



cooperative governance

Department:  
Cooperative Governance  
REPUBLIC OF SOUTH AFRICA



**IUDF**

INTEGRATED URBAN DEVELOPMENT FRAMEWORK



national treasury

Department:  
National Treasury  
REPUBLIC OF SOUTH AFRICA

# INTEGRATED URBAN DEVELOPMENT FRAMEWORK

## Presentation to KZN SPLUMA Forum

29 November 2019



SOUTH AFRICAN LOCAL  
GOVERNMENT ASSOCIATION

**SALGA**

*Inspiring service delivery*



Schweizerische Eidgenossenschaft  
Confédération suisse  
Confederazione Svizzera  
Confederaziun svizra

Swiss Confederation



**WORLD BANK**

# Presentation outline

## Part A: Setting the scene

1. Purpose
2. The IUDF and the global agenda

## Part B: Overview of the Integrated Urban Development Framework (IUDF)

1. The Integrated Urban Development Framework (IUDF) at a glance

## Part C: Implementation of the IUDF

1. IUDF Implementation approach
  1. *The intermediate Cities Municipal Support Programme*
  2. *The Integrated Urban Development Grant (IUDG)*
  3. *The Capital Expenditure Framework (CEF)*

## Part D: Wrapping up

1. Way forward
2. Conclusion





## **Part A: Setting the Scene**

# Purpose of the presentation

The aim of the presentation is to brief the members of the SPLUMA Forum on the Integrated Urban Development Framework (IUDF)

# Setting the scene: Urbanisation in the global context

- Africa will be the fastest urbanizing region between 2020 to 2050. By 2050 world urban population will be concentrated in Asia (52%) & **Africa (21%)**



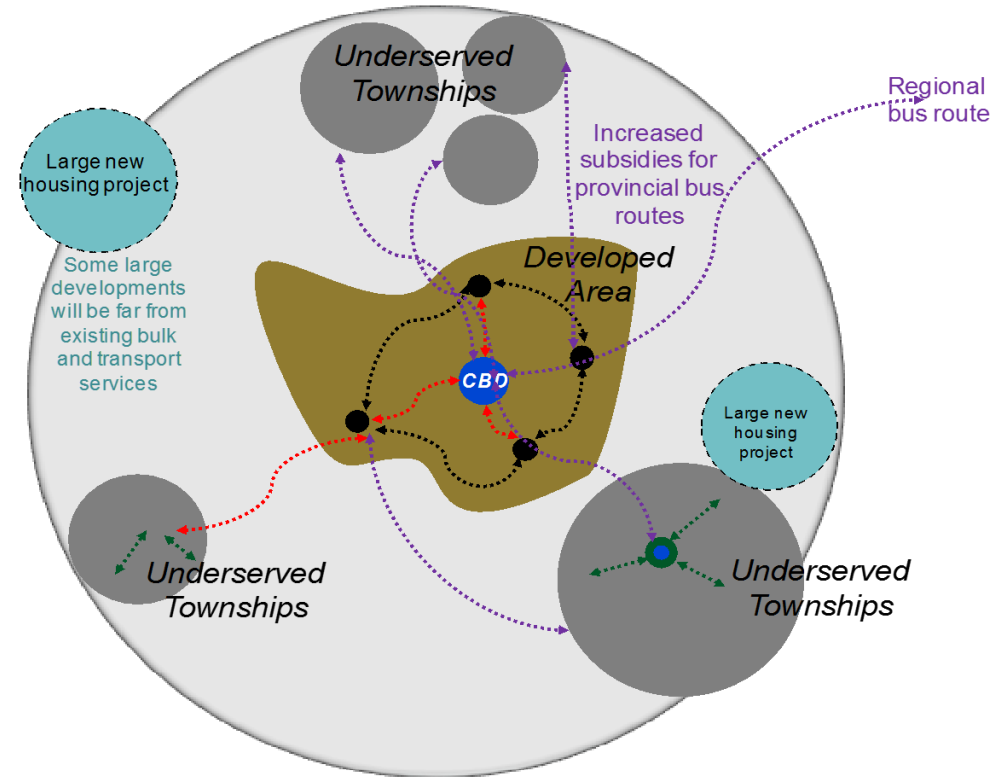
# Setting the scene: South Africa is urbanizing rapidly

- 63% of South Africans already live in urban areas
- This will rise to 71% by 2030
- By 2050, 8 in 10 South Africans will live in Urban Areas
- South Africa should be benefitting from an 'urban dividend', instead:
  - a. it is home to the most unequal cities on the planet
  - b. economic growth & job creation is insufficient & not inclusive
  - c. People trade in informality & live informal settlements
  - d. The poorest in most 'at risk' areas





# Confronting spatial inequality





# Confronting spatial inequality





# Confronting spatial inequality



Photo: Johnny Miller





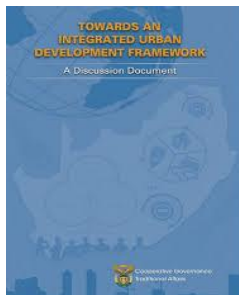
## **Part B: Overview of the Integrated Urban Development Framework (IUDF)**

# The Genealogy of the SA National Urban Policy

Development of the IUDF started in  
**November 2012.**

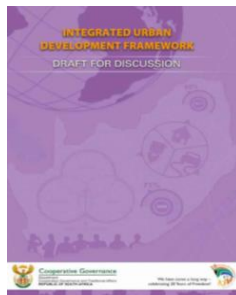
## PHASE 1

*Discussion  
Document launched  
in **October 2013.***



## PHASE 2

*Draft IUDF approved  
by Cabinet in  
**September 2014** for  
public consultation.*



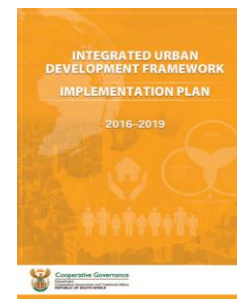
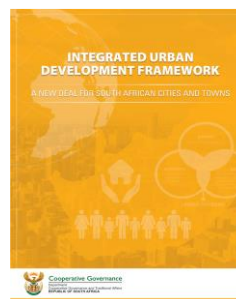
## PHASE 3

*Consultation  
Process **October  
2014 – July 2015***



## PHASE 4

***CABINET APPROVES IUDF  
26 April 2016.***

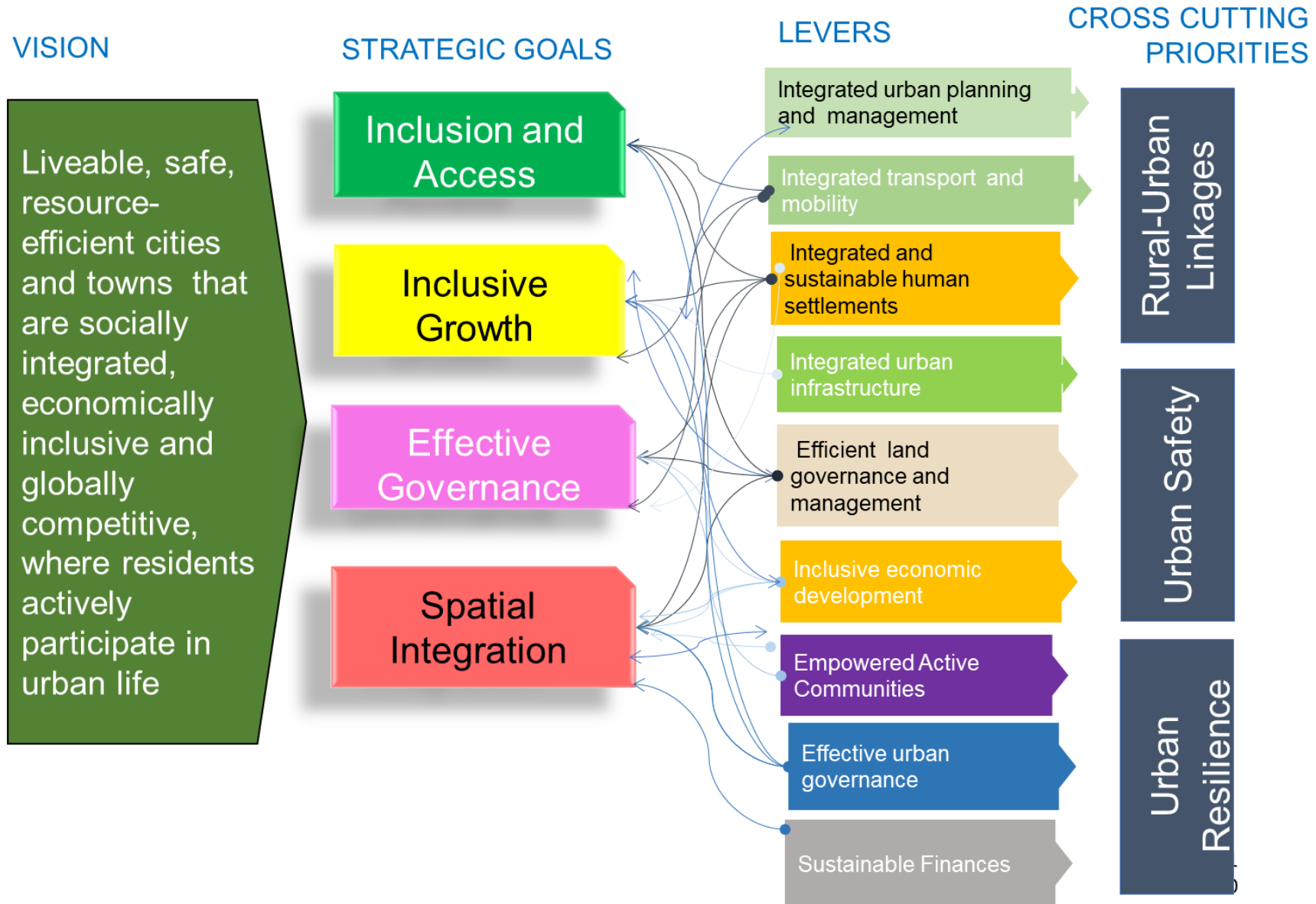


## PHASE 5 (2016-2019)

*Implementation of the short term  
(2016/19) priority actions as identified in  
the IUDF Implementation Plan*



# Core elements of the IUDF



# Core Elements of the IUDF

The IUDF's overall outcome – **spatial transformation**: reversing the inefficient spatial patterns in a way that promotes both social and economic development while protecting the environment.

The IUDF proposes an **urban growth model** of **compact**, **connected** and **coordinated** cities and towns.

**Land, transport, housing**, and **jobs** are key structuring elements critical for the attainment of the outcome.

**The overall objectives is to create efficient urban spaces by:**

- Aligning land use, transport planning and housing
- Preventing development of housing in marginal areas
- Increasing urban densities and reducing sprawl
- Shift jobs and investment towards dense peripheral townships
- Improve public transport and the coordination between transport modes



# Short-term IUDF priorities

## Policy Lever 1: Integrated Urban Planning and Management

- **Align spatial, sectoral and strategic plans**
- Align land-use and human settlement planning to transport planning
- **Integrate spatial planning and urban resilience**
- Support and strengthen capacity to implement SPLUMA
- Improve urban management
- **Develop and strengthen instruments for creating compact cities and connected cities**
- Maximise existing IGR structures as a mechanism for coordinating planning
- Ensure greater involvement by Premiers and MECs

## Policy Lever 2: Integrated Transport and Mobility

- Empower cities in accordance with the NLTA
- Strengthen and integrate public transport modes
- Invest along core public transport nodes and corridors
- Develop an operational subsidisation policy
- Make cities pedestrian and cyclist friendly



# Short-term IUDF priorities

## Policy Lever 3: Integrated Sustainable Human Settlements

- Finalise the Human Settlements White Paper
- Finalise the devolution of the housing function
- Accelerate the upgrading of informal settlements
- Prioritise the regeneration of the inner cities
- Provide more options for accessing urban opportunities
- **Promote densification, including supporting back-yarding**
- **Re-develop townships**

## Policy Lever 4: Integrated Urban Infrastructure

- **Consolidate and coordinate infrastructure funding**
- **Institutionalise municipal long-term infrastructure planning**
- **Strengthen intergovernmental planning, roles and partnerships**
- **Widen sources of finance for urban infrastructure**
- Invest in ICT infrastructure and literacy
- Develop infrastructure as a bridge between rural and urban areas
- Building resilience through integrated urban infrastructure

# Short-term IUDF priorities

## Policy Lever 5: Efficient Land Governance and Management

- **Strengthen land-use planning and management**
- **Address the fragmentation in public land information**
- Improve intergovernmental relations for the acquisition or transfer of state land
- **Speed up security of land tenure**
- **Promote land-value capture**
- Ensure legislative concepts are applied consistently
- Address the impact of traditional authority areas within predominately urban municipalities
- **Improve municipal access to SOE and state-owned land**
- Improve relations between municipal councils and traditional authorities

## Policy Lever 6: Inclusive Economic Development

- Strengthen the economic role of municipalities
- Strengthen municipal institutional capacity in economic development
- **Support municipalities in building and using economic intelligence**
- Initiate differentiated economic development strategies for cities and towns
- Strengthen roles and leverage partnerships with other economic stakeholders
- Create the local conditions for supporting enterprise development and growth
- Progressively improve inclusive economic infrastructure and services
- Support community-based enterprises and work
- **Support urban livelihoods and the informal sector**

# Short-term IUDF priorities

## Policy Lever 7: Empowered Active Communities

- Strengthen participatory governance
- Invest in people's capabilities
- Build institutional capacity to engage
- Explore co-production mechanisms for finding solutions to local government services
- Improve access to quality public infrastructure and facilities
- Strengthen support to community organisations and the integration of migrants
- Ensure effective leadership at local level

## Policy Lever 8: Effective Urban Governance

- **Ensure policy coherence and strengthen national, provincial and city coordination**
- Establish clear mechanisms for intergovernmental transactions
- **Up-scale integrated intergovernmental development planning**
- Strengthen inter-municipal and intra-municipal coordination
- Improve city leadership and administrative capabilities
- **Enhancing resilience, climate change mitigation, resource efficiency, to ensure sustainability**
- Strengthen transparency and accountability
- Strengthen communication and use of technology (e-governance)



# Short-term IUDF priorities

## Policy Lever 9: Sustainable finance

- **Review the intergovernmental fiscal relations framework, to consider the financial strain faced by urbanising municipalities**
- **Incentivise more integrated infrastructure provision through an improved conditional grant framework**
- Improve capital budgeting and expenditure on key urban powers and functions
- Incentivise excellence in financial management and own revenue performance
- Strengthen/Improve partnerships with other state entities and the private sector
- **Explore alternative capital financing instruments and borrowing**
- **Reposition development finance institutions to support market development**



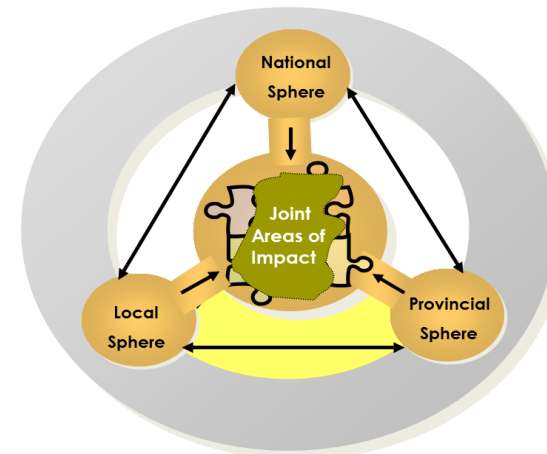
## **Part C: Implementation of the IUDF**

# Core IUDF Implementation Partners





# IUDF Implementation: Principles



# National IUDF Implementation Structures

## IUDF Political Steering Committee

- It is the overall Political IUDF political structure comprising of national Deputy Ministers;
- It meets regularly to oversee programme implementation and discuss urban policy issues; and
- It assists with sectoral coordination to improve IUDF implementation;

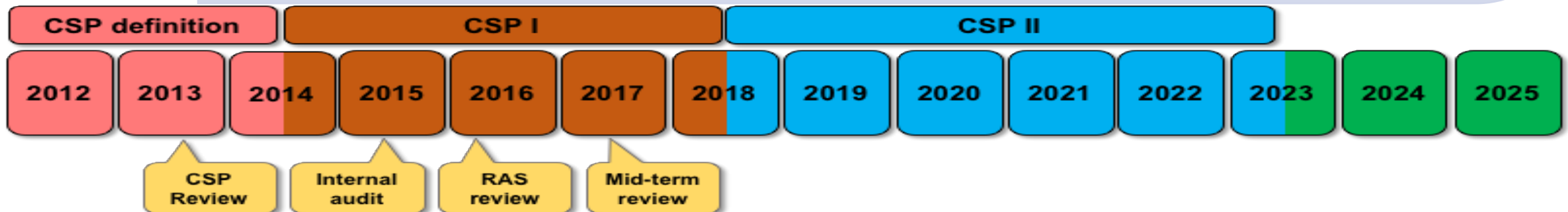
## IUDF Technical Working Group

- It comprises key national sector departments, participating provinces and municipalities,
- It provide overall technical guidance and reports to the Political Committee; and
- It meets on the monthly basis;
- It ensures sectoral coordination at a technical level

# Support to the metropolitan municipalities has been provided through the Cities Support Programme

## Achievements to date

- Strengthening **policy clarity and consensus** on the need for and approaches to urban transformation for inclusive growth (and policy reform)
- Building consensus on a **measurable outcomes framework** to measure progress, including associated reporting reforms
- Supporting policy & fiscal reform in the areas of human settlements and public transport
- Strengthening city leadership, vision and plans
- Supporting city **catalytic programme identification and preparation**
- Introducing **local fiscal reforms** to support integrated city development (Borrowing policy update and DFIs, Devt Charges, Grant reforms)
- Building programme management capability for the CSP



# CSP Phase 2 - Programme Design

## Development Objective:

- Support the development of more compact, connected and transit-oriented cities through a programme of spatial transformation that is driven by capable metropolitan governance systems, and supported by enabling policy and regulatory frameworks and an appropriate set of fiscal incentives.

## Desired outcomes

- Metro's able to implement strategies to accelerate inclusive economic growth and poverty reduction by building more inclusive, productive and sustainable cities;
- Policy environments that support metros to implement such strategies;
- Fiscal incentives that support metros to implement such strategies.

## CSP Activities

- gather, generate and share innovative and appropriate practices in the fields of governance, urban planning, finance, human settlements, public transport, climate resilience, and economic development.

**Specific five-year objective of institutionalising within national departments, provinces and metros a set of policies, practises and activities which support the development.**





# Shifts in CSP

- Sustaining programme momentum
- Focus implementation support activities on the financing and implementation of urban development strategies and programmes;
- Scale up direct support to national departments to strengthen policy coherence
- Align CSP with the IUDF governance arrangements, implementation strategy, levers and modalities;
- Strengthening platforms for joint planning, programming and action with stakeholders and partners across government, with the private sectors and with civil society; and
- Scaling up programme impact through institutionalizing core programme instruments and modalities in government

# Programme Priorities

- Institutionalize knowledge products and approaches and move down value chain from planning towards practical implementation of investment programmes and regulatory reforms
- More focused attention to:
  - City governance systems for effective delivery: matrix management, programme preparation and execution, urban infrastructure finance
  - Land and infrastructure development strategies and programmes, including informal settlements upgrading
  - Resilience and growth concerns, including unlocking township economies

# Intermediate City Municipalities Support Programme :3 Focus Areas

ICM Theory of change: compact and connected cities and towns.

Policies & planning instruments that enable cities to lead urbanisation process

**Enabling environment support**

Restructured system of inter-governmental grants that incentivise cities to focus on outcomes & leverage other sources of finance – programme not project focus

**Fiscal framework support**

**Implementation support**

Technical assistance to compile SPLUMA compliant SDFs, Infr. Inv programmes (CEFs) & project linked to SDFs monitor implementation

## Intermediate City Municipalities (“ICMs”)

Gauteng	Western Cape	Mpumalanga	Limpopo	Kwa Zulu-Natal
Emfuleni	Stellenbosch	Emalahleni	Polokwane	Umhlathuze
Rand West	Drakenstein	Govan Mbeki	Thulamela	Kwa-Dukuza
Mogale City	George	Nkomazi	Lephalale	Msunduzi
Merafong		Mbombela	Greater Tubatse/ Fetakgomo	Ray Nkonyeni
		Steve Tshwete	Ba-Phalaborwa	Alfred Duma
		Bushbuckridge	Mogalakwena	Newcastle
			Makhado	
			Greater Tzaneen	
			Greater Giyani	



**IUDF**

INTEGRATED URBAN DEVELOPMENT FRAMEWORK

## Intermediate City Municipalities (“ICMs”)

Free State	North West	Eastern Cape	Northern Cape
Metsimaholo	Rustenburg	King Sabata	Sol Plaatjie
Maluti a Phofung	Madibeng	Enoch Mgijima	
Matjhabeng	JB Marks		
	Matlosana		
	Mahikeng		



# Enabling environment Support

- **The Intermediate Cities Support Programme** is being implemented in partnership with the Swiss State for Economic Affairs and the World Bank.
- Implementation methodology has been developed.
- The implementation methodology was tested Polokwane and uMhlathuze municipalities - lessons learnt documented.
- Technical assistance on Spatial Planning provided to Polokwane and uMhlathuze.
- First phase of the roll out in 7 additional municipalities has commenced in Rustenburg, Steve Tshwete, KwaDukuza; Thulamela , Mogale City, Sol Plaatje and Drakenstein.
- Diagnostic assessments conducted in all 7 additional municipalities in order to identify areas of further support.
- Recently established a peer-to-peer learning network for Intermediate Cities as a platform to share knowledge, ideas, co-creation and seeking of innovative solutions to urban development challenges.

# **FISCAL FRAMEWORK SUPPORT: The Integrated Urban Development Grant**

# Strategic goal, purpose and targeted outcomes of IUDG

## Strategic goal

*To support spatially aligned public infrastructure investment that will lead to functional and efficient urban spaces and ultimately unlock growth.*

## Purpose

*To provide funding for public investment in infrastructure for the poor and to promote increased access to municipal own sources of capital finance in order to increase funding for public investment in economic infrastructure*

## Outcomes

- *Improved access to municipal infrastructure.*
- *Improved quality of municipal services through infrastructure that is in better condition.*
- *Improved spatial integration.*

# Eligibility criteria

- Designed only for intermediate city municipalities.
- Municipality must already be classified as an Intermediate City Municipality.
- Municipality must meet or exceed **ALL** the minimum requirements.
- Municipality must submit an application to DCOG by no later than 31 July each year.
- DCOG convenes an annual seminar with all ICMs on the application process and qualification criteria.

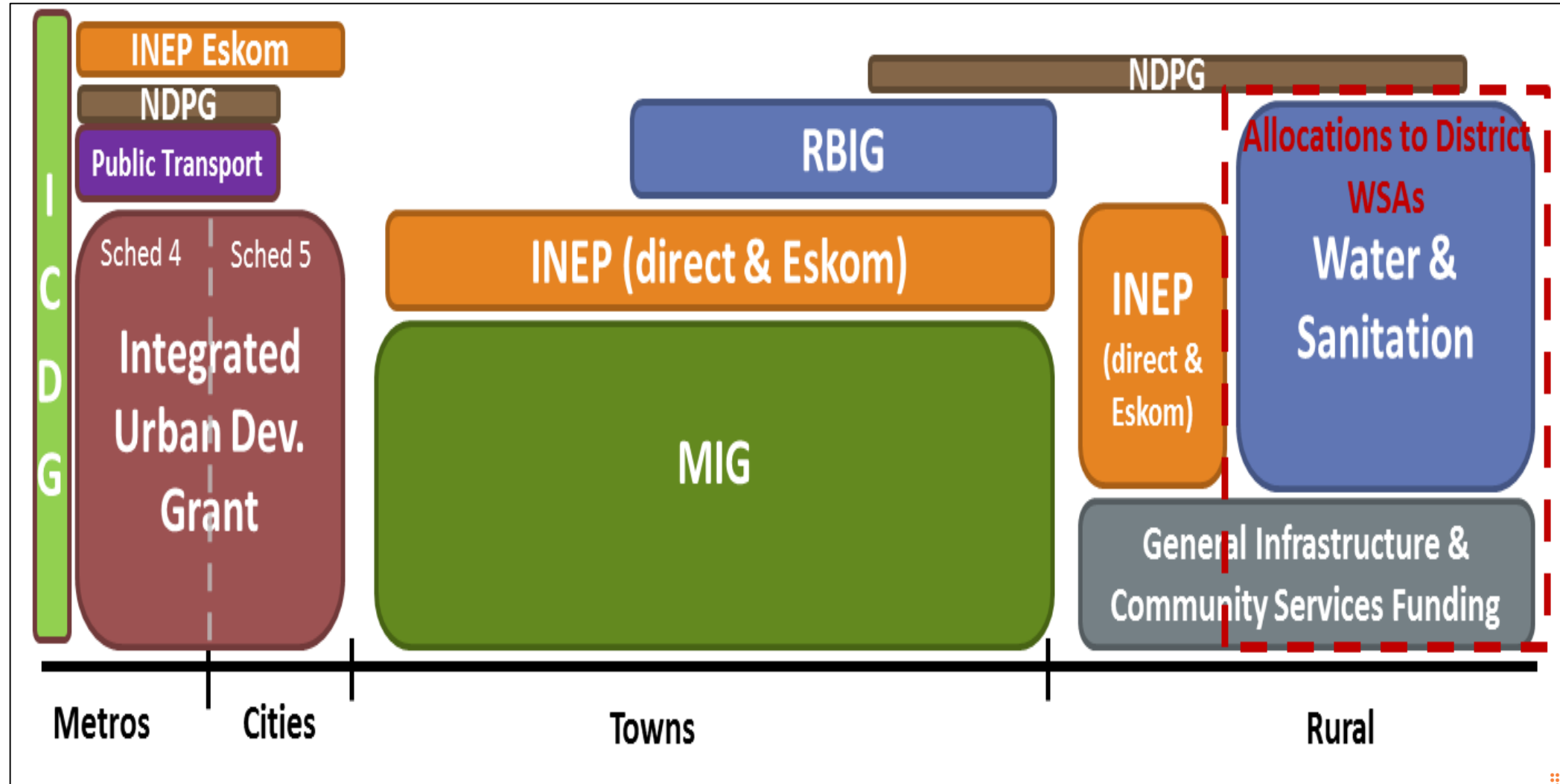


# THE IUDG: Minimum conditions

A municipality must meet or exceed the threshold performance on all 5 the indicators in order to qualify for the IUDG.

INDICATOR AREA	INDICATOR DETAIL
Top management stability	Number of person days that S56 and S57 posts were unfilled over the past two years of 10% or less as a percentage of person days of S56 and S57 posts
Audit finding	Unqualified audit finding (with or without findings) in the two most recent audits
Unauthorised, irregular, fruitless & wasteful expenditure (UIFWE)	UIFWE of 7.5% or less of operating budget on average over the past two financial years
Capital budget expenditure	Capital expenditure of at least 70% of budget on average over the past two years
Section 52 (d) performance reporting	Submission of SDBIP performance reporting on time in at least 6 of the 8 quarters in the previous two years

# Long Term Goal



# Integrated Urban Development Grant (IUDG) implementation

- Piloted MIG-2 in uMhlathuze and Polokwane in 2018/19
- Conducted a seminar in July with all ICMs – what the grant is about and application process and qualification criteria.
- 32 applications received in 2018.
- IUDG applications assessed and sent out to all applicants informing them of the outcome.
- 5 municipalities met all requirements and qualified for the IUDG for implementation in 2019/20.
  - Drakenstein
  - Mogale City
  - Ray Nkonyeni
  - Sol Plaatje
  - Stellenbosch
- Application window for 2020/21 opened in July 2019. 8 applications preliminary results on evaluation indicate only one municipality is likely to qualify.

# **IMPLEMENTATION SUPPORT: The Capital Expenditure Frameworks**



# Capital Expenditure Framework (CEF)

## Our Definition

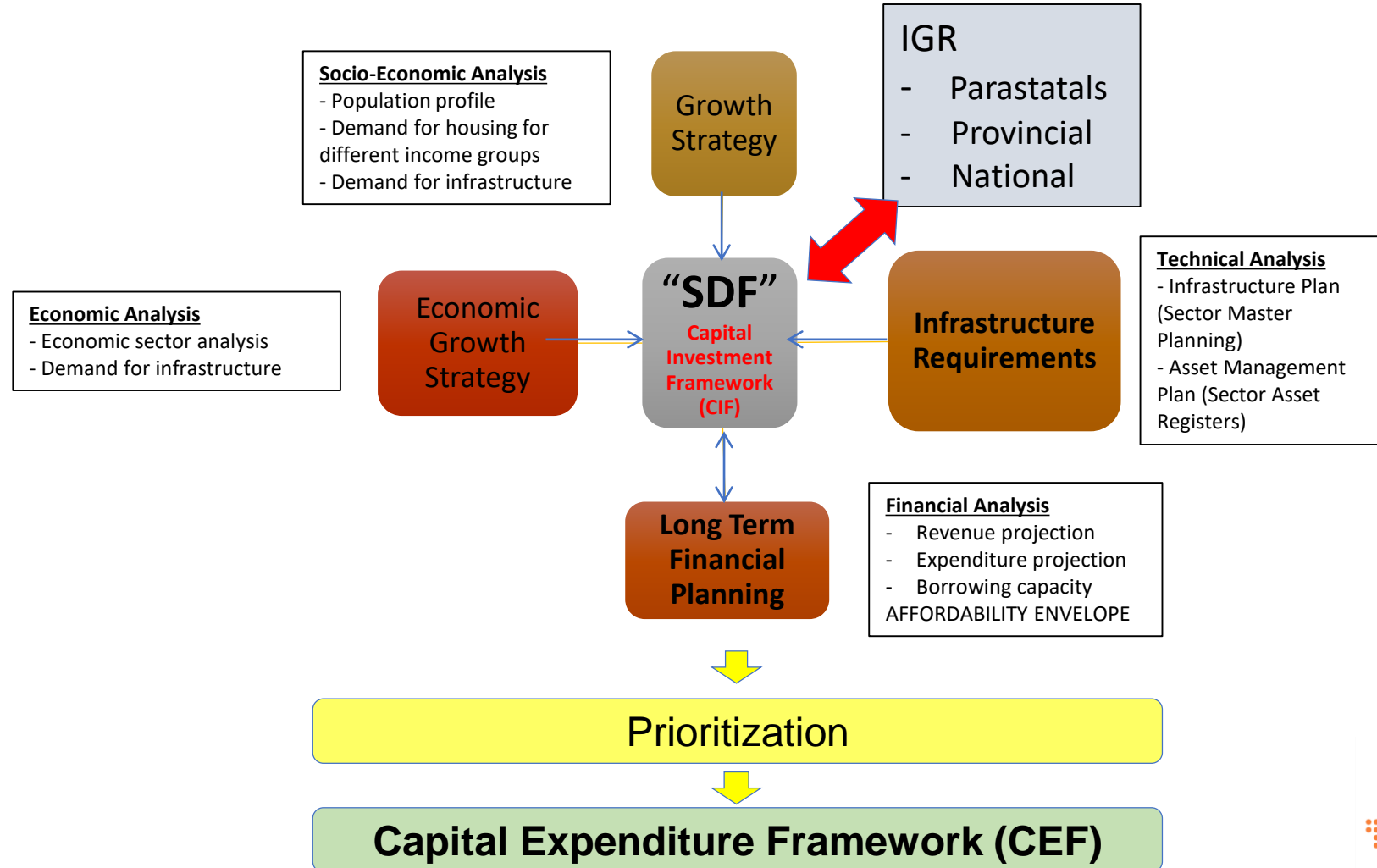
- a. It is a consolidated, **high-level view of infrastructure investment needs in a municipality over the long term (at least 10 years)** that considers not only infrastructure needs but also how these needs can be financed and what impact the required investment in infrastructure will have on the financial viability of the municipality going forward;
- b. It includes all the **infrastructure requirements** (engineering as well as social infrastructure) that falls within the mandate of the municipality and is funded by the municipality including grants, own funding and borrowings;
- c. It is an important tool in ensuring **long-term infrastructure investment** decisions are timeously made in a financially viable way to support the IUDF objectives in facilitating spatial transformation;
- d. The CEF is therefore different from the Capital Investment Framework which is a “catch all” infrastructure requirement including the infrastructure to be provided by other levels of Government and their Entities;

# Capital Expenditure Framework

A CEF seeks to answer the following questions:

- What infrastructure does the municipality currently have?
- What is the municipality trying to do with infrastructure over the next 10 to 20 years?
- What are other spheres of government or service providers planning to do with infrastructure in the municipal area?
- How much infrastructure does the municipality need & of what type?
- How much will it cost?
- What impact will it have on financial viability going forward?
- How will the municipality pay for the infrastructure required?

# Capital Expenditure Framework (CEF)



# Eventually the CEF will tell us...

- Did the municipality undertake a comprehensive assessment of need?
- Did the municipality develop a Long Term Financial Plan that spells out the affordability means?
- Does the plan include financing and funding options?
- Does the municipality plan their spending within its affordability envelope?
- How much does the municipality intend spending on
  - Engineering vs Social vs Other
  - Capacity vs Functionality
  - Bulk vs networks
  - Backlogs vs growth
- How does this spending support spatial transformation?
  - % Spent within PDA's vs % Spent outside PDA's
- Who benefits?
  - Poor vs non-poor
  - Residential vs Non-residential

# Capital Expenditure Frameworks implementation to date

- All that are IUDG recipients have developed their Capital Expenditure Frameworks.
- CEF is a critical requirement for IUDG qualification.
- CEF guidelines were developed and are currently being tested in different provinces.
- Process of translating CEF Guidelines into a toolkit underway to cater for different types of municipalities.
- Department availed funding to support to municipalities for CEF development in 3 municipalities that are grant recipients.
- Gauteng province in the process of developing a CEF for Merafong municipality as preparation for IUDG.
- Western Cape provincial government also in the process of developing a CEF for Knysna Municipality.
- DBSA has availed a grant for municipalities who wish to develop their CEFs
- DCOG through MSIG will also continue to support certain municipalities to develop their CEFs



# Small Town Regeneration Programme

- Currently implemented by SALGA – Karoo and Bojanala projects
- Departments of Rural Development, Public Works and National Treasury all have projects focusing on small and rural towns and these are not necessarily linked to the IUDF.
- DCOG is currently in procurement phase for the development of a Small Town Regeneration Programme.

# Other areas of collaboration on implementation

## Urban Resilience:

- Partnership with ICLEI on climate change. MoU in place, includes localization of SDGs in ICMs
- Low Emissions Development Strategies developed for KwaDukuza, uMhlathuze, Steve Tshwete, and Mogale City. 5 more cities to be supported from 2020.

## Urban Safety:

- Partnership with SACN and GIZ on urban safety theme. DCOG a member of Urban Safety Reference Group
- Partnership being explored with AFUS on Urban Safety – hosted by Ethekewini Municipality. (DM nominated to be a member of AFUS Political Bureau.
- Intermediate Cities to be included on the roll – out of safer cities programme.

## Rural –Urban linkages

- Needs further work. Currently exploring partnership with UN Habitat and this would be one of the implementation areas.



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