

BUILDING CAPACITY TO UPSCALE HOUSING DELIVERY:

A CASE STUDY OF THE NATIONAL INTERVENTION IN THE EASTERN CAPE PROVINCIAL DEPARTMENT OF HOUSING

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ABSTRACT

The purpose of this paper is to share lessons learnt during the intervention in the Eastern Cape provincial department of housing by the National department, to upscale the delivery of housing in the province. This is a case study approach focusing on the housing delivery system in the Eastern Cape. The researcher being a member of the intervention team observed, intervened and reported on progress achieved by the intervention. It was found that: (1) to build capacity to improve the performance of an institution requires a look at individual capacity, institutional capacity and environmental capacity; (2) any intervention in a system must be preceded by a diagnostic phase; (3) for any intervention in a human system, change management is critical and lastly, that worker engagement and empowerment is critical. The delivery of housing in South Africa is marred by what is perceived as 'lack of capacity'. This paper will enhance the ability of government to intervene where there is under-performance.

Key words: Housing delivery, Performance, Change management, Eastern Cape

1. INTRODUCTION

The Eastern Cape had a declining performance in housing delivery and the expenditure thereof over a period of three years (Figure 1), resulting in the National Department withdrawing R350 million from the Eastern Cape's 2006/7 housing budget and R500 million from 2007/8 housing budget (DHS, 2008).

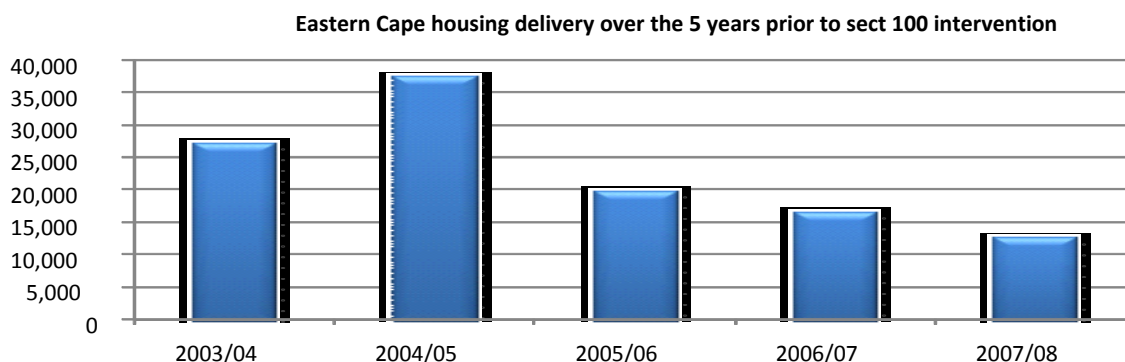


Figure 1: Housing delivery prior to the intervention

It was clear before the beginning of the new financial year (2008/9) that the planned housing delivery outputs by the Eastern Cape for 2008/09 financial year included 18 000 houses and 21 000 serviced stands, which was slightly more than the actual delivery in 2007/08. The practicality of up-scaling delivery from 12 000 units delivered in the 2007/08 financial year to 18 000 units in the 2008/9 financial year, implied more than a doubling of expenditure and output by the Province. This up-scaling was against the backdrop of declining housing delivery output over the past four (4) years. Some assessments by the National Department of Housing, of the readiness of the projects to yield the 18 000 units revealed that the province was very likely going to only spend 65% of their budget allocation. It was clear that to arrest the decline in housing delivery in the Eastern Cape Province, some interventions were necessary. The National cabinet took a decision on the 16th of April 2008 to invoke section 100 (1) (a) of the Constitution and that the then National Department of housing provides support to the Province in terms of section 3 (2) (d) of the Housing Act (DHS, 2008).

2. STATUS-QUO ANALYSIS & FINDINGS

In order to give effect to the National Cabinet decision, to invoke section 100 (1) (a) for the National Department of housing to provide support to the Eastern Cape Province, a Joint intervention team comprised of both the National department of housing and Provincial department of housing officials was established. The team was divided into four operational streams, namely: (1) Project Implementation stream, (2) Organisational design and HR stream, (3) Financial Management stream, and (4) Back-Office / Administrative support stream. The choice and the number of streams was premised on the team's understanding that organizational capacity includes both individual, organizational and environmental capacities, in other words, the team must be able to assess both the individual capacities in terms of competencies required by the department and available competencies; organizational capacities in terms of both strategies, structure, processes, systems and culture; as well as environmental capacities in terms of the availability of construction material, housing beneficiaries, construction contractors, construction labourers and the political will.

To kick-start the intervention, the intervention team agreed on the approach as outlined below: (1) conducting an “AS-IS” analysis; (2) identify required interventions; (3) determine resources required to design and/or implement interventions; (4) source resources to design and/or implement interventions; (5) implementation of interventions; (6) evaluate the impact of implemented interventions; and (7) exit the province.

2.1 Status-quo analysis

It was agreed that interventions will be preceded by an “AS-IS” (status-quo) analysis of the situation in the Eastern Cape department of housing. It was further agreed that each of the streams mentioned above will conduct an “AS-IS” analysis and report to the Intervention Manager and the team to inform further actions. Each stream held meetings with relevant officials of the Provincial department of housing to conduct an “AS-IS” analysis to pinpoint both strengths and areas of improvement in the department to inform the type of intervention support required for the Eastern Cape Housing department. The following findings were reported by each stream:

2.1.1 Organisational development & Human Resources stream

Based on the OD theory, for an organization to achieve its objectives, there need to be congruency between the organisation’s strategy, organizational structure, organizational processes and systems, people and the organizational culture. The organizational development and Human resources stream therefore conducted a status-quo analysis to determine the following: (1) the delineation process of the Department of housing, local government and traditional affairs that lead to the establishment of a “stand-alone” department of housing, to determine whether all relevant legislative requirements were satisfied; (2) the Organisational structure of the department to determine whether it was aligned to the department’s mandate/strategy, and whether it provided for an optimum number of posts for the department to achieve its mandates; (3) whether job evaluation was used to determine the grades of positions in the Organisational structure; (4) the number of vacant posts in the organizational structure; (5) the availability of relevant Human Resources policies and the implementation thereof; (6) the competencies of the incumbents if the filled posts, and (7) the availability of and implementation of a performance management system.

Findings: The Organisational development stream reported the following as areas of concern: (1) that the delineation process that lead to the establishment of the department of housing was conducted in line with relevant public service prescripts such as the Public service regulations, Public service act etc.; (2) that the department did not have relevant Human Resources Management policies; (3) that the organizational structure was developed in line with guidelines by the DPSA and approved accordingly, by the relevant authorities; (4) that only 198 posts (22%) out of a total of 903 posts in the organizational structure were filled; (5) that positions in the new structure were not job evaluated to determine appropriate grades for the positions; (6) that the incumbent of the position of Senior Manager Human resources management was new in the department (less than 3 months in the department), and was occupied with trying to fill as much vacant positions as possible, and did not have time to develop relevant Human resources management policies; (7) that there was no Performance management system in place; (8) that the office accommodation was a problem (more than one Senior manager and their Personnel Assistants shared offices); and (9) that the function of Project management was outsourced and performed by contracted project managers.

2.1.2 Finance Management stream

The Finance Management stream of the Intervention Team conducted Status-Quo analysis to determine the intervention/s required focusing on the following: (1) the budget formulation to ascertain whether the budget is aligned to the organisational structure and in line with relevant prescripts such as the Division of revenue act (Dora); (2) the setting up and functionality of systems such as BAS and PERSAL; (3) the capacity of the department to perform Budget planning and monitoring activities; (4) the capacity of the

department to perform grant management and procurement activities; (5) the availability and implementation of financial management policies; and (6) the capacity of the department to perform the following critical financial management activities:- Internal control and anti-corruption activities; Internal audit/risk management activities; Financial administration; and Management of municipality trust accounts.

Findings: The Finance stream reported the following as areas of concern: (1) misalignment of regional budget allocation to delivery outputs; (2) cash flow projections which were not linked to project performance; (3) budget held up in blocked or slow moving projects; (4) unspent monies in municipal trust accounts; (5) inadequate in-year and multi-year budgeting; (6) payments to provincial agencies prior to delivery of outputs (pre-payments/ advances); (7) inconsistency between budgets allocated and actual spend; and (8) inefficient payment claims management process system.

2.1.3 Housing subsidy system (HSS) and back office stream

During the Status-quo analysis phase, the Housing Subsidy System and back office team assessed the following to inform targeted interventions: (1) the capacity of the department to utilise the Housing subsidy system (HSS); (2) the capacity of the department to perform and manage ICT activities; (3) the availability of adequate office space for the department; and (4) the department's capacity to interpret policies.

Findings: The Housing subsidy stream reported the following as areas of concern: (1) that the department did not have sufficient capacity to operate the Housing subsidy system; (2) that the department did not have sufficient capacity to perform Information and Communication technology (ICT) functions due to vacant posts in the organizational structure; (3) that the department did not have enough office accommodation to accommodate the few filled posts; and (4) that there were few officials who could interpret policies.

2.1.4 Projects implementation stream

In order for the Intervention Team to focus on the expected results, i.e. to upscale housing delivery and the expenditure thereof, the team prioritised the Project implementation component of the intervention to ensure that the decline in housing delivery and the resultant decline in the financial expenditure were addressed as a matter of urgency. To achieve the above, the National department of Housing deployed the Project Implementation stream team to be based in the Eastern Cape from mid-June 2008, (when members of the other three (3) streams would only visit the province for meetings) to conduct an assessment to pinpoint areas of concern to inform the development of intervention solutions. An initial assessment of the provincial department's 2008/9 financial year housing business plan reflected amongst others the following shortcomings, which lead to the plan being not credible:

- unrealistic delivery targets;
- cash-flow projections not always linked to actual projects;
- projects planned on the basis of untested/ unverified assumptions;
- multiple and irregular policy deviations and/or misinterpretations;
- project plans lacking in infrastructure provision;
- no alignment between planned projects, policy speech and business plan;
 - project announced during policy speech not ready for implementation;
 - cash-flow requests not based on do-able projects;
 - funding allocated to projects whose readiness was not tested.

Other areas of concern that required to be addressed through appropriate interventions besides the above, were the following: Inadequate Contractor capacity; Inadequate Project /Contractor management; Slow Pace of decision-making within the department's administration; Shortage of construction material due to the rural-ness of the province; Inappropriate Housing Delivery Model (e.g. municipalities assuming

developer role whereas they did not have the capacity); Inadequate planning frameworks & processes; Unavailability of well-located land; Lack of bulk infrastructure; Poor admin & financial management systems; Lengthy procurement processes; Slow process for project and funding approval; Beneficiary Administration (houses built without approval of beneficiaries affecting delivery including payment of contractors); Lack of capacity for Municipal Trust accounts administration; Poor quality assurance due to NHBRC weaknesses; Contractor appointment based on pricing and not functionality, leading to prolonged processes and low quality; and Lack of adequate systems to review and disqualification on non-performing contractors.

3. INTERVENTIONS BASE ON THE RESULTS OF THE STATUS-QUO ANALYSIS

In the first year a lot of the Intervention team resources and time was deployed to deal with actual projects performance and expenditure, whereas in the second year focus shifted to the whole housing delivery value chain. Focus was on the whole housing delivery value chain in order to create long-term sustainability in human settlement development. While the other streams were focusing on assisting the provincial departments develop and implement appropriate financial and human resources policies, systems and processes, a decision was taken for the Project Management Stream to identify projects to be fast-tracked.

3.1 Assessing the readiness of individual projects for implementation

In July 2008 after the abovementioned initial assessment (status-quo analysis), the project implementation stream decided to drill down into the project landscape in order to ensure a targeted approach to the development and implementation of intervention solutions. The officials of the Provincial department supplied the National Intervention Team with a huge number of projects (303 projects) which were described as either *running, slow moving, or blocked*. The number of projects per region is tabulated below:

Area	Total Projects	Total Units	Average units per project
Ukhahlamba District	12	2 623	219
Chris Hani District	33	3 523	107
Cacadu District	61	5 738	94
Amathole District	78	2 100	27
Nelson Mandela Metropolitan Municipality	71	7 257	102
OR Tambo District	40	2 100	53
Alfred Nzo District	8	1 100	138
TOTAL	303	24 446	81

Table: 1 2008/9 EC PHD housing projects

The National Team lead by Mr. Leshabe Rampedi, seconded Head of department (HoD) for the Department of Local government and housing in Limpopo, assembled a team of officials, to conduct a rapid project appraisal in order to assess the readiness of each of the 303 projects, for implementation and completion within the project agreed completion time. In their assessment of the readiness of each project the team visited the six (6) regions of the Eastern Cape i.e. Cacadu district, Alfred Nzo district, Amathole district, Chris Hani district, Ukhahlamba district, and OR Tambo district, to meet with the Provincial department's Senior Regional Managers, to discuss each of the 303 projects. The Project implementation Stream Lead (Mr. Rampedi) emphasized that project verification/readiness assessment is not an end in itself since it is only one of the tactics to achieve the strategy/goal. He encouraged members to focus on the results of the intervention, i.e. upscaling housing delivery in terms of units delivered and expenditure thereof. He further emphasized that strategy supersedes tactics, in his

attempts to ensure that the team does not only identify blockages in projects and not provide solutions to address the identified blockages and challenges.

3.2 Identifying administrative blockages

During the exercise to assess the readiness of projects, it was discovered that some of the projects were blocked or running slow due to administrative challenges that if resolved could unblock the projects or increase the pace of project implementation. Most of the administrative blockages entailed submissions/memorandums to seek approval from the Head of Department or the political head (MEC). Most of the blockages did not need technical capacity to unblock, but needed the department to fast-track the performance of certain administrative activities to get the projects moving.

3.3 Identification of Flagship projects

As indicated above, the intervention team was supplied with a huge number of projects which were described as either *running*, *slow moving*, or *blocked*. As indicated in Table 1 above, the total number of projects were 303, to yield 24 446 units at an average of only 81 units per project. The intervention team decided that 303 projects at an average rate of 81 units per project were spreading the resources of the department too wide and thin. Based on the 80/20 Pareto principle, the intervention team convinced the department's MEC and the departmental management to select and focus on a limited number of projects that could deliver a significant number of units. There was therefore a need for the team to identify *flagship* projects. Flagship projects were those projects that if unblocked and/or fast-tracked would have a huge impact on service delivery and budget spending during the financial year under review. One of the criteria to select these projects in terms of unit numbers was that each project would yield around 500 units. The team was also mindful of the fact that (1) each of the Eastern Cape regions should have a number of flagship projects to ensure equitable delivery of housing and (2) ensure that the overall human settlement delivery system improves, and becomes sustainable in the medium term to long term and also ensure that the process to plan for the following years projects are underway. Twenty four (24) projects with the potential to yield 15 000 units were subsequently identified, discussed with the departmental management teams and subsequently approved by the MEC. The number of projects per district is indicated hereunder.

District/Area	Number of projects	Units
Nelson Mandela	7	5 904
Chris Hani	2	2 404
Cacadu	9	3 987
Buffalo City	3	1 974
Alfred Nzo	1	500
Ukhahlamba	2	597
TOTALS	24	15 856 by R50 000 equal R790m

Table 2: Number of Flagship projects

For each Flagship project the Intervention team identified issues/blockages that needed to be resolved to speed-up delivery. It was decided that these 15 000 houses can only be achieved if planning and administrative blockages are removed, project implementation plans are developed, and that such plans are part of contracts to be signed between whoever is the developer and the individual contractors. This unblocking was to have happened by the end of August 2008 so that from September onwards focus would be on supporting the actual housing construction. It should be mentioned that in some instances some projects had no contractors appointed.

3.4 Deployment of Engineers and other technical staff to Flagship Projects

In September 2008 the National Intervention Team deployed Engineers and Town Planners, Construction Project Managers in the Eastern Cape regions. These Engineers and technical resources were deployed to perform functions to ensure the up-scaling of housing delivery in the Eastern Cape. They were also expected to transfer skills and knowledge to provincial officials in their areas of deployment. These employees provided progress reports to the Project Implementation Stream lead and the provincial department's Senior Regional managers on a weekly basis.

4. CHALLENGES EXPERIENCED DURING THE INTERVENTION

There was a high turnover of Engineers and Construction Project Managers deployed over the two year period and had to be replaced. Some were frustrated due to lack of cooperation from provincial officials and subsequently left. This led to an increased workload on the remaining Engineers. One of the causes of the challenge was the lack of a change management stream or sub-stream in the department and the Intervention team. According to Prosci, (2007), research shows that problems with the people dimension of change are the most commonly cited reasons for project failures. In a study with 248 companies, effective change management with employees was listed as one of the top-three overall success factors for the project. Helping managers to be effective sponsors of change was considered the most critical success factor. According to Kotter (1998), 70% of all major change efforts in organizations fail, because organizations often do not take the holistic approach required to see the change through. Effective management of the people dimension of change requires managing the following five key goals that form the basis of Prosci ADKAR model (2013):

Goals	Diagnostic questions
Awareness of the need to change	Do all stakeholders understand why the desired change is needed? (What will be the result of the transition?)
Desire to participate and support the change	Are all stakeholders motivated to make the desired change?
Knowledge of how to change (and what the change looks like)	Do all stakeholders know how make the desired change happen?
Ability to implement the change on a day-to-day basis	Were all stakeholders given the right information and training?
Reinforcement to keep the change in place	Is there a system of encouraging or keeping the change in place

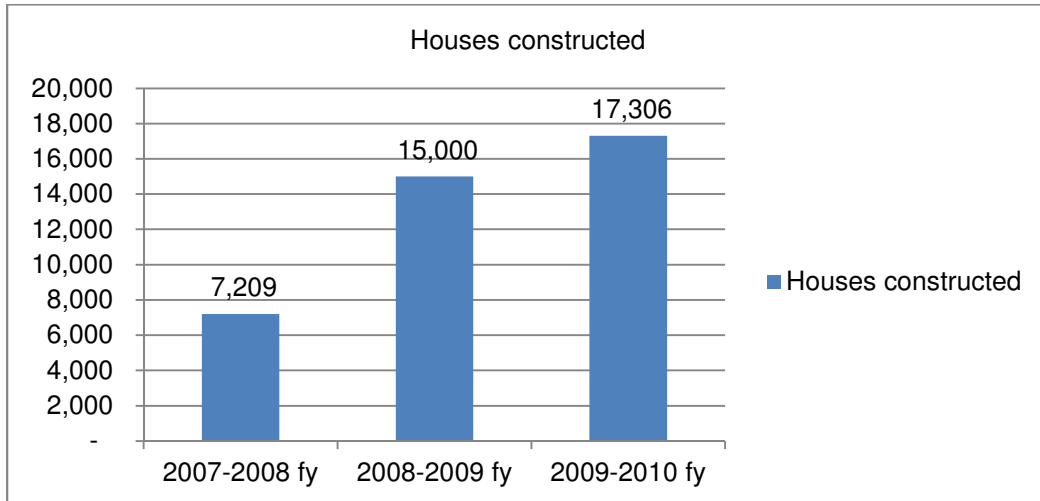
Table 4: ADKAR change management model

Due to lack of change management during the intervention period, the intervention team was faced with resistance from most of the senior officials of the department who felt that they did not see the need for the intervention by the national department, despite the glaring evidence of the declining delivery of housing and non-expenditure of the housing development grant funds over a period of five years. This led to unnecessary tensions between members of the intervention team from the national department and senior officials of the provincial department.

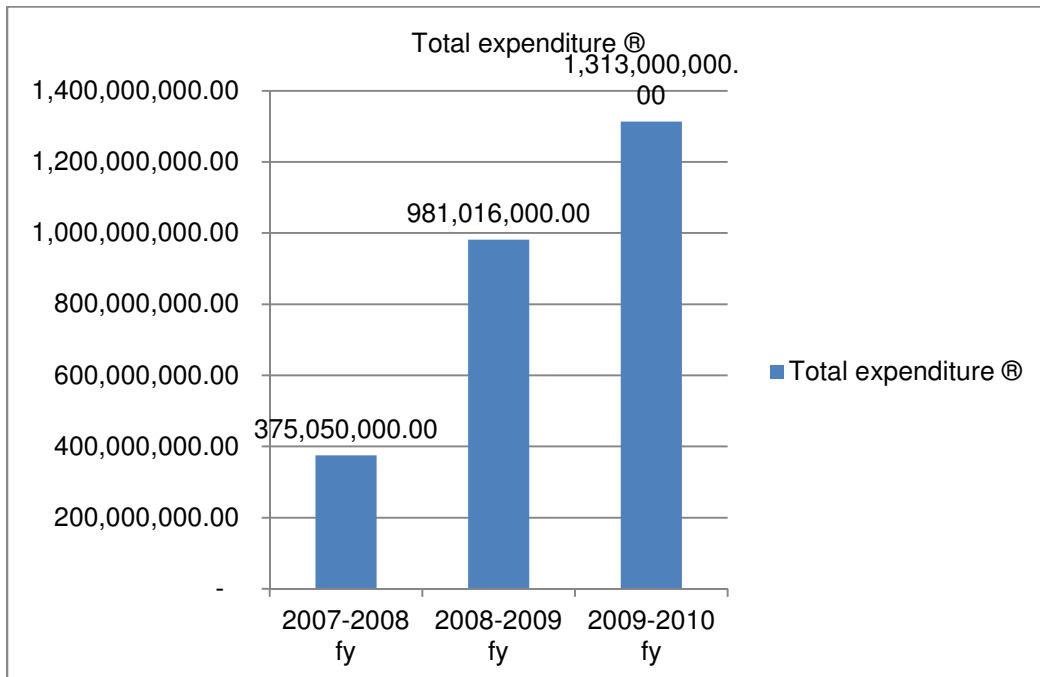
5. EFFECTIVENESS OF THE INTERVENTION

The effectiveness of the intervention was judged in terms of the improvement in the delivery of housing and expenditure thereof, achieved by the end of the intervention in March 2010, compared to the number of houses constructed and expenditure thereof before the intervention at the end of the 2007 financial year. The number of houses and expenditure at the end of the intervention increase by 140% and 250%

respectively when compared to the 2007/8 financial year. The provincial department has spent its total budget for the first time in 5 years, due to the intervention. See Graphs 1 and 2 below for houses completed (excluding services) and the actual expenditure.



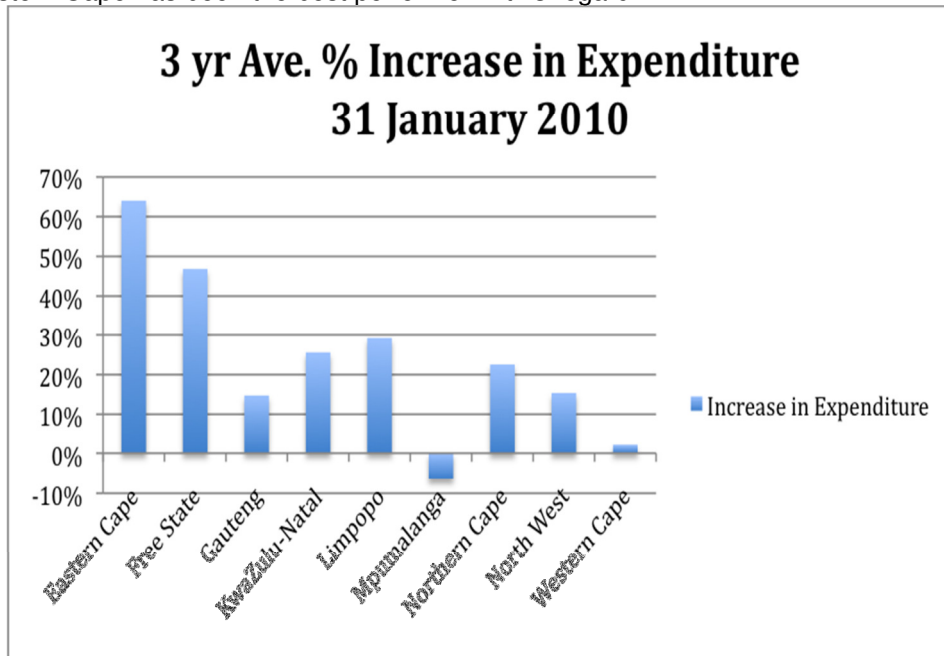
Graph 1: E. Cape houses constructed from 2007/7 – 2009/10 financial years



Graph 2: E. Cape expenditure from 2007/8 – 2009/10 financial years

Besides the above indicators (graphs) demonstrating improved performance of the Eastern Cape Provincial department, the graph below demonstrate the improvement in performance of the provincial department relative to the other eight provinces in the country. Graph 3 below demonstrates the

percentage increase in expenditure over the last three years of the 9 provinces' departments of housing. The Eastern Cape has been the best performer in this regard.



Graph 3: Provincial departments of housing percentage increase in expenditure

6. CONCLUSION

As indicated above, the improvement in the number of houses completed and the expenditure of the housing development grant funds, demonstrate the effectiveness of the intervention team. The following are lessons learnt from the intervention: (1) the use of a Multi-disciplinary team that did not only focus on housing projects but acknowledged the department as a system comprised of a number of subsystems that includes people, processes, systems, organizational culture, etc. This has enabled the intervention team come up with interventions that targeted the work, worker and the work-place (IPSI, 2013). The team therefore took a systems viewpoint instead of focusing on one element of the department; (2) diagnosis-informed interventions ensured a targeted approach to addressing identified performance challenges, and this enhanced the effectiveness of the solutions; (3) co-designing solutions by the intervention team and officials of provincial departments was critical for the acceptance of solutions and the implementation thereof, this minimised resistance; (4) buy-in from leadership is critical to avoid resistance-leaders need to be convinced that there is a need for a change before an intervention could be commenced, therefore change management need to be part of the intervention activities; (5) the credibility of members of the intervention team in terms of their qualifications, experience, skills and knowledge is critical to enhance the acceptability of the team; (6) transfer of skills and knowledge to officials of the provincial department by members of the intervention team is critical to enhance the sustainability of the delivery levels achieved during the intervention; and lastly, that performance improvement interventions should be created through a process involving analysis, design, development, implementation, and evaluation (Molenda, 2003).

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