



# **KZN Housing**

---

**uMnyango:  
wezeZindlu**

**ISIFUNDAZWE SAKWAZULU-NATALI**

**uMnyango wezeZindlu / Departement van Behuising**

**KWAZULU-NATAL DEPARTMENT OF HOUSING**

**RESEARCH REPORT : AN INVESTIGATION INTO THE  
TURNAROUND TIME FOR RURAL (INFORMAL LAND  
RIGHTS) PROJECT APPROVALS FROM INCEPTION  
TO CONSTRUCTION APPROVAL STAGE**

**FEBRUARY 2009**

**TABLE OF CONTENTS**

**Executive Summary .....(i)**

**1. PURPOSE ..... 1**

**2. PROBLEM STATEMENT ..... 1**

**3. BACKGROUND ..... 1**

**4. RESEARCH METHODOLOGY ..... 2**

**5. FINDINGS ..... 5**

**6. CONCLUSION ..... 6**

**7. COMMENTS..... 6**

**8. RECOMMENDATION..... 7**

**ANNEXURES**

- 1 - List of rural project submissions**
- 2 - List of rural preparation funding applications**
- 3 - Rural projects approval categories**

## EXECUTIVE SUMMARY

The purpose of this investigation is to assess the effectiveness of the current practice of collapsing the reservation of subsidies (conditional approval) and approval for planning and design for rural projects into one single stage. This practice deviates from the policy that requires conditional approval prior final approval being granted. The reasons cited for this are: (a) Rural projects are in situ by nature, hence detailed risk assessment should not be required. Waivers would be obtained environmental impact assessment in most cases; (b) Services were not typically provided and no NHBRC enrolment would be done; and (c) The approval process for preparation funding is lengthy, hence collapsing the Stage 1 and providing advance payments would be a quicker way of accessing funding for assessments to be undertaken. The following developments challenge the aforementioned: (a) The study conducted on the rural manual (April 2008) indicated that the exemption process for in situ and rural projects are not a mere formality; (b) Rural projects are now required to be enrolled; and (c) Although a large number of projects have been approved (stage 1), relatively few have proceeded to the construction phase.

This study therefore focuses on the following:

- The extent to which preparation funding applications in rural projects have delayed construction approvals (Stage 2); and
- The extent to which the conventional conditional approval process have delayed construction approvals (Stage 2).

The following research questions were explored:

*Test 1: Preparation funding applications approvals take longer than 6 months.*

*Test 2 : Preparation funding approvals will delay Stage2 approvals, hence Stage 1 should be used to bridge the preparation funding approvals*

*Test 3: Using the conditional stage will delay project approvals.*

*Test 4: Conditional approvals can enhance the Stage 2 approval success rate.*

Primary data was extracted from the register of Housing Advisory Committee Approvals will be used as an alternative. The data sample was all projects with sufficiently complete recorded stages of approvals up to and including Stage 2 from, from inception of the Additional Rural Guidelines policy to and including 30 November 2008. Data of 28 projects were used.

**Findings** are summarized as follows:

- Only 41 of 119 projects proceeded to stage 2 = 34,45%. Only one third of the applications received transpired into final approvals. Preparation funding seems to reduce approval timeframes to Stage 2.
- *Test 1: Finding : False.* Most applications for preparation funding take less than 6 months.
- *Test 2: Finding : False.* Projects that had preparation funding, on average, progressed to the Stage 2 faster than projects that used only stage 1.
- *Test 3 : Finding : True.* Projects that have gone through the conditional approval stage, on average, have taken 3 months longer to proceed to Stage 2, than projects with Stage 1 only. However, the sample is relatively small hence the reliability of the investigation might be compromised. The average timeframe for all rural projects with conditional approval, that proceeded to Stage 2 = 1076 days. There were 7 projects in this category. The average timeframe for projects with Stage 1 approval only, and that proceeded to Stage 2 = 905 days. There were 20 projects in this category.

- *Test 4: Finding* : True. A greater percentage of projects that went through a conditional approval stage reached Stage 2 than those with just Stage 1.

The following **conclusions** could be drawn:

- Preparation funding approval process timeframes are less than 6 months.
- Projects that had received either: preparation- and/or conditional- and/or Stage 1 approval have on average a shorter approval timeframe from the date of approval of the first process to Stage 2, than those projects that had a Stage 1 approval only. This supports the premise that proper risk assessment improves approval processes and timeframes.
- The data available suggests that projects where preparation funding, conditional approvals and stage 1 were applied, progress to Stage 2 sooner. Preparation funding appears to have a positive impact on project approval processes.
- Projects that went through the conditional approval process have a longer approval timeframe to Stage 2 than those that went through the Stage 1 approval process. Rural projects that have followed this process take 905 days, which is longer than the conventional PLS norm.
- A higher percentage of projects with conditional approvals have progressed to Stage 2, than those that had Stage 1 approvals only.

**The following recommendations are made:**

- Proper risk assessment and mitigation determination should be applied in the case of all projects, including those in rural areas. Conditional approval is a means to address this, provided approval timeframes are shortened. Consideration should be given to undertake conditional approvals at least at Regional Office level, thus delegation to be given to the Regional Managers to grant conditional approval, provided the necessary risk assessments have been done.
- The current preparation funding policy should be reviewed to ensure alignment with recent developments in the conditional grant.
- Preparation funding approval processes should be shortened by delegation of authority in terms of the financial delegations of the department, and the simultaneous preparation of the submission and agreement pertaining to such application.
- A further study to be undertaken to assess urban project timeframes, using this study as a baseline for comparison purposes.

## **AN INVESTIGATION INTO THE TURNAROUND TIME FOR RURAL (INFORMAL LAND RIGHTS) PROJECT APPROVALS FROM INCEPTION TO STAGE 2 (CONSTRUCTION APPROVAL STAGE)**

### **1. PURPOSE**

The purpose of this investigation is to assess the effectiveness of the current practice of collapsing the reservation of subsidies (conditional approval) and approval for planning and design for rural projects into one single stage.

### **2. PROBLEM STATEMENT**

There is an apparent disjuncture between the approved provincial policy framework for rural projects and the implementation process.

### **3. BACKGROUND**

#### **3.1 Deviation from approved policy**

The approved policy provides for projects to be approved on a similar basis of the conventional project linked process for greenfields projects. The policy requires a project description to be submitted for conditional approval, once desktop risk assessments have been completed. The feasibility study is submitted for approval thereafter, and approval requested for the entire project to be approved in principle, following a phased approach (planning and design through to construction, depending on the nature of the project).

This process has not been followed in practice as the conditional approval process is not utilized in practice. The following main reasons were submitted by the originator (Mr D Pay):

- (a) Rural projects are in situ by nature hence detailed risk assessment should not be required. Waivers would be obtained environmental impact assessment in most cases.
- (b) Services were not typically provided and no NHBRC enrolment would be done that would require detailed geotechnical assessments.
- (c) The approval process for preparation funding is lengthy (averaging more than 6 months), hence collapsing the Stage 1 and providing advance payments would be a quicker way of accessing funding for assessments to be undertaken.

#### **3.2 Challenges identified**

The following recent developments challenge the current implementation process:

- (a) The study conducted on the rural manual (April 2008) indicated that the exemption process for in situ and rural projects are not a mere formality. This is supported by recent submissions received from the Regional Offices (e.g. Masihambisane, Appelbosch, and Mhlangandlovu), in which the desktop

environmental investigations confirmed the need to consider more detailed investigations. This would impact on the ease at which the development consent (Department of Local Government and Traditional Affairs) could be obtained.

- (b) Rural projects are now required to be enrolled. Although the National policy requires only home enrolment, a geotechnical assessment is still required. This would have to be done before funding is approved for house construction.
- (c) Although a large number of projects have been approved (stage 1), relatively few have proceeded to the construction phase. The study conducted on the rural manual indicated that development consent approvals contribute to the delay. Interaction with officials indicated that this is largely due to the fact that applications are often ill prepared with little or no consideration given to technical assessments required in terms of law, such as environmental, flood lines, and provision of water and sanitation for sustainable human settlements.

### **3.3 Need for research**

The above challenges motivate the need to assess whether the current implementation practice in the approval of projects is efficient, and whether the approved policy and procedure needs to be amended.

### **3.4 Scope**

This study will focus on the following aspects:

- (1) The extent to which preparation funding applications in rural projects have delayed construction approvals (Stage 2); and
- (2) The extent to which the conventional conditional approval process have delayed construction approvals (Stage 2).

Literature on project risk assessment and evidence in practice already provides substantial proof in favour of staged and detailed risk assessment to be done prior to projects being approved.

## **4. RESEARCH METHODOLOGY**

### **4.1 Research question and methodology**

The research questions and methodology will be as follows:

- (a) Test 1: *Preparation funding applications approvals take longer than 6 months.*  
Methodology : Determine the average timeframe for rural projects with preparation funding approvals, from the date of the HEAC meeting to the date of approval by the MEC.
- (b) Test 2 : *Preparation funding approvals will delay Stage2 approvals, hence Stage 1 should be used to bridge the preparation funding approvals*  
Methodology : Compare the average timeframe for Stage 2 approvals that

have/have not received preparation funding.

(c) Test 3: *Using the conditional stage will delay project approvals.*

Methodology: Compare the average timeframe for Stage 2 approvals that have/not received conditional approval.

(d) Test 4: *Conditional approvals can enhance the Stage 2 approval success rate.*

Methodology: Compare the percentage of the number of projects with stage 1 approvals only that proceeded to Stage 2, to the percentage of conditional approvals that moved to the same stage.

#### **4.2 Data type and source**

Primary data will be extracted from current databases within the Department of Housing (KZN). The Housing Subsidy System (HSS) could not be used for this purpose as it has been confirmed that the type of report required to assess timeframes between approval phases cannot be drawn from the system. The register of Housing Advisory Committee Approvals will be used as an alternative.

#### **4.3 Data Population**

The population comprises all rural projects submitted for approval from inception of the "Additional Rural Guidelines" within the Province of KwaZulu-Natal.

#### **4.4 Data sample**

The data sample will be all project with sufficiently complete recorded stages of approvals up to and including Stage 2 from, from inception of the Additional Rural Guidelines policy to and including 30 November 2008.

#### **4.5 Assumptions and Limitations**

It is assumed that the database used is reasonably up to date, thus is a reasonable indication of the approval timeframes, and that all projects are correctly classified. The interpretation of the statistics is limited to the availability of accurate and complete data.

#### **4.6 Data Refinement and Analysis**

(1) All projects approved within the sample were extracted and those with incomplete data were removed (Annexure 1). This yielded 119 submissions for approval.

(2) Submissions relating to the same project were grouped together to identify the different stages of approval and timeframes. These were also grouped into the different approval stages being *Preparation funding*, *Conditional Approval*, *Stage 1* and *Stage 2*. This resulted in the identification of :

a. all rural projects that received preparation funding (Annexure 2); and

- b. all projects for which the final stage of approval had been requested together with the different approval stages and dates. This yielded 41 projects (Annexure 3).
- (3) The projects were then categorized in terms of the different processes that were followed, as follows:
- a. MEC approval is still awaited or not recorded (4 projects).
  - b. Stage 2 approval recorded only, no record of preparation-, conditional-, or stage 1 approval (7 projects).
  - c. Stage 2 approvals where projects proceeded directly from preparation funding to stage 2 (0 projects).
  - d. Stage 2 approvals where projects underwent preparation funding and conditional approval processes only (0 projects).
  - e. Stage 2 projects where projects underwent preparation funding and stage 1 funding (i.e. no conditional approval) (1 project).
  - f. Stage 2 projects where projects underwent preparation funding, conditional and stage 1 processes (3 projects).
  - g. Stage 2 projects where projects had no preparation funding, but had a conditional approval (but no stage 1) (1 project).
  - h. Stage 2 projects where projects had no preparation funding, but had a conditional approval (but no stage 1) (3 projects).
  - i. Stage 2 projects where projects had no preparation funding, but had a stage 1 approval 20 projects.
- (4) Approval timeframes were then calculated for each stage to determine the timeframe (measured in days) between the date of the relevant stage of approval, to the date of approval of the Stage 2 (construction approval) application. (Annexure 3).
- (5) Descriptive statistics were calculated for each category where data was available. (Annexure 3).
- (6) Projects that had incomplete recordings up to Stage 2 were excluded from the analysis.

#### **4.7 Sample Refinement**

The net sample of 28 projects was derived as follows:

Number of rural projects with preparation funding approved	22
Number of projects with preparation funding from 1.a above that have Stage 2 funding recorded	4
Total number of projects submitted for construction (Stage 2)	41
Less 4 x Stage 2 applications awaiting MEC approval	37
Less 9 x Sage 2 applications with no other approval stages recorded	28
<b>Thus, net sample</b>	<b>28</b>

## 5. FINDINGS

### 5.1 Project approval summary

Only 41 of 119 projects proceeded to stage 2 = 34,45%.  
22 Rural projects received preparation funding approval. Only 4 of these appear to have received Stage 2 approval.

A large number of projects have not yet received final approval (Stage 2). Only one third of the applications received transpired into final approvals. Preparation funding seems to reduce approval timeframes to Stage 2.

### 5.2 Preparation funding approval timeframes

*Test 1: Finding* : False. Most applications for preparation funding take less than 6 months.

The average timeframe for approval for preparation funding applications (from date of submission to HEAC) = 67.7 days.

15 of these were approved in less than 60 days; 3 approved between 61 to 90 days. Only 4 approvals took more than 135 days.

### 5.3 Potential delay caused by preparation funding

*Test 2: Finding* : False. Projects that had preparation funding, on average, progressed to the Stage 2 faster than projects that used only stage 1.

The average timeframe for all rural projects with preparation funding that proceeded to Stage 2 = 764 days. There were 4 projects in this category.

The average timeframe for projects with Stage 1 approval only, and that proceeded to Stage 2 = 905 days. There were 20 projects in this category.

The average timeframe for projects that had preparation funding, conditional approval and stage 1 approval = 825 days.

### 5.4 Impact of conditional approval processes on final approval

*Test 3 : Finding* : True. Projects that have gone through the conditional approval stage, on average, have taken 3 months longer to proceed to Stage 2, than projects with Stage 1 only. However, the sample is relatively small, hence the reliability of the investigation might be compromised.

The average timeframe for all rural projects with conditional approval, that proceeded to Stage 2 = 1076 days. There were 7 projects in this category.

The average timeframe for projects with Stage 1 approval only, and that proceeded to Stage 2 = 905 days. There were 20 projects in this category.

### **5.5 Potential of conditional approvals to enhance Stage 2 approval success rate**

*Test 4: Finding* : True. A greater percentage of projects that went through a conditional approval stage reached Stage 2 than those with just Stage 1. 31,9% of projects with Stage 1 approval only, proceeded to Stage 2. 56.25% of projects with conditional approval proceeded to stage 2.

## **6. CONCLUSION**

- 6.1 Preparation funding approval process timeframes are less than 6 months.
- 6.2 Projects that had received either: preparation- and/or conditional- and or Stage 1 approval have on average a shorter approval timeframe from the date of approval of the first process to Stage 2, than those projects that had a Stage 1 approval only.
- 6.3 The data available for assessing the impact of preparation funding processes on achieving Stage 2 is limited, thus there is insufficient evidence to support the notion that such process increases approval timeframes. The data available, however, suggests that projects where preparation funding, conditional approvals and stage 1 were applied, progress to Stage 2 sooner. Preparation funding appears to have a positive impact on project approval processes.
- 6.4 Projects that went through the conditional approval process have a longer approval timeframe to Stage 2 than those that went through the Stage 1 approval process.
- 6.5 A higher percentage of projects with conditional approvals have progressed to Stage 2, than those that had Stage 1 approvals only.

## **7. COMMENTS**

- 7.1 Care needs to be taken to discourage developers from potentially “banking” projects. The “conditional approval process” is a useful tool that could assist in identifying risks and reducing timeframes to implementation.
- 7.2 Preparation funding is granted to assist with risk assessment. It therefore follows that should there be adverse risks, and/or mitigating factors are needed that may delay implementation, not all projects will proceed to Stage 2. This indicates that the tool is serving its purposes.
- 7.3 Preparation funding guidelines need to be revised in the context of rural also. Consideration could be given to delegate authority for approval in line with the financial delegations of the department.

7.4 Projects that have undergone more approval processes in terms of risk assessment appear to have a shorter approval timeframe for achieving Stage 2 status. This supports the premise that proper risk assessment improves approval processes and timeframes.

7.5 The spoken norm for conventional project linked urban projects from preparation to final approval is said to be up to 2 years (730 days). The nature of rural projects should enable shorter, or at least similar timeframes, especially in light of the collapsing of processes and simplified development approval processes. This appears not to be the case as rural projects that have followed this process take 905 days, hence longer than the conventional PLS norm. A study can be conducted on this as the approval processes relevant to urban projects are more readily available from the HSS.

## 8. RECOMMENDATION

8.1 Proper risk assessment and mitigation determination should be applied in the case of all projects, including those in rural areas. Conditional approval is a means to address this, provided approval timeframes are shortened. Consideration should be given to undertake conditional approvals at least at Regional Office level, thus delegation to be given to the Regional Managers to grant conditional approval, provided the necessary risk assessments have been done.

8.2 The current preparation funding policy should be reviewed to ensure alignment with recent developments in the conditional grant.

8.3 Preparation funding approval processes should be shortened by delegation of authority in terms of the financial delegations of the department, and the simultaneous preparation of the submission and agreement pertaining to such application.

8.4 A further study to be undertaken to assess urban project timeframes, using this study as a baseline for comparison purposes.