FRAMEWORK FOR CONDITIONAL GRANTS 2026/2027

Buffalo City Metropolitan Municipality

INFORMAL SETTLEMENTS UPGRADING PARTNERSHIP GRANT (ISUPG)

Buffalo City Metropolitan Municipality

HUMAN SETTLEMENTS GRANTS

Informal Settlements Upgrading Partnership Grant: Municipalities	
Transferring department	• Human Settlements (Vote 33)
Grant schedule	• Schedule 5, Part B
Strategic goal	• The creation of sustainable and integrated human settlements that enable improved quality of household life
Grant purpose	• To provide funding to facilitate a programmatic, inclusive and municipality-wide approach to the upgrading of informal settlements
Outcome statements	• Adequate housing in improved quality living environment • Enhanced institutional capabilities for effective coordination of spatial investment decisions • Security of tenure
Outputs	• The grant shall fund the outputs defined in Phases 1 – 3 of the Upgrading of Informal Settlements Programme (UISP) in the National Housing Code of 2009 **Social Facilitation:** • Number of informal settlements where community compacts were conducted **Phase 1** • Number of pre-feasibility studies conducted • Number of informal settlements re-blocked **Phase 2** • Hectares of land acquired as approved by the National Department as the Transferring Officer • Number of informal settlements benefitting from rudimentary services/interim municipal engineering services and/or any alternative technology • Number of engineering designs: water, sewer, roads and storm water drainage concluded • Number of layout plans approved **Phase 3** • Number of settlements provided with permanent municipal engineering services and/or any other alternative engineering services • Number of informal settlements supplied with bulk infrastructure projects/services • Number of serviced sites developed • Number of socioeconomic amenities delivered • Number of sites transferred to end users • Number of township establishments registered
Outcome(s) of government that this grant primarily contributes to	• Outcome 4: Increased infrastructure investment and job creation • Outcome 16: Improved service delivery at local government
Details contained in the business plan	• This grant requires municipalities to attain municipal council approval on informal settlements to be upgraded in the 2026/27 financial year • Municipalities are required to submit an Informal Settlements Upgrading Business Plan, aligned with the Upgrading of Informal Settlements Programme (UISP) in the National Housing Code, for each settlement identified for upgrading. The plan must be prepared in accordance with the template prescribed by the Department of Human Settlements (DHS), which includes the following: o project description o settlement name and global positioning system coordinates o project institutional arrangements o outputs and targets for services to be delivered o cash flow projections o procurement plan o risk management plan o number of re-blocking projects to be undertaken • Number of jobs opportunities to be created • Detailed project plans to be submitted for bulk infrastructure projects • Professional fees including details of planning activities to be undertaken
Conditions	• Funds for this grant should be aligned to the priorities set out in the 2024-2029 Medium Term Development Plan for human settlements • Municipalities may utilise any of the stated outputs in the approved framework that are aligned to the sector standardised indicators and their Annual Performance Plans. Municipalities may request approval from the National Department for exemption to deviate from sector standardised indicators, that are not planned for the financial year • All projects that are listed in the business plan must be ready for implementation, registered on the Housing Subsidy System • Funds may only be used for disaster relief interventions in informal settlements based on a plan approved by the DHS • Funds should be utilised as per the UISP as defined in the National Housing Code • Business plans for this grant must be informed by the Municipal Informal Settlements Upgrading Strategy, which has to be aligned to the Provincial Informal Settlement Upgrading Strategy • Draft and final business plans for this grant must be aligned to municipal Integrated Development Plans • Municipal managers or duly delegated municipal officials must sign-off and confirm that projects captured in business plans are ready for implementation in the 2026/27 financial year and will yield the expenditure as per cashflows submitted • Final business plans must be submitted by 18 May 2026 • Municipalities should only implement projects in the approved upgrading plans and any deviation from the approved upgrading plans should be sought from the DHS

Informal Settlements Upgrading Partnership Grant: Municipalities	
	• Metros should ensure that the allocation for land acquisition and related purposes is included in the business plans accompanied with a detailed motivation, a land assembly programme (with clear details of budget allocation for land acquisition, location of land and other related activities) for the medium-term expenditure framework (MTEF) period and a status report of previously acquired land including status of rezoning • Land acquisition, assembly and audit should be informed and accompanied by the human settlements comprehensive plan developed by the municipalities • There shall be no new acquisition of land parcels without the concurrence of the national department, including to respond to disaster incidents • Municipalities should ensure alignment between the infrastructure grants (provision of bulk) and the ISUPG • The transfer of the first tranche of funds is conditional upon the national Department of Human Settlements (DHS) approving the business plan and informal settlements upgrading plans per settlement consistent with the provisions of the Housing Act, and in compliance with the National Housing Code • The flow of the second tranche will be conditional upon the: o submission of the first quarter report, in line with the requirements of the Municipal Finance Management Act (MFMA) circular 88, signed off by the accounting officer of the municipality o submission of the report with financial and non-financial information aligned to the approved upgrading plans • The flow of the third tranche will be conditional upon submission of second quarter (both financial and non-financial) performance information, in line with the requirements of MFMA circular 88 • If a municipality is allocated additional funding or its funds are stopped and reallocated to another municipality, a revised business plan must be submitted for subsequent reporting • The payment schedules submitted by municipalities should be derived from and aligned to the cash flows contained in the approved business plans • A minimum of 70 per cent of the annual allocation must be used for delivery of serviced sites, including permanent municipal engineering services, in line with the MTDP targets • A maximum of 3 per cent of a municipality’s allocation may be utilised for the Operational Support Capital Programme as per the Operational Support Capital Programme Policy of the DHS • A maximum of 3 per cent of the total allocation should be earmarked for social facilitation • A maximum of 5 per cent of the annual allocation should be used for re-blocking • 1 per cent of the total allocation should be allocated to responding to fire-related disasters occurring within informal settlements • The grant shall not be utilised for operational requirements, including but not limited to honey suckers and maintenance of chemical toilets • Municipalities are allowed to shift budgets between projects in the business plan provided that: o no new projects are introduced into the business plan in-year without approval by the transferring officer o the delivery targets in the approved business plan are not reduced
Allocation criteria	• The grant is allocated to all metropolitan municipalities • These funds are determined through the USDG allocation formula
Reasons not incorporated in equitable share	• This is a conditional grant with a specific purpose to provide for the upgrading of informal settlements and other related aspects thereto
Past performance	**2024/25 audited financial outcomes** • R4.5 billion was allocated and transferred to municipalities; and R4.4 billion (97.8 per cent) was spent
	2024/25 service delivery performance • Service delivery performance is as indicated in the performance evaluation report for 2024/25
Projected life	• This grant will continue until 2028/29, subject to review
MTEF allocations	• 2026/27: R4.4 billion; 2027/28: R5.1 billion; and 2028/29: R5.3 billion
Payment schedule	• Transfers will be made in accordance with a payment schedule approved by National Treasury
Responsibilities of the transferring officer and receiving officer	**Responsibilities of the national department** • Receive, assess and make determinations on the credibility of municipal informal settlements upgrading plans and the implementation readiness of projects captured therein • Develop a formal national bulk infrastructure planning framework in consultation with other sector departments, to guide sequencing, budgeting, and resource allocation across municipalities • Maintain the policy and programme and assist with interpretation of the policy, informal settlements upgrading business plans and individual upgrading plans • Monitor and evaluate municipal financial and non-financial grant performance and control systems including quarterly summary reports on performance related to the UISP • Provide implementation assistance support to municipalities as may be required • Undertake structured and other visits to municipalities as is necessary • Facilitate structured intergovernmental forums for regular interaction with municipalities • Identify lessons from the preparation and implementation of this window and use these to inform the design of the proposed new grant for informal settlement upgrading • The transferring officer should design and distribute a reporting template, before 1 July 2026, to be signed by a municipal manager or a duly delegated municipal officer to be submitted with monthly and quarterly reports by metropolitan municipalities

Informal Settlements Upgrading Partnership Grant: Municipalities	
	• Use the grant to leverage other forms of funding • Prioritise implementation of the gazetted priority projects • Submit quarterly performance reports to National Treasury within 45 days after the end of each quarter • Submit an annual evaluation report for 2025/26 on the financial and non-financial performance of the grant to National Treasury by 30 October 2026 • Submit a report on the status of informal settlements and their categorisation in terms of the national upgrading support programme's methodology, to the National Treasury
	Responsibilities of municipalities • Municipalities should ensure collaboration and involvement of communities and civil organisations in the signing of implementation protocols for projects to be implemented • Submit 2025/26 annual evaluation reports to DHS by 29 August 2026 • Initiate, plan and formulate applications for projects relating to the upgrading of informal settlements, which in the case of municipalities that are not accredited, must be in collaboration with the relevant provincial department • Develop long term municipal wide informal settlements upgrading strategy that will influence the annual business plan • Request assistance from the provincial department on any of the matters concerned if the municipality lacks the capacity, resources or expertise • Should ensure alignment between projected cash flows in the business plans and inputs into the payment schedule • Should ensure that the allocated grant funds are only used to implement the programmes and projects in the approved business plans • Municipalities must align their business plan with Municipal housing chapters of IDPs and Infrastructure Reporting Model (IRM) in terms of section 13(1)(a) of this Act • Implement approved projects in accordance with the UISP in the National Housing Code of 2009 • Fast-track the planning approval processes for informal settlements upgrading projects • Assume ownership of the engineering services installed • Manage, operate and maintain settlement areas developed under this programme • Coordinate and facilitate the provision of bulk and connector engineering services (including through funding from the main USDG) • Submit a report on the status of informal settlements in their municipal area and their categorisation (in terms of the National Upgrading Support Programme's methodology) to DHS by 29 May 2026 • Identify lessons from the implementation of this grant and share these with DHS • Municipalities should submit a signed letter by a municipal manager or a delegated person, as an attachment to the monthly and quarterly reports • Detailed performance report per settlement (i.e., project level performance) report for phase 1-3 aligned to the business plan must be submitted quarterly • Municipalities must utilise the ISUP grant to leverage alternative financing mechanisms/instruments Municipalities must report quarterly on projects funded, in line with the requirements of the MFMA circular 88. Reporting must include financial and non-financial performance on progress against the UISP plans, using the template prescribed by the DHS • Municipalities must report on the percentage of their allocations awarded to companies owned by designated groups on a monthly and quarterly basis • Municipalities must submit financial performance reports by no later than 10 working days after the end of each month using a template as prescribed by DHS and signed by a municipal or duly delegated municipal official • The reports to be submitted by Municipalities must contain detailed performance report per settlement (i.e., project-level performance for Phases 1–3 aligned to the business plan) using the template prescribed by DHS and should be signed by the Municipal manager or a delegated municipal official • Each informal settlement should have a project specific upgrading plan available upon request by the DHS • Should on quarterly basis, report on the number of job opportunities created • Municipalities must submit monthly reports that include the outcome/effectiveness of the utilisation of the approved OPSCAP budget • After approval of rollover funds, Metros must submit an amended business plan with the rollover amount, and subsequent separate monthly progress reports on projects related to the approved rollover • A Metro that is allocated additional funding or reallocated funds that have been stopped from another Metro, must submit a revised business plan, and subsequent monthly progress reports on the use of the additional or reallocated funds
Process for approval of 2027/28 business plans	• Municipalities must submit a comprehensive draft ISUPG plan (based on MFMA circular 88 indicators) with targets aligned to the MTDP, IDP and SDBIP and a draft and or approved municipal budget to the transferring officer for comment, by 24 March 2027 • Final business plans must be submitted by no later than 15 June 2027

URBAN SETTLEMENT DEVELOPMENT GRANT (USDG)

Buffalo City Metropolitan Municipality

Urban Settlements Development Grant	
Transferring department	• Human Settlements (Vote 33)
Grant schedule	• Schedule 4, Part B
Strategic goal	• The creation of sustainable, reliable, quality infrastructure asset base to enable the development of integrated urban settlements that enable improved quality of household life
Grant purpose	• To supplement the capital revenues of metropolitan municipalities in order to implement infrastructure projects that promote equitable, integrated, productive, inclusive and sustainable urban development
Outcome statements	• The outcomes to be realised in order to promote integrated sustainable urban settlements and improved quality of living environments are as follows: o supporting inclusive densification and transit-oriented urban development, integrating existing and new urban developments o increased investment in existing and new bulk and distribution for urban developments o Increase access to the quality of water and sanitation, electricity and energy, and solid waste management services o increased bulk infrastructure capacity for municipal services o provide opportunities for leveraging of public funding within partnerships that promote integrated mixed-income and mixed-use urban development projects and funding for broader urban development o provision of resources for sustainable community development for social and economic infrastructure and meaningful participation
Outputs	• The following outputs should be funded by the grant to support the improvement of the overall built environment: o increased annual investment in renewal (rehabilitation and/or replacement) and expansion in municipal bulk and distribution infrastructure o increase in the provision of access to municipal bulk and link infrastructure, connector services and reticulations o increase in access to public and socio-economic amenities o construction/provision of internal engineering services, including backyarders and densification overlay zones o hectares of land already acquired as approved by the National Department of Human Settlements and rezoned for provision for subsidised housing, or mixed-use developments in support of approved human settlements and other urban developments o number of inner-city buildings renovated/refurbished
Outcome(s) of government that this grant primarily contributes to	• Outcome 4: Increased infrastructure investment and job creation • Outcome 16: Improved service delivery at local government
Details contained in the business plan	• This grant uses the Urban Settlements Development Grant (USDG) plan (containing a project list with project names, project descriptions, infrastructure classification, Geographic Information System (GIS) coordinates and wards in which projects are being developed. The USDG plan is consistent with the Integrated Development Plan (IDP), including the human settlements chapter of the IDP, and the Service Delivery and Budget Implementation Plan (SDBIP) of the receiving municipality • Name of the grant or fund for which USDG acts as supplementary, per project • Approved project budget and total project expenditure to date • Professional fees including details of planning activities to be undertaken
Conditions	• Municipalities must submit a USDG plan that is aligned to the SDBIP, IDP and the One Plan in pilot areas for the District Development Model to the national Department of Human Settlements (DHS) and National Treasury • Municipalities may utilise any of the stated outputs in the approved framework that are aligned to the sector standardised indicators and their Annual Performance Plans. Municipalities may request approval from the National Department for exemption to deviate from sector standardised indicators, that are not planned for the financial year • Land acquisition, assembly and audit should be informed and accompanied by the human settlements comprehensive plan developed by the municipalities • There shall be no new acquisition of land parcels without the concurrence of the National Department, including to respond to disaster incidents • The annual USDG plan must contain a project list with project names, project descriptions, classification of infrastructure, GIS coordinates and wards in which projects are being developed. The submission should include motivations of how the projects will benefit poor households and information on spatial targeting, co-funding and other associated investments • Municipalities must prioritise the completion of existing critical water, sanitation, roads, storm water and electricity projects by the end of the 2027/28 financial year • The flow of the first tranche is conditional upon: o approval of the municipal USDG business plan by the DHS o submission of the 2025/26 third quarter financial performance signed off by the municipal accounting officer or duly delegated official and non-financial information in line with the requirements set out in the Municipal Finance Management Act (MFMA) circular 88 o submission of a final USDG plan that is aligned to the municipal IDP, SDBIP and national priorities by 18 May 2026 • The flow of the second tranche will be conditional upon the submission of the 2025/26 fourth quarter financial performance signed off by the municipal accounting officer and/or duly delegated authority and non-financial information as per the requirements set out in the MFMA circular 88

Urban Settlements Development Grant	

	• The flow of the third tranche will be conditional upon submission of second quarter financial performance signed off by the municipal accounting officer or duly delegated authority and non-financial information as per the requirements set out in the MFMA circular 88
	• A maximum of 3 per cent of the USDG may be used to procure capacity to support the implementation of USDG human settlements programme outputs as contained in the Medium-Term development plan (MTDP) and in line with the capacity building guideline issued by DHS
	• Municipalities must indicate the amounts of their annual allocations for spending on the identified national priority projects as approved by the National Department
	• Municipalities must prioritise the implementation of projects that are in the gazetted Priority Human Settlements and Housing Development Areas subject to these projects being included in the municipal IDP
	• Municipalities may request in writing to the transferring officer to amend the approved business plans during the mid-term adjustment period. Approval is subject to the transferring officer's concurrence. The following factors must be taken into consideration in the amendment of the business plans
	  o the total grant allocation and delivery targets should be maintained unless the allocation has been stopped or reallocated in terms of sections 18 and 19 of the 2026 Division of Revenue Act (DoRA)
	  o municipalities are allowed to shift budgets between projects in the business plan provided that no new projects are introduced into the business plan in-year without approval by the transferring officer the delivery targets in the approved business plan are not reduced
	• With approval by the transferring officer, municipalities may utilise funding for the procurement of specialised waste management vehicles servicing the poor. Municipalities must complete a technical assessment report (TAR) which must comply with the norms and standards for specialised waste management vehicles. The TAR must demonstrate that funds will solely be used for the expansion of waste management services to poor households previously under- serviced
	• An amount of R1.1 billion in 2026/27 is ring-fenced for the City of Johannesburg's Lufhereng Mixed Use Development Programme approved through the Budget Facility for Infrastructure
	• Should there be a cost variation of more than 10 per cent on the Budget Facility for Infrastructure funded project, the City of Johannesburg is required to inform the National Treasury and the transferring officer within 30 days of confirming the cost variation

Allocation criteria	• The grant is allocated to all metropolitan municipalities • The base allocation is derived from the Municipal Infrastructure Grant formula explained in part 5 of annexure W1 of the 2026 Division of Revenue Bill. The formula incorporates household backlogs in basic services and access to socio-economic services and poverty-weighted data • The BFI allocations ring-fenced in this grant are application-based
Reasons not incorporated in equitable share	• This is a supplementary capital infrastructure grant with conditions, objectives and distribution criteria (including infrastructure backlogs) different to those of the equitable share
Past performance	**2024/25 audited financial outcomes** • Of the R8.7 billion made available to municipalities, R8.6 billion (98.8per cent) was spent
	2024/25 service delivery performance • Service delivery performance is as indicated in the performance evaluation reports for 2024/25
Projected life	• This grant continues until 2028/29, subject to review
MTEF allocations	• 2026/27: R4.1 billion; 2027/28: R2.9 billion; and 2028/29: R2.1 billion
Payment schedule	• Transfers will be made in accordance with a payment schedule approved by National Treasury
Responsibilities of the transferring officer and receiving officer	**Responsibilities of the national department** • Develop indicators for the outcomes and outputs • Convene a structured forum to meet with municipalities on a quarterly basis • Monitor and evaluate the municipal financial and non-financial performance of the grant, including quarterly summary reports on performance across municipalities • Provide support to municipalities with regard to human settlement programmes including but not limited to oversight visits to municipalities as may be necessary, facilitate strategic and spatial planning support related to urban development • Publish a guideline by 31 March 2026 on how municipalities should use capacity funds from this grant • Ensure collaboration between provinces and municipalities to promote area-based planning, budgeting and funding alignment as well as implementation support, where applicable • Coordinate and facilitate interaction between national departments, state-owned enterprises, other relevant entities of the state, provincial departments of human settlements and participating municipalities, on a quarterly basis • Participate in the municipal budget benchmarking process as and when indicated by the National Treasury • The transferring officer should design and distribute a template by 1 July 2026 to be signed by a municipal manager or a delegated municipal officer to be submitted with monthly and quarterly reports by metropolitan municipalities • The review of revised business plans must be finalised by the DHS within 14 days of submission by the municipality • Use this grant to leverage alternative financing mechanisms/instruments
	Responsibilities of other national sector departments • The Department of Electricity and Energy, Department of Water and Sanitation, Department of Environment, Forestry and Fisheries and the Department of Transport must all provide technical advice and support relevant to their sectors and monitor the performance of municipalities in line with the requirements set out in the MFMA circular 88 • National Treasury will issue guidance notes, on requirements for turnaround strategies, institutional reforms and business plans for the trading services financing component

Urban Settlements Development Grant	
	Responsibilities of municipalities • Complete the business plan template and ensure accurate information and data is provided • Metropolitan municipalities may replace non-performing projects with performing projects providing a similar infrastructure that fulfils the same policy objectives. The performing projects should be from the approved business plans, and the replacement should not jeopardise the achievement of the overall MTSF targets committed to by the municipality • Changes to the project list of the approved business plan and within the same and related function must be reported quarterly to the DHS in writing and provide all the relevant details of the new project within 30 days after the end of the quarter • Should ensure that the allocated grant funds are only used to implement the programmes and projects in the approved business plans • Comply with the terms and conditions of the receiving officer outlined in the 2026 DoRA • Ensure effective and efficient utilisation of the grant and alignment to the purpose and outputs of the grant • Ensure compliance with required intergovernmental forums, reporting, and accountability frameworks for human settlements • Ensure that the USDG is used to meet municipal priorities • Municipalities should submit a signed letter by a municipal manager or a delegated authorised person as an attachment to the monthly and quarterly reports • Municipalities must report on the percentage of their allocations spent on service provided by companies owned by designated groups on a quarterly basis • Municipalities must report quarterly on projects funded, in line with the requirements of the MFMA circular 88. Reporting must include financial and non-financial performance on progress against UISP plans, using the template prescribed by the DHS • Municipalities must submit the financial performance reports within 10 working days after the end of the month • Use this grant to leverage alternative financing mechanisms/instruments • Municipalities must submit monthly reports that include the outcome/effectiveness of the utilisation of the approved OPSCAP budget • Municipalities are to use funds from this grant for inner city regeneration and reclamation of inner-city buildings through brown field projects • After approval of rollover funds, municipalities must submit an amended business plan with the rollover amount, and subsequent separate monthly progress reports on projects related to the approved rollover • A municipality that is allocated additional funding or reallocated funds that have been stopped from another Metro, must submit a revised business plan, and subsequent monthly progress reports on the use of the additional or reallocated funds
Process for approval of 2027/28 business plans	• Municipalities must submit a comprehensive draft USDG plan (based on MFMA circular 88 indicators) with targets aligned to the MTDP, IDP and SDBIP and a draft and/or approved municipal budget to the transferring officer, by 23 March 2027 • The final business plans must be submitted by 17 May 2027 • The business plan will be finalised before the start of the municipal financial year

FINANCE MANAGEMENT GRANT (FMG)

Buffalo City Metropolitan Municipality

Local Government Financial Management Grant	
Transferring department	• National Treasury (Vote 8)
Grant schedule	• Schedule 5, Part B
Strategic goal	• To secure sound and sustainable management of the fiscal and financial affairs of municipalities
Grant purpose	• To promote and support reforms in financial management by building capacity in municipalities to implement the Municipal Finance Management Act (MFMA)
Outcome statements	• Strengthen capacity in financial management of municipalities • Improved and sustained skills development, including appointment of interns supporting the implementation of financial management reforms focusing on the gaps identified in the Financial Management Capability Maturity Assessments and as reflected in the Financial Management Grant (FMG) support plans • Appropriately skilled financial officers appointed in municipalities with financial management competencies beyond the minimum competencies' regulations • Timely submission of all in-year reports, including the financial statements and improved audit outcomes
Outputs	• Number of municipal officials registered for financial management training • Number of interns serving on the internship programme • Number of municipalities that are compliant with the Standard Chart of Accounts (mSCOA)
Outcome(s) of government that this grant primarily contributes to	• Outcome 16: Improved service delivery at local government
Details contained in the business plan	• This grant uses a FMG support plan to direct resources towards addressing weaknesses in financial management
Conditions	• FMG funds can be used towards the following to improve institutional sustainability: o strengthen capacity and up-skilling officials in the budget and treasury office, internal audit and audit committees o a total of five interns in local municipalities and three interns in metropolitan and district municipalities must be appointed over a multi-year period. Municipalities must submit a plan for the retention of interns through the internship programme o acquisition, upgrade and maintenance of financial management systems to produce multi-year budgets, in-year reports, service delivery and budget implementation plans, annual financial statements, annual reports and automated financial management practices o support the training of municipal financial management officials towards attaining the minimum competencies, as regulated in Government Gazette 29967 of June 2007 amended through Gazette 41996 of October 2018 • FMG support plan must be consistent with the conditions of the grant and be submitted timeously • Timely submission of reports with complete information as prescribed in the 2026 Division of Revenue Act (DoRA) • Accommodation, Travel and subsistence allowance are not covered by the grant • Expenditure must be maintained at appropriate levels • Functional Disciplinary Boards consistent with chapter 15 of the MFMA read with the Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings with clear evidence of cases being processed through the board and finalised • Council approved UIFW reduction strategy with clear monthly milestones for reduction per category of expenditure • Clear demonstration of preventative controls that detect compliance risks timeously
Allocation criteria	• All municipalities benefit from the allocations to augment their own resources in support of implementation of the financial management reforms • Priority is given to municipalities: o with challenges/shortcomings in processes, procedures and systems to effectively implement the MFMA, as identified in the Financial Management Capability Maturity assessment o with poor audit outcomes
Reasons not incorporated in equitable share	• Grant provides direct support to municipalities to develop financial management and technical capacity for the implementation of the MFMA, its regulations and associated financial reforms
Past performance	**2024/25 audited financial outcomes** • R582 million was allocated and transferred to 257 municipalities • R578 million was spent by municipalities
	2024/25 service delivery performance • 257 municipalities submitted FMG support plans • 2 802 graduate finance interns were serving on the internship programme in municipalities as at 30 June 2025 • 4069 interns have been permanently appointed since 2000 in municipalities • 4367 officials received statements of results for attaining the minimum competencies • 257 municipalities are budgeting and transacting using the municipal standard charts of accounts
Projected life	• This grant ongoing subject to review

Local Government Financial Management Grant	
MTEF allocations	• 2026/27: R614 million; 2027/28: R638 million; and 2028/29: R658 million
Payment schedule	• Transfers are made in accordance with a payment schedule approved by National Treasury
Responsibilities of the transferring officer and receiving officer	**Responsibilities of the national department** • Management, monitoring, and reporting on the programme • Transfer funds to municipalities in terms of the 2026 DoRA • Participate in the review of the municipal capacity support system during 2026
	Responsibilities of municipalities • Submit support plans which are consistent with the conditions of the grant • Submit reports consistent with the reporting requirements in the 2026 DoRA • Undertake an assessment of the requisite skills and training needs in the Budget and treasury office, internal audit units in full-time employment, to enable the municipality to perform the functions required in the MFMA • Develop consultancy reduction plans on all financial management disciplines where consultants are appointed to perform such functions
Process for approval of 2027/28 support plans	• The programme is based on the FMG support plans which municipalities must submit to the National Treasury before the start of the municipal financial year

INFRASTRUCTURE SKILLS DEVELOPMENT GRANT (ISDG)

Buffalo City Metropolitan Municipality

NATIONAL TREASURY GRANTS

Infrastructure Skills Development Grant	
Transferring department	• National Treasury (Vote 8)
Grant schedule	• Schedule 5, Part B
Strategic goal	• To improve infrastructure delivery management capacity within municipalities by developing a long-term and sustainable pool of registered professionals with built environment and related technical skills in engineering, town and regional planning, quantity surveying, geographic information systems and project management
Grant purpose	• To recruit unemployed graduates into municipalities to be trained and professionally registered as per the requirements of the relevant statutory councils within the built environment
Outcome statements	• Developed technical capacity within local government to enhance infrastructure provision, and service delivery, through improved infrastructure planning, implementation, operations and maintenance • Registered professionals with built environment qualifications (national diploma and/or degree) as per the statutory councils' requirements • Increased number of qualified and registered professionals employed within local government
Outputs	• Number of built environment graduates registered as candidates for training and professional development as per requirements of the relevant statutory councils • Number of graduates recognised as registered professionals by the relevant statutory councils • Number of graduates employed as registered professionals within the built environment in local government
Outcome(s) of government that this grant primarily contributes to	• Outcome 4: Increased infrastructure investment and job creation • Outcome 16: Improved service delivery at local government
Details contained in the business plan	• Outcome indicators • Output indicators • Inputs • Key activities
Conditions	• The business plan must demonstrate that the municipality has projects in which the graduates can be trained, and provide the relevant complexity of work and responsibility that can support graduates to meet the registration requirements of the relevant statutory councils and the budget must be clearly outlined • Municipalities must have a Project Management Unit • The business plan must be signed by the municipal manager • Graduates must be seconded to an entity (public or private) if no relevant training is available to develop the necessary competence of the graduates • Where graduates are placed in another entity (public or private) a memorandum of agreement must be developed and signed between the municipality and the entity, according to Infrastructure Skills Development Grant (ISDG) guidelines. The memorandum of agreement must clearly demonstrate the supervision requirements and the roles and responsibilities of all parties associated with the training of graduates • Graduates must have a national diploma or degree in the built environment from higher education institutions i.e. universities or universities of technology recognised by the statutory council • Municipalities must provide training as per the road-to-registration requirements of the relevant statutory council • Mentoring must be provided by registered professionals in the same field as the graduates in training. The full names and proof of registration of the mentor must be submitted to the National Treasury, and a contract must be entered into with each mentor, in accordance with the ISDG guidelines • The ISDG funding is to be utilised exclusively for costs associated with the training and professional development process of graduates (refer to ISDG guidelines) • The business plan of a municipality must include an absorption strategy for the graduates within the municipality or any other municipality • A project administrator may be appointed per municipality for the purpose of the ISDG administration if approved by National Treasury (refer to ISDG guidelines) • Graduates are to be placed in units to support the management, maintenance and/or implementation of infrastructure, infrastructure related projects and accelerated service/infrastructure delivery • Graduates must be assigned to a supervisor with experience in the same field as the graduates-in-training • Graduates' training progress is to be evaluated by professionally registered mentors on a quarterly basis and the development of the required competencies of graduates is to be evaluated bi-annually • Municipalities must submit monthly and quarterly reports timeously • Graduate reports and/or logbooks must be completed in the format of the statutory council and must be signed by the registered mentor/supervisor as required by statutory councils • Municipal Managers must sign a service level agreement (SLA) with the National Treasury and such an agreement must be adhered to • Non-compliance with the above conditions can result in the funds being withheld, stopped or re-allocated
Allocation criteria	• Allocations are based on business plans submitted and the ability of municipalities to provide training and professional development to graduates for the duration of the candidacy phase as stipulated by statutory councils

Infrastructure Skills Development Grant	
Reasons not incorporated in equitable share	• This conditional grant is meant to develop technical skills within municipalities
Past performance	**2024/25 audited financial outcomes** • R160 million was allocated and transferred to 18 municipalities and R154 million (96 per cent) was spent
	2024/25 service delivery performance • The grant has created employment and training opportunities • Currently 400 graduates are in training • Since inception of the grant, 398 graduates have been professionally registered with the relevant statutory councils • 350 graduates are professionally registered and absorbed by the municipalities • The following municipalities hosted graduates through the grant: Buffalo City (20 graduates); Nelson Mandela Bay (37 graduates); eThekwini (64 graduates); City of Johannesburg (15 graduates); Polokwane (18 graduates); Govan Mbeki (67 graduates); Gert Sibande (58 graduates); Alfred Nzo (19 graduates); Sol Plaatje (13 graduates); John Taolo Gaetsewe (13graduates); King Sabata Dalindyebo (10 graduates); City of Cape Town (23 graduates); George (17 graduates); Alfred Duma (11 graduates); Thulamela (10 graduates); Vhembe (12); Ehlanzeni (7); Mafikeng (6).
Projected life	• The grant is expected to continue up to 2028/29
MTEF allocations	• 2026/27: R180 million; 2027/28: R187 million; and 2028/29: R193 million
Payment schedule	• Transfers are made in accordance with a payment schedule approved by the National Treasury
Responsibilities of the transferring officer and receiving officer	**Responsibilities of the national department** • Issue guidelines and supporting documentation for the implementation of the ISDG • Rollout the ISDG in municipalities in compliance with the ISDG framework, guidelines and relevant prescripts • Manage, monitor and report on the programme • Ensure professional development is aligned to statutory council requirements • Monitor the registration progress of graduates with the relevant statutory councils by municipalities • Monitor financial and non-financial performance of the ISDG • Maintain graduates' database for the ISDG • Work with relevant stakeholders on policies, strategies and guidelines to recruit graduates into permanent positions in local government after they have registered as professionals • Participate in the review of the municipal capacity support system during 2026
	Responsibilities of municipalities • Comply with the requirements of the 2026 Division of Revenue Act, ISDG guidelines, service level agreement and the requirements of the relevant statutory councils • Municipalities must prepare a structured training plan, indicating how graduates will be exposed to suitable projects, to ensure that graduates achieve competencies in relevant activities and are developed professionally to meet the outcome(s) requirements for professional registration • Seek and provide secondment opportunities/agreements with professional service providers, appointed by the municipality, when there is no more relevant work with adequate responsibility for the candidate to progress • Provide the candidate with the requisite workspace, supervisor, tools of profession/trade and logistics to perform the recommended activities within their training plans • Continuously review and assess the candidates' work and progress on the road-to-registration and make recommendations for corrective action • Ensure that candidates attend professional development activities in accordance with their training plans, progress and the requirements of their respective statutory councils • Attend all meetings and workshops convened by the National Treasury relating to this grant • Support and supervise graduates on the road-to-registration training • Recruit professionally registered mentors who are able to provide the skills training required and ensure that they are adequately orientated on the registration process and its requirements • Manage the programme and provide progress reports on a monthly and quarterly basis in the standard reporting templates provided by the National Treasury • Manage the utilisation of ISDG funds and report to the National Treasury • The municipality must provide, and update, the list of business tools procured with ISDG funds. The business tools must be procured in accordance with ISDG guidelines • Municipalities must submit applications for graduates to register as candidates with the relevant statutory councils within six months, and where not initially eligible, must complete the additional requirements for acceptance as a candidate within 12 months of intake • Municipalities must submit evidence of the graduates' registration to National Treasury when graduates have registered as professionals
Process for approval of 2027/28 business plans	• Participating municipalities must submit revised business plans to the National Treasury by 31 August 2026

NEIGHBOURHOOD DEVELOPMENT PARTNERSHIP GRANT (NDPG)

Buffalo City Metropolitan Municipality

Neighbourhood Development Partnership Grant	
Transferring department	• National Treasury (Vote 8)
Grant schedule	• Schedule 5, Part B
Strategic goal	• Eradicating spatial inequality towards the creation and development of more inclusive, liveable, sustainable urban built environment, resilient, productive, efficient, and integrated towns, intermediate cities and rural towns (rural regional service centres)
Grant purpose	• To plan, catalyse, and invest in targeted locations to attract and sustain third party capital investments aimed at spatial transformation, that will improve the quality of life, and access to opportunities for residents in South Africa's targeted locations, under-served neighbourhoods, townships and rural towns in metro and non-metro municipalities • To support the targeted municipalities to develop a pipeline of investment ready capital programmes and projects through establishing and institutionalising an effective and efficient system of programme and project preparation as well as facilitate long term programmes/ projects that will attract private investment and assist non-metro municipalities to enhance revenues
Outcome statements	• Spatially integrated intermediate cities, towns and rural areas • Diversity of public and private capital investments leveraged into targeted locations • Improved ratio of Neighbourhood Development Partnership Grant (NDPG) to third-party capital investment into strategic locations • Improved municipal capacity to support infrastructure investment planning, prioritisation, and ability to drive long-term spatial transformation • Strengthened and effective system of programme and project preparation in non-metro municipalities • Improved social cohesion and strengthened social safety net
Outputs	• Targeted locations with catalytic projects, defined as either: o urban hub precincts with secondary linkages and rural regional service centres o catalytic programmes within integration zones o built environment upgrade projects in urban townships and rural towns o leveraged third-party capital investment into targeted locations • The production and dissemination of toolkits, guidance and/or good practice notes and supporting knowledge sharing events • Enhanced municipal strategic competencies in investment targeting, implementation, and urban management • Effective and transparent system for project approvals (clearly defined authorising environment) in the non-metro municipalities • Increased investment in programme and project preparation by the non-metro municipalities • Number of credible pipeline of projects developed by non-metro municipalities • Number of feasibility studies/strategies completed by non-metro municipalities
Outcome(s) of government that this grant primarily contributes to	• Outcome 4: Increased infrastructure investment and job creation • Outcome 16: Improved service delivery at local government
Details contained in the business plan	• Outcome indicators • Output indicators • Inputs • Key activities
Conditions	• Compliance with the aims and objectives outlined in the investment plans between the municipality and the transferring officer • Submission of cash flow schedules with budgets and timeframes for capital grant (project) implementation as requested by the transferring officer • Programme execution is dependent on a sequential and formal acceptance/approval by the transferring officer of NDPG-related municipal plans or deliverables • Municipalities must commit to forging partnerships with businesses, investors, communities, national and provincial government, and state-owned entities in order to leverage the third-party capital investment required to ensure long-term and sustainable outcomes for each precinct • Eligibility is restricted to non-metro municipalities which have committed to co-financing contributions • Transfers will be based on good performance in line with the work plans and approved projects submitted to National Treasury • Funds can only be spent on direct operating costs for programme and project preparation activities • Non-metro municipalities must commit to forging partnerships with businesses, investors, communities, national and provincial government and state-owned entities in order to leverage the third-party capital investment required to ensure long-term and sustainable outcomes
Allocation criteria	• The grant funds the following activities in targeted locations that are defined as urban hubs and regional service centres: o allocations are determined via a pipeline of prioritised projects that have been identified through the planning process, in targeted locations. Funding allocation will be subject to submissions of business plans for approval by the NDPP for the planning and the development of catalytic programmes and projects o allocations are focused on municipalities whose circumstances align with the NDPG's criteria, these include higher population densities, diverse nature of economic activity, concentrations of poverty, inefficient spatial-historical development, improved connectivity and mobility (in particular through improved public transport networks)

Neighbourhood Development Partnership Grant	
	o technical assistance allocations support planning and professional programme management costs for programmes and projects in targeted locations in order to attract and sustain third party capital investments based on the NDPG's allocation criteria o rural towns are selected according to population or population growth, location, economic potential and/or growth and governance and financial health o final allocations will be based on performance
Reasons not incorporated in equitable share	• This grant has a strong focus on catalytic nodal and linkage investment in targeted township locations that is not the focus of the equitable share • The grant provides funding to intermediate city municipalities to enhance the performance of their urban built environment programmes by supporting programme and project preparation. It reflects commitments contained in the National Development Plan to streamline funding for urban public investments to support the restructuring of the urban built environment
Projected life	• This grant is slated for a phased conclusion by 2028/29
MTEF allocations	• 2026/27: R428 million; 2027/28: R263 million and 2028/29: R66 million
Payment schedule	• Transfers are made in accordance with a payment schedule approved by National Treasury
Responsibilities of the transferring officer and receiving officer	**Responsibilities of the national department** • Funds catalytic projects in targeted locations that are defined either as urban hubs, integration zones, catalytic programmes or as built environment upgrade projects in urban and rural towns, including: o notifying all municipalities of their allocation status o reporting in terms of the 2026 Division of Revenue Act (DoRA) o determining grant allocations for the Medium-Term Expenditure Framework period o governing the acceptance or approval milestones of NDPG-related municipal plans or deliverables o monitoring, managing and evaluating financial and non-financial performance o overseeing and enforcing the conditions of this grant o producing and disseminating toolkits, guidance and good practice notes that strengthen competencies and capabilities in investment targeting, implementation and urban management
	Responsibilities of municipalities • Compile and submit monthly and quarterly expenditure and progress reports in line with NDPG requirements and as stipulated in the 2026 DoRA • Submit a cash flow schedule and work plan of activities with budgets and timeframes for grant planning and implementation as requested by the transferring officer • Provide adequate human resources capacity for the successful coordination and implementation of NDPG projects • Coordinate the development of related municipal plans or deliverables and ensure that they are aligned with the grant objectives against which performance will be assessed • Manage and monitor capital grant planning and implementation ensuring sound financial management and value for money • Maintain accurate and up to date grant and performance information as specified in NDPG management information formats and systems • Engage stakeholders to develop partnerships that leverage funding into the targeted locations • Enter and manage partnerships agreements to ensure that the desired project deliverables and objectives are met • Collect and provide evidence of funding leveraged into each precinct • Mainstream and reflect the NDPG development strategies and plans across the municipality, i.e., through the municipal: o Spatial Development Frameworks and capital investment frameworks (as a chapter in the municipal Spatial Development Framework) o Integrated Development Plans
Process for approval of 2027/28 business plans	• Submission of NDPG related municipal plans and/or deliverables within defined timeframes for the completion of projects currently in implementation • Plans and/or deliverables for these active projects must include an indication of: o the ability to attract and report on third-party funding leveraged o the quality of performance and progress reporting o the level of NDPG alignment across all municipal development strategies and plans including coordination, targeting, and prioritisation with other related capital projects as reflected through municipal spatial development frameworks and capital investment frameworks o activities relating to the establishment and institutionalisation of programme and project preparation timeously on an annual basis • Municipalities must submit close-out project and programme preparation work plans for review and approval, annually by July

URBAN DEVELOPMENT FINANCING GRANT (UDFG)

Buffalo City Metropolitan Municipality

Urban Development Financing Grant	
Transferring department	• National Treasury (Vote 08)
Grant schedule	• Schedule 4, Part B
Strategic goal	• To increase investment in resilient infrastructure and spatially targeted urban development in metropolitan municipalities • To eradicate spatial inequalities for sustainable and efficient urban services and spaces that grows the economy and contributes towards financially sustainable metropolitan municipalities
Grant purpose	• To promote spatially transformed cities with financially sustainable trading services that are able to meet their service delivery mandates • To support metropolitan municipalities with resilient infrastructure investment, including programme and project preparation to enable them to leverage additional concessionary and commercial loan finance to enhance sustainable infrastructure investment
Outcome statements	• To operate as a performance-based finance incentive grant for metros to achieve the following outcomes: o improved financial sustainability, investment in new and existing infrastructure, efficiencies, and service delivery from trading services o strengthened and effective system of programme and project preparation in the metropolitan municipalities o improved municipal capacity to support infrastructure investment planning and prioritisation that supports long-term spatially transformed and integrated cities o improved social cohesion and strengthened social safety net o increased leveraging of private sector investment in municipal infrastructure and urban development (specifically in strategic targeted nodes), as well as increased diversity of public and private capital investments leveraged into targeted locations
Outputs	• Increased annual investment by the Metro in renewal (rehabilitation and/or replacement) and expansion in municipal bulk, and distribution infrastructure for the three trading services • Timebound operating investments to improve performance and management capacity of the three trading services • The production and dissemination of toolkits, guidance and/or good practice notes and supporting knowledge sharing events • Enhanced municipal strategic competencies in investment targeting, implementation, and urban management • Urban networks anchored by spatially targeted nodes, supported by robust investment plans and well-coordinated intergovernmental project pipelines. • Increased number of credible catalytic programmes and projects that have successfully undergone the project preparation process. The prioritised projects in spatially targeted nodes should be prepared with the objective of implementation through a funding mix that includes alternative funding streams
Outcome(s) of government that this grant primarily contributes to	• Outcome 4: Increased infrastructure investment and job creation • Outcome 16: Improved service delivery at local government
Details contained in the business plans	The following will be contained in the grant guideline documents: • Outcome indicators • Output indicators • Inputs • Key activities
Conditions	• Access to the metro trading services programme and eligibility for the grant is based on achieving the required audit outcomes and compliance with the submission requirements for Metro trading service turnaround strategies, Institutional reform roadmap, relevant versions of the business and investment plans and Performance Improvement Action Plans including the commitment to or achievement of the 8 minimum commitments where relevant • The grant is disbursed based on metro achievement of KPIs and targets in Performance Improvement Action Plans for each trading service verified by an Independent Verification Agent (IVA) as per the process set out in the Programme Operations Manual • Subsequent annual allocations will be adjusted subject to progress against the KPIs/targets set in the Performance Improvement Action Plans • A maximum of 10 per cent of the funds allocated for trading service investment can be spent on direct operating costs as per the programmes in the Performance Improvement Action Plans • Compliance with the aims and objectives outlined in the investment plans between the municipality and the transferring officer • The grant funds the following activities in targeted locations: o planning and the development of catalytic programmes and projects o the development of built environment upgrade projects in townships and key nodes • Transfers for project preparation support will be based on performance in line with the work plans and approved projects submitted to National Treasury • Metropolitan municipalities must commit to forging partnerships with businesses, investors, communities, national and provincial government and state-owned entities in order to leverage the third-party capital investments required to ensure long-term and sustainable outcomes and investing their own revenues • An amount of R54 million and R575 mil in 2026/27 is ring-fenced for the implementation of the Non-Revenue Water project in eThekwini Metropolitan and the alternative Waste Treatment Technology City of Johannesburg Municipalities through the Budget Facility for Infrastructure (BFI), and may only be used for the respective purposes of the project approved

Urban Development Financing Grant	
	• Should there be cost variations of more than 10 per cent on a Budget Facility for Infrastructure funded project, the relevant municipality is required to inform the National Treasury and the transferring officer within 30 days of confirming the cost variations
Allocation criteria	• This grant will be disbursed based on the progressive achievement of clearly defined milestones linked to: o improvements in governance and accountability o financial performance, and o service delivery performance • For Metro Trading Services Financing, allocations will comprise of: o incentive allocations for eligible metros for each trading service from 2026/27 taking into account population and poverty as variable weights in the allocation formula o allocation may be adjusted according to annual verification of metro performance against targets in the Performance Improvement Action Plans • For Neighbourhood Development, allocations will comprise of the capital grant project support allocations determined via a pipeline of prioritised projects that have been identified through the planning process, in targeted locations. Funding allocation will be subject to submissions of business plans for approval by the NDPP • For Programme and Project Preparation Support, allocations will comprise of the current project preparation allocations for the completion of approved projects and programmes. The rest of MTEF allocations after 2026/27 should be allocated towards the Metro trading services infrastructure investments • The BFI allocations ring-fenced in this grant are application-based
Reasons not incorporated in equitable share	• The grant provides funding to the metropolitan municipalities to enhance the performance of their urban built environment programmes by supporting programme and project preparation and it has a strong focus on catalytic nodal and linkage investment in targeted township locations that is not the focus of the equitable share • This is a supplementary capital infrastructure grant to incentivise financially sustainable metropolitan trading services that can sustain their long-term capital investment requirements, hence conditions, objectives and distribution criteria (including financial sustainability) are different to those of the equitable share
Past performance	**2024/25 audited financial outcomes** • Not applicable
	2024/25 service delivery performance • Not applicable
Projected life	• This grant continues until 2031/32, subject to review
MTEF allocations	• 2026/27: R9 billion; 2027/28: R10 billion; and 2028/29: R12.6 billion
Payment schedule	• Transfers will be made in accordance with a payment schedule approved by National Treasury based on cash flow submissions
Responsibilities of the transferring officer and receiving officer	**Responsibilities of the National Treasury** • Fund plans and catalytic projects in targeted locations that are defined either as urban hubs or integration zones in metropolitan municipalities, and develop Performance Improvement Action Plans and progress reporting templates for metros • Fund eligible business plans for each sector as per metro achievement of KPIs and targets in Performance Improvement Action Plans for each trading service • Notifying all municipalities of their allocation status, both directly and via the Division of Revenue Act (DoRA) • Provide operational guidelines, facilitate peer learning and provide capacity support through the Cities Support Programme and the Neighbourhood Development Partnership Programme **Responsibilities of municipalities** • Prepare credible business plans/priority programmes and projects to National treasury • Compile and submit monthly and quarterly expenditure and progress reports in line with the requirements and as stipulated in the 2026 DoRA and as may be specified by the National Treasury • Submit a cash flow schedule with budgets and timeframes for technical assistance and/or capital grant implementation as may be requested by the transferring officer • Municipalities must confirm within the work plan that a financing plan with associated co-funding agreements will be in place prior to implementation of the capital project, unless an exemption to co-funding requirements has been approved by National Treasury • Must prepare and submit Council approved Performance Improvement Action Plans documents that are both aspirational and realistic, with clear targets as well as a budget and funding (incl. the grant and other sources) for the proposed activities • Submit a signed letter by a municipal manager or a delegated authorised person as an attachment progress report • Mainstream and reflect the spatial targeting and urban network strategies across the municipality, i.e. through the municipal: o Spatial Development Frameworks and capital investment frameworks (as a chapter in the municipal Spatial Development Framework) o Integrated Development Plans
Process for approval of 2027/28 business plans	**Municipalities** • Submission of NDPP related municipal plans and/or deliverables within the timeframes defined in each municipality's own work plans in relation to priority catalytic projects /programmes funded under the NDPP window • Plans and/or deliverables must include an indication of: o the ability to attract and report on third-party funding leveraged

Urban Development Financing Grant	
	o the quality of performance and progress reporting; and o the level of NDPP alignment across all municipal development strategies and plans including coordination, targeting, and prioritisation with other related capital projects as reflected through municipal spatial development frameworks and capital investment frameworks • Submit Council-approved Performance Improvement Action Plans timeously • Submit progress reports timeously • Uploading of the relevant evidence of performance against minimum commitments and performance indicators by 15th August 2026 and 30 September 2026 for verification by the IVA **Transferring Officer** • Issue approval letters for which transfers/disbursements for each trade service will/are made against • Guidelines with allocation splits to be sent in advance before the commencement of each municipal financial year • Compile and submit monthly and quarterly expenditure and progress reports in line with the requirements and as stipulated in the 2026 DoRA