

Improvement Plan for USDG: Design and Implementation Evaluation of the Urban Settlement Development Grant

1 Grant Intent

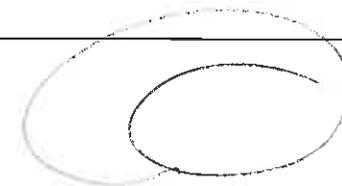
Recommendation 3	Clarify the grant intent and how it is meant to be applied DHS in conjunction with National Treasury and Metros must clarify the grant intent through identifying the existing programmes and the specific outcomes associated with these programmes to which it is intended to contribute, preferably in a revised policy framework . This must be aligned with the DORA and should have a primary focus of spatial transformation.
Additional recommendation	Resolve definition of key terms through human settlements policy processes There is a general need for DHS to provide more specific definitions for key terms used in human settlements policy to make these terms meaningful and measurable. These include ‘sustainable human settlements’, ‘secure tenure’, ‘well-located’, ‘spatial efficiency’, ‘built environment’ and ‘upgrading’.
Additional recommendation	The BEPP Guidelines should establish definitions for spatial zones in order to monitor the targeting of the grant To overcome the problem of inaccurate targeting of the grant at poor households, it is proposed that a spatial budget reporting method be used. This is already in place, to some extent, in Johannesburg and Ekurhuleni. The USDG is intended to benefit informal settlements and other low income households in metros. In addition to the urban networks and integrations zones that are required by the BEPP, it is proposed that the City Support Programme of National Treasury amend the BEPP Guidelines to include additional zones for informal settlements and low income/underserved/marginalised areas. These areas would need to be identified in each metro based on clear definitions of these provided in the BEPP Guidelines. Monitoring of grant expenditure would then be possible based on these spatial zones – see monitoring framework recommendations. Again the focus must be on the overall outcome viz. spatial transformation



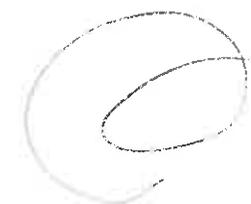
Outputs to achieve the objective	Priority L/M/H	Activity to achieve output	Person/institution responsible	By when? (Deadline)	Target	Embedded where	Budget available	Current situation/ Progress Report
framework/USDG implementation guidelines					December 4th 2015.			approval) go against the prescripts of DoRA. and should be revised to align with DORA.
	H	1.1.2. Revise the USDG policy in line with the evaluation findings & recommendations,	DHS/DPME (outcomes)		Revised and agreed policy framework	APP/SP		Grant framework already revised, need to be relooked for alignment with policy framework
	H	1.1.3. Consultation process with metros on grant intent	DHS	Dec 2015		DHS annual report		There are consultations on the current version of the USDG policy framework. Inputs from this process together with the recommendations from the evaluation should be utilised to revise the policy framework
1.2. Revised grant framework	H	1.2.1. Check for grant framework alignment with the new policy framework through a structured set of negotiations	NT/DHS	Sept 2015	Agreed grant framework aligned to all other instruments that talk to USDG	DORA		Grant framework was marginally revised for 2015 DoRA but needs considerable reworking to be clearer.
1.3. Clear and shared definition of key concept such as HS,		1.3.1. Green Paper process should clarify meaning and material content of concepts used in human settlements policies i.e. sustainable human settlements; well-located; etc.	DHS	Sept 2015	Approved green paper which define key concepts and their operationalisatio	Green paper		DHS is in the process of drafting the Green paper. The Green Paper should spell out human settlements (function) in spatial transformation

2 Design and scheduling

<p>Recommendation 1</p>	<p><i>If the grant intent is to fund wider notion of Human Settlements, then</i> Retain the USDG as a Schedule 4B supplementary grant but increase accountability for the whole capital budget</p> <p>If the grant intent is to remain “[t]o assist metropolitan municipalities to improve urban land production to the benefit of poor households, to improve spatial integration and densities by supplementing the budgets of metropolitan municipalities” (RSA, 2013a:181), then DHS and National Treasury should retain the USDG’s status as a Schedule 4B supplementary Grant for the 2015 DoRA</p>
<p>Additional recommendation</p>	<p>Consider incentivising municipal co-funding through the introduction of a ‘matching’ requirement for municipalities to qualify for the USDG.</p> <p>The international public finance literature promotes matching grants as a means to ensure that municipalities are incentivised to raise their own capital funding. This requirement would also eliminate any displacement of other funding sources that may be resulting from the introduction of the USDG. This matching requirement need not be an exact Rand-for-Rand match, as this is clearly not affordable for some metros and may need to be a differentiated rate for the different metros. Matching should be done on the overall capital budget, and not on individual projects, in order to ensure that municipalities are funding economic infrastructure that generates revenue, to complement social infrastructure being provided through the USDG.</p>
<p>Additional Recommendation</p>	<p>The formula for distribution of the USDG between metros should be reviewed and published in the annual DORB. National Treasury should review the grant formula to more closely relate the metro allocations to the intended grant outputs and grant-aligned outcomes and publish this formula annually in the DORB. This needs to be based on more recent data than 2011 Census, eg, Municipal dwelling counts and estimates. Also need to factor in a growth rate to any stats. The explicit distribution formula can then be monitored and evaluated for effectiveness to determine whether metros are receiving too much or too little USDG given the metros own ability to source capital funding. The determination of capital funding need requires further investigation, but is linked to the recommendation to incentivise own source finance through co-funding provisions attached to the USDG.</p>



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	L	2.3.2. Align cities plans with the Ministerial delivery agreement to get alignment between devolved targets and operation/resource capability at city level.	DPME/DHS	2016	Aligned plans across three spheres of government	APPs/BEPP/Delivery agreements/PoA Targets		Delivery agreements already took into consideration existing numbers/targets from cities and provinces. However the focus has remained on quantitative targets with minimal reference to long term objective of spatial transformation
2.4. Cities to match USDG expenditure	L	The recommendation not supported. . Equity is more important than matching. Also this has not worked under MIG-Cities and likelihood is that it will be just as unoperationable. However the principle of increasing cities generation of own revenue to reduce grant dependency is supported.						Current debates are taking place primarily within NT (implementation depts should engage) as part of LG grant review process. The focus should be on growing cities own revenues to reduce grant dependency and matching requirements



Additional recommendation	<p>Monitoring of individual project selection and implementation is not required</p> <p>The DHS should not undertake micro monitoring of projects and outputs. This is of little value and is not in line with the broader objectives of government which is trying to manage for results and the overall government outcomes. Projects are only identified to determine spend in specific areas. Outputs should not be tracked for USDG monitoring purposes because they are meaningless outside of a broader human settlements programme or policy framework. There is little to no evidence that provincial or national departments are monitoring the results of the non-financial reporting being painstakingly undertaken by cities beyond compliance purposes.</p>
Additional recommendation	<p>National Treasury should commission an Expenditure Performance Review (EPR) of the USDG spending since inception</p> <p>This evaluation has not been able to determine value for money of the USDG spending for various reasons. National Treasury should commission an Expenditure Performance Review (EPR) of the USDG spending since inception to make a judgement on this issue. It is recommended that the EPR be undertaken on the entire capital budget, but evaluated against the objectives of the USDG to assess what portion of the total capital budget is spent on outputs related to the USDG outcomes, as well as the proportional contribution of the various outputs to the USDG outcomes. The yardstick should be achievement of spatial transformation outcomes.</p>

Intervention Objective 3 (improvement area)	Revise M&E framework and rationalise indicators
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3.1. Revised M&E framework for USDG		3.1.1. Revise monitoring from focus on USDG alone to USDG as part of the entire capital. DHS should include a comparison of USDG % expenditure with overall capital % expenditure (sourced from National Treasury) in their annual USDG performance report.	DHS	Dec 2015	DHS endorsed decision to not monitor USDG as a standalone grant and new approach to accounting for the USDG as the accounting	DHS annual report		CSP through BEPP reporting is already doing this. Need to clarify how DHS will fulfil this without duplicating NT BEPP reporting process. Caution raised against attempts to isolate USDG

4 Capacity enhancement

Recommendation 4	<p>Support initiatives to build municipal capacity to plan, procure and manage capital projects USDG policy framework to stipulate that a portion of the grant (recommended maximum of 5%) may be used to procure technical and project management expertise to improve project implementation and capital expenditure, if required. CSP and the Human Settlements Capacity Grant are important in this regard. This portion should also be allowed to be used for feasibility studies for capital projects to improve project pipelines. This portion should not duplicate the capacity building undertaken with the Human Settlements Capacity Building Grant and should therefore be specifically for building infrastructure project management capacity.</p>
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Intervention Objective 4 (improvement area)	<p>Apply principle of differentiation. Poor municipalities could be allowed to use national fiscus to fund capacity. And for bigger municipalities could be on meeting specific requirements</p>
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	M	4.1.1. Specify what USDG operations allocation can fund and separate this from other capacity building initiatives/funding mechanisms. USDG can fund specific/special resources required to implement large scale capital projects (project pipeline, packaging and delivery)	DHS/NT	Mar 2016	Agreed/approved practice note for use of USDG for capacity enhancement	USDG Policy framework /guidelines		Some Metros are utilising USDG to fund operational/administrative costs without guidance on how to do so.
	M	4.1.2. Develop practice note/guidelines specifying mechanics of how the capital funds for operations will be used and the conditions under	DHS/NT	Mar 2016		DHS APP/annual report		

