



DNA Economics
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Evaluation of the Technical Assistance Supporting Municipalities in South Africa through the ICBF and the IMDF – INCA Portfolio Managers

Final Evaluation Report

17 April 2025

Making economic sense of common problems

The evaluation team would like to acknowledge the valuable insights and contributions provided by the IPM and SECO teams, external partners, and study participants in the compilation of this report.

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Abbreviations

AFD	Agence Française de Développement
CFOs	Chief Financial Officers
DBSA	Development Bank of South Africa
DFIs	Development Finance Institutions
FLF	First Loss Facility
GVA	Gross Value Added
ICBF	INCA Capacity Building Fund
IFC	International Finance Corporation
IMDF	INCA Municipal Debt Fund
INCA	Infrastructure Finance Corporation Limited
IPM	INCA Portfolio Managers
JIBAR	Johannesburg Interbank Average Rate
LTFM	Long-Term Financial Model
LTFP	Long-Term Financial Plan
M&E	Monitoring and Evaluation
MMs	Municipal Managers
NDB	New Development Bank
NDP	National Development Plan
PINK	Procurement Infrastructure and Knowledge Management Programme
SECO	Swiss State Secretariat for Economic Affairs
ToC	Theory of Change

Executive Summary

1. Introduction

The Swiss State Secretariat for Economic Affairs (SECO) launched a 2021 initiative to support South Africa's intermediary cities by improving municipal financial management and enabling access to infrastructure funding. This is achieved through two interventions: (i) the INCA Capacity Building Fund (ICBF), which offers technical assistance to improve municipal financial sustainability and creditworthiness; and (ii) the INCA Municipal Debt Fund (IMDF), which de-risks loans for infrastructure investments in creditworthy municipalities.

INCA Portfolio Managers (IPM), in partnership with the Swiss State Secretariat for Economic Affairs (SECO), has commissioned an evaluation to assess the achievements of the ICBF and IMDF from 2021 to date. The objective is to draw evidence-based conclusions on how these interventions have contributed to municipal financial management improvements and identify areas for adjustments.

The evaluation focused on three aspects: design, implementation, and outcomes. The design evaluation tested if the ICBF and IMDF were designed robustly and if they were appropriate and fit for purpose. The implementation evaluation focused on the actual delivery, the inputs, activities and outputs, resources, systems, procedures, and management and accountability structures of the ICBF and IMDF. The outcome evaluation focused on the higher levels of the logical framework and sought to assess the immediate outcomes of the ICBF and IMDF in relation to their objectives, activities, and outputs.

The evaluation framework, informed by a desktop review, guided the final evaluation design and included a refined Theory of Change, an updated evaluation matrix with research questions, and a data analysis plan. A stakeholder matrix was developed and approved by the evaluation steering committee (ESC) to ensure appropriate representation. Semi-structured interviews were conducted to evaluate the interventions, with a detailed list of stakeholders engaged provided in Annexure 1.

2. Limitations

There are limitations to be noted in the preparation of this evaluation report:

- The original ToC did not clearly differentiate between the ICBF and IMDF, requiring the evaluation team to rework and develop separate ToCs for each programme. This process was particularly complex for the IMDF, given its more intricate financial mechanisms and broader scope.
- DBSA did not respond to requests for engagement, limiting the evaluation's ability to incorporate insights from a key stakeholder involved in municipal finance. Engagement with municipalities also posed challenges, as two municipalities did not respond, which resulted in gaps in primary data collection. The Ninety One team also did not respond to our request which limited our understanding of their motivations for submitting a letter of interest to participate in the IMDF on a deal-by-deal basis, up to a maximum of R500 million initially, but did not follow through.
- Limited access to certain framing documents preventing the evaluation team from reviewing certain programme reports that could have provided deeper insights into implementation and outcomes. Notably,

the team did not have access to the legal due diligence conducted by Werkmans on the *en commandite* partnership modality for the IMDF. In addition, while the IMDF financial model was presented to the project team in a virtual meeting, the team was not enabled access to scrutinise the model as an evidentiary document in the evaluation process. These constraints affected the depth of analysis in some areas of the evaluation. Despite these challenges, the evaluation team worked to triangulate available data sources to provide a comprehensive assessment of the programme's effectiveness.

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3. Summary findings

3.1 INCA Capacity Building Fund

Relevance and Coherence

- The ICBF remains highly relevant in addressing financial planning gaps in intermediate cities. However, its practical integration has varied, with at least one municipality noting that older systems and a focus on basic operational improvements have delayed the adoption of more advanced financial modelling tools.
- The programme's capacity-building initiatives, including masterclasses and study tours, have strengthened municipal financial leadership, but concerns about exclusivity and the practical applicability of training content remain.
- The selection process for participation in ICBF activities lacks transparency, leading to perceptions of uneven access and potential exclusion of the most financially constrained municipalities.

Efficiency

- The ICBF's implementation has been hindered by inconsistent municipal engagement, with many municipalities failing to sustain financial planning efforts once external funding is withdrawn.
- Administrative inefficiencies, including unclear differentiation between the ICBF and IMDF, procurement delays, and lack of follow-up support, have affected the efficiency and impact of capacity-building initiatives.
- The reliance on a private financial model provider has created concerns of access barriers for financially constrained municipalities.
- A complicating factor limiting the scalability of the ICBF factor is lengthy procurement processes at the individual municipality level. Efficiency to enable scaling up the programme may be tested through a transversal procurement process, although the implications for competitiveness among suppliers would need to be assessed.

Effectiveness and Impact

- The ICBF has improved financial planning capabilities among participating municipalities, with several integrating long-term financial models into budgeting and investment decisions. However, adoption remains uneven, particularly among smaller municipalities due to concerns raised on affordability constraints.

- Capacity-building efforts, including summer schools and masterclasses, have enhanced financial literacy and planning skills, but the lack of structured post-training support has limited their long-term impact.
- While the ICBF has contributed to improved municipal financial governance, political considerations and short-term priorities often undermine the consistent implementation of structured financial planning models.

Sustainability

- The long-term sustainability of the ICBF is at risk due to its reliance on donor funding, with municipalities struggling to maintain engagement once external financial support ends.
- The reliance on licensing fees for financial models has hindered sustained broad-based municipal use beyond the initial funded period, prompting discussions on developing a differentiated approach to accessibility with a broad-based publicly accessible financial model, a consideration to ensure wide-scale adoption and participation.
- While the ICBF has laid a strong foundation for municipal financial planning, sustaining its impact will require ongoing mentorship, institutional integration, and more accessible training resources, such as an online repository and periodic refresher courses.

3.2 INCA Municipal Debt Fund

Relevance and Coherence:

- Municipalities have shown limited awareness and engagement with longer-term tenor financing mechanisms, such as the IMDF, highlighting a missed opportunity to leverage more appropriate financing instruments.
- Financially mature municipalities are more willing to explore innovative financing models, particularly for long-term projects such as water and sanitation, although a gap remains in financial products that match these needs.
- Municipalities prioritise the cost of financing over loan tenors, preferring cost-competitive short- to medium-term bank loans, which presents a mismatch with the IMDF's focus on long-term funding.
- The private sector sees the IMDF as potentially relevant but expresses concerns over pricing and risk-return profiles, emphasising the need for blended financing models or guarantees to improve participation.
- The IMDF has strong potential as a longer tenor financing instrument but requires redesign to improve its ability to attract anchor investors who can provide concessional or lower-cost financing. This blended approach would allow the IMDF to combine such funding with private sector investment, which demands higher investor returns. By doing so, the instrument can become more attractive and accessible to municipalities seeking infrastructure finance.

Efficiency:

- The higher pricing structure, above competitive market rates, made the fund less attractive to municipalities, which prioritise a balance between pricing, loan tenor, and long-term benefits.
- The low involvement of municipalities in the IMDF highlighted inefficiencies in INCA's operational strategy, as municipalities favour more cost-effective financing options from commercial banks.
- Institutional investors emphasise the role of concessional financing in reducing the overall cost of capital, which is critical to meet their higher return expectations.
- The internal credit approval processes of the fund managers are often lengthy and have not always aligned with the IMDF's required turnaround times given municipal procurement processes.

Effectiveness:

- Municipalities recognise the need for long-term infrastructure financing but find the IMDF less effective due to its reduced activity and inability to compete with more favourable commercial bank terms, especially for municipalities with higher credit ratings.
- The private sector sees potential in the IMDF for supporting lower-tier municipalities but highlights the need for innovative financial structures, risk mitigation tools such as guarantees, and better alignment of pricing with investor expectations to ensure its sustainability.

4. Recommendations

*For ICBF***Recommendation 1: Redesign the ICBF to strengthen thematic focus and post-training support.**

To enhance the long-term effectiveness and sustainability of the ICBF, its design should be restructured to distinguish between capacity-building for LTFP and the use of the LTFM. The restructured ICBF should centre on a strengthened Community of Practice (CoP) model that reinforces learning through quarterly (or bi-annual) thematic masterclasses and a focused and tailored annual summer school. The CoP may be structured to provide a broad access online platform that enables knowledge dissemination and structures tailored capacity building interventions. These interventions can be layered to provide broad access through the platform and more targeted access through online quarterly (or bi-annual) thematic master classes that culminate in a focused and tailored annual summer school.

These platforms should not only deliver technical content but also provide tailored, post-training support through refresher sessions, hands-on workshops, mentorship for new officials, and integration into municipal onboarding processes. This approach would ensure continuity of learning, address varying levels of municipal capacity, and simplify the application of financial tools in real-world settings.

Recommendation 2: Establish a structured and transparent selection process for municipal capacity-building initiatives.

To enhance the appropriateness of the programme's design, there is a need to establish a more structured and transparent selection process for capacity-building initiatives. A more inclusive approach - through a broad online Community of Practice (CoP) portal and expanded access to quarterly or bi-annual masterclasses - would enable broader participation and help scale up capacity-building efforts across more municipalities, including those with weaker financial management capacity. Clear and transparent eligibility criteria for participation at the focused annual summer school could then target municipalities that have actively engaged in the quarterly (or bi-annual master classes) and achieved an objective of level of financial maturity in terms of the National Treasury financial benchmarked ratios. This would continue to enable curated participation for the summer school event that promotes active and engaged learning.

Recommendation 3: Institutionalise a structured and credible Community of Practice (CoP) for municipal financial management.

A formalised CoP should be established to complement and extend the reach of ICBF training efforts. The CoP would serve as a platform for peer learning, practical knowledge exchange, and collaborative problem-solving aligned with real-world municipal financial management challenges. To be effective, the CoP should include structured activities such as case-based learning, quarterly virtual workshops, and facilitated peer-learning groups. These engagements should be tailored to municipal-specific contexts and enable the

application of financial planning tools through practical simulations and real-life scenarios. By fostering ongoing dialogue and providing access to technical advisory support, the CoP would strengthen institutional memory and help municipalities sustain financial planning improvements over time.

Recommendation 4: Revise the Municipal Handbook to include practical best practice implementation case studies.

The ICBF Handbook could also be strengthened by incorporating real-world examples from municipalities that have successfully implemented its recommendations. Some stakeholders proposed that a digital or interactive version of the handbook be developed to improve accessibility and engagement. Given that revising the full handbook requires substantial effort and resources, a complementary approach could involve regularly publishing short online policy briefs or guidance notes with practical case studies and implementation insights. Moreover, municipalities emphasised the need for more on-the-ground technical assistance in applying financial planning tools, particularly in integrating the long-term financial model into existing municipal budgeting frameworks.

For IMDF

Recommendation 1: Reconceptualise the design of the IMDF.

The current IMDF design is ineffective, as it does not successfully blend development and private sector financing into a package that aligns with the pricing and tenor requirements of municipalities for long-term infrastructure investment. A fundamental mismatch exists as investors expect returns higher than that which municipalities can afford. To become competitive, the IMDF must be redesigned to incorporate concessional funding that reduces interest rates to more affordable levels - around JIBAR +2% - and offers extended loan tenors of 15 to 20 years, beyond what commercial banks typically provide.

Recommendation 2: Improve credit enhancement.

The current 5% First Loss Facility (FLF) is insufficient in scale to serve as an effective credit enhancement tool, offering minimal de-risking for institutional investors and failing to incentivise lower return requirements. To address this, the FLF must be scaled up and restructured to operate as a credible guarantee mechanism. A stronger FLF would improve the credit profile of the instrument, reduce perceived risk, and attract greater private sector participation at more competitive rates.

Recommendation 3: Apply the principle of additionality.

The IMDF should not compete with commercial banks but rather target municipalities unable to access long-term, competitively priced finance. SECO funding should be used only where commercial financing is not available, ensuring the IMDF fills a true financing gap.

5. Introduction

The National Development Plan (NDP) 2030 highlights infrastructure development as a key driver of economic growth, job creation, and social inclusion. However, the cost of such development is significant compared to municipal revenue and cannot be fully covered by grants, rates, and taxes alone. As a result, municipalities must explore additional revenue streams to fulfil their development objectives.

Despite progress in local governance, municipalities continue to face significant financial performance challenges two decades after implementing South Africa's Municipal Financial Management Act (MFMA) (No. 56 of 2003). The MFMA seeks to improve budgeting, accounting, and financial management practices by ensuring that local government finances are sustainable, as this financial sustainability is an important condition for the public sector to respond to community needs and grow local potential effectively. While much has been accomplished in establishing a stable and functioning system of local governance, the financial performance of municipalities remains poor, resulting in persistent service delivery challenges despite the growing demand for services and the need for local responsiveness.

Many South African municipalities remain financially distressed, threatening sustainable growth and investment. Financially stable intermediate cities with strong governance and financial management are essential for sustaining infrastructure, attracting investment, and driving sustainable economic growth and resilience at both regional and national levels. However, the financial health of South African municipalities continues to be a significant concern, even with national efforts to improve municipal financial management through capacity-building initiatives (National Treasury, 2022). Key issues affecting municipalities include high levels of debt, poor revenue collection, inadequate infrastructure investment, and insufficient cash flow management. Furthermore, poor political and administrative leadership also exacerbates financial instability.

The 2022 Policy Update to the National Policy Framework for Municipal Borrowing and Financial Emergencies encourages creditworthy municipalities to adopt new innovative financing modalities and expand responsible borrowing to strengthen infrastructure investment. Key reforms include measures to expand the scope of responsible municipal borrowing and create the conditions for more financial market players such as insurers, pension funds, institutional investors, fund managers, and development finance institutions (DFIs) to participate in the municipal debt market (National Treasury, 2022). The updated framework also allows for the adoption of innovative financing mechanisms that municipalities can leverage for infrastructure investments. This includes pooled financing, project finance, tax incremental financing, revenue bonds, and pledging of conditional grants. Key reforms to the framework are summarised below:

- **Clearer role for DFIs:** The updated framework specifies that DFIs should pursue developmental goals alongside financial returns, ensuring they do not crowd out private lenders.
- **Innovative financing mechanisms:** Municipalities are encouraged to explore innovative infrastructure financing methods, such as pooled financing, project finance, and revenue bonds.
- **Development of a secondary debt market:** The framework promotes private and public sector participation to create a liquid and efficient market for municipal debt securities.
- **Engagements with investors:** Municipalities are encouraged to regularly engage with investors to better understand their needs and attract infrastructure investment.

- **Transparency and information sharing:** The framework advocates for transparency in municipal financial information, which benefits investors and financial institutions and improves their decision making.

The aim of these reforms is to enable responsible borrowing for infrastructure investments that will improve public services and economic opportunities, and to promote inter-generational equity and improve accountability in municipal financial management.

The Swiss State Secretariat for Economic Affairs (SECO) 2021 initiative supports South Africa's intermediary cities by improving municipal financial management and providing financial backing to improve creditworthiness and attract funding for urban infrastructure development. The initiative has two primary components: (i) technical assistance to strengthen the long-term financial planning and management of municipalities, capacity, and decision-making processes, consequently improving their financial sustainability and creditworthiness, and (ii) de-risk loans by institutional investors and DFIs for infrastructure investment in creditworthy municipalities. Implementation of these initiatives is achieved through the INCA Capacity Building Fund (ICBF) and the INCA Municipal Debt Fund (IMDF), respectively.

5.1 INCA Capacity Building Fund

Objective

The ICBF aims to strengthen municipal financial management through technical assistance, financial advisory services, and capacity-building initiatives. Established in 1998 through a funding partnership between Infrastructure Finance Corporation Limited (INCA) and Agence Française de Développement (AFD), the ICBF was primarily established to facilitate capacity building and develop skills within the local government sector. In 2021, SECO stepped in to provide funding for the ICBF for five years, ending in September 2025 (Nations Capital, 2018). The expectation was that SECO would be joined by other donors to further expand and strengthen the Fund's capacity-building initiatives.

The ultimate objective of ICBF is to prepare municipalities and investors to expand their capacity to take up municipal borrowing and access alternative financing instruments, among which is the IMDF. The ICBF aims to narrow the gap between municipalities and institutional investors by providing technical assistance that improves financial decision-making and management at the municipal level. This includes the development of Long-Term Financial Plans (LTFPs) and Long-Term Financial Models (LTFMs), which introduce minimum liquidity norms, optimal capital financing strategies, and 10-year financial forecasts to support long-term financial sustainability. These models are based on municipal-specific financials and ratios aligned with the National Treasury standards. In addition, credit reports are produced and utilised together with LTFP updates, which are used to inform and expose investors participating in the IMDF to municipal lending opportunities.

Other capacity-building initiatives undertaken by the ICBF focus on the knowledge base of municipal practitioners. These include the hosting of Summer Schools, focused webinars, exposure to international best practices through Study Tours, as well as the publication and ongoing updates of the Municipal Finance and Accounting Handbook. Together, these initiatives contribute to building the technical expertise and financial literacy required for effective municipal management.

Institutional framework

INCA Portfolio Managers (IPM) serve as the Programme Manager for the ICBF, overseeing daily operations, executing the Business Plan, and securing additional funding to support the ICBF's activities. The ICBF Board, which includes IPM, AFD, and SECO, meets at least biannually to review progress. During these meetings, IPM provides updates on project support, progress on the annual work plan, and approved projects, and presents new proposals. External auditors are also invited to participate in Board meetings but do not serve as Board members.

How it works

Long-term financial plans and long-term financial models

The LTFP process involves a formal methodology and financial models that forecast a wide range of financial indicators. LTFPs are strategic frameworks developed to guide municipalities in achieving financial sustainability over an extended period. The primary goal of an LTFP is to recommend strategies and policies that maximise the probability of a municipality's financial sustainability into the future. This is achieved by forecasting future cash flows and determining affordable capital expenditure based on the historical performance of the municipality and the environment in which it operates. The following key components should be in the LTFP (Van Zyl, 2023):

- Affordable capital expenditure estimates: LTFPs should calculate how much capital expenditure a municipality can afford, ensuring that financial planning aligns with its operational cash flows and financial capacity.
- Optimised funding strategy: LTFPs should include strategies for funding proposed capital expenditures, which may involve the use of debt funding where feasible. This helps municipalities understand the prudent use of debt in financing long-term infrastructure projects.
- Financial sustainability: LTFPs should ensure that municipalities can generate surpluses for funding future infrastructure needs, generate cash from its operations (excluding capital grants) with good liquidity and solvency, and leverage its own cash with borrowings for infrastructure investment over the longer term in a sustainable manner

The LTFM aims to serve as the foundational evidence base for the LTFP report. Municipalities can apply to the ICBF for assistance with the LTFM and LTFP. The funding approach is over three years: in the first year, the support is fully covered by the SECO grant, with 100% of the costs financed. In the second year, the municipality is expected to contribute 50% of the costs, and by the third year, the municipality must procure the LTFM and LTFP services at full cost by way of a competitive municipal procurement process.¹

Summer school and master classes

The **annual Summer School**, held over 2.5 days, aims to improve the capacity of approximately selected 35-40 Municipal Managers (MMs) and Chief Financial Officers (CFOs) to implement effective municipal strategies and policies. These events aim to provide a platform for interactive discussions and debates on pressing issues identified by INCA Portfolio Managers (IPM), following engagements with municipalities, National Treasury, and other key stakeholders. The Summer School Director, who is an external consultant, contributes to this

¹ Revenue from this procurement is received IPM and does not accrue to the ICBF.

process based on practical experience and consultations with municipal practitioners. The main organisers responsible for coordinating and packaging the programme are the Summer School Director, in collaboration with IPM as the Manager of the ICBF, with input from the AFD and SECO.

Experts from both the public and private sectors are invited to present on these topics, guiding and stimulating discussions to promote practical learning. Furthermore, the Summer School provides a platform for networking among municipal officials, allowing them to share experiences, challenges, and solutions, thereby contributing to the development of a knowledgeable and skilled municipal workforce and encouraging the establishment of a community of practice. All costs, except travel to the venue, are covered by the ICBF.

Master classes are specialised training sessions designed to improve the financial capabilities of municipal officials, focusing on long-term financial planning strategies for effective urban governance. Initially conducted in-person, these sessions have evolved to include online formats, accommodating broader participation.

Qualifying criteria

Eligible participants are identified and invited to attend the master classes and summer schools by ICBF members, primarily IPM, based on IPM's assessment. To be eligible for participation in the summer school, municipalities should be able to benefit from the topics and examples shared while also contributing valuable insights during discussions. To ensure optimal learning, the group typically consists of two-thirds capacitated MMs and CFOs and one-third less capacitated participants as identified and assessed by IPM. The group is limited to 35 to 40 participants to maintain a learning-focused environment.

Ongoing professional development and community engagement

- There is an opportunity for ongoing professional development through continuous learning and community engagement. Participants become part of a learning network, promoting ongoing interaction and knowledge sharing. Many participants attend more than one Summer School, though not necessarily in consecutive years.
- Executive focus: the Summer School is structured as an executive management masterclass. Participation is by invitation only, emphasising its exclusive and focused nature.
- Empowerment and growth: the aim is to build a group of empowered MMs and CFOs, gradually expanding the group by inviting new participants each year.

Study Tour

The Study Tour, which consists of one week out of the office, builds on the Summer School, offering invited participants practical exposure to projects, programmes, and approaches that address the topics discussed during the Summer Schools. Participants, selected by IPM from those who have completed the Summer Schools, gain insights into different aspects of municipal service delivery, such as infrastructure development, financial management, community engagement, and innovative service delivery models. The goal is to inspire municipal officials with new ideas and approaches they can adapt and implement in their own municipalities, while also identifying support for South African municipalities.

Following the ICBF Summer Schools held in 2022 and 2024, an ICBF Study Tour to Switzerland was conducted in June 2024. This tour provided an opportunity to engage with municipalities and entities addressing topics discussed in the previous two years' Summer Schools. The study group consisted of six CFOs representing the municipalities of Cape Town, Stellenbosch, Langeberg, George, Bitou, and uMhlathuze. The total cost of the Study Tour amounted to R637,910.92, fully covered by the ICBF. Given the expenses incurred, it has been noted that hosting a Study Tour on an annual basis would not be feasible.

Municipal Finance and Accounting Handbook

The handbook facilitates knowledge sharing among municipal practitioners and serves as a reference point for best practices in municipal finance and accounting. The Municipal and Accounting Handbook aims to build the knowledge base and skills of municipal officials, enabling them to implement sound financial practices and improve overall governance within their municipalities. The ICBF Progress Report (2024) confirms that the 4th edition of the handbook has been completed and published at the beginning of 2023. It includes updates to legislation like the Municipal Structures Act, Municipal Systems Act, and Public Audit Act, and addresses upcoming laws such as the Public Procurement Bill and the Intergovernmental Monitoring, Support and Intervention Bill. It also covers important MFMA circulars, National Treasury guidelines, and financial governance topics like the King IV Report, long-term financial planning, and Standards of GRAP. The book remains a holistic resource, intended for tertiary education and for utilisation by municipal officials and councillors in their duties.

The handbook is utilised as a training tool in different capacity-building initiatives, including workshops, seminars, and Summer Schools. It is also prescribed for the Postgraduate Diploma in Public Finance Management offered by the School of Leadership at Stellenbosch University, as well as other universities offering courses in public sector management. Universities order the handbook directly from Can Schaik bookstore for use in their academic programmes. It is designed to be accessible and practical, making it easier for municipal officials to apply the concepts and guidelines in their daily operations. Municipalities are familiar with the handbook, and IPM promotes its use at national conferences.

5.2 INCA Municipal Debt Fund

Objective

In early 2020, IPM and AFD agreed on the legal framework for the IMDF, and throughout the year, the necessary legal, financial, and institutional foundations were established for its setup, for which AFD provided a commitment to extend R500 million in long term loans. In addition to the AFD commitment, Ninety One and Sanlam provided letters in principle support. The Fund aims to attract institutional investors to co-finance municipal infrastructure projects, leveraging IPM's professional expertise to help bridge the funding gap for municipalities in need of external financial support (AFD, 2021). The IMDF approach aims to combine long-term resources from local institutional investors with international development finance loans to offer funding for impactful infrastructure projects in sectors like water, sanitation, and transport. This structure enables IMDF to function like an investment fund, providing longer tenor loans to municipalities that meet criteria for governance and financial stability and offering technical support to strengthen long-term planning and

budgeting for infrastructure investment. The fund was intended to support targeted infrastructure investments in cities and other creditworthy municipalities. The focus is on 45 identified intermediate city municipalities.²

Institutional framework

The IMDF is managed by IPM, which handles the identification, appraisal, and monitoring of loans as the Managing Agent. IPM must adhere to the Investment Guidelines set by the Funding Participants and governed by a Master Participation Agreement. Investment decisions are made by an Investment Committee, consisting of IPM, a representative from local funders, and independent members. IPM reports to AFD and other funding participants through an advisory panel. AFD served as the anchor financier for the IMDF, while SECO offers a first-loss facility as a key credit enhancement.

In 2023, a session with Ninety One and Sanlam Investments was held to update them on municipal sector developments and IMDF's operational actions, including its tender participation plans. Both fund managers initially confirmed potential participation through non-binding expressions of interest, Sanlam on a transactional basis and Ninety One for an initial amount of R500 million. However, neither fund managers secured credit committee approval, and formal credit sign-off was never obtained. IMDF was unsuccessful in the tenders, with AFD's funding proving too costly compared to local alternatives. Although AFD signalled its willingness to extend the funding facility for another year, IPM decided not to proceed with the extension. Ultimately, it was a joint decision to cancel the facility, as the proposed terms, including pricing, remained unchanged, and an extension would have only prolonged the underlying challenges. It was suggested that IPM leverage the ICBF to focus on local investors and target municipalities, aiming to reduce costs through improved credit understanding.

Efforts to involve the New Development Bank (NDB) as a replacement for AFD were also unsuccessful, as NDB, despite offering a lower cost of funding through a reduced currency pool, decided not to fund small or non-metropolitan municipalities under its current mandate. While engagement with the International Finance Corporation (IFC) showed promise, no funding agreement was yet reached; the IFC requires co-funding from another institution to participate. The Development Bank of Southern Africa (DBSA) also declined involvement, stating that although the IMDF initiative was necessary, it overlapped with DBSA's mandate, and supporting it could create competition and take DBSA's own business.

Criteria for targeted municipalities/Investment limitations

The criteria for targeting municipalities³ for investment include strong to moderate credit ratings, financial transparency, and robust procurement and supply chain management processes. According to the Financial Model, Fund, and First Loss Structure Review, the three criteria are as follows: Firstly, the criteria for targeting municipalities include strong to moderate credit ratings (that is, ranging between A+ and BBB-. Secondly, the borrowers must not have a qualified audit opinion indicating financial transparency and accountability. Thirdly, the municipalities must have adequate procurement and supply chain management processes, ensuring that

² The INCA Credit Proposal noted that the 45 municipalities are not fixed, the Fund would target any municipality that meets the investment criteria agreed by the fund's investment committee.

³ Out of the 45 municipalities, about 24 qualified to receive long-term debt, with credit ratings ranging from A+ to BBB-.

investments are effectively managed, and resources are allocated efficiently to support their intended outcomes (AFD, 2018).

How it works

Credit methodology

The model is the same as that used in the previous INCA fund that was operational until 2008⁴. An initial credit rating, funded by USAID WASH-FIN, was conducted at the start of the planning process to assess the creditworthiness of the targeted ICMs. The assessment covered 16 municipalities, with the majority achieving investment grade ratings, categorised as "Low A+ to A-" and "High BBB+ to BBB-". However, some municipalities, including Amathole District Municipality, Raymond Mhlaba Local Municipality, and Thaba Chweu Local Municipality, were classified as non-investment grade due to their low credit ratings, which limited their investment potential.

The approach uses a complex credit scoring matrix with weighted modules and sub-modules, which generate a total score that determines a municipality's rating in line with S&P Credit Rating categories. The model assesses municipalities across five key aspects:

- **Financial assessment:** The largest component by weighting assesses the municipality's financial health, including revenue generation, cash flow management, debt management, and operational efficiency. This aspect contributes 35% to the credit score.
- **Institutional assessment:** This aspect focuses on governance, organisational capacity, stability, and compliance, including audit opinions and political stability. A qualified audit opinion disqualifies the municipality from credit consideration. This aspect contributes 25%, with additional weight given to executive stability, unauthorised, irregular, fruitless, and wasteful expenditure (UIFWE), and staff turnover.
- **Socio-economic assessment:** This aspect assesses economic indicators such as Gross Value Added (GVA), unemployment rate, and income levels, as well as social factors such as poverty rates. This aspect is crucial for understanding a municipality's sustainability, contributing 20% to the score.
- **Infrastructure assessment:** This aspect assesses the state and efficiency of the municipality's infrastructure, specifically the water and electricity systems, contributing 12% to the score.
- **Environmental assessment:** This assesses the municipality's management of environmental and hygiene issues, such as access to sanitation, refuse removal, and landfill management, contributing 8% to the score.

First Loss Facility

The First Loss Facility (FLF) established by SECO was a critical financial mechanism aimed de-risking investment by funding participants of the IMDF for infrastructure investment in creditworthy municipalities

⁴ Established in 1996, INCA aimed to address South Africa's infrastructure backlog by facilitating private sector funding for local authorities with limited access to capital. Though INCA built a substantial municipal loan portfolio, its downgrade during the 2008 financial crisis was due to external economic conditions and operational challenges, not the quality of its loans. In 2011, IPM was created to manage the winding down of INCA's portfolio and leverage its municipal lending experience to offer strategic advisory services aimed at improving municipal performance and creditworthiness.

(Nations Capital, 2018). The total budget for the first window was set at R1.5 billion. Key aspects of the FLF included:

- **Purpose:** The FLF aims to absorb initial losses from municipal loans, providing a safety net for investors and encouraging their participation in infrastructure financing, particularly where the repayment of loan coupons may be at risk due to short-term liquidity constraints, as the loans are only extended to creditworthy municipalities. The IMDF will not invest into municipalities where credit risk is a major concern as evidenced by the shadow credit ratings.
- **Structure:** SECO committed to providing the equivalent of 5% of the maximum IMDF portfolio as an FLF as both a liquidity and credit enhancement facility. In the event of a municipal default, the FLF provides biannual coupon payments to investors, covering both interest and principal obligations. This protection applies to the first 5% of losses, thereby reducing investor exposure and enhancing the creditworthiness of municipal loans.
- **Impact on funding:** The FLF aims to attract investors who are not currently active in the municipal sector due to perceived risks, thereby broadening and deepening the municipal finance market.
- **Duration and transition:** The FLF is designed to be drawn down in the event of a delinquency and credit default event on the IMDF. As such, the FLF is not a typical liquidity facility in that it covers both liquidity events and credit support. The FLF term sheet states that the SECO FLF would be funded at the inception of an IMDF transaction, with its use to cover the temporary and permanent shortfalls in interest and principal payment to investors. As such, the FLF would remain in place from the inception of a transaction until the investors are repaid in full. The FLF structure terminates on 20 September 2038. It will only be extended if there is a remaining balance in the FLF account attributable to SECO, for which SECO agrees in writing to extend its participation to a later date.
- **Alignment with capacity building:** The FLF is part of a broader strategy that included technical assistance and capacity building, helping municipalities better manage their finances and effectively implement infrastructure projects. In addition, interest earned on the FLF is transferred to the ICBF to support its capacity-building activities.

Key assumptions in the financial model:

- **Disbursement:** The model assumes R1.5 billion would be disbursed over two years (base case) or three years (worst case). The base case was considered aggressive, while the worst-case scenario was more realistic.
- **Investment returns:** The model aimed to achieve targeted returns throughout the fund's life, with projections indicating returns close to expectations even under adverse conditions.
- **Management costs:** The model assumes management costs would stay within agreed levels, but management fees may not cover all operating expenses without additional advisory income.
- **Pricing:** The financial model assumes an interest rate of 11.50% for 10 and 15-year loans. Blending AFD's return with the target return was expected to make IMDF pricing competitive within 50 basis points of the market rate. IPM also targeted investors interested in the social impact of municipal infrastructure investments that indicated willingness to accept slightly lower returns.
- **Technical assistance:** The financial model assumes that municipal credit worthiness is sufficiently built to absorb the R1.5 billion disbursement to municipal borrowing through the IMDF over two years through R18.4 million in technical advisory to municipalities provided through the ICBF.

5.3 Purpose and objective of the evaluation

IPM in partnership with SECO, has commissioned an evaluation to assess the achievements of the ICBF and IMDF to date, with a particular focus on documenting both outputs and outcomes. Key areas of assessment include:

- Evaluating how well the ICBF and the IMDF **interventions align with the needs** of intermediary municipalities.
- **Assessing the effectiveness** of both the ICBF and the IMDF in achieving their intended outcomes.
- Analysing the **efficient use of resources and the mobilisation of co-funding in respect of both interventions**.
- Identifying **long-term impacts and sustainability** of both interventions.

The objective is to draw evidence-based conclusions on how these interventions have contributed to municipal financial management improvements and identify areas for adjustments. The findings will guide decisions on refining the interventions, improving private sector lending to municipalities, and determining future adjustments to ensure the long-term success of the ICBF and IMDF.

Evaluation type

The evaluation of the ICBF and IMDF programme focused on three aspects: design, implementation, and outcomes.

The design evaluation tested if the ICBF and IMDF were designed robustly and if they were appropriate and fit for purpose. The implementation evaluation focused on the actual delivery– the inputs, activities and outputs, resources, systems, procedures, and management and accountability structures of the ICBF and IMDF. The outcome evaluation focused on the higher levels of the logical framework and sought to assess the immediate outcomes of the ICBF and IMDF in relation to its objectives, activities, and outputs.

Evaluation questions

Evaluation questions helped guide this evaluation as below. These evaluation questions were discussed and agreed with IPM and SECO during the inception phase and are used to position the evaluation findings.

Table 1: Evaluation Questions- ICBF

Primary evaluation questions	DAC Criteria	Secondary evaluation questions	Source of information
To what extent does the design of the ICBF enable the achievement of its intended objectives?	Relevance	To what extent does the ICBF respond to the needs and priorities of South African municipalities? - What is the nature and scale of these needs and priorities? - Is the ICBF still relevant to the needs and priorities in South Africa's public sector? Is the ICBF appropriately designed to enable the achievement of its objectives? - Who is/ was consulted or included in the design of the ICBF? - Is the ICBF comprehensive and coherent to achieve its objectives? - Is the ToC and logframe for the ICBF sound? What are the assumptions underpinning the ToC? - Were contextual factors considered in the design and delivery of the ICBF - economic, environmental, equity, social, cultural, political economy? - Have performance indicators been set for the ICBF? Are these SMART? What are the institutional arrangements of the ICBF? - Who are the stakeholders involved in planning, implementation etc.? - Is this institutional framework cohesive and appropriate? Are there any gaps? - Are the roles and responsibilities commonly understood by all stakeholders?	- Literature review - Programme review - SSI with project owners - SSI with implementers - SSI with funders - SSI with municipalities
	Coherence	How well is the ICBF aligned to SECO's economic cooperation programme? Which SECO programmes have linkages to the ICBF? How well is the ICBF aligned to the interventions of other stakeholders (e.g., NT: IGR, universities, SALGA, Cities Network) that aim to build capacity and provide training in financial management? - Was a landscape scan and mapping done to identify other interventions being offered? - What is the gap being filled by the ICBF? - If similar interventions exist, does ICBF have a comparative or competitive advantage over these?	
Has the implementation of the ICBF been efficient?	Efficiency	To what extent has the ICBF been implemented as planned? - What factors influence the way the ICBF has been implemented? - What are the main enablers and bottlenecks/ constraints/ barriers to efficient implementation of the ICBF? Has the ICBF achieved its intended results with the minimum resources (efficient use of resources)? - Have adequate resources (budgets, human capacity etc.) been allocated to the ICBF? - If not, how is the implementation of the ICBF expected to be funded? - To what extent has co-funding been realised? - How can resource allocation be improved? What can be done to improve efficiency?	- Programme review - SSI with project owners - SSI with implementers - SSI with funders - SSI with municipalities

To what extent has the ICBF achieved its intended objectives	Effectiveness and Impact	To what extent has the ICBF delivered on its various components? What has been the reach of ICBF? • Access to LTTP and LTTFM, Summer schools/Master Classes, Study tours, and Public financial management Handbook To what extent has the ICBF achieved its outcomes (municipalities)? • Improved knowledge and skills, improved access to information, accurate capital expenditure estimates, optimised funding strategies To what extent has the ICBF contributed to or expected to contribute to 'higher-order effects' (for municipalities and investors)? • Improved financial planning, improved financial management, financial sustainability, improved access to finance (including IMDF) What factors contributed to/ hindered the achievement of outcomes? What is needed to achieve the desired higher-level effects of the ICBF? • Were there any unintended impacts observed (positive or negative)? • Were there any unintended consequences across the assessment areas (e.g., relevance, efficiency, effectiveness)?	Synthesis of all evaluation data
To what extent can/ will the outcomes be sustained?	Sustainability	To what extent have the changes introduced been institutionalised? How?	Synthesis of all evaluation data

Table 2: Evaluation Questions- IMDF

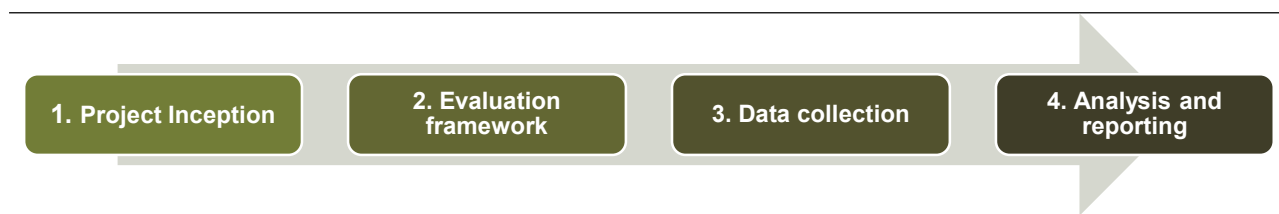
Primary evaluation questions	DAC Criteria	Secondary evaluation questions	Source of information
To what extent has the design of the IMDF enabled the achievement of its intended objectives?	Relevance	To what extent does the IMDF respond to the needs and priorities of South African municipalities? - What is the nature and scale of these needs and priorities? - Is the IMDF still relevant to the needs and challenges in South Africa's public sector?	- Literature review - Programme review - SSI with project owners - SSI with DFI - SSI with investors - SSI with municipalities
		Is the IMDF designed appropriately to enable the achievement of its objectives? - Who is/ was consulted or included in the design of the Fund? - Is the ToC and logframe for the IMDF sound? What are the assumptions underpinning the ToC? - Were contextual factors considered in the design and delivery of the IMDF - economic, environmental, equity, social, cultural, political economy? - What informed the structure and financial model (including pricing) of the IMDF? - Have indicators been set for performance measurement of each intervention? Are these SMART? - Does the IMDF operate independently of the ICBF? - Is the IMDF offered to municipalities that have not accessed prior support from the ICBF? - What are the inter-dependencies and inter-operability (if any) between the ICBF and the IMDF?	
		What are the institutional arrangements of the IMDF? - Who are the stakeholders involved in planning, implementation etc.? - Is this institutional framework cohesive and appropriate? Are there any gaps? - Are the roles and responsibilities commonly understood by all stakeholders?	
Has the IMDF been implemented as planned?	Coherence	How does the IMDF compare to other Debt facilities available to these qualifying municipalities? - Was a landscape scan and mapping done to identify other interventions being offered? - What is the gap being filled by the IMDF? - If similar interventions exist, does IMDF have a comparative or competitive advantage over these?	- Programme review - SSI with project owners - SSI with DFIs - SSI with investors - SSI with municipalities
	Efficiency	To what extent has the IMDF been implemented as planned? - What factors influence the way the IMDF has been implemented? - What are the main enablers and bottlenecks/ constraints/ barriers to efficient implementation of the IMDF?	

To what extent has the ICBF achieved its intended objectives	Effectiveness and Impact	To what extent has the IMDF delivered on its various components? - Investor engagements, submission of proposals, creation of SPVs? To what extent has the IMDF achieved its outcomes? - Mobilisation of investors, diversified offers to municipalities, debt financed infrastructure - What factors contributed to/ hindered the achievement of outcomes? What is needed to achieve the desired higher-level effects of the IMDF? - Were there any unintended impacts observed (positive or negative)? - Were there any unintended consequences across the assessment areas (e.g., relevance, efficiency, effectiveness)?	Synthesis of all evaluation data
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Methodology

The evaluation consists of a four-phase research methodology to respond to these evaluation questions. Each stage consists of multiple tasks and activities.

Figure 1: Evaluation phases



Phase 1: Project inception

The evaluation commenced with an inception meeting between IPM, SECO, and DNA on 22 October 2024. This meeting provided the foundation and mutual understanding for the delivery of this evaluation. The discussion focused on the evaluation background and context, refined methodology, stakeholder identification, data and documentation needs, and project management. This discussion from the inception meeting, together with the agreed changes to the approach and methodology, are contained in the inception report.

Phase 2: Evaluation framework

The second phase of this evaluation consists of two parts: a desktop review and the development of the evaluation framework.

Desktop review

Grey and academic literature review: A review of the grey⁵ as well as any other available and reliable literature provided insights into the need for, relevance, and coherence interventions similar to the ICBF and IMDF. This broader focus considered a range of potential alternative financing approaches and other support initiatives with a particular focus on borrowing and innovative financing mechanisms in the municipal environment. These included pooled financing, project finance, tax incremental financing, revenue bonds, and pledging of conditional grants as different modalities municipalities could use to leverage borrowing for infrastructure investments. While recent reforms to the municipal borrowing regulatory framework aim to expand the scope of responsible municipal borrowing and create the conditions for more financial market players such as insurers, pension funds, institutional investors, fund managers, and DFIs to participate in the municipal debt market, implementation of innovative financing modalities is still nascent and limited application points to considerable challenges and risks to implementation.

1. Alternative financing approaches covered:

- Updated Borrowing Framework
- Broad approaches to pooled financing, project finance, tax incremental financing, revenue bonds, and pledging of conditional grants

⁵ Information produced outside traditional academic publishing, such as reports, policy papers, government documents, and research by NGOs, think tanks, and international organisations to gain a deeper understanding of the evolving landscape of municipal borrowing and financial market participation.

2. Support initiatives review included:

- City Support Programme and Municipal Finance Improvement Programme
- Collaboration between the National Treasury and key stakeholders such as the Department of Cooperative Governance, the South African Local Government Association, and the Financial and Fiscal Commission to implement reforms and improve municipal finance management.
- Additional support from development partners, such as the Procurement Infrastructure and Knowledge Management programme (PINK) – funded by the SECO, the Financial Management Capacity Development Programme for Improved Service Delivery, and the Neighbourhood Development Partnership Grant Programme (NDPG).⁶

Programme documentation and data review: A review of intervention-related documents. The review enabled the evaluation team to thoroughly understand the interventions' design, objectives, scale, resources, and performance to date. These documents are listed below:

- SECO concept note and credit proposal
- Due diligence and market assessments
- Progress reports
- Annual work plans
- ICBF Board submissions
- Event reports and documented LTFPs
- Assessment of the impact of LTFPs municipalities' propensity to borrow
- IMDF key legal documents (Master Participation Agreement (MPA); First Loss Facility Agreement with SECO; Pro-Forma Municipality Loan Agreement; Programme Memorandum; and the AFD credit facility agreement)

Preliminary interviews: Following the literature and programme review, the evaluation team engaged in preliminary discussions with key stakeholders. These interviews, conducted virtually, clarified the programmes' design, implementation, and alignment with their goals, filling any gaps from the desktop review. Priority was given to interviews with the implementers and funders of the programmes: IPM, SECO's Pretoria office, and SECO Switzerland.

Evaluation framework

The evaluation framework was built on the insights and findings gathered from the desktop review and guided the team on the final design of the evaluation. This phase also included a review and refinement of the existing Theory of Change to identify areas for improvement. The framework contained the evaluation matrix with updated research questions to guide the collection, analysis, and interpretation of data and information. It outlined the sources of information, the means of verification and validation, and the data analysis plan (analytical framework). Lastly, included the data collection instruments and the semi-structured interview plan for phase 3.

⁶ The evaluation team will aim to engage with GTAC as part of the evaluation process, subject to securing the timely commitment of the relevant GTAC teams.

Developing and finalising the evaluation framework is an iterative process and involves all key stakeholders. The evaluation team will circulate a draft framework to the ESC, which will be followed by a 2-hour workshop with all stakeholders to discuss. This open discussion will allow for agreement on the final framework by all stakeholders.

Phase 3: Data Collection

As noted, this evaluation follows a qualitative approach, using semi-structured individual or group interviews.

Semi-structured interviews

Semi-structured individual or group interviews were conducted to assess the objectives, design, and performance of the interventions. A detailed stakeholder matrix was developed and presented to the ESC for approval in the evaluation framework to ensure that the correct persons are included from each of the listed organisations.

Table 3: Stakeholder List - ICBF

Organisation	Stakeholder	# Engagements	Format
Programme owner	IPM	1	Virtual
Programme funders	SECO - Pretorial and Switzerland Offices	5	Virtual
Implementers/partners	IPM	1	Virtual
Selected municipalities	Selected Municipal Managers and CFOs	7	Virtual
Strategic partners	National Treasury: Intergovernmental Relations	4	Virtual
Others	University of Stellenbosch	1	Virtual
Total			19

Note: Please refer to Annexure 1 for a detailed interviewee list

Table 4: Stakeholder List - IMDF

Organisation	Stakeholder	# Engagements	Format
Programme owner	IPM	1	Virtual
First Loss Funder	SECO - Pretorial and Switzerland Offices	5	Virtual
Targeted municipalities	Selected Municipal Managers and CFOs	5	Virtual
Development Finance Institutions	AFD and International Finance Corporation (IFC)	2	Virtual
Institutional Investors	Sanlam Investment Managers, STANLIB	2	Virtual
Total			15

Note: Please refer to Annexure 1 for a detailed interviewee list

The proposed sample of municipalities for engagement is proportionately divided based on the number of municipalities that had benefited from or were targeted by each intervention (as per the ICBF and Logframe Progress Reports 2024). The key stakeholders to be engaged were selected in consultation with IPM.

Stakeholder interviews also engaged DFIs and key institutional investors to understand the underlying factors that would attract increased private sector participation in the financing instruments. Key questions included whether the issue lay with the de-risking component, the design of the interventions, or broader private sector perceptions of risks related to investing in municipal financing.

Phase 4: Analysis and reporting

Data collected from the semi-structured interviews and secondary quantitative information review is compiled and analysed. The findings from the analysis are written up in this first draft of the evaluation report, which includes an updated Theory of Change and the key lessons and findings – as well as recommendations to improve the implementation of the interventions. The evaluation results and recommendations will be presented at a workshop that will be held with members of the ESC. This workshop aims to obtain feedback on the preliminary findings. After incorporating the comments from the ESC and validation workshop, the evaluation team will submit the final evaluation report.

Limitations to the evaluation

There are limitations to be noted in the preparation of this evaluation report:

The original ToC did not clearly differentiate between the ICBF and IMDF, requiring the evaluation team to rework and develop separate ToCs for each programme. This process was particularly complex for the IMDF, given its more intricate financial mechanisms and broader scope.

Additionally, the DBSA did not respond to requests for engagement, limiting the evaluation's ability to incorporate insights from a key stakeholder involved in municipal finance. Engagement with municipalities also posed challenges, as two municipalities did not respond, which resulted in gaps in primary data collection. The Ninety One team also did not respond to our request, which limited our understanding of their motivations for submitting a letter of interest to participate in the IMDF on a deal-by-deal basis, up to a maximum of R500 million initially, but which they did not follow through.

Furthermore, limited access to certain framing documents prevented the evaluation team from reviewing certain programme reports that could have provided deeper insights into implementation and outcomes. Notably, the team did not have access to the legal due diligence conducted by Werkmans on the *en commandite* partnership modality for the IMDF. In addition, while the IMDF financial model was presented to the project team in a virtual meeting, the team was not enabled access to scrutinise the model as an evidentiary document in the evaluation process. These constraints affected the depth of analysis in some areas of the evaluation. Despite these challenges, the evaluation team worked to triangulate available data sources to provide a comprehensive assessment of the programme's effectiveness.

6. Findings

6.1 ICBF

6.1.1 Relevance and Coherence

To what extent does the design of the ICBF enable the achievement of its intended objectives?

- What is the nature and scale of these needs and priorities?
- Is the ICBF still relevant to the needs and priorities in South Africa's public sector?
- Is the ICBF appropriately designed to enable the achievement of its objectives?
- What are the institutional arrangements of the ICBF?

How well is the ICBF aligned to SECO's economic cooperation programme? Which SECO programmes have linkages to the ICBF?

Summary findings:

Finding 1: The ICBF remains highly relevant in addressing financial planning gaps in intermediate cities. However, its practical application has varied, with at least one municipality noting that older systems and a focus on basic operational improvements have delayed the adoption of more advanced financial modelling tools.

Finding 2: The programme's capacity-building initiatives, including masterclasses and study tours, have strengthened municipal financial leadership, but concerns about exclusivity and the practical applicability of training content remain.

Finding 3: The selection process for participation in ICBF activities lacks transparency, leading to perceptions of uneven access and potential exclusion of the most financially constrained municipalities.

This section of the report will highlight the relevance of the ICBF and its core objectives to the problems that programme was trying to address and whether the design of these programmes was appropriate to meet the objectives.

Relevance of the ICBF

The ICBF remains highly relevant in addressing the financial planning and capacity constraints faced by intermediate cities in South Africa. Many municipalities have historically struggled with long-term financial planning, which has hindered their ability to make informed borrowing and investment decisions. Several stakeholders, particularly from National Treasury and participating intermediate city municipalities, noted that the absence of structured financial forecasting limits these municipalities' ability to project future revenues and liabilities, resulting in financial instability. Interviews with Treasury officials indicated that many intermediate city municipalities operate without a clear long-term financial strategy, leading to short-term decision-making that negatively impacts infrastructure investment and service delivery. The ICBF's support for long-term financial modelling is widely regarded as a valuable intervention to strengthen municipal financial planning. However, as noted by a National Treasury official, the model is not always implemented as designed, with some municipalities struggling to translate the structured framework into practice. One of the seven municipalities interviewed shared that while there was strong interest in the tool, they had not yet adopted it due to more immediate priorities around "getting the basics in place" and focusing on system automation. They noted that their current systems were not fully integrated and still relied on older technologies, making it difficult to take on more advanced tools like the long-term financial model.

Beyond financial modelling and long-term financial planning, the ICBF's capacity-building initiatives, including masterclasses, study tours, and a handbook, have played a crucial role in strengthening the financial

leadership of intermediate city municipal CFOs and finance teams. These interventions were designed to equip intermediate city municipal officials with the skills and knowledge to apply financial models effectively, bridging the gap between theoretical planning tools and practical implementation. The masterclasses and study tours aimed to expose CFOs to best practices in municipal financial management, helping them improve financial forecasting, risk assessment, and long-term financial planning. Meanwhile, the handbook served as structured reference guides, providing municipalities with practical frameworks for financial governance. These capacity-building efforts remain highly relevant, given the challenges municipalities face in retaining institutional financial expertise due to high staff turnover and shifting political priorities. Participation in masterclasses is selective, inviting CFOs and budget team members from municipalities, which has raised concerns about exclusivity and the perceived insider-outsider dynamic among municipalities.

The relevance of the ICBF is further reinforced by ongoing challenges in municipal financial sustainability, particularly as intermediate cities face increasing pressure to fund infrastructure projects while maintaining financial stability. By combining technical financial modelling with practical capacity-building initiatives, the ICBF addresses both structural and skills-based barriers to effective municipal financial planning. However, stakeholders have highlighted the need for greater integration between the ICBF tools and existing municipal financial management systems, ensuring that the programme's impact is sustained beyond the funded period.

Appropriateness of the ICBF design

A key design challenge in the ICBF's training and capacity-building initiatives has been the lack of transparency in eligibility criteria for participation in summer schools and study tours. The selection process has not been clearly defined, leading to perceptions that access is unevenly distributed and that certain municipalities, particularly those with prior engagement in financial modelling, are more likely to be included. In this period there were no clear/ transparent eligibility requirements. The approach was that IPM targeted key top performing and next level municipalities to ensure robust peer learning and active traction of municipal financing initiatives among those invited to the summer school.

A Theory of Change (ToC) was designed by the evaluation team depicting the building blocks of the phases and design of how the ICBF would ultimately contribute to its desired strategic objectives. The resultant ToC is a representation of the ICBF programme and illustrates how its inputs translated into activities and outputs that lead to the desired outcomes, as well as the underlying assumptions. The elements of a ToC are listed below followed by the illustrated and narrative version of the ToC.

Box 1: Elements in a theory of change

Inputs are the resources we need to undertake the activities in the programme.

Activities: How do we deliver? The activities are a collection of functions and processes (actions, jobs, tasks) that consume resources required to produce outputs

Outputs: What do we deliver? Final outputs are goods or services – the “products” – a programme delivers. These services are delivered to or for the direct benefit of an individual.

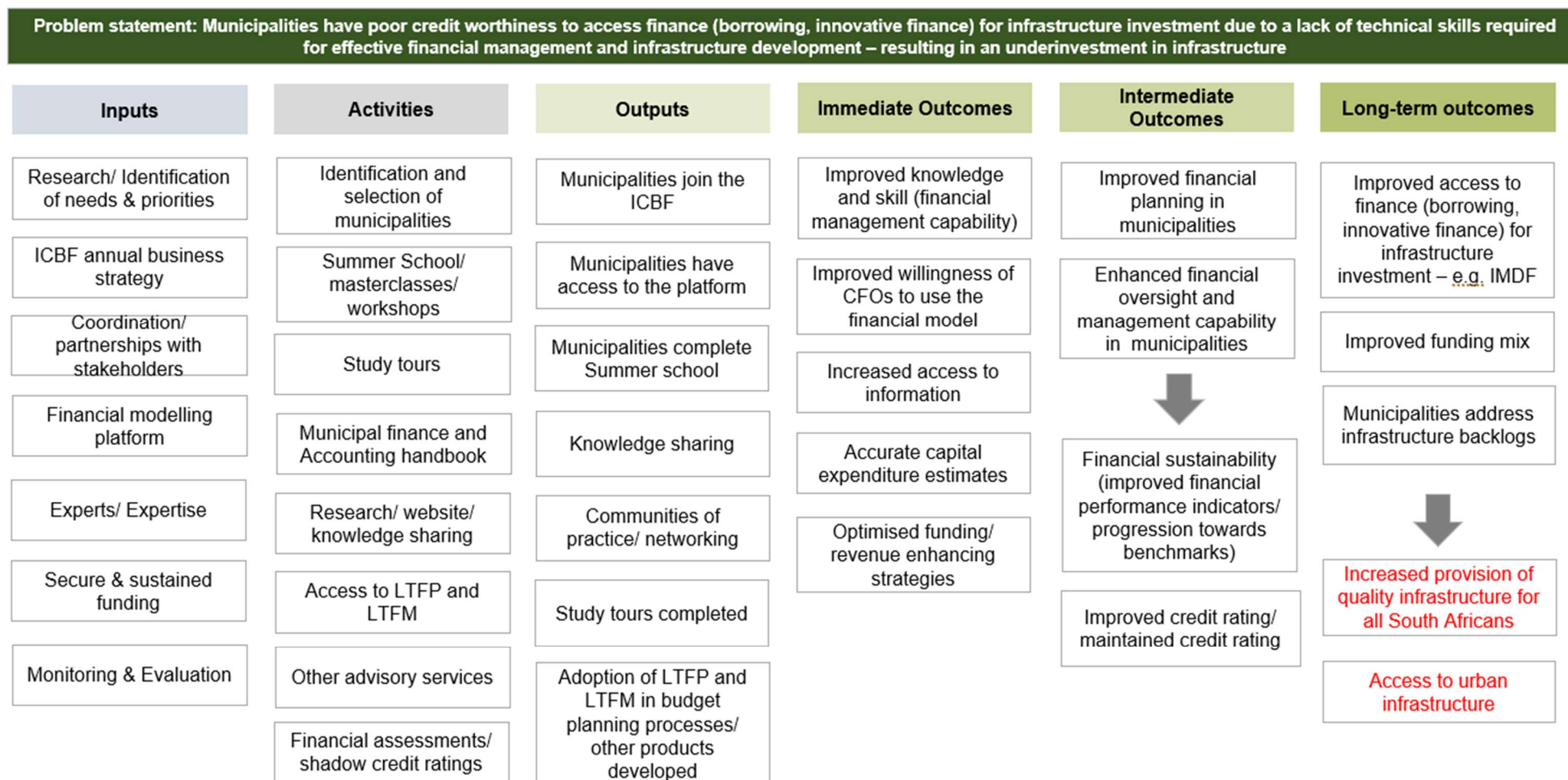
Outcomes: What are the immediate, intermediate and long-term changes that result from outputs? Immediate outcomes are achieved at an individual level in the short- to medium term,

Long-term outcomes: Generally country or societal-level changes that happen over the long term (e.g. financial capable citizens).

Preconditions (internal) and assumptions (external): What are the conditions that need to be in place in order to achieve the programme? Preconditions and assumptions can be found in each of the 5 layers above.

The ICBF Theory of change – illustrative

Figure 2: Illustrative theory of change - ICBF



Inputs

A range of inputs are required to improve the financial planning and management and creditworthiness of municipalities, enabling them to access finance for infrastructure investment. The ICBF aims to strengthen intermediate city municipal financial management through technical assistance, financial advisory services, and capacity-building initiatives. The initiative is guided by research and the identification of intermediate city municipal needs and priorities, ensuring that interventions are well-targeted and address core financial management gaps. The ICBF annual business strategy provides an overarching framework, aligning activities with long-term financial sustainability goals for municipalities.

To support this, strong coordination and partnerships with stakeholders are essential, ensuring engagement with municipalities, financial experts, and policymakers. A financial modelling platform is a critical tool in strengthening municipal financial planning, while experts and expertise are leveraged to provide technical assistance, training, and advisory services. Secure and sustained funding ensures that the programme's implementation is uninterrupted and that municipalities receive consistent support in financial management. Furthermore, monitoring and evaluation (M&E) mechanisms are embedded to track progress, assess impact, and ensure continuous learning and adaptation.

Activities and Outputs

Using the above inputs, a set of targeted activities is implemented to strengthen municipal financial planning and access to finance. These activities include identification and selection of municipalities, ensuring that the right municipalities receive tailored financial management support. Training initiatives such as summer schools, masterclasses, workshops.

Other key activities include study tours to expose municipal officials to best practices, the development and dissemination of a municipal finance and accounting Handbook, and continuous knowledge sharing through research and digital platforms. The programme also facilitates access to LTFM and LTFP frameworks, providing municipalities with robust financial planning tools.

As a result of these activities, municipalities benefit from ICBF support, gaining access to structured financial support and resources. They also gain access to the financial modelling platform, complete summer school training, and benefit from knowledge sharing and networking opportunities. Municipalities also adopt the LTFP and LTFM within their budget planning processes.

The success of inputs, activities and outputs is based on several assumptions, including:

- Municipalities are not able to access financial models on their own – due to poor financial planning lack of planned budgets, oversight and management capabilities in municipalities.
- Selected municipalities have sufficient procurement and supply chain processes.
- Funding is sufficient to ensure the uninterrupted implementation of the components (requires IMDF to contribute the interest clawback).
- Experts are sufficiently knowledgeable to deliver the trainings.
- IPM/ ICBF has the capacity to deliver.
- Summer school/ study tours are appropriately scoped and designed.
- Access to the LTFM & LTFP is provided for a sufficiently long period of time.
- The accounting Handbook is readily available and always up-to-date (readership includes municipalities, students, PFM Practitioners etc.).

- Platform access is free in year 1, charged at 50% in year 2, and in year 3 the municipality needs to pay to use the platform – this is if the municipality chooses to use the platform.
- If the municipality chooses to institutionalise the financial model (built by IPM), then they must pay for the full model themselves.
- Sufficient engagement with the CFOs to ensure that they continue to use the model.
- Willingness of CFOs to drive use of the financial modelling themselves.

Outcomes

The immediate outcomes of the programme focus on improving intermediate city municipal financial capacity. CFOs become more willing and confident in using financial models, leading to greater access to financial information and more accurate capital expenditure estimates. Furthermore, that intermediate city municipalities develop optimised funding and revenue-enhancing strategies, strengthening their financial positions.

As an intermediate outcome, municipalities demonstrate improved financial planning and enhanced financial oversight and management capability. This results in financial sustainability, evidenced by improved financial performance indicators and progression towards key benchmarks. Additionally, municipalities that engage with the programme are more likely to achieve improved or sustained credit ratings, making them more attractive to investors and financial institutions.

Several assumptions underpin these outcomes:

- Knowledge and skill are not only linked to the INCA LTFM and LTFP but can be transferred to other similar models as well.
- The ICBF does not create a dependency on the INCA platform.
- Municipalities adopt the recommendations of the LTFP.
- Municipalities have the funding to continue with the INCA platform or procure a similar platform for continued LT planning.
- Any changes in political leadership or shifts in political will are assumed to be within the normal course of political cycles. While such changes may temporarily affect long-term planning strategies, they are not expected to derail progress significantly over the long term.
- Willingness of CFOs to drive this themselves (continued use of the model on their own).
- Access to finance for participating municipalities was hindered only by poor financial management.
- Municipalities that go through the ICBF process may be better positioned to access funding from the IMDF and other market players, as the Long-Term Financial Plans (LTFPs) developed with ICBF support help build lender confidence. There is no conflict of interest, as the IMDF operates as one of several players in the marketing a long-term financing market.
- Access to finance was a key limitation amongst others preventing municipalities from delivering on infrastructure.

Impact

The ultimate objective of the programme is to improve municipal access to finance (borrowing and innovative finance) for infrastructure investment, enabling them to fund critical infrastructure projects. This leads to an improved funding mix for municipalities and the reduction of infrastructure backlogs, ensuring better service delivery for residents. In the long run, these improvements contribute to the increased provision of quality

infrastructure for all South Africans and greater access to urban infrastructure, improving living standards across municipalities.

Components of the ICBF

The programme's relevance is further reinforced by its additional capacity building components, such as the masterclasses and summer schools. These initiatives were designed to enhance municipal officials' financial literacy and decision-making skills. However, feedback from several municipalities suggested that while these training sessions were informative, they were not always practical or sufficiently tailored to the specific financial challenges municipalities face. Some officials noted that the summer schools covered broad financial concepts but lacked detailed case studies or hands-on exercises relevant to municipal finance, limiting their practical applicability. Additionally, stakeholders expressed concerns that municipal staff turnover diminishes the long-term impact of these capacity-building initiatives, as newly appointed officials may not have attended the training sessions and struggle to implement the financial planning tools effectively.

The ICBF Handbook was another key intervention aimed at guiding municipalities in financial planning and budget structuring. While it was generally well-received, some municipalities noted that it required updates to reflect recent regulatory changes and emerging financial challenges faced by local governments. There was also a call for more municipality-specific adaptations of the handbook. This view was shared by 2 out of the 7 municipalities interviewed, as well as 2 (out of 4 interviewed) national-level stakeholders who noted that the guidance was often too generalised and insufficiently tailored to the unique financial contexts of smaller or less-resourced municipalities. This suggests that the concern is not with changing the entire handbook, but rather with making it more relatable and accessible to less-resourced municipalities. If municipalities are unable to see their own contexts reflected in the guidance, they are less likely to find it useful for their financial planning needs.

Feedback from academic users of the handbook further highlights its relevance in municipal financial planning. A professor who has incorporated the handbook into postgraduate teaching noted that it is one of the most comprehensive resources available, covering not only accounting standards but also their integration with municipal performance management and the Integrated Development Plan. The handbook's practical orientation was seen as a key differentiator, making it valuable not only for students but also for municipal finance practitioners navigating real-world complexities.

Additionally, the handbook was recognised as a useful tool for financial professionals beyond municipal government, particularly those transitioning from national or provincial finance roles. The structured guidance on municipal budgeting processes and financial accountability mechanisms was seen as instrumental in equipping professionals with the necessary knowledge to operate effectively across different spheres of government. This cross-sector applicability reinforces the handbook's relevance in strengthening financial management capacity within municipalities.

While SECO's funding has played a catalytic role in enabling capacity building, its alignment with broader municipal financial reform efforts has not been fully leveraged. Representatives from SECO indicated that while their funding was intended to support municipal financial sustainability, the lack of integration with other donor-funded programmes has reduced potential synergies. Improved coordination between SECO, National Treasury, and municipalities could significantly improve the programme's impact, ensuring that capacity-building efforts are institutionalised and not solely dependent on donor funding. Municipal stakeholders also

noted that while SECO's support has been instrumental, the programme has yet to fully explore private sector partnerships, which could provide additional avenues for sustainability and expansion.

Selection of municipalities

The selection process for municipalities participating in ICBF activities, such as summer schools and study tours, lacked transparency, with no clearly defined eligibility criteria. In this period there were no clear/transparent eligibility requirements. The approach was that IPM targeted key top performing and next level municipalities to ensure robust peer learning and active traction of municipal financing initiatives among those invited to the summer school.

Institutional framework

The institutional framework of the ICBF was designed to provide structured financial planning support to municipalities through a combination of capacity-building initiatives, financial modelling tools, and technical assistance. While the programme successfully introduced structured financial models and training interventions, governance and implementation challenges hindered its effectiveness.

One of the strengths of the institutional framework was its alignment with broader municipal financial reform objectives, particularly in promoting long-term financial planning and municipal financial sustainability. The collaboration between SECO, INCA, and participating municipalities enabled the development of structured financial models that were useful in enhancing financial forecasting, investment planning, and expenditure management.

However, institutional limitations narrowed the programme's impact. Given the limited activity under the IMDF and the absence of an operational Oversight Committee, progress on the IMDF was tabled at the ICBF Board. While the logframe referenced both funds, there were no distinct Theories of Change or corresponding M&E processes for each. This lack of differentiation, starting at the ToC level and cascading through the monitoring and governance structures, contributed to a blurring of institutional oversight lines and made it challenging to track and assess the independent impact of the IMDF and ICBF.

Another significant institutional challenge was the lack of a sustainable funding model. The ICBF was entirely dependent on SECO as its sole funder, without a clear strategy for long-term financial sustainability.

While the ICBF funding allowed municipalities initial access to financial planning tools, continued use was only available on a procurement basis. This raised concerns about the affordability of sustained use of the tools, particularly for less financially mature and lower-capacity municipalities. These perceived concerns reduce the overall effectiveness of the programme in its objective of enabling municipalities to strengthen their financial planning capabilities and improve readiness for long-term financing instruments.

A key success of the ICBF programme is its alignment with the National Treasury's forthcoming policy direction on municipal financial planning. Three national-level stakeholders highlighted that the National Treasury is in the process of issuing a circular that will outline the minimum requirements for long-term financial planning by municipalities. According to a National Treasury official, this is based on observed gaps in compliance with budget regulations and the need to provide clear guidance on what such plans should entail. One stakeholder noted that the circular reflects the National Treasury's broader goal of promoting borrowing-readiness and creating an enabling environment for increased municipal access to external finance. The upcoming circular

was widely regarded as a signal of institutional support for long-term financial planning tools—an area where the ICBF has already demonstrated a strong impact.

Budget

Budget and Funding of the ICBF Programme (2022–2025)

The ICBF has been funded primarily by SECO, with additional contributions from other donors in certain years. The programme's budget has been structured to support investment mobilisation, strategic financial advisory services, capacity building, and research & knowledge management. Below is an overview of how the programme has been funded and the budgeted expenditure across its key components for the work plan periods 2022/23, 2023/24, and 2024/25.

The SECO contribution varied each year but remained the primary funding source, covering operational expenses, training programmes, and financial planning support to municipalities.

In 2022/23, the total budget was R10.44 million, of which SECO contributed the bulk of funding, amounting to R8.84 million.

In 2023/24, the total budget was R10.06 million, of which SECO contributed the bulk of funding, amounting to R8.22 million.

In 2024/25, the total planned budget was R9.06 million, with SECO contributing R7.78 million.

While SECO remained the dominant funder, the programme also relied on interest generated from the FLF mechanism and potential rebalancing of funds within the SPV, though the availability of these funds varied by year.

Budgeted Expenditure Across Components

The ICBF's budget was allocated across four main programme components:

- Mobilisation of Investors & Awareness Building
- Strategic Investment & Financial Advisory Services
- Capacity-building initiatives
- Research & Knowledge Management

1. Mobilisation of Investors & Awareness Building

5% of the total budget was allocated to investment mobilisation, particularly through roadshows, investor engagements, and financial assessments.

- In 2022/23, R550,000 was allocated for these activities, including municipal investment assessments and credit reports.
- In 2023/24, the allocation decreased to R400,000, covering investment policy reviews and investor roadshows.

- In 2024/25, the budget decreased slightly to R355,000, focusing on investment roadshows and credit assessments of municipalities.

2. Strategic Investment & Financial Advisory Services

This component focused on long-term financial planning (LTFP), financial recovery plans (FRP), and institutionalising financial modelling tools.

- In 2022/23, R6.98 million was allocated to this area, including support for 5 IFAs (Investment Framework Agreements) and 4 Long-Term Financial Plans.
- In 2023/24, the budget for this component was R6.38 million, with a focus on training budget analysts and expanding financial models for district municipalities.
- In 2024/25, the budget was slightly lower at R6.23 million, targeting specific municipalities for long-term financial planning updates.

3. Capacity-Building Initiatives

Capacity building is a core focus of the ICBF, with funding allocated to summer schools, masterclasses, and study tours aimed at strengthening municipal financial management skills.

- In 2022/23, R750,000 was allocated for one summer school and two masterclasses.
- In 2023/24, the budget significantly increased to R1.28 million, including funding for summer schools, masterclasses, and a study tour.
- In 2024/25, the budget remained at R790,000, continuing to support executive leadership programmes, summer schools, and webinars.

4. Research & Knowledge Management

The final component focused on policy research, case studies, and knowledge-sharing initiatives to inform municipal financial governance reforms.

- In 2022/23, R715,000 was allocated for municipal case study reports and research on alternative service delivery models.
- In 2023/24, the budget was R385,000, with a focus on policy research and legislative improvements for municipal finance.
- In 2024/25, the budget increased to R515,000, targeting research on municipal borrowing and energy resilience strategies.

Operational Costs & Programme Management

Each year, a portion of the budget was allocated to programme oversight and administrative costs. This included:

- Staff costs for the INCA Portfolio Manager

- Director and external audit fees
- Programme evaluation and contingency costs

The operating expenses were:

- R1.43 million in 2022/23
- R1.63 million in 2023/24
- R1.17 million in 2024/25

The ICBF's budget reflects a strategic focus on strengthening municipal financial planning and investment-readiness. However, several financial constraints emerged over time:

1. SECO remained the primary funder, with limited diversification of funding sources, making long-term sustainability a concern.
2. Municipalities were required to pay for continued access to financial models, creating a perceived barrier to sustained engagement beyond the programme's funding period.
3. Investment mobilisation activities fluctuated year-to-year, with roadshows and investor engagements receiving inconsistent funding levels.
4. While capacity building was a key focus, the absence of a structured follow-up mechanism made it difficult to assess whether municipalities retained and applied the financial management competencies and technical financial management knowledge and skills to which officials were exposed through the ICBF interventions.

These budget insights provide important context for understanding the financial constraints and implementation challenges of the ICBF.

Monitoring, evaluation, and reporting

The ICBF's M&E framework was intended to track the effectiveness of financial planning interventions, capacity-building initiatives, and the adoption of financial models by municipalities.

One of the key issues was the conflation of ICBF and IMDF reporting, which blurred the distinction between capacity building outcomes and municipal borrowing performance. Given the limited activity under the IMDF and the absence of an operational Oversight Committee, progress on the IMDF was tabled at the ICBF Board. While the log frame referenced both funds, there were no distinct Theories of Change or corresponding M&E processes for each. This lack of differentiation—starting at the ToC level and cascading through the monitoring and governance structures—contributed to a blurring of institutional oversight lines and made it challenging to track and assess the independent impact of the IMDF and ICBF.

Coherence

Alignment with other municipal finance programmes in South Africa:

The ICBF's objectives of strengthening municipal financial planning and capacity building align with several national and donor-funded programmes that aim to enhance financial sustainability and governance at the municipal level. Key programmes with similar goals include:

National Treasury's Cities Support Programme (CSP) – Focuses on building municipal capacity for financial sustainability, infrastructure investment, and urban development in metropolitan municipalities, intending to

expand its scope to targeted intermediate cities in the medium term. While the CSP targets larger metros, its emphasis on financial resilience and governance reform aligns closely with the ICBF's goals for intermediate cities.

Municipal Financial Management Improvement Programme (MFMIIP) – Supports municipalities in enhancing financial management capacity, with a strong focus on compliance with the Municipal Finance Management Act (MFMA).

Coherence to SECO Cooperation Programme

The ICBF aligns closely with the objectives outlined in SECO's Cooperation Programme 2025–2028⁷ for South Africa. SECO's programme aims to support South Africa in fostering a more competitive, sustainable, and inclusive urban economy by focusing on:

Enhancing the business and investment environment: The ICBF contributes to this goal by strengthening municipal financial management, thereby creating more stable and attractive conditions for investment.

Strengthening resilient urban areas: Through capacity-building initiatives, the ICBF equips municipalities with the tools and knowledge to plan and finance infrastructure projects, enhancing urban resilience.

Promoting a competitive, green private sector: By improving municipalities' financial planning capabilities, the ICBF indirectly supports the development of a private sector that can engage in sustainable infrastructure projects.

This alignment underscores the ICBF's role in advancing SECO's strategic objectives in South Africa, particularly in promoting sustainable urban development and economic growth.

6.1.2 Efficiency

To what extent has the ICBF been implemented as planned?

- What factors influence the way the ICBF has been implemented?
- What are the main enablers and bottlenecks/ constraints/ barriers to efficient implementation of the ICBF?

Summary findings:

Finding 1: The ICBF's implementation has been hindered by inconsistent municipal engagement, with many municipalities failing to sustain financial planning efforts once external funding is withdrawn.

Finding 2: Administrative inefficiencies, including unclear differentiation between the ICBF and IMDF, procurement delays, and lack of follow-up support, have affected the efficiency and impact of capacity-building initiatives.

Finding 3: The reliance on a private financial model provider has created concerns of access barriers for financially constrained municipalities.

Finding 4: A complicating factor limiting the scalability of the ICBF factor is lengthy procurement processes at the individual municipality level. Efficiency to enable scaling up the programme may be tested through a transversal procurement process, although the implications for competitiveness among suppliers would need to be assessed.

⁷ The ICBF programme also aligned well with SECO's previous Cooperation Programme (2021–2024), which provided the strategic framework for the majority of the programme's implementation period.

This section of the report focuses on the extent to which the ICBF was implemented as planned, and what the programmes have delivered in terms of activities and outputs. Whilst the previous section focused on the design of the programmes, this section will delve into implementation successes and failures.

Efficiency of implementation

The implementation of the ICBF has encountered several efficiency-related challenges, particularly in terms of municipal engagement, continuity of financial planning efforts, and financial sustainability. While the programme has succeeded in improving financial planning in certain municipalities, broader adoption and sustained use of the financial models have been inconsistent. Many municipalities have welcomed the initial support provided under the ICBF, particularly while it was funded externally, but have struggled to maintain engagement once they were required to take financial responsibility for continued access. The cost to update a LTFP ranges between R135 000 and R161 000. Access to the web-enabled LTFM holds additional costs. This has led to concerns about the long-term sustainability of the programme's impact.

A complicating factor limiting the scalability of the ICBF factor is lengthy procurement processes at the individual municipality level, the efficiency for scale up may be tested through a transversal process although the implications for competitiveness among suppliers would need to be assessed.

One key issue affecting efficiency has been the reluctance of municipalities to implement the financial plans developed through the ICBF. While some municipalities have integrated the financial models into their budget planning processes, others have failed to implement these strategies effectively, citing a lack of leadership buy-in. The challenge is not primarily financial but rather institutional, with municipal leadership often deprioritising structured financial planning in favour of more immediate political considerations. Additionally, the lack of enforcement mechanisms means that municipalities can opt out of using the financial models without consequences, leading to fragmented adoption across different cities.

Four out of the seven municipalities interviewed indicated that they had not continued updating or fully using the long-term financial planning model once external support or grant funding had ended. In some cases, municipalities noted that the cost of procuring or maintaining access to the web-based tool was too high, while others had not yet concluded the procurement process or had reverted to relying on INCA for periodic reviews. These responses suggest that ongoing use of the model may be limited when internal funding is not allocated. This discontinuity has undermined the long-term objectives of the ICBF, as financial sustainability and resilience require ongoing engagement rather than one-off interventions. The lack of incentives to sustain financial planning efforts beyond the funded period further exacerbates this issue.

The regulatory and policy environment does not pose significant legal barriers to implementation; however, it does not provide strong enough incentives for municipalities to adhere to structured financial planning practices, and enforcement remains a challenge. Without mandatory adherence to financial models, municipalities may continue to engage with the ICBF inconsistently, limiting the programme's overall effectiveness. National Treasury is acutely aware of these challenges is currently finalising a municipal circular that will provide structured guidance on the importance of long-term financial planning for municipalities, and which confirms the scope and requirements of long-term financial models and long-term financial plans. It is expected that the Treasury circular will encourage the entrance of a wider pool of service providers that are able to offer long term financial modelling and long-term financial planning services to municipalities, thereby

enabling municipalities to procure these services from a broader range of service providers on a competitive basis.

In response to these challenges, stakeholders have recommended measures such as increasing municipal buy-in, improving affordability for financially struggling municipalities through grant financing, and tracking engagement levels more rigorously. There is also a need for greater standardisation in financial planning tools to ensure municipalities follow consistent methodologies. National Treasury is considering a transversal tender to address this issue and ensure that municipalities have equal access to financial planning services.

Underspending the ICBF implementation

The ICBF budget for the 2023/24 financial year was set at R9.87 million, with funding primarily provided by SECO. By the end of February 2024, total expenditure reached R8.24 million, resulting in an underspend of R1.63 million.⁸ The most significant underspending occurred in Research & Knowledge Management, where only R95,920 was spent out of a budget of R385,000. Strategic Investment & Financial Advisory Services slightly exceeded its budget due to the earlier-than-scheduled implementation of the Matzikama project, resulting in an over-expenditure of R227,425. While capacity-building initiatives remained largely within budget, negotiated cost savings on venue and accommodation for the summer school contributed to a R268,159 underspend. The programme's contingency fund was also reduced from 4% to 1% for the 2024/25 budget due to consistent underspending trends in prior years. This underspending may be due to delays in implementation resulting from capacity constraints within IPM as the ICBF's implementing agent. In particular, the staffing and resourcing arrangements outlined in the contracting structure may not have been sufficient to meet the programme's scale and delivery requirements. Alternatively, it may reflect slower-than-anticipated municipal uptake of research outputs or lower-than-expected engagement in certain programme components.

What are the main enablers and bottlenecks/ constraints/ barriers to efficient implementation?

One of the key enablers of the programme has been its structured approach to financial capacity building, with a combination of training, technical support, and the provision of financial planning tools. The ICBF Handbook was identified as a particularly useful resource in ensuring that municipal officials have a reference for best practices. However, its effectiveness was hindered by accessibility issues, with some municipalities indicating that they required a more interactive or digital version for easier application.

The major constraints to efficient implementation included logistical challenges in rolling out training sessions and financial resource limitations that affected municipalities' ability to sustain engagement with the programme. At least one municipality noted that while it had attended a master class, limited follow-up engagement and irregular invitations to further training constrained the long-term impact of the capacity-building programme. While ICBF training initiatives such as summer schools and masterclasses were valued by officials who attended them, continuity remains a challenge. One municipality noted that limited staff exposure, compounded by turnover, had weakened the institutional uptake of these interventions. In that municipality only two senior officials currently have exposure to the ICBF tools, highlighting a risk that knowledge and practices are not being consistently transferred to new staff,

⁸ From Annexure 2. Budget & Expenditure 2023/2024. Figures taken from Budget 2023/2024 and Total Spent 2023/2024

Administrative inefficiencies were also a barrier, with delays in coordinating training sessions and inconsistencies in programme delivery across municipalities. Some municipalities noted that the financial models and planning tools provided were highly technical, requiring more hands-on support than was available. Furthermore, while the programme aimed to introduce a long-term financial planning culture, several officials reported that short-term political priorities often overshadowed these efforts, reducing the willingness of municipalities to fully implement ICBF recommendations.

Administrative inefficiencies also contributed to budgetary constraints. A key challenge identified was the lack of clear delineation between the ICBF and the IMDF in monitoring and reporting processes. Given the limited activity under the IMDF and the absence of an operational Oversight Committee, progress on the IMDF was tabled at the ICBF Board. While the logframe referenced both funds, there were no distinct Theories of Change or corresponding M&E processes for each. This lack of differentiation—starting at the ToC level and cascading through the monitoring and governance structures—contributed to a blurring of institutional oversight lines and made it challenging to track and assess the independent impact of the IMDF and ICBF. Additionally, procurement and contracting inefficiencies delayed the delivery of key components, such as the production of municipal handbooks and the execution of planned investor roadshows.

The variation in municipal expertise was also highlighted as a limitation in the programme's design, affecting implementation efficiency. The selection process for municipalities did not adequately account for differences in financial management capacity, resulting in disparities in engagement and uptake of ICBF-supported financial tools. Municipalities with stronger internal financial teams were able to integrate the financial models more effectively, whereas those with weaker financial management struggled to derive meaningful benefits. This uneven distribution of capability led to challenges in ensuring that all municipalities could implement long-term financial planning models effectively.

How might the ICBF have been implemented differently?

The implementation of the ICBF could have been enhanced by adopting a more inclusive and sustainable approach to financial planning support for municipalities. One of the primary limitations of the current implementation is the restricted access to financial models, which are owned by a private provider. While municipalities initially receive support through the ICBF, continued access is contingent on their ability to pay annual licensing fees. This creates a perceived barrier for financially constrained municipalities, limiting the widespread adoption of these tools. An alternative approach could involve a tiered pricing access to LTFM and LTFP where grant financing is used to support access to the competitive municipal procurement of financial models and reporting for lower capacitated and weaker municipalities with eligibility assessed in collaboration with National Treasury. Grant funded access to the financial models for these municipalities could then linked to a more comprehensive programme of financial management capacity building through the National Treasury. In an alternative response, the National Treasury and SECO have considered developing a publicly accessible financial model to ensure broader and more equitable municipal participation.

The ICBF could have been more effectively implemented by introducing clearer and more transparent eligibility criteria for participation. Additionally, expanding capacity-building efforts beyond CFOs to include councillors and other municipal officials would have helped institutionalise long-term financial planning within municipal decision-making processes, strengthening continuity even as leadership changes. However, this expansion would require careful consideration of available budget, as the ICBF covered most of the participation costs;

increasing the number of delegates or municipalities, particularly where the benefits are not yet clearly demonstrated, could place further strain on programme resources.

Another critical shortcoming in the ICBF's implementation is its financial sustainability. The programme currently depends on donor funding, with SECO as the primary funder. There is lack of clear strategy for broadening the development partner funding base or transitioning the ICBF to a self-sustaining model.

Overall, while the ICBF has been a valuable initiative, its implementation could have been improved by adopting a more inclusive, financially sustainable, and integrated approach.

6.2 Effectiveness and Impact

To what extent has the ICBF delivered on its various components?

- What has been the reach of ICBF?

Summary findings:

Finding 1: The ICBF has improved financial planning capabilities among participating municipalities, with several integrating long-term financial models into budgeting and investment decisions. However, adoption remains uneven, particularly among smaller municipalities due to concerns raised on affordability constraints.

Finding 2: Capacity-building efforts, including summer schools and masterclasses, have enhanced financial literacy and planning skills, but the lack of structured post-training support has limited their long-term impact.

Finding 3: While the ICBF has contributed to improved municipal financial governance, political considerations and short-term priorities often undermine the consistent implementation of structured financial planning models.

Delivery of outputs

Number of municipalities that took up the platform from ICBF

At the end of the reporting period (2021/2022).

- Four municipalities had completed LTTPs: Breede Valley, Sol Plaatje, City of Mbombela, and George.
- The LTTP was successfully transferred to a web-based application and tested with some municipalities.

At the end of the reporting period (2022/23):

- The LTTP was institutionalised in five municipalities.
- Drakenstein municipality issued a tender for LTTP and training

At the end of the reporting period (2023/24):

- The LTTP was institutionalised in five municipalities.
- Buffalo City subscribed to the LTTP and was trained to use the model.
- Nelson Mandela Bay and uMhlatuze initiated the process to procure and utilise the LTTP for decision-making.

At the end of the reporting period (2024/25), two municipalities had subscribed to the LTTP. It is expected that up to 15 municipalities could be using the model by July 2025.

Refer to Annexure 2 (Table 6) for a summary of deliverables achieved under the ICBF during the 2021/22 to 2024/25 period, including the specific outputs supported across participating municipalities.

Number of municipalities that attended/completed the summer school

A Summer School was successfully held in November 2022. Following this, a learning network was established, with a WhatsApp group created and managed by IPM for communication (01 March 2023- 31 August 2023).

Two Summer Schools were completed (2022 and 2024), attended by Municipal Managers and CFOs from 23 municipalities (01 March 2024- 31 August 2024).

Number of knowledge-sharing products produced

In 2022, the 4th edition of the Municipal Finance and Accounting Handbook was initiated. A masterclass on Long-Term Financial Planning and Financial Modelling was planned for April 2022. Additionally, a series of investor engagement meetings and briefings was conducted.

The fourth edition of the Municipal Finance and Accounting Handbook was published at the beginning of 2023. Over 420 copies were sold to universities. A series of online seminars for municipal practitioners was initiated in partnership with the South African Cities Network (SACN) and Stellenbosch University's School for Public Leadership (01 March 2023- 31 August 2023).

The fourth edition of the Municipal Finance and Accounting Handbook was produced, and 1,378 copies were sold (450 copies sold during this reporting period). Additionally, two webinars were held in collaboration with the SACN and Stellenbosch University's School for Public Leadership. In total more than 250 people registered for these webinars, which contributed to extending the awareness and importance of Longer-Term Planning and Financial Modelling to enhance financial management in municipalities (01 March 2024- 31 August 2024).

Study tours

A study tour to Switzerland was completed during the reporting period, attended by six CFOs representing South African municipalities (01 March 2024- 31 August 2024).

Number of municipalities that have adopted the LTFP and LTFM in their planning processes

Since 2021, a total of 16 LTFPs were developed, and 30 LTFPs were updated. At the end of the reporting period (01 March 2023- 31 August 2023):

- Six LTFPs were developed and presented to municipal executive management and councils.
- Two LTFP updates were completed.
- The LTFM was institutionalised in the West Coast District Municipality and Buffalo City.
- uMhlathuze and Nelson Mandela Bay initiated the process of obtaining the LTFM and integrating it into their financial management process.
- A tariff model linked to the LTFM was developed and implemented in Theewaterskloof, with George and other municipalities expected to follow.

Nine municipalities have institutionalised the LTFM, training their staff to use it for financial planning and budgeting (01 March 2024- 31 August 2024).

Other activities under the ICBF

- Website component

Between 01 March 2023 and 29 February 2024, the IMDF & ICBF website was successfully established and is now fully operational. Additionally, a Summer School WhatsApp group was created and remains active.

- Number of shadow credit ratings undertaken

During the period from 01 March 2023 to 29 February 2024, no rating assessments were conducted. In the previous period, 10 shadow credit ratings were submitted to the Investment Committee. Moving forward, new credit reports will be drafted and submitted based on the 2022/23 AFS.

- Roadshows

During the reporting period from 21 June 2021 to 28 February 2022, investor roadshows and site visits were planned, with an initial budget of R160,000 allocated. Engagements included five local investor meetings, with Sanlam and Ninety One confirming funding commitments (Sanlam: R250 million, Ninety One: R500 million). However, no completed roadshows are explicitly mentioned during this period.

During the reporting period from 01 March 2023 to 31 August 2023, no roadshows were completed. However, during the full period from 01 March 2023 to 29 February 2024, a total of six IFAs and six LTTPs for municipalities were developed and presented to Exco, and in some cases, also to Council. In the subsequent reporting period from 01 March 2024 to 31 August 2024, no roadshows were completed. However, a new strategy was developed to take municipalities on a roadshow to investors in the next reporting period.

Achievement of outcomes

The ICBF has significantly enhanced financial planning capabilities among participating municipalities, with several reporting enhanced capabilities in developing long-term financial strategies. The programme's structured approach has helped targeted intermediate city municipalities align their financial planning with their infrastructure development goals, enabling them to make more informed investment decisions. This is a critical achievement, as historically, many municipalities have struggled with ad-hoc financial planning, which has led to underfunded projects and financial mismanagement. Municipalities that engaged with the ICBF gained access to structured financial models that enhanced their ability to conduct scenario analysis, project revenues, and assess financial risks. For example, interviews with municipal officials indicated that they had successfully integrated ICBF-supported financial models into their budgeting processes, improving financial stability and long-term infrastructure planning. Furthermore, one municipality reported an increase in its repairs and maintenance budget from 4% to 9% through consistent application of the LTFM and LTTP.

However, access to these financial models was not uniform across municipalities, smaller municipalities raising concerns about affording or maintaining access, creating an unequal distribution of financial planning resources.

Some stakeholders raised concerns about whether municipalities have the autonomy to implement these plans effectively, as political considerations and shifting municipal priorities often influence financial decision-making. Several officials noted that while financial models provide clear guidance on sustainable budgeting, political pressure often leads to deviations from these recommendations, particularly in municipalities facing electoral

competition. Additionally, stakeholders from the National Treasury expressed concern that financial sustainability plans are often deprioritised in favour of short-term political objectives.

Municipal officials who attended summer schools, masterclasses, and training sessions reported enhanced financial planning capabilities. Participants learned to extend budgeting horizons beyond the three-year Medium-Term Revenue and Expenditure Framework (MTREF) and integrate long-term financial planning principles into municipal strategies. However, some municipalities struggled to fully implement these principles due to resource constraints and competing priorities.

Some stakeholders reported tangible improvements in financial governance, whilst others indicated that they struggled to implement the models and guidelines effectively due to a lack of technical expertise and institutional buy-in. The masterclasses and summer schools were intended to address these gaps, yet municipal stakeholders noted that while they were beneficial, the lack of continuity and structured post-training mentorship limited their effectiveness. In some cases, municipalities that initially demonstrated strong engagement with ICBF tools later reverted to old financial practices due to leadership changes or competing priorities. Additionally, some CFOs and finance officials expressed interest in using the ICBF financial planning tools beyond the initial funding period but were unable to continue due to cost barriers. This indicates that while willingness to use the tool was high, affordability was a major constraint, leading some municipalities to disengage once external funding ended.

Financial institutions engaged during the evaluation indicated that municipal creditworthiness remains a key barrier to investment, particularly for smaller municipalities. Some investors noted that while the ICBF has improved financial planning, municipalities still lack the financial governance structures necessary to instil confidence among potential lenders. This highlights a broader challenge in translating improved financial planning into optimised funding and revenue strategies as municipalities struggle to leverage their financial stability for sustainable investment and borrowing. The ICBF helped municipalities develop more structured approaches to revenue generation, with some using cost recovery models, tariff adjustments, and mixed grant-loan financing strategies to improve financial sustainability. However, revenue collection challenges remained a concern, particularly due to incomplete property billing systems and political resistance to tariff adjustments.

While the ICBF has made notable progress in enhancing municipal financial management, gaps remain in ensuring sustained access to financial tools, institutionalising financial planning practices, and converting financial stability into investment opportunities. Addressing these barriers will require a more sustainable funding model for financial planning tools, greater support for municipal revenue optimisation, and stronger enforcement of financial planning adoption within municipal governance frameworks.

6.2.1 Sustainability

To what extent can/ will the outcomes be sustained?

Summary findings:

Finding 1: The long-term sustainability of the ICBF is at risk due to its reliance on donor funding, with certain municipalities raising concerns for continued maintain engagement once external financial support ends.

Finding 2: The reliance on licensing fees for financial models has hindered sustained broad-based municipal use beyond the initial funded period, prompting discussions on developing differentiated approach to accessibility with a broad-based publicly accessible financial model, a consideration to ensure wide-scale adoption and participation.

Finding 3: While the ICBF has laid a strong foundation for municipal financial planning, sustaining its impact will require ongoing mentorship, institutional integration, and more accessible training resources, such as an online repository and periodic refresher courses.

The sustainability of the ICBF remains a key concern, as its long-term viability is currently dependent on continued donor funding. While the programme has successfully built financial planning capacity among municipalities, there is a risk that without sustained support, municipalities may revert to short-term planning practices, undermining the progress achieved. Exploring alternative funding mechanisms, such as government budget allocations or private sector partnerships, will be critical in ensuring the programme's longevity beyond the current funding cycle. Four out of the seven municipalities noted that municipal commitment to financial planning fluctuates based on the availability of external support, raising concerns about whether financial planning improvements will be sustained in the long run. Three municipalities explicitly noted that the level licensing fees for continued access to the financial model constrained them from sustaining its use beyond the initial grant-funded period. In some cases, this led to disengagement from the tool altogether, despite its recognised value. Although they recognised the value of the tool, perceived cost constraints ultimately prevented procurement and, in some cases, resulted in disengagement. In response, the National Treasury and SECO have considered developing a publicly accessible financial model to ensure broader and more equitable municipal participation.

Moreover, municipalities require continued support to fully integrate financial planning tools into their budgeting processes. Four municipalities expressed concerns or indicated that they lack the internal capacity to sustain ICBF-supported practices independently. These municipalities pointed to either continued reliance on external support, limited internal skills, or the need for ongoing guidance. Four municipalities indicated that while they have benefited from the ICBF's training, they require structured ongoing mentorship to fully institutionalise financial planning as part of their standard budgeting processes. Encouragingly, the programme's success in select municipalities suggests that it has the potential for replication and scaling up. Lessons learned from successful implementations should inform a strategy for broader rollout, ensuring that more local governments can benefit from improved financial planning and access to sustainable financing options. However, for this to be realised, there must be a concerted effort to institutionalise the programme within national and municipal governance structures, ensuring that it is not reliant on external funding for its continued operation. Four municipalities and two national-level stakeholders recommended embedding financial planning tools within municipal governance structures and training municipal staff regularly to ensure long-term sustainability.

Furthermore, the programme's training components, including masterclasses and summer schools, should be adapted to ensure continuity of learning and applicability. Municipal officials suggested that an online repository of training materials, coupled with periodic refresher courses, could enhance long-term knowledge retention and integration. Additionally, refining the ICBF Handbook to reflect evolving financial regulations and practical municipal challenges could further support municipalities in embedding sound financial planning practices within their operational frameworks.

6.3 IMDF

6.3.1 Relevance and Coherence

To what extent does the IMDF respond to the needs and priorities of South African municipalities?

- What is the nature and scale of these needs and priorities?
- Is the IMDF still relevant to the needs and challenges in South Africa's public sector?

Is the IMDF designed appropriately to enable the achievement of its objectives?

- Who is/ was consulted or included in the design of the Fund?
- Is the ToC and log frame for the IMDF sound? What are the assumptions underpinning the ToC?
- Were contextual factors considered in the design and delivery of the IMDF - economic, environmental, equity, social, cultural, political economy?
- What informed the structure and financial model (including pricing) of the IMDF?

Summary findings:

Finding 1: Municipalities have shown limited awareness and engagement with longer-term tenor financing mechanisms such as the IMDF, highlighting a missed opportunity to leverage more appropriate financing instruments.

Finding 2: Financially mature municipalities are more willing to explore innovative financing models, particularly for long-term projects such as water and sanitation, although a gap remains in financial products that match these needs.

Finding 3: Municipalities prioritise the cost of financing over loan tenors, preferring cost competitive short- to medium-term bank loans, which presents a mismatch with the IMDF's focus on long-term financing.

Finding 4: The private sector sees the IMDF as potentially relevant but expresses concerns over pricing and risk-return profiles, emphasising the need for blended financing models or guarantees to improve participation.

Finding 5: The IMDF has strong potential as a longer tenor financing instrument but requires redesign to improve its ability to attract anchor investors who can provide concessional or lower -cost financing. This blended approach would allow the IMDF to combine such funding with private sector investment, which demands higher investor returns. By doing so, the instrument can become more attractive and accessible to municipalities seeking infrastructure finance.

This section highlights the relevance of the IMDF, its core objectives and how well they align with the challenges it aims to address. It evaluates whether the IMDF was designed to effectively respond to the financial and infrastructure needs of municipalities, specifically in terms of providing long-term financing solutions that support sustainable development. By evaluating the relevance of the fund, this section explores how well its objectives targeted the gaps in the municipal debt market, such as the availability of longer-term financing options for large-scale infrastructure projects, and whether its structure was suited to achieving these goals. Furthermore, the appropriateness of the design of the IMDF in the face of evolving market conditions, such as increased competition from commercial banks and the need for innovative financing models, are also be considered to determine if the fund was positioned to meet the long-term financial planning and infrastructure investment needs of municipalities.

Pricing and market competitiveness

The documentation and some stakeholder engagements to date indicate that with a rate of return set at the Johannesburg Interbank Average Rate (JIBAR)⁹ plus 4%.¹⁰ This misalignment in pricing resulted in the IMDF struggling to attract municipalities, particularly when more competitive options were available in the South African banking sector with commercial banks offering longer term tenors over 10 years and at extremely competitive rates in the region of JIBAR plus 2% given their level of liquidity and aggressive pricing approach in the post Covid-19 period. The conversation highlighted how earlier awareness and adjustment of pricing strategies, given changes in external market conditions when compared to initial design, could have prevented the challenges faced by the fund. These discussions further indicated that SECO relied heavily on AFD's expertise in structuring and pricing, which, while logical, overlooked potential issues in the financial model.

Stakeholder engagements revealed that the original conceptual approach to the IMDF was dissimilar to a blended financing model with a three-tier capital structure. The latter approach typically involves different layers of financing: equity, mezzanine or concessional capital, and senior debt to balance risk and attract a range of investors. Rather, the IMDF was set up as an '*en commandite*' partnership, a South African legal structure consisting of a partnership between investors, without creating a dedicated vehicle with a legal personality (as in the case of a blended finance approach). The '*en commandite*' partnership is an accepted legal structure in South Africa for debt or equity funds. It allows investors to participate in a common investment strategy without setting up a dedicated vehicle. The relations between investors are governed contractually by a partnership agreement, whereby the responsibility of each investor is limited to the amount of its participation. It is important to note that the partnership was designed without a tiered capital structure or risk layers, with all partners rated on a '*pari-passu*' basis. As such, the '*en commandite*' partnership structure was not intended to mobilise institutional investors through a blended finance model, nor did it require any form of concessionality from AFD as the anchor investor.

Relevance of the IMDF

Original purpose of the fund: the IMDF was created to address infrastructure funding gaps in South African municipalities by combining local institutional capital with international development finance loans, enabling the matching of financing instruments with longer term tenors with infrastructure assets with a 20 year plus life cycle in key sectors such as water, sanitation, and transport. The fund targeted intermediate city municipalities with strong governance and financial stability, providing both funding and technical support to strengthen long-term planning and budgeting. Its relevance lies in aligning with national infrastructure goals and international development priorities, ensuring impactful investments in areas with the capacity to sustain improvements in municipal service delivery.

⁹ JIBAR is a money market term reference rate used in South Africa. JIBAR is constructed using quoted rates for Negotiable Certificate of Deposits (NCD) by JIBAR contributing banks.

¹⁰ Stakeholder engagements suggested that at original concept and design stage AFD financing was competitively priced at around JIBAR plus 2.2%. However, AFD pricing changed significantly during the appraisal process given structural changes in the Euro market in 2021 and 2022, leading to the IMDF financial model targeting a gross annual net investment return of at least JIBAR plus 4% for investors (PDG 2018).

However, shifting market dynamics have compromised the ability of the fund to serve as effectively, highlighting the need for innovation and reassessment of its strategies to meet current financial conditions. In addition, there is a potential gap in commercial banks financing for long-term infrastructure projects, such as water and sewerage treatment plants, as commercial banks often offer only short- to medium-term financing. This presents an opportunity innovative, sustainable financing solutions such as the IMDF that are tailored to financing municipal projects requiring long-term investment.

Municipalities

Limited awareness and engagement with longer-term tenor financing instruments: Certain of the target municipalities interviewed showed limited awareness of and engagement with the longer-term tenor financing instruments such as the IMDF. This points to a limited municipal awareness of the potential and benefits of external financing instruments that offer longer tenor, such as the IMDF, compared to traditional on-balance sheet bank loans. This also indicates that municipalities are not leveraging the potential benefits of the possibility of instruments with longer tenor, of which the IMDF is one, limiting their impact on local infrastructure financing. The issue is not merely a lack of awareness about the IMDF itself but a broader unfamiliarity with the benefits of long-term tenor financing instruments.

Given the gap in the market for long-term financing solutions that align with the life cycle of infrastructure assets, the limited awareness and engagement among municipalities represents a missed opportunity to leverage more appropriate financing instruments. This indicates a need for IPM to refine its approach and increase its impact on municipal financing. Without greater involvement, the fund risks becoming irrelevant to municipal needs and missing opportunities to contribute to long-term infrastructure development.

Targeted for February 2025, the roadshows are planned to raise awareness of longer-term tenor financing instruments and greater engagement between municipalities and investors. These roadshows aim not only to introduce the IMDF as a longer tenor financing option but also to support the development of knowledge products. These products include targeted research to inform both investors and municipalities on best practices in infrastructure finance and project management while also indicating potential returns on investment.

The evaluation does not cover the roadshow to investors but assesses the concept of organising the roadshow rather than its implementation or outcomes. It is important to note that these roadshows are being funded by the ICBF as part of its broader market development and investor mobilisation strategy, indicating the shared goal of aligning institutional investors with municipal needs through innovative, longer-term financial instruments, such as the IMDF.

Municipal financing priorities – pricing vs tenors: While municipalities interviewed were not necessarily aware of the fund per se, they are acutely aware of the necessity of considering external financing options in terms of the tenor and cost of the financing offered against the life cycle of the asset to be financed and their cash flow liquidity over the financed period. This has meant that municipalities have tended to prioritise the cost of financing over loan tenure, which presents a tension between their needs for innovative financing solutions and the offerings of the fund. While the fund provides long-term financing, municipalities increasingly favour flexible, short- to medium-term loans offered by commercial banks at competitive rate structures. The fact that municipalities are not issuing requests for proposals (RFPs) with longer repayment terms suggests they are unaware of the availability and advantages of such products. The IMDF is one such instrument, but

the challenge lies in the underutilisation of the entire category of longer-term financing tools that could better support sustainable infrastructure development.

Municipal financial maturity: Municipalities with more developed financial planning, particularly in long-term financial management, demonstrate a greater willingness to explore innovative financing models. Water and sanitation projects, which often require long-term financing (up to 40 years), highlight a critical gap in available financial products that align with the lifespan of these assets. Top-tier financial institutions typically cap tenors at 10-15 years, creating a mismatch between the financial products available and the infrastructure needs of municipalities.

Private sector

The private sector noted that their required return stood at JIBAR +3.5%, while municipalities were only willing to consider options priced around JIBAR +2%. This created a clear mismatch. **Investors expressed willingness to participate, but only if the design addressed their return requirements.**

Private sector financing priorities: Interactions with the private sector revealed that the IMDF is seen as relevant, particularly in addressing the financing gaps faced by municipalities in South Africa. However, they expressed concerns over the competitiveness of the fund, particularly in terms of pricing and risk-return dynamics, which have limited their participation. The fund's limited engagement with the private sector stems from challenges around municipal creditworthiness, investor appetite, and the structure of financing arrangements, which have hindered broader participation. The private sector emphasised the need for more innovative financial structures, such as blended financing models or risk mitigation tools such as guarantees, to better align with investor expectations and address the gap in long-term financing for municipal infrastructure projects. Potential relevance remains but requires adjustments to the fund's approach to meet both investors return requirements and affordability.

Pricing challenges: A key challenge in municipal financing lies in the variation of pricing based on an institution's ability to assess municipal risks. Stakeholders without internal municipal risk assessment capabilities tend to propose higher pricing and larger ticket sizes, making them less suitable for smaller municipalities. In contrast, those focusing on larger municipalities are more inclined to engage with metros, where the scale of investment reduces risk. This preference creates a significant gap in financing access for smaller municipalities, limiting their options for affordable capital.

Concessionality: While stakeholders are open to engaging, they are not prepared to offer concessional rates. Municipalities, on the other hand, are highly price-sensitive and reluctant to accept rates exceeding certain thresholds, further limiting the scope for higher-cost financing. This gap in concessional leadership is a key challenge to addressing the financial challenges faced by municipalities.

Investor willingness: Private sector players and DFIs are willing to engage in municipal financing, contingent on favourable market conditions and appropriate pricing structures. Stakeholders are open to participation, but they have emphasised the importance of aligning the design of the financial vehicle with their specific criteria. This reflects a broad consensus on the need for a well-structured investment approach that meets both investor expectations and municipal requirements.

Need for patient capital: There is increasing recognition of the need for patient capital to bridge the gap in long-term financing. This is especially critical for municipalities that are not yet at the top tier of financial

maturity. While the original financing vehicle was considered premature, current market conditions indicate that a suitable opportunity now exists for launching a financial vehicle that can meet the long-term infrastructure financing needs of these municipalities.

Addressing the gap

The gap between municipalities and the private sector regarding the relevance and coherence of the IMDF stems from differing priorities in financing infrastructure projects. Municipalities often prioritise the cost and flexibility of financing, opting for short- to medium-term loans with lower interest rates, which are offered by commercial banks. This approach conflicts with the IMDF's focus on long-term financing, which is more suited to infrastructure assets with life cycles exceeding 20 years. While the IMDF was designed to bridge this financing gap with longer-term tenors, the preference of municipalities for lower-cost, short-term solutions has led to limited engagement with the fund, reducing its impact on local infrastructure financing.

On the other hand, the private sector views the IMDF as a financing instrument that is potentially relevant but expresses concerns over its competitiveness, particularly in terms of pricing and risk-return profiles. Private sector investors, while recognising the need for long-term infrastructure financing, are cautious due to the perceived creditworthiness of municipalities and the lack of innovative financial structures like blended financing or risk mitigation tools. This misalignment between the current structure of the fund and municipalities' short-term financing preferences and private sector investors' risk-return expectations has hindered broader participation and indicates the need for the IMDF to innovate. The fund must reassess its strategy to better align with the evolving needs of municipalities and the private sector, offering flexible financing solutions that balance affordability with long-term sustainability.

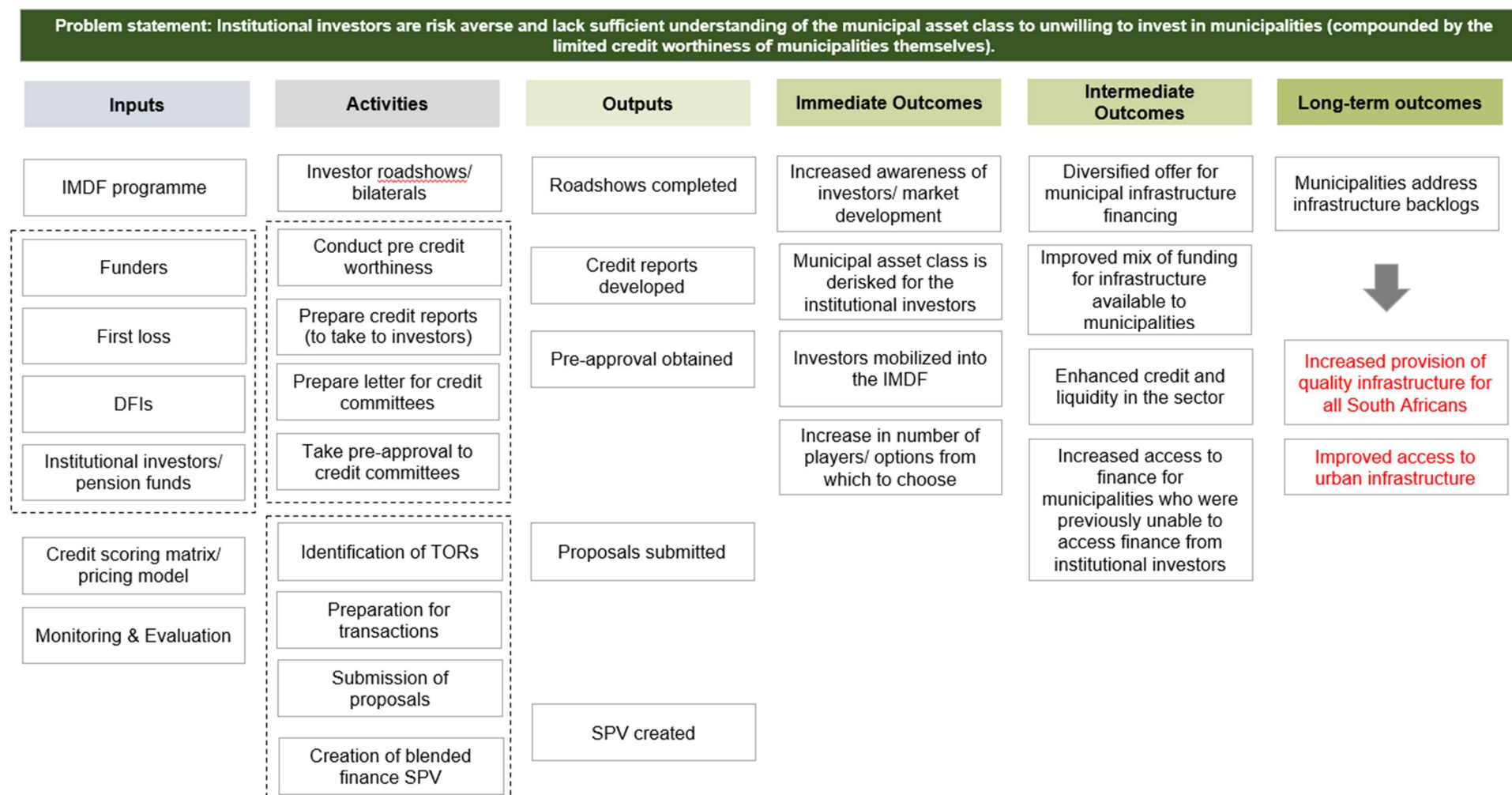
The IMDF requires a redesign to improve its ability to attract anchor investors capable of providing concessional or lower-cost financing. While there was strong interest from both municipalities and investors, a clear pricing gap emerged; municipalities were only willing to accept lower-cost terms, and investors required higher returns. Without a mechanism to bridge this gap, neither side is willing to compromise, **indicating the critical importance of the IMDF's redesign.**

Appropriateness of the IMDF design

Theory of Change

The evaluation team further developed a ToC with a focus on the IMDF. The TOC for the IMDF shows the building blocks of the phases and design of how the IMDF would ultimately contribute to its desired strategic objectives. It is a representation of the IMDF programme and illustrates how its inputs translated into activities and outputs that lead to the desired outcomes, as well as the underlying assumptions.

Figure 3: Illustrative theory of change – IMDF



Inputs

The IMDF aims to bridge the infrastructure funding gap by mobilising capital from local institutions and DFIs. The Fund is driven by the need for funding to be made available, correctly allocated, and disbursed on time. This ensures support for all programme elements, from credit assessments to investor engagement and transaction structuring. In addition, the programme requires a robust framework supported by key stakeholders. This includes the IMDF management team with expertise in municipal finance, institutional investors experienced in infrastructure financing, and partnerships with DFIs that bring complementary skills and collaboration opportunities. Technical inputs such as the development of a credit scoring matrix and pricing model are also crucial to ensure that the creditworthiness of municipalities is properly evaluated.

A strong M&E system is fundamental to the success of the programme. This system enables continuous reporting and learning, ensuring that the programme remains relevant and effective in supporting municipalities and attracting investors.

Activities and outputs

The inputs described above are used to deliver activities aimed at improving municipal access to funding. Key activities include organising investor roadshows to raise awareness and increase engagement between municipalities and investors, conducting pre-credit worthiness assessments for municipalities, preparing comprehensive credit reports, and submitting these reports to credit committees for pre-approval. These steps ensure that municipalities can show their financial viability to institutional investors.

Other activities include identifying terms of reference (ToR) for specific transactions, preparing the necessary documentation for transactions, submitting proposals to potential investors, and creating an appropriate financing modality in the form of a Special Purpose Vehicle (SPV) to pool resources from different funders and de-risk municipal investments.

The expected outputs include the completion of investor roadshows, development of credit reports, pre-approvals obtained from credit committees, successful submission of funding proposals, and the creation of the blended finance SPV. These outputs lay the foundation for mobilising investment into municipal infrastructure projects.

Outcomes

In the short term, the programme will raise awareness among institutional investors, leading to greater understanding and confidence in the municipal asset class. By de-risking municipal investments through mechanisms such as the FLF the programme makes the asset class more attractive to risk-averse investors. This will result in mobilised investors committing to the IMDF and an increase in the number of financial institutions willing to engage with municipalities.

In the intermediate term, the programme will diversify the funding options available for municipal infrastructure projects. This will improve the mix of financing available to municipalities, leading to enhanced credit and liquidity in the sector. As more municipalities gain access to finance, especially those previously unable to secure institutional investment, they will be better positioned to invest in critical infrastructure, improving service delivery to their communities.

The achievement of these outcomes is based on the following key assumptions:

- A financing gap exists in the market.
- First loss facility is large enough (5%).

- Municipalities have appetite for debt/ to borrow.
- Municipal ToRs are a competitive process.
- Investor roadshows are done at the right time.
- Interest from DFIs (local or international) who understand the local market.
- Investor roadshows are well attended/ there is sufficient interest from institutional investors.
- Interest from, and participation of, institutional investors, both in terms of the number of investors and the value of their commitments.
- Investors use the credit reports and letters to get pre-approval “in principle” from credit committees.
- Investors meet timelines for approval from credit committees (done per transaction)/ Pre-approval/ in principle approval reduces time for credit approval.
- Proposals submitted by IPM (IMDF) are competitive in terms of pricing, tenure, management fees.
- IMDF does not crowd out existing private sector investment.

Impact

The long-term impact of the IMDF programme is to empower municipalities to address their infrastructure backlogs effectively, contributing to the overall provision of quality infrastructure across South Africa. This includes improved access to urban infrastructure, which is crucial for driving economic development and improving the quality of life for South Africans. By addressing the risk aversion of institutional investors and improving the financial viability of municipalities, the IMDF programme aims to facilitate sustainable and inclusive development, thereby contributing to the broader socio-economic goals.

6.4 Efficiency

To what extent has the IMDF been implemented as planned?

- What factors influence the way the IMDF has been implemented?
- What are the main enablers and bottlenecks/ constraints/ barriers to an efficient implementation of the IMDF?

Summary findings:

Finding 1: The higher pricing structure, above competitive market rates, made the fund less attractive to municipalities, which prioritise a balance between pricing, loan tenor, and long-term benefits.

Finding 2: The low involvement of municipalities in the IMDF highlighted inefficiencies in INCA's operational strategy, as municipalities favour more cost-effective financing options from commercial banks.

Finding 3: Institutional investors emphasise the role of concessional financing in reducing the overall cost of capital, which is critical to meet their higher return expectations.

Finding 4: The internal credit approval processes of the fund managers are often lengthy and have not always aligned with the IMDF's required turnaround times given municipal procurement processes.

This section of the report focuses on the extent to which the IMDF was implemented as planned, exploring the successes and challenges encountered during the execution phase. It assesses the efficiency of the implementation process, identifying key enablers and the bottlenecks, constraints, and barriers that hindered its effectiveness. In addition, the section reflects on how the IMDF might have been implemented differently to improve its outcomes and streamline its execution.

Efficiency of implementation

Municipalities

The IMDF faced significant challenges due to its higher pricing structure, which was above the typical financing models in the market. IMDF loans were priced above JIBAR+2, a common benchmark for competitive bank financing, which made them less attractive to municipalities compared to other available options. While

competitive pricing was important, municipalities prioritised the balance between pricing, loan tenure, and the long-term benefits of the financing product. The DBSA had previously offered highly competitive loans at prime less 5%, but these loans are no longer available, further complicating the financing landscape. The pricing of loans remains a critical factor in securing municipal approval, and the IMDF's higher cost became a significant barrier to its widespread adoption.

The low involvement of municipalities in the IMDF highlights potential inefficiencies in INCA's operational strategy, especially when municipalities are often inclined to choose financing options that offer more favourable pricing terms. Municipalities, whose financial decisions are strongly influenced by cost-effectiveness, found it difficult to justify the higher cost of the IMDF when other options, particularly from commercial banks, offered more competitive rates. This competitive pressure has limited IPM's ability to secure municipal clients and highlights the need for a reassessment of the pricing structure of the IMDF. Without addressing this issue, IPM risks losing further market share to commercial banks, which continue to offer more attractive terms.

Private sector

The high cost of financing from the AFD created additional challenges for the IMDF. The anchor investor to the IMDF, the AFD, required returns that were higher than the rates offered by South African commercial banks, reducing the fund's attractiveness to institutional investors. Geopolitical tensions also led to contextual changes in the Eurobond market during the period of review. The absence of concessional financing, which is a standard feature in blended finance models, further exacerbated this issue. In typical blended finance structures, concessional financing provides lower-risk returns, making the investment more appealing to risk-averse institutional investors. Without this layer of protection, the IMDF struggled to offer the security necessary to attract institutional capital. The combination of uncompetitive financial terms and the lack of investor protection made it difficult for the IMDF to meet its objectives and secure the necessary private sector participation.

The IMDF was specifically designed to include pre-approved credit limits and streamlined approval processes to align with the 30-day tender periods typically issued by municipalities. Without this support, institutional investors are unable to participate effectively. In addition to being perceived as too expensive due to the absence of blended financing, the fund was further constrained by the lengthy internal credit approval processes of fund managers, which did not align with the IMDF's turnaround requirements. As a result, fund managers were unable to secure formal commitments. To enable timely participation, a pre-approved credit approval mechanism is proposed.

The efficiency of the IMDF is reflected in its ability to mobilise resources and streamline financing processes relative to the existing market conditions. Internal discussions indicated that as municipalities engaged with commercial banks for financing, the need for concessional financing became a strategic debate, suggesting that the IMDF positions to address market gaps. However, challenges remain, including the complexities around legal clarity of financing structures and risk assessment, which require ongoing attention to better align with municipal and private sector expectations.

6.5 Effectiveness

To what extent has the IMDF delivered on its various components?

- What has been the reach of IMDF?

Summary findings:

Finding 1: Municipalities recognise the need for long-term infrastructure financing but find the IMDF less effective due to its reduced activity and inability to compete with more favourable commercial bank terms, especially for municipalities with higher credit ratings.

Finding 2: The private sector sees potential in the IMDF for supporting lower-tier municipalities but highlights the need for innovative financial structures, risk mitigation tools such as guarantees, and better alignment of pricing with investor expectations to ensure its sustainability.

The effectiveness of the IMDF is evaluated by assessing its ability to deliver on its various components and the extent of its reach. This section explores how well the IMDF has met its intended goals, evaluating its impact across different areas and identifying the scope of its influence in terms of both financial reach and the outcomes achieved.

Effectiveness of the IMDF

Municipalities

While municipalities recognise the limitations of commercial bank loans, which typically offer tenures of no more than 10 years, the IMDF's longer-term loans have become less effective due to its diminished activity in the municipal loan market. There remains a significant unmet demand for long-term infrastructure financing, especially for projects such as water and sewerage networks. Municipalities have expressed a strong desire for more innovative financing solutions, particularly those that offer extended tenures, which are often not available through traditional banking products. This gap in financing options has left many municipalities struggling to find the capital needed to address critical infrastructure needs.

Despite the promise shown by the IMDF, there is limited evidence regarding its long-term effectiveness and engagement with municipalities. Discussions revealed the importance of improving municipalities' financial maturity and long-term financial planning to better attract private sector investment. In addition, concerns have been raised about the ability of the fund to meet the diverse financial needs of municipalities, particularly smaller ones. Some municipalities, particularly those in the Western Cape, can secure more favourable terms from commercial banks due to their stronger credit ratings, making it difficult for the IMDF to compete. Furthermore, the private sector noted that while some municipalities are financially robust, many others face challenges in financial management, which undermines the overall effectiveness of the IMDF in supporting sustainable municipal financing.

Private sector institutional investors

The private sector institutional investors surveyed acknowledge the potential long-term impact of the IMDF in improving municipal infrastructure financing, especially for lower-tier municipalities that struggle to access capital markets. However, concerns about the sustainability of the fund remain a key issue. The private sector emphasised the importance of exploring innovative financial structures, such as blended financing and guarantees, to mitigate risks and increase the appeal of the fund to institutional investors. In addition, there was a suggestion that guarantees from credible institutions, such as the World Bank or the National Treasury, could help improve the fund's risk assessments and improve investor confidence. Despite these challenges, there is a willingness within the private sector to re-engage with the IMDF in the future, provided the pricing

and risk-return profiles are adjusted to align with investor expectations. The 5% FLF was sufficient to provide limited liquidity coverage but was too small to achieve meaningful de-risking. Its scale was inadequate to serve as a guarantee that would incentivise institutional investors to reduce their required returns. As a result, it failed to lower the overall pricing of the IMDF or attract private sector participation at more affordable rates.

7. Conclusion and Recommendations

For ICBF:

The ICBF programme has made notable progress in addressing the financial planning challenges faced by South Africa's intermediate cities. Its capacity-building initiatives, including masterclasses, summer schools, and the development of long-term financial planning tools, have provided valuable support to municipal officials in enhancing their financial management capabilities. However, the implementation of these tools has been limited, with several municipalities struggling to sustain engagement due to concerns raised about financial constraints, staff turnover, and competing priorities. Furthermore, the reliance on donor funding and licensing fees for continued access to financial tools has raised concerns about the programme's long-term sustainability. The lack of clear eligibility criteria for training opportunities has also led to perceptions of inequity in access, while administrative inefficiencies and the absence of structured follow-up support have hindered the consistent application of the financial models. To ensure the continued success and expansion of the ICBF, a more inclusive and sustainable approach is necessary, one that fosters greater institutional integration and provides ongoing support to municipalities. The following recommendations aim to address these challenges and enhance the programme's impact.

For ICBF

Recommendation 1: Redesign the ICBF to strengthen thematic focus and post-training support.

To enhance the long-term effectiveness and sustainability of the ICBF, its design should be restructured to distinguish between capacity-building for LTFP and the use of the LTFM. The restructured ICBF should centre on a strengthened Community of Practice (CoP) model that reinforces learning through quarterly (or bi-annual) thematic masterclasses and a focused and tailored annual summer school. The CoP may be structured to provide a broad access online platform that enables knowledge dissemination and structures tailored capacity building interventions. These interventions can be layered to provide broad access through the platform and more targeted access through online quarterly (or bi-annual) thematic master classes that culminate in a focused and tailored annual summer school.

These platforms should not only deliver technical content but also provide tailored, post-training support through refresher sessions, hands-on workshops, mentorship for new officials, and integration into municipal onboarding processes. This approach would ensure continuity of learning, address varying levels of municipal capacity, and simplify the application of financial tools in real-world settings.

Recommendation 2: Establish a structured and transparent selection process for municipal capacity-building initiatives.

To enhance the appropriateness of the programme's design, there is a need to establish a more structured and transparent selection process for capacity-building initiatives. A more inclusive approach - through a broad online Community of Practice (CoP) portal and expanded access to quarterly or bi-annual masterclasses - would enable broader participation and help scale up capacity-building efforts across more municipalities, including those with weaker financial management capacity. Clear and transparent eligibility criteria for participation at the focused annual summer school could then target municipalities that have actively engaged in the quarterly (or bi-annual master classes) and achieved an objective of level of financial maturity in terms

of the National Treasury financial benchmarked ratios. This would continue to enable curated participation for the summer school event that promotes active and engaged learning.

Recommendation 3: Institutionalise a structured and credible Community of Practice (CoP) for municipal financial management.

A formalised CoP could complement and extend the reach of ICBF training efforts. The CoP would serve as a platform for peer learning, practical knowledge exchange, and collaborative problem-solving aligned with real-world municipal financial management challenges. To be effective, the CoP should include structured activities such as case-based learning, quarterly virtual workshops, and facilitated peer-learning groups. These engagements should be tailored to municipal-specific contexts and enable the application of financial planning tools through practical simulations and real-life scenarios. By fostering ongoing dialogue and providing access to technical advisory support, the CoP would strengthen institutional memory and help municipalities sustain financial planning improvements over time.

Recommendation 4: Revise the Municipal Handbook to include practical best practice implementation case studies.

The ICBF Handbook could also be strengthened by incorporating real-world examples from municipalities that have successfully implemented its recommendations. Some stakeholders proposed that a digital or interactive version of the handbook be developed to improve accessibility and engagement. Given that revising the full handbook requires substantial effort and resources, a complementary approach could involve regularly publishing short online policy briefs or guidance notes with practical case studies and implementation insights. Moreover, municipalities emphasised the need for more on-the-ground technical assistance in applying financial planning tools, particularly in integrating the long-term financial model into existing municipal budgeting frameworks.

For IMDF:

Recommendation 1: Reconceptualise the design of the IMDF.

The current design of the IMDF is not effective. There appears to be a fundamental design failure as the fund's financing modality has not enabled combining of development financing and private sector institutional financing into an offering that matches the pricing and tenor requirements of targeted municipalities requiring longer term tenor infrastructure financing. One major issue is that all investor approaches require returns higher the cost of borrowing that municipalities are willing to consider. The IMDF's offering is likely only to become competitive if concessional financing is blended with private institutional financing to offer a more competitive rate structure. For this to happen, the design must enable blended financing that can reduce interest rates to a range of JIBAR + 2%, which is the comparative benchmark rates offered by commercial bank financing, as well as longer tenors that provide a unique value offering that is not in direct competition with available commercial bank financing. The implication is a requirement for redesigning the IMDF.

Recommendation 2: Improve credit enhancement.

The existing 5% FLF has proven insufficient as a credit enhancement tool. While it offered limited liquidity support in the event of defaults, its scale was too small to meaningfully de-risk the investment for private sector institutional investors. Consequently, it did not incentivise investors to lower their required returns or enable the necessary blending of concessional and commercial capital to reduce the cost of capital. To improve its effectiveness, the FLF should be strengthened, both in scale and structure, to function as a credible guarantee mechanism. A more robust FLF would enhance the credit profile of the instrument, reduce perceived risk, and increase its attractiveness to institutional investors.

Recommendation 3: Apply the additionality principle.

SECO's funding is based on the principle of additionality, meaning the IMDF should not directly compete with commercial banks in its financing offer to municipalities. In cases where municipalities can secure financing for tenors of up to 15 years and at competitive rates, the IMDF should not intervene. Its role should be limited to instances where municipalities cannot obtain financing beyond 10 years at competitive rates. The implication is that the IMDF should be focusing on those intermediate city municipalities that are not able to attract commercial bank financing of sufficient tenor and pricing structure as its target market in a redesign.

ANNEXURE 1 : INTERVIEWEES

Table 5 below provides a list of stakeholders interviewed between November 2024 and March 2025.

Table 5: Interviewee List

Organisation	Name
INCA Portfolio Managers (IPM)	Mr Attie van Zyl
	Mr Gert van der Linde
Swiss State Secretariat for Economic Affairs (SECO) – Pretoria Office	Mr Gerhardus Jacobus Pienaar
	Mr Daniel Lauchenauer
	Mr Saebelo Thomas Nyawo
Swiss State Secretariat for Economic Affairs (SECO) – Headquarters	Mr Raoul Kaenzig
	Ms Jennifer Anthamatten
	Ms Barbara Buser
Municipalities	
Bitou Local Municipality	CFO: Mr Felix Lotter
	MM: Mr Mbulelo Memani
George Local Municipality	CFO: Mr Riaan Du Plessis
Hessequa Local Municipality	CFO: Mr Gerhard Goliath
	MM: Mr Albert de Klerk
City of uMhlathuze Local Municipality	CFO: Mr Mxolisi Kunene
	Financial Manager: Mr Hilton Renald
Oudtshoorn Local Municipality	Senior Manager: Mrs Sophia Swart
Sol Plaatje Local Municipality	CFO: Mr Kenneth Samolapo
Other stakeholders	
Agence Française de Développement (AFD)	Ms Camile Chaigneau
	Ms Yasmeen Dinath
International Finance Corporation (IFC)	Mr Gaetan Tiberghien
	Ms Philippa McLaren
National Treasury: Intergovernmental Relations (NT-IGR)	Mr Jan Hattingh
	Ms Sandra Sekgetle
	Ms Kgomoetso Baloyi
	Ms Samantha Naidu
Sanlam	Mr Ockert Doyer
	Ms Tracy Cupido
STANLIB	Ms Thuli Kumalo
Stellenbosch University	Prof Tania Ajam

ANNEXURE 2: ICBF deliverables by municipality (2021/22–2024/25)

Table 6: Summary of ICBF deliverables by municipality and year

ICBF Support for Establishment of IFA & LTFP as well as Institutionalisation of LTFM							*Not ICBF Funded Except NT	
Year	Municipality	IFA	LTFP	Update	FRP	TOTAL	LTFM + Training	Comments
2021/22	Breede Valley LM	Yes	Yes					
	Sol Plaatje LM	Yes	Yes					
	City of Mbombela LM	Yes	Yes					
	George LM	Yes	Yes					
	City of uMhlathuze LM			Yes				
	City of Polokwane LM	Yes						
	KwaDukuza LM			Yes				
	Steve Tshwete LM			Yes				
	Lekwa LM	Yes						
	Mossel Bay LM	Yes						
	Total	7	4	3	0	14	0	
2022/23	Lekwa LM	Yes			Yes			
	Mossel Bay LM			Yes			Yes	
	Polokwane LM		Yes					
	George LM			Yes			Yes	
	Drakenstein LM			Yes			Yes	Issued a tender for LTFM & Training and appointed Akhile.
	Breede Valley LM			Yes				
	Kouga LM	Yes	Yes					
	City of Mbombela LM			Yes				
	Steve Tshwete LM			Yes				
	Rustenburg LM	Yes	Yes					
	Mogale City LM	Yes						
	Dr Beyers Naude LM	Yes	Yes					
	Sol Plaatje LM			Yes				
	JB Marks LM	Yes	Yes					
	Bitou LM			Yes				
	Theewaterskloof LM						Yes	
	Total	6	5	8	1	20	4	
2023/24	Mogale City LM		Yes					
	Bitou LM	Yes						
	National Treasury						Yes	
	Khai Ma LM	Yes	Yes					
	Knysna LM			Yes				
	Bela Bela LM	Yes	Yes					LTFP developed but no interest thereafter.

	Govan Mbeki LM	Yes	Yes					LTFP developed but no interest thereafter.
	Mahikeng LM	Yes	Yes					LTFP developed but no interest thereafter.
	Lekwa LM			Yes				
	Makana LM	Yes						IFA done but no interest thereafter.
	Matzikama LM	Yes						
	Dr Beyers Naude LM			Yes				
	Buffalo City MM						Yes	
	City of uMhlathuze LM						Yes	
	Langeberg LM						Yes	
	Nelson Mandela Bay MM						Yes	
	Total	7	5	3	0	15	5	
2024/25	City of Tshwane MM	Yes		Yes			Yes	
	Rustenburg LM			Yes				
	Polokwane LM			Yes				
	Stellenbosch LM			Yes				
	Dr Beyers Naude LM			Yes				
	Lekwa LM			Yes				
	Bergrivier LM			Yes				
	Steve Tshwete LM			Yes				
	Khai Ma LM			Yes				
	Kamiesberg LM	Yes						
	Richtersveld LM	Yes						
	Enoch Mgijima LM	Yes	Yes					LTFP developed but no interest thereafter.
	City of Mbombela LM			Yes				
	Govan Mbeki LM			Yes				
	Sol Plaatje LM			Yes				
	Greater Tzaneen LM	Yes	Yes					
	Midvaal LM			Yes				
	KwaDukuza LM			Yes				
	Langeberg LM			Yes				
	Overstrand LM			Yes				
	Hessequa LM						Yes	
	West Coast DM						Yes	
	Total	5	2	16	0	23	3	
	Grand Total	25	16	30	1	72	12	

Source: Table provided by IPM



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