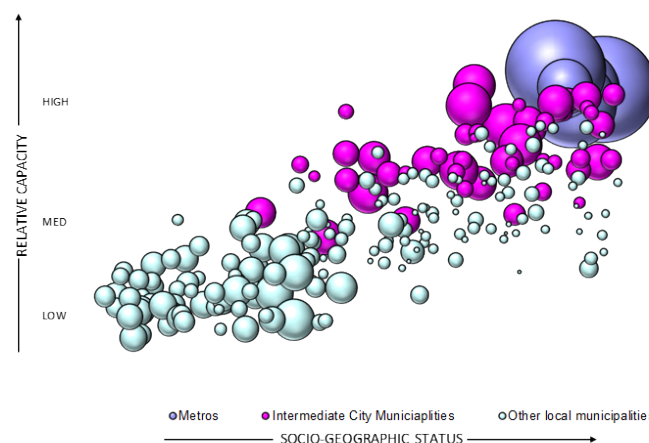


# Policy framework for the Integrated Urban Development Grant



The Integrated Urban Development Framework (IUDF) was approved by Cabinet in April 2016 and marks a new deal for South Africa's cities and towns. It focuses on spatial transformation in urban areas to make these spaces more efficient and to capitalise on the 'urban dividend'. As such, the IUDF is most applicable in metros and secondary cities, also known as for Intermediate City Municipalities (ICMs). While metros currently have access to a supplementary capital grant in the form of the Urban Settlements Grant, no such flexible funding instrument exists for ICMs. In line with the policy thrust towards grant consolidation and increased fiscal autonomy for local government, the Department of Cooperative Governance (DCOG) requested support in developing a policy framework for a new infrastructure grant for Intermediate City Municipalities (ICMs) that would support implementation of the IUDF. The grant was one component of a broad support programme for ICMs.

PDG conducted desktop analysis to inform the grant design process, including evaluating and benchmarking municipalities according to financial and governance performance indicators. The grant design process was undertaken through consultation with national stakeholders including National Treasury, SALGA and the FFC; national sector departments; and municipalities themselves. Key elements of the grant design included: increased consolidation of infrastructure funding; programmatic monitoring against a Capital Expenditure Framework that is aligned with a sound Municipal Spatial Development Framework; an incentive portion that rewards performance; and the inclusion of minimum conditions for accessing the grant. As part of the grant design, PDG provided conceptual input into developing clearer guidance to municipalities on how to develop a Capital Expenditure Framework that will serve to integrate



spatial, technical and financial planning in municipalities.

The grant was piloted as the MIG-2 in Polokwane and Umhlathuze Local Municipalities in the 2018/19 financial year and was introduced to seven qualifying municipalities in full in the 2019/20 financial year. All other ICMs are incentivised to improve financial and governance performance in order to qualify for the new grant.

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## WMIG PROJECT:

**Project Profile:** Policy framework for the Integrated Urban Development Grant

**Client:** Department of Cooperative Governance

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