceeds of long-term loans.  
\- Conditional grants front loading – bridging of conditional grants over the MTREF (2-3 years) |
| 2 Long-term Facilities | - On-balance sheet debt - vanilla loans and bonds up to 30 years  
\- Project (cash-flows backed) Finance  
\- Sculpted and structured loans that match the expected project cash flows  
\- Blended loans (tenor and interest rates)  
  \- International DFI credit lines,  
  \- Mobilising 3rd party sector specific funds (e.g., GCF and GEF) |
| 3 Credit Enhancement Securitization structure | - Credit guarantees and first loss instruments  
\- Subordinated (mezzanine) debt instruments  
\- Catalyzing private sector (commercial banks and asset managers) funds by allowing private sector to take the shorter end with the DBSA taking the tail end of the deal |
DBSA’S FINANCING INSTRUMENTS

Innovative Financing for LG - Multiple Municipal Infrastructure Financing Instruments

- Means for transferring the obligation for funding of bulk and connector infrastructure from the city to the developer and property owners.
- Range of instruments including land value capture, tax incremental financing, land lease, developer contributions, etc.
- Important funding option when considering the limited extent to which transfers, city own source revenues and service provider funding are able to over the infrastructure investments required.

- Leveraging Grant Funding: Pool financing CG: leveraging grants for the unfunded infrastructure requirement and crowding in private sector investment. Pooling mechanism by consolidating unspent conditional grants to fund pooled infrastructure projects (work-in progress)
- Pooled finance mechanism for creditworthy metros and secondary cities not developed
- For other municipalities to become a part of PFM intense efforts must be made to increase their creditworthiness and management capacity
DBSA’S COMPETITIVE ADVANTAGE

Assuming early risks to enable participation of others in financing sustainable infrastructure development

- National, Provincial and Local Government plus collaboration with 7 PMU’s across the country.
- Local Government Representative Bodies and Traditional Leaders.
- Multi-National Development Banks, Development Finance Institutions, Commercial Banks, and Private Sector.
- Sector Based Funding Institutions.

- Project development, innovative financing, high risk appetite.
- Provision of non-lending support to strengthen institutional capacity and create a conducive environment to crowd in private sector financing.
- Implementation support and high capacity infrastructure delivery models

- Dedicated teams that identify LG support needs and under-take comprehensive due diligence to identify appropriate solutions
- Emphasis on access to services by all communities and supporting economic growth drivers
- Strong client and portfolio management to identify distress early and provide support
THANK YOU