

**MANDELA BAY DEVELOPMENT AGENCY
(MBDA)**

MID-TERM REPORT 2014/2015

for period

1 July 2014 to 31 December 2014

INTRODUCTION

The Mandela Bay Development Agency (MBDA) was formed in 2003 by the Nelson Mandela Bay Municipality (NMBM) and the Industrial Development Corporation (IDC) in an attempt to turn around the urban decay, resulting economic decline and capital flight in the Central Business District (CBD) of Port Elizabeth. Up to 2004, the City saw a rapid decline in the once thriving CBD, with many buildings falling into disuse.

The MBDA is a Special Purpose Vehicle (SPV), and the local economic development and urban transformation arm of the NMBM. Against this backdrop, the MBDA works closely with the political dispensation and executive management team of the NMBM and other key stakeholders to facilitate and support urban renewal and transformation through infrastructure projects and delivery of services. Many of these projects have as their aim the development of a strong tourism real estate sector, a sector that is not well developed in the City, but shows significant potential for development.

The work of the MBDA initially commenced with a strong Port Elizabeth CBD focus, but the mandate has since been expanded to Uitenhage as well as North End, with the construction of the multi-purpose Nelson Mandela Bay Stadium. The Helenvale Urban Renewal Programme has now also been transferred to the Agency, and it has also identified projects in New Brighton, Veeplaas and Walmer Township for the 2014/15 financial year.

It is fair to say that the role of the MBDA as a transformation agency for the CBD has changed radically with a much wider or regional development. This expansion has placed much pressure on the MBDA's budget and staff capacity.

The MBDA works in the same legislative framework as the NMBM. The Municipal Finance Management Act (56 of 2003), the Municipal Structures Act (117 of 1998) and the Municipal Systems Act (32 of 2000) are the guiding pieces of legislation in the work of the MBDA.

The policy framework in which the MBDA operates and which serves as the strategic and operational direction of the MBDA is as follows:

- The NMBM Integrated Development Plan (IDP)
- Local Spatial Development Framework (LSDFs) for the respective designated areas
- The MBDA's five year Strategic Document (2010-2014) and (2015-2020)
- Annual Business Plans

The mandate of the MBDA forms an integral part of the IDP and hence the MBDA's projects and programmes are also in line with the IDP. The work of the MBDA commenced with a mandate document focusing on the CBD and immediate outlying areas, which was approved by full Council in 2004 and serves as the basis for urban renewal and transformation of the MBDA. The key objectives of the MBDA, which

have grown and proliferated over time with an extended mandate and a more regional development agency role, are:

- Using extensive public consultation and marketing research in the identification of projects that will contribute to urban renewal in the City's Central Business Districts and the townships;
- Promoting, facilitating and managing the basics of security, cleansing and regulatory compliance to strengthen public confidence;
- Implementing catalytic capital projects and testing these in urban places as stimulus for development;
- Enabling the conservation management and showcasing of heritage in order to forge a unique identity for the place and its people;
- Marketing the area as a first-class choice destination to live, work and play;
- Managing the area for environmental sustainability;
- Facilitating social and economic opportunities in all projects and activities in order to contribute to economic inclusion and growth;
- Engaging effectively with stakeholders and partners in order to foster understanding, buy-in and shared delivery of urban renewal;
- Developing a property portfolio through not only NMBM derelict properties handed over to the MBDA for redevelopment, but also through the acquisition of properties on the open market.

The key rationale behind the implementation of the above strategic objectives is to ensure a complete turnaround in respect of urban decay in the targeted areas of the Agency. Through the Turnaround Strategy, economic growth is promoted through the response of private sector investment to the catalytic infrastructure projects and services initiated and implemented by the MBDA. Through these efforts, the MBDA enhances decayed areas through the creation of sustainable urban places to contribute to the economic development of the City and the quality of life of its residents. The Agency subscribes to the concept of Dynamic Place Initiative (DPI), i.e. to create dynamic places that will contribute to tourism real estate and serve as catalysts for private sector investment.

The overall approach of the MBDA remains to 'get the basics right' before other layers of economic infrastructure development take place. It is continuously building strong relationships with the relevant directorates within the NMBM and, through these efforts, the MBDA is recognised as a key urban renewal and economic/social transformation vehicle.

The selection of key services and catalytic infrastructure projects takes place against the backdrop of extensive market research, based on the needs of key stakeholders. Having been in existence for eight years, the MBDA has reached a point where it has created the required confidence to market and brand the City as a strong, sustainable, urban place that is increasingly recognised locally, nationally and internationally.

The MBDA also follows a creative and innovative way of 'Concept to Completion', i.e. conceptualising and implementing and therefore fulfilling its role as a change agent, 'thinking out of the box', while at the same time respecting the municipal regulatory and compliance environment. The MBDA is a SPV between the

government and the private sector and in many ways fulfils the role of a development parastatal at local government level.

The approach of the MBDA endeavours to coordinate and manage public sector capital investment and other programmes in order to deliver a range of projects and programmes aimed at not only achieving the IDP, but bringing the IDP down to implementation level in order to create a higher level of Gross Domestic Product (GDP) and employment opportunities, and in the process growing the pool of rates and taxes that can be applied in critical areas of needs, such as the townships and other emerging nodes.

The overall development involves mechanisms to ensure that implementation proceeds as planned. It is in this respect that local government often falls short, i.e. not always being in touch with the market place and the needs of customers and erring in implementing projects that do not address the needs and requirements of the market place and end up as white elephants.

The MBDA believes “a good plan is a plan that works, and to achieve a plan that works it must be implemented on budget, time and within acceptable quality standards”.

The MBDA uses the ‘consulting model’ approach, i.e. employing a small team of experienced and skilled staff that drives a large consulting base to the desired output and environment, underpinned by the MBDA’s objectives of delivering on time, on quality and on budget. The expanded mandate, which now also includes the maintenance of upgraded areas has obviously brought more pressure on human resources and budget.

One of the challenges for the MBDA remains sourcing sufficient capital funding for its respective projects and to incrementally implement the well researched Local Spatial Development Framework (LSDF), which has now been converted into a legal NMBM Council adopted Local Spatial Development Framework (LSDF). In this regard, the Agency is looking at various external sources of funding in addition to the funds it receives from the NMBM. One of the key objectives in 2015 and beyond will be to submit applications for national funding that can be used to finance identified projects in the CBD and township areas.

The Agency achieved an unqualified audit report for the 2013/2014 financial period with no emphasis of matter items, resulting in a ‘clean’ audit opinion being achieved.

The MBDA is slowly assuming the role of a parastatal at local government level. The intended foray into property development will not only provide the MBDA with a much-needed “private sector in a government environment approach”, but will also ensure more financial independence. The redevelopment of the Tramways Building is the first step in this direction.

OVERVIEW OF PERIOD 1 JULY 2014 TO 31 DECEMBER 2014

The period under review has seen the MBDA move forward amidst sometimes challenging conditions.

The MBDA received broad political support to implement its projects in the City's Central Business Districts and selected emerging nodes in the townships.

The MBDA's involvement in Helenvale and other township areas has broadened its operational base, and the impact of projects in the townships is already evident. The approach in the townships is not much different from the approach followed in respect of the Central Business Districts and could be described as work that aims at social change. The work is therefore not based on construction only, but also includes social transformation programmes.

Most township areas in Nelson Mandela Bay are visually unattractive. Any new public sector infrastructure investment in township areas will be a good investment only if it culminates in private sector investment in retail, entertainment/leisure, office and residential development.

The Helenvale Urban Renewal Programme has provided the MBDA with new impetus. The funding agreement with KfW Bank will be crucial in ensuring a successful social intervention in Helenvale.

The redevelopment of the 130-year old Tramways Building is the start in the creation of a new tourism/leisure/entertainment/office/retail node. It will also complement a future commercial/marina development in the Port Elizabeth Port. The present development of a Master Plan for the Baakens Valley and the Port marina/commercial development will lead to the development of a new entertainment/leisure, retail, office and residential tourism real estate node.

The public participation process in the Singapi Road project was very successful and the completion of the project over the next two years will unlock developmental potential along the road leading to the Red Location Museum. The redevelopment of Singapi Street will be the catalyst for development in a very historic township that has not seen much in terms of development over the past two decades.

SERVICE DELIVERY BUDGET IMPLEMENTATION PLAN

The introduction of a Performance Management System has further focused the MBDA's efforts in its service delivery programme, enabling the management and staff members to fulfil in its mandate given by the NMBM. The MBDA sets itself high performance targets and drives its staff to achieve the desired results. In cases where the desired targets are not achieved, pro-active measures and processes are put in place to rectify the situation.

The MBDA believes that a hard driven set of Key Performance Indicators (KPIs) is the only way to keep performance at an acceptable level.

It is common cause that there are a number of variables in the achievement of a KPI; the MBDA is dependent on a number of roleplayers to ensure that its KPIs are reached. Although cooperation with the relevant divisions in the NMBM is good, the machinery of the NMBM works slower than that of the MBDA. Often, approvals are required from the Human Settlements and Infrastructure and Engineering Directorates. If these approvals do not come through at the required time, it often causes delays in the implementation of projects and the subsequent fulfilment of a specific KPI. Measures are in place, though, to continuously improve the communication channels, to ensure that approvals are received on time to ensure that projects are implemented on time, budget and quality.

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8 January 2015