

## NDP FAQs

4 August 2006

<b>Q</b>	<b>What is the NDP grant fund for? And what does it fund?</b>
A	It is mandatory that the NDP application is for projects located within dormitory township areas, informal settlements and new low-income housing developments. The NDP will provide technical assistance and capital funds to projects in these areas that are successful in the application process.
<b>Q</b>	<b>Who applies?</b>
A	Only the Local Authority may apply. Even if the LA has an agreement with a private sector, the application must come from the LA as the funds may only be dispersed and expended by the LA. In terms of conventional Supply Chain Management policy and procedures.
<b>Q</b>	<b>What is the difference between MIG and NDP?</b>
A	MIG funds basic bulk infrastructure and is usually intended for new housing developments. MIG supplements municipal capital budgets to eradicate backlogs in municipal infrastructure utilised in providing the poor basic services for the benefit of poor households. NDP funds are to be allocated to projects that add community and commercial infrastructure to low-income communities generally in townships (but also informal settlements and other new low-income housing settlements), and is intended to support added-value, forward-orientated development.
<b>Q</b>	<b>Will Treasury provide technical assistance to Local Authorities?</b>
A	It is not the intention of the NDP to provide technical assistance to Local Authorities but rather to provide the funding to the LAs to enable them to directly secure the professional services they need. There may however, be some need within Treasury to build capacity to assist where projects get 'stuck' but that has yet to be considered.
<b>Q</b>	<b>The Local Authorities find it difficult to access grants. How are they helped?</b>
A	In terms of the NDP, allocations can be made for Technical Assistance to LAs, which will help them to package projects and applications for the capital grant component of the NDP.
<b>Q</b>	<b>Are there forms for application?</b>
A	Yes, refer elsewhere on the website.
<b>Q</b>	<b>What is the status of the fund at the moment?</b>
A	Over 200 applications from 59 LAs have been received for over R5 billion worth of projects (July 2006). These applications are being evaluated with allocations and disbursements tentatively scheduled for August/September 2006. A second round of applications will be scheduled in August/September 2006.
<b>Q</b>	<b>Will funds be increased for the NDP?</b>
A	At the moment, it is envisaged about R1 billion per annum will be directed at the NDP. The Division of Revenue Act (DoRA) outlines the allocations for this MTEF period at R50m for 2005-6, R950m for 2006-7 and R1.5bn for 2007-8.
<b>Q</b>	<b>How is NDP different from the Integrated Housing and Human Settlement Development Grant? This also provides social amenities.</b>
A	The NDP seeks to catalyse private sector investment in townships for economic infrastructure,

	i.e. infrastructure that is able to attract a rate of return whereas the IHSDG is a housing grant that provides for housing and amenities through the fiscus.
<b>Q</b>	<b>Does the Technical Assistance grant assist in project formulation, and how?</b>
A	Yes, the TA grant provides the LA with the capacity and technical skills to package a project concept to the point where a business case can be submitted for the Capital Grant component of the Fund.
<b>Q</b>	<b>What kind of private sector partnerships/projects are being encouraged in terms of this grant?</b>
A	Any project that supports community enrichment and/or contributes and supports private-sector led commercial development will be considered. In cases where the private sector investor is already investing or about to invest in the project area, applications for funding to deepen the community aspects of the project will be considered. The NDP will not directly fund a private sector investor but rather fund the components of the development that have direct benefit to the community and will leave a legacy in that area and promote a better-rounded project. So, typically projects that may achieve this dual goal could be nodal regeneration, other business parks, nodal renewal, etc.: here the NDP fund could be allocated towards greening, street lighting, street furniture, community centres, pay points, libraries, etc. where these developments create broader economic activity in dormitory townships and that support the overall development of the area but are not always or usually provided by the private sector. The additional resource provided by the grant thus makes the area more attractive, and potentially more commercially attractive and viable in the long run, for the private sector too in the form of reasonable Return on Investment. To give a practical example, a retail developer wishes to erect a shopping centre in the township, but there is no access road and the adjacent park could do with a facelift. The NDP could fund the construction of this access road, for without it, the retail development could not proceed. It could also fund the greening and landscaping of the park. As long as the development is secured on that basis, and normal funding sources are not available to cover the cost of the infrastructure, NDP will consider an application for both the TA component to package the project, and for the capital required in line with a submitted business case.
<b>Q</b>	<b>In the case of as proposed partnership with the private sector, what contribution should each party make and how should the partnership be structured?</b>
A	The NDP does not stipulate what proportion of resources each party should bring to the table in order to permit each LA to negotiate those details with the relevant investors in their areas. It is recommended that the LA ensures some form of agreement is in place with the partner that does not contravene any of the legislative frameworks.
<b>Q</b>	<b>What is the procedure for submitting an application? Is there a standard format and specific requirements? How long does it take to approve or reject an application?</b>
A	You will find elsewhere on this site, a form of NDP Toolkit. You will note this is quite open-ended in order to allow for innovation from Local Authorities in their submissions. Please use this as a guide for now, but note that it is the intention of National Treasury to make the application process a fully electronic one in order to streamline the application process in view of the demand already seen to date from LAs. Please check the site from time to time to ensure you are fully informed. The application process is in 2 parts: for a 1) Technical Assistance Grant and/or a 2) Capital Grant. It is up to each LA to agree internally which grant to apply for at which stage of their selected project(s).
<b>Q</b>	<b>How have Local Authorities tackled the approach to applications best?</b>
A	Many LAs have agreed internally in some group forum at an early stage as to what project(s) they wish to present to the NDP grant fund. Note that this approach is preferred to many ad hoc applications from many different departments in a single LA (bearing in mind that a council resolution and/or a letter of support from the city manager is a mandatory component of the application). In some cases, these projects are at very broad concept stage and the intention of

	the LA is to ensure TA is secured to package the project and secure private sector investment, in other cases, projects may be well-advanced in terms of planning but are stuck due to capital constraints. Each case is different.	
<b>Q</b>	<b>What level of detail is required? Who engages the private sector and at what level?</b>	
A	At a project level, it is up to the LA to develop the project to the detail required for implementation, either through own resources or through the TA grant. Part of the detail must encompass discussions with the private sector and that must be undertaken through the LA. It is not the NDP's intention to engage at individual detail project level with the private sector. However, the NDP will be undertaking marketing campaigns at a national level to inform and alert the investment community to the grant's existence.	
<b>Q</b>	<b>Do MPCCs (Multi Purpose Community Centres) qualify for the grant?</b>	
A	In as far as any community support type project contributes to the overall aims of the grant, an MPCC may qualify. If an MPCC is part of a broader development, links in with other initiatives by the private sector, is representative of a consolidation of community and commercial facilities, provides a civic presence in a node and has dealt with its ongoing operational requirements, it is more likely to receive NDP grant funding	
<b>Q</b>	<b>A project may have many elements, what scale of project is the grant looking at targeting?</b>	
A	Types of projects to be funded are very flexible at this stage. It is suggested that the grant be used to complement a variety of other sources of funding. A local demand analysis is a very important component of that project. Although stand-alone projects can be considered for funding, it is likely that more multi-faceted projects are likely to contribute to the overall goals of the NDP. For example, an isolated, stand-alone, community centre serving a very small population is likely to be less contributory to the NDP goals than a nodal regeneration project that is strategically located and services a very high concentration of users.	
<b>Q</b>	<b>What is the life span of the programme?</b>	
A	So far, DoRA outlines funding for the MTEF period. There is a possibility that the fund will continue thereafter, upon motivation to the Minister if the programme proceeds well in the current MTEF period. There is strong recognition that urban restructuring and renewal of the township areas of South Africa is unlikely to be remedied by a quick-fix approach.	
<b>Q</b>	<b>How do LAs get around the constraints of the MFMA with regards to unsolicited bids?</b>	
A	It is likely that the NDP will favour property sector related developments, and that often unsolicited bids are received from the private sector for land owned by the LA. It is recommended that normal Supply Chain Management framework and policies are adhered to by the LA.	
<b>Q</b>	<b>In the case of private sector investments, what is understood as private sector investments?</b>	
	<b>1</b>	<b>Are these projects which may in the long term attract private sector investment?</b>
		Yes, the NDP grant will help to make an area to private sector investment. Submissions which are clear as to how this will be achieved and/or which contain some elements of private sector interest and involvement already will be given preference. There should also be a contract between the Local Authority and the investor clearly outlining the responsibilities of each party.
	<b>2</b>	<b>Will the NDP fund private sector investment in the form of loans to the private sector?</b>
		No, the LA is not a banking institution. Nor should the LA be borrowing money to fund these projects.

	<b>3</b>	<b>Will the NDP fund a private investment/partnership?</b>	Not directly, no, but components of the project which are clearly within the normal realm of LA service delivery and investment which support said partnership will be considered for funding. These components must be quantifiable.
<b>Q</b>	<b>What is the limitation of the NDP's contribution?</b>		
A	This will be entirely project-specific, and will also have to align with the NDP's own funding constraints.		
<b>Q</b>	<b>Can sporting facilities access the grant?</b>		
A	Yes, but <i>only</i> if there is a potential for private sector investment. Generally, stadii would not be considered (e.g. for 2010) unless a strong business case can be made that the project has a legacy emphasis rather than being erected for one single specific sporting event.		
<b>Q</b>	<b>In terms of any feasibility studies and appropriate business plans, who funds the stakeholder consultation and who negotiates with the private sector?</b>		
A	This can be funded through the TA grant.		
<b>Q</b>	<b>Are urban or rural projects supported by the NDP?</b>		
A	Generally, urban projects will be favoured as the number of beneficiaries and levels of investment by the private sector are likely to be higher, thus enabling the projects to better attain the NDP's goals.		
<b>Q</b>	<b>Who audits expenditure in terms of the NDP grants?</b>		
A	Expenditure of the NDP grant by the LA must be in accordance with the MFMA, PFMA, MSA, etc. The grant must be ring-fenced within the LA's financial system. Auditing of the LA's performance and expenditure is undertaken by the Auditor-General and will include expenditure in terms of the NDP grant. The NDP will also undertake project performance and monitoring exercises from time to time.		
<b>Q</b>	<b>What kinds of maps are needed for applications?</b>		
A	Maps showing the location of the proposed project, its relationship to the node (if applicable), its relationship to the township and to the wider LA area are preferred.		

Please address any queries to:

Li Pernegger  
Head: Neighbourhood Development Programme (National Treasury)  
E-mail: [li.pernegger@treasury.gov.za](mailto:li.pernegger@treasury.gov.za)