

Macro International, Inc.

**Municipal Infrastructure Investment Unit
Mid-Term Review**

Report of Evaluation

Final Report

Submitted By:

Michael DeAngelis and Professor Richard Tomlinson

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EXECUTIVE SUMMARY

The purpose of this mid-term evaluation is to examine the progress made by the Municipal Infrastructure Investment Unit (MIIU) in supporting the provision of municipal infrastructure through the use of private capital in South Africa.

The MIIU

The MIIU was established to assist municipalities to meet their obligation to develop service delivery capacity by means of using Municipal Service Partnerships (MSPs) both to undertake the delivery of services and to raise finance for service delivery. The mission of the MIIU involves enhancing deal flow and helping to create a market for MSPs. A third understood objective has been to raise funds for the Preparation Fund (PF).

The character of the MIIU Mission and its scope of activities have implications for the criteria to be used for the assessment of the MIIU. The key success indicators utilized by the MIIU primarily focus on deal flow, one aspect of the MIIU mission. It is unclear if certain other indicators can be operationalised.

The consultants' view is that the essential legacy of the MIIU resides in creating a market for MSPs, the second aspect of the MIIU mission (although the precedent created by deal flow clearly contributes to making a market). The assessment, therefore, primarily focuses on qualitative measures such as the role and capacity of consultants and the availability of model contracts.

MIIU Assistance

Project Preparation Unit (PPU) assistance with making a market consists of using grant funding to enable municipalities to consider MSP service delivery options; using MSPs to create a precedent, including the preparation of model contracts; and contributing to the policy and legislative environment.

The policy and legislative contribution arose out of the role played by the PPU during its assistance with the Nelspruit and Dolphin Coast projects, which

encountered significant regulatory difficulties. The PPU had the expertise and credibility to provide advice with regard to impending legislation and regulations. This contribution of the PPU is on going because while the Municipal Systems Bill addresses many issues, other areas of legislative uncertainty remain.

A further contribution to making a market resides in precedent and the preparation of model contracts. The closure of deals, negotiations in respect of other deals, and the beginning of the implementation of MSPs are generating considerable interest among other municipalities. In addition, model contracts are emerging from these undertakings. With a few more agreements in the water and sanitation and waste management sectors, the MIIU will be able to reduce its grant funding and technical assistance for such projects.

The third contribution to making a market arises from a standardised project preparation process that minimises doubts regarding the underlying assets and potential financial and legal difficulties, and includes transparent criteria for assessing contractor proposals.

An additional key role for the PPU resides in its assistance to municipalities in the management of consultants. This need reflects the fact that a MSP typically requires consulting inputs on engineering, financial and legal matters. However, the consultants typically lack the necessary expertise, the terms of reference for these consultants are complex, and many municipalities lack the ability to manage the consultants and evaluate their contributions. The PPU, therefore, also serves as a management consultant whose role is distinguished by the fact that it is independent of other interests and acts as an advocate for the municipality.

Assessment of the Effectiveness of the MIU

The assessment of the MIU towards the objective of “encouraging and optimising private sector investment in municipal services, on a basis that is sustainable for both the municipal and at a national level”, that is, creating a market for MSPs, is not subject to a simple objective or quantitative analysis. The following criteria were used in our assessment.

Deal Flow: One method of assessing the effectiveness of the MIU is the number of deals completed and the number of deals in the project pipeline. Up to this point in time, the development of the deals has been slower than expected. However, the difficulties encountered during the closing of the Nelspruit and Dolphin Coast, and the resolution of these difficulties, greatly benefits the projects to follow and ensures more rapid progress.

Nonetheless, the assessment of those interviewed, the case studies and market participants in other projects in various stages of development credited the MIU as a major factor to the success of the projects.

Rands and Households: It is not possible at the initial stage of a contract to know how many additional households will be served with a particular level of service or what the capital input will be for the contractor to meet its contractual obligations during the term of the contract. Estimates of the households served and the Rands leveraged are, therefore, somewhat preliminary. Nonetheless, this measure will, in the future, help to monitor the effectiveness of the MIU and should be one of the required elements of the contract monitoring process.

Creating a Market: The assessment of the ability of the MIU to create a market must necessarily be more subjective, but there can be no doubt that a market for MSPs consisting of the necessary participants and interested stakeholders is being created.

The following elements were considered in assessing the performance of this criterion.

Municipalities: The growing project pipeline demonstrates the increasing level of municipal interest in MSPs (and strains the present capacity of the MIIU).

Private Partners: The importance of the Nelspruit and Dolphin Coast projects to the private investor community cannot be underestimated. Not only did these transactions achieve labour accommodation and make a path through the labyrinth of the legal and regulatory environment, they also are perceived to have exhibited a high level of commitment by the national government to the MSP process. This has helped with the building of a competitive of a competitive private market for water and sanitation services.

Consultants: The contribution of local consultants has, to this point, been somewhat limited due to lack of experience with MSPs and the MSP process. However, this contribution can be expected to improve over time. This further emphasises the need for municipal capacity to manage consultants, the assistance of the PPU in this respect, the significance of this assistance in setting up standards for consultant performance, and the process for the preparation of MSPs and model contracts.

Financial: The financial sector of the market is comprised of both municipalities' and the contractors' access to private finance. Municipal access to private financial resources is limited by the legal risks created by uncertainties in the legal and regulatory framework as well as issues of creditworthiness. There is limited demand from the private sector for municipal debt and the additional issues of legal risks and creditworthiness add to the reluctance of private financial institutions to participate in this market.

The contractor's access to the private financial market is dependent on the investment it is willing to undertake. To the extent a contractor seeks project financing in addition to its own investment, many of the same issues of

feasibility and legal risks have met a reluctant financial market. Increasing regulatory clarity will reduce barriers to private finance, as will a track record of payment for services achieved by contractors. However, when selecting contractors, consideration should be given to the ability of the contractor to secure private financing for the project's capital needs.

Legislative and Regulatory Framework: The legal and regulatory environment for MSPs has been complex, conflicting and evolving and has contributed substantially to the delay in the closure of the first MIIU projects and inhibited access to private financing. The role of the PPU in its advocacy of an appropriate legal and regulatory structure within various governmental agencies has been essential to the forward, albeit slow, progress of projects. The input has been perceived by those interviewed as credible and effective.

Funding: One of the implied mandates of the MIIU was to secure additional funding sources. The MIIU has not been successful in obtaining adequate funding for its five-year term and needs to reassert its efforts in this regard.

Creating a Path: The successful completion of projects is essential for the creation of a market for MSPs. Precedent, the development of standardized procedures, and model documents are serving to create a path.

Role of MIIU: The MIIU is clearly viewed by all sectors of the MSP market as effective and making an instrumental contribution to the ability of municipalities to meet their service obligations through the utilization of MSPs and private sector investment.

- a) MIIU grant funding of a portion of the costs of project preparation is essential, especially as it obviates the financial risk to municipalities of exploring MSP options and perhaps determining that a MSP is inappropriate.
- b) The MIIU is viewed as an independent advisor to the municipality without any agenda other than the municipality's "best interests."

- c) The PPU is perceived as offering a very high level of technical expertise and international standards with the MSP process.
- d) The PPU is perceived as a strong advocate for municipalities' interests.
- a) *Management assistance*: An important function of the PPU has been to assist the municipality to manage its team of consultants. This assistance has been identified as one of the particularly valuable contributions of the PPU and for which there is not any alternative assistance available to the municipality.

Issues and Concerns

Management: The unique organizational structure of the MIU and its management relationship with the DBSA has created a difficult management structure within which the MIU must operate. The primary problematic area is with issues of accountability.

The Management Contract expires in April 2000 and must be extended, terminated, or renegotiated. This opportunity should be taken by the Board to negotiate more satisfactory terms to this arrangement that reflect mutual accountability between the Board and management of the MIU.

Human Resource Constraints: The labour intensive nature of the advisory services provided by the PPU as well as the need to assure good practices and procedures have severely strained the human resource capacity of the PPU. Recommendations with regard to the exit strategy referred to below include a more selective participation in MSP sectors where a critical mass of transactions have occurred, and where model documents and procedures are in place. This will alleviate some of the constraints on the PPU's human resources. Additionally, if funding sources permit, we would recommend any additional human resource capacity added to the PPU be made with the goal of capacitating South Africans.

Effectiveness of Board: Consideration should be given to decreasing the size of the Board to members that have the capacity to direct the MIIU mission.

Local Government Transformation: It is likely that the new demarcations will put renewed pressures on municipalities to deliver services and so increase the demand on the MIIU.

Support of Government: Following the recent Cabinet reshuffle there is uncertainty regarding government support of MSPs and whether the operations and funding of the MIIU will continue to receive similar support. In order to counter this uncertainty, it is desirable that DPLG again clarifies its support for MSPs and the activities of the MIIU.

Communications: PPU communication activities have primarily dealt with developing the market, that is, communicating horizontally and downwards. This strategy assumes government commitment to MSPs and the assured availability of funding. With a new Cabinet in place and with a view towards ensuring continued support from key stakeholders, the PPU should clearly be communicating its mission “upwards.”

Exit Strategy

The MIIU must prepare for the termination of its existence. The first issue is the need for increased discrimination among the transactions to be selected for assistance and the nature of the assistance, in order to ensure that precedents and model contracts are present in many different service sectors.

The second issue is that, although the original mandate was for the MIIU to function for five years, unless funding is made available for the full five-year period, the MIIU must be prepared to cease its operations when its funding is no longer sufficient. However, assuming sufficient funding through the five-year period, the MIIU must be prepared to cease its operations at that time, on the assumption that the five-year period defines its mandate.

An alternative perspective is that the MIIU's mandate is to create a market for MSPs and, if at the end of the five-year period, a sustainable market is not in place due to the unforeseen delays already noted and/or new needs, it may be desirable to extend the MIIU's mandate for a specified extension. Most market participants feel strongly that a capacitated market will take more than five years, many indicating five to seven years and not more than ten years, may be appropriate, and there is a near unanimous view that the MIIU's mandate should be extended.

Conclusion

The demand on municipalities to provide good quality and affordable services will continue to grow, as will the dependence on private sector finance and service delivery. This will increase the demand for the services of the MIIU.

The MIIU is an effective operation providing essential funding and technical expertise to the process of utilizing the private sector investment in the delivery of municipal services. Its role to date has been to provide necessary funding for the process and to be an honest broker in its advisory role; as an independent, knowledgeable advisor to municipalities with its advice perceived as being the "best deal" for the municipality. This independence and integrity have given the MIIU the credibility among municipal officials, national policy participants, as well as private partners and consulting entities.

Projects facilitated by the MIIU were better for municipalities and for households within the municipality because of the MIIU contribution.

1. Terms of Reference

The purpose of this mid-term evaluation is to examine the progress made by the Municipal Infrastructure Investment Unit (MIIU) in supporting the provision of municipal infrastructure through the use of private capital in South Africa.

This report will:

- summarise the current status, impact and role of the MIIU support to municipalities;
- comment on the management and administrative functions of the MIIU;
- comment on the relationship between the MIIU and other governmental agencies; and
- comment on policy issues that facilitate and/or inhibit private investment in municipal infrastructure.

This report is set forth as follows:

2. The MIIU
3. Process
4. Rationale for, and Mandate of, the MIIU
5. Criteria for Assessment
6. MIIU Assistance and the Role of Consultants
7. Assessment of the Effectiveness of the MIIU
8. Issues and Concerns
9. Conclusion

2. The MIIU

The MIIU was established to help municipalities with packaging projects for private financing and the implementation of collection systems to repay capital

investments. In order to fulfil this function the MIIU identified the need to provide assistance with the drafting of legislation and regulations governing Municipal Services Partnerships (MSPs). The MIIU supports a process that is based on demand from municipalities, with all the assistance targeted to municipalities and their communities. The role of the Project Preparation Unit (PPU) is to ensure that the process of forming MSPs for municipal infrastructure is well managed in the interests of both public and private sectors and to facilitate investment in municipal infrastructure. Operationally, the PPU supports municipalities and their consultants to develop project proposals and to offer funds to hire local consultants for this purpose.

The MIIU consists of three interlocking components, namely a:

- Board of Directors which has a broad oversight and policy role and a specific fiduciary duty with respect to grant funding;
- PPU which is the operational core of the MIIU and which processes applications for technical assistance from municipalities and oversees the management of the Preparation Fund (PF); and
- PF, seed funded by Government and USAID, which provides direct assistance to municipalities for the preparation of projects involving private sector funding.

3. Process

The process of undertaking the mid-term review of the MIIU began with the consultants familiarising themselves with an extensive body of documents with a view, inter alia, to developing clarity regarding the MIIU objectives and scope of work and proposing criteria for assessing whether the deliverables and the objectives are being realised. (The documents consulted are listed in Annexure 1.)

On the first day of meetings the consultants met with Ms. Monhla Hlahla, CEO of the MIIU, and Mr. Joel Kolker of USAID, and subsequently with the MIIU team, in order to:

- ensure a shared understanding of the terms of reference for the review;
- ascertain whether the consultants have a correct understanding of the MIIU objectives, scope of work and appropriate criteria; and
- discuss and agree upon the process of the review.

The review proceeded with the consultants interviewing the MIIU team and key stakeholders using an initial and evolving set of questions. (The persons interviewed are listed in Annexure 2.) Towards the end of the project there were follow-up interviews and 'debriefings' with Ms. Hlahla and Mr. Kolker.

The stakeholder interviews included meetings with officials of the Greater Johannesburg Metropolitan Council, Nelspruit and the Dolphin Coast. The three case studies had already been written for publication and instead of rewriting these case studies, the case studies were used as an opportunity to gain detailed insight into whether or not the MIIU's objectives were being realised and into issues and concerns that had arisen. (The case study references are included in Annexure 1.)

4. Rationale for, and Mandate of, the MIIU

4.1 Rationale

The rationale for the MIIU evolves out of certain key policies and documents. The first is the Reconstruction and Development Programme wherein all South Africans were guaranteed at least a basic level of services.

This led to the questions: how many South Africans lacked such services? What would it cost to deliver the services? How might service delivery be organised? The Municipal Infrastructure Investment Framework (1997) set

out to answer these questions and proposed a variety of alternatives for organising service delivery. MSPs were suggested as one option, both in order to bring in private sector management and to use MSPs to leverage private investment and debt.

The Local Government White Paper (1998) specified that the 'central mandate' of developmental local government "is to develop service delivery capacity to meet the basic needs of communities." The difficulty that arises is that the large majority of municipalities lack the financial and institutional capacity to begin to overcome the service backlogs. It was for this reason that the White Paper proposed various forms of MSPs and privatisation as a means of achieving the central mandate.

The MIIU was established to assist municipalities to meet this obligation through establishing MSPs that would deliver services and raise finance for service delivery in respect of both capital investment for infrastructure and subsequent operations and maintenance expenditure. In this light, the MIIU should be seen as one among a number of initiatives for this purpose, including the guidelines for MSPs and the Municipal Systems Bill.

4.2 Mission

As reflected in Cabinet Memorandum No. 14 of 1997, the mission of the MIIU is "to provide technical assistance for municipalities in preparing public/private partnerships or other privately financed infrastructure projects."

The mission of the MIIU has evolved over time and has since come to embrace both deal flow and to help create a market containing informed municipal clients, private sector advisers, and private sector investors and service providers. The latter reflects the five-year duration of the MIIU mandate, at the end of which (it was intended) this market should be in place and replace the MIIU.

The two objectives reinforce one another insofar as deal flow creates precedents, spreads knowledge and capacity among the market participants, and leads to the creation of an accepted process for preparing MSPs and standard model contracts. However, there are differing perspectives on the relative importance of deal flow and creating a market. In the view of the consultants, the ultimate success of the MIIU will be assessed in terms of its legacy, notably whether it has helped to create a market for the delivery of municipal services.

There is an additional objective that, it appears, has always been understood to be a MIIU responsibility, namely, that the MIIU should raise funds for the PF.

4.3 Scope of Activities

In the light of these objectives, and emerging from the initial operational experience, the MIIU's scope of activities includes:

- a number of projects in different sectors;
- grant funding to municipalities on a cost-sharing basis to hire expertise for project preparation assistance from the private sector;
- development of model contracts;
- contributing to the preparation of the Municipal Systems Bill, the guidelines for MSPs, the reshaping of the Department of Water Affairs Build, Operate, Train and Transfer model and various other initiatives that are a precondition to enabling the market to work;
- marketing and publicity of the MIIU's services; and
- the preparation of an exit strategy that will both contribute to the making of a market for private sector service delivery and enable a smooth transfer of the MIIU's activities to that market.

These activities are being undertaken with municipalities that are developing project proposals involving private sector investment. The investments can take any of a broad range of forms, including:

- corporatisation;
- private sector financing of municipal debt;
- contracting out of the management of ongoing services;
- concessions to operate the municipality's assets over a defined period;
- contracts requiring the private sector to design, build, finance and operate assets to deliver services for the municipality; and
- privatisation of assets and services.

5. Criteria for Assessment

The dual character of the MIIU mission and its scope of activities have implications for the criteria to be used for the assessment of the MIIU. The Business Plan approved at the Board Meeting of 19 November 1999 indicates six Key Success Indicators, namely:

1. Number of municipalities assisted.
2. Number of policy assignments (MIIU contributions to policy development).
3. Number of private sector consulting companies in MIIU projects.
4. Number of companies participating in contract implementation.
5. Amount (actual and expected) of private sector funding leveraged for the provision of infrastructure.
6. Number of households to benefit from projects.

These Key Success Indicators essentially reflect on the MIIU Key Performance Indicators approved at the same meeting. The Key Performance Indicators are indicated in Table 1.

Table 1. Success indicators

| Envisaged Targets | | | | |
|------------------------------|---------|---------|---------|---------|
| | 1999-00 | 2000-01 | 2001-02 | 2002-03 |
| MSP contracts signed | 5 | 6 | 8 | 11 |
| Technical assistance grants* | 7 | 10 | 12 | 15 |
| Feasibility studies* | 21 | 22 | 19 | 15 |
| Projects in preparation* | 10 | 15 | 15 | 15 |

* Number of active projects (assuming that half of the projects will continue into the next year)

With the exception of the 'Number of policy assignments', these indicators focus on deal flow, one aspect of the MIIU mission. In effect, this apparent search for quantifiable indicators biases the MIIU to deal flow.

Moreover, it is unclear if certain indicators can be operationalized. For example, in regard to Rands leveraged, this will depend on a number of unknowns, including capital expenditure during the course of projects, which is related to prevailing interest rates, the availability of CMIP and housing grants, HIV/AIDS and the impact on the future demand for services. In regard to households served, the Nelspruit and Dolphin Coast examples reveal that the contracts specify areas and not the number of households to be served, and the service level is left dependent on local affordability. Therefore, it is not immediately practical to quantify the effectiveness of the MIIU using these two indicators. Moreover, even if the quantification is undertaken, there is nothing to compare the data against in order to assess effective performance.

Perhaps the greater value in beginning to assess Rands leveraged and households served lies in its value for assessing performance over time. If the Rands leveraged and households served (per Rand contributed from the PF) increases over time, then this will serve as a means of assessing the performance of the MIIU. It is in this light that the initial projections of Rands leveraged is presented. This will provide a basis for assessing the formula for calculating Rands leveraged and for determining whether the MIIU performance is improving.

Table 2. Rands leveraged by the MIIU

| | Dolphin Coast | Nelspruit |
|-------------------|---|---|
| MIIU contribution | R1 858 611 (includes MPPP funds) | R3 747 269 (includes MPPP funds) |
| Rands Leveraged | Overall: R434m (capital cost of the project over 30 years) First Phase: Equity = R24 477 000 Debt = R15 415 000 Total = R39 892 000 | Overall: +/- R1bn (capital cost of the project over 30 years) First phase: Equity = R222 416 000 Debt = R146 711 000 Total = R369 127 000 |

Yet, ultimately, the consultants' view is that the essential legacy of the MIIU resides in creating a market for MSPs and that the six indicators are poor surrogate measures for this objective. Even the 'number of policy assignments' fails to reflect the significance of particular assignments. It is for this reason that the later assessment of the MIIU's issues and objectives primarily adopts qualitative measures concerning, for example, the role and capacity of consultants, the availability of model contracts, and changes to relevant legislation and regulations.

6. MIIU Assistance and the Role of Consultants

6.1 MIIU Assistance with Project Preparation

The assistance provided by the MIIU to municipalities includes:

- grant funding for the preparation of MSPs;
- assistance to municipalities in the drawing up of consultants' terms of reference for the preparation of projects;
- assistance to municipalities in the process of hiring private sector consultants;
- advice to municipalities in the management of contracts with consultants.

Due to the lack of local consulting expertise in respect to MSPs, this assistance has, on occasion, led to the MIU to providing more of a technical input than originally anticipated. This reflects somewhat mixed signals to the PPU, namely ensuring deal flow (which requires this assistance) and building local capacity for the purpose of creating a market (which slows deal flow).

Grant funding is credited with enabling municipalities to overcome financial constraints and to consider MSP service delivery options. This funding is generally contingent on the municipality following a particular project development process (shown in Annexure 3). The process is important since the PPU is able to advise the municipality early on regarding whether a MSP is feasible. As an independent agency the PPU will have no vested interest in taking the project forward. In addition, the failure, as in Nelspruit, to inventory the relevant municipal assets (and those of the Department of Water Affairs), to determine their state of repair, and to identify relevant financial and legal obligations during the feasibility study, significantly slowed the process of reaching agreement with a contractor.

6.2 PPU Assistance with Making a Market

PPU assistance with making a market takes two forms, namely contributing to the policy and legislative environment and using MSPs to create a precedent, including the preparation of model contracts.

The first resides in the key role played by the PPU during its assistance with the Nelspruit and Dolphin Coast projects. (These projects began as Municipal Public Private Partnership pilot projects sponsored by the Department of Provincial and Local Government (DPLG). The Nelspruit project, in particular, encountered significant regulatory difficulties that not only slowed the negotiation process but also deterred private lending. The PPU had the expertise to provide advice with regard to impending legislation such as the Municipal Systems Bill, the amendment of existing legislation such as the Water Services Act and the guidelines for MSPs. For example, the Municipal

Systems Bill that will replace the Local Government Transition Act Second Amendment Act slowed negotiations as it had been interpreted as prohibiting a contractor collecting payment for services. And the Water Services Act raised questions about whether Minister of the Department of Water Affairs has the authority to unilaterally change the conditions of local service delivery despite prevailing contracts with a service provider.

This ambiguity in the policy and legislative environment discourages private interest in service delivery. Therefore assistance that deals with this ambiguity is essential for consolidating the market in service delivery. The PPU's ongoing policy and legislative contribution is necessary since, while the Municipal Systems Bill will address many issues, other areas of legislative uncertainty remain.

The second contribution to making a market resides in precedent and the preparation of model contracts. The precedents being created in Nelspruit, the Dolphin Coast and Greater Johannesburg are generating considerable interest among other municipalities and the three municipalities are being called upon to present their experience with the preparation and, as time proceeds, the implementation of MSPs.

Model contracts are emerging from these undertakings and, with a few more agreements in key sectors such as water and sanitation and waste management, the PPU will be able to reduce its grant funding and technical assistance for such projects. (This is unless the character of projects differs markedly, as might be expected in the case of water and sanitation in a metropolitan area and the same services in rural areas.)

It should be noted that contractors bring their own model contracts based on their experience in other countries that they intend to adapt to local circumstances. Since the water and sanitation market, for example, is very competitive, it is to be expected that on the side of the contractors there are, in fact, a number of model contracts. The work of the PPU helps to create a standard project preparation process and consistent, standard model

contracts that will simplify and reduce the cost and time of preparing and negotiating contracts.

The third contribution to making a market arises from a standardised project preparation process that minimises doubts regarding the underlying assets and potential financial and legal difficulties, and includes transparent criteria for assessing bids. This is because if the process is lengthy and costly for potential contractors, and if decision-making is not transparent, then service providers may withdraw from the South African market, leaving behind a less competitive environment.

Finally, linked to these market making activities is a communication strategy that involves a magazine, *Partnerships* and a website. *Partnerships* reports the latest MSPs and other matters such as the regulatory environment; lists meetings with institutions such as contractors, water boards and consulting firms; gives information on many workshops and seminars and provides limited training inputs to training (which is not included in the PPU mandate). The website presents the MIIU mission and project preparation process as well as an updated project pipeline. It should be noted that the information flow is either horizontal or down to institutions and people possessing less capacity.

6.3 The Role of Consultants

The PPU assistance to municipalities in the management of consultants reflects the fact that a MSP typically requires consulting inputs on engineering, financial and legal matters. However the terms of reference for these consultants are generally complex and many municipalities lack the ability to manage the consultants and to evaluate their contributions. The consultants themselves might have mixed agendas in that past and possible future contracts may be with contractors 'on the other side'. They may also churn and delay projects unnecessarily, if only due to lack of experience with MSPs.

It is for this reason that the PPU, in effect, serves a management consultant whose role is distinguished by the fact that it is independent of other interests and acts as an advocate for the municipality.

7. An Assessment of the Effectiveness of the MIU

The measure of achievement of the MIU towards the objective of “encouraging and optimising private sector investment in municipal services, on a basis that is sustainable for both the municipality and at a national level.” Creating a market for MSPs, is not subject to a simple objective or quantitative analysis.

7.1 Deal Flow

One method of assessing the effectiveness of the MIU would be the number of deals completed or brought to contract signing, and/or other stages of the transaction process. The process of doing deals has an impact of capacitating the municipal officials and the consultant community while encouraging the public and private sectors’ interest in this market. Additionally, the processing of projects through the legislative and regulatory framework will create the legal and regulatory pathway for similar transactions to follow. The most recent assessment of the project pipeline is included in Annexure 4.

The development of the deals has been slower than expected up to this time, due to a number of factors:

- efforts to develop the Framework for Restructuring Of Municipal Service Provision and project compliance with those provisions;
- issues relating to labour concerns;
- issues relating to the complex, conflicting and evolving legal and regulatory framework;

- the quality of local consultant work;
- the complexity of MSP transactions; and
- the complexity of the projects themselves, due to, for example, poor data regarding the availability and state of repair of services infrastructure and markedly different income levels and resultant services levels.

However, the closing of both the Nelspruit and Dolphin Coast transactions provide lessons learned and set precedent for future transactions. Nelspruit and Dolphin Coast clearly generated interest in the community of potential market participants. Additionally, the project pipeline shows that there are a substantial number of projects moving into critical stages of development. The initial MSP projects will inevitably bear the burden of an investment of time, costs and human resources that will set precedents that greatly benefit the projects to follow. The time-consuming process for these two transactions is set forth in the Dolphin Coast and Nelspruit case studies. A quantitative analysis that would count these projects as merely “two” projects that do not meet the original quantitative deal goals would be misleading and would inappropriately minimize their importance to the creation of a market for MSPs.

7.2 Rands and Households

Another measure of performance of the MIU, referred to in section 5, is to determine its value added in terms of the amount of Rand that has been leveraged into private capital investment and the number of additional households served. Certain households will be served at different levels of service based on consumer demand and the capacity to provide such service. Although projections of these factors have been made, see Table, 2, they are estimates. The projections show that a small contribution from the MIU leverages considerable equity and debt from the private sector. With the precedent established by the first projects, it can be expected that the Rands leveraged will increase over time.

However, for reasons discussed in section 5, the Nelspruit and Dolphin Coast contract provisions show that it is not possible at the initial stage of a contract to know how many additional households will be served with a particular level of service or what the capital input will be for the contractor to meet its contractual obligations during the term of the contract.

Nonetheless, this type of analysis can be an effective measurement of the leveraging of private investment in municipal MSPs to provide services that the municipalities were previously unable to provide. It should be a required element of the contract monitoring process that such information is provided and available in the future as one measurement of the effectiveness of the MSP process.

7.3 Creating a Market

At this stage of development, the assessment of the ability of the MIU to create a market must necessarily be more subjective. Based on the projects completed and in process, and recognizing that the limited projects accomplished were primarily in the water sector, there is no doubt that a market for MSPs made up of the necessary participants and interested stakeholders is being created.

a) Municipalities

The project pipeline shown in Annexure 4 demonstrates the increasing level of municipal interest in MSPs. Additionally, the closure of the Nelspruit and Dolphin Coast contracts has generated increased interest. Local officials at Nelspruit, Dolphin Coast and Johannesburg report many inquiries from other municipal officials and have been providing information and guidance based on their MSP experience. This experience demonstrates the PPU's ability to leverage as well as its efforts to provide capacity among municipal officials.

b) Private Partners

One assessment by an interested private partner suggested that South Africa is now the most competitive market in the world among potential private investors in water and sanitation services. This level of competition, if managed correctly, presents an opportunity for municipalities to take advantage of and negotiate contracts advantageous to the municipalities and their residents. The private investor portion of the MSP market for water and sanitation services is in place and apparently competitive.

The importance of the Nelspruit and Dolphin Coast projects to the private investor community cannot be underestimated. Not only did these transactions achieve labour accommodation and make a path through the labyrinth of the legal and regulatory environment, they also are perceived to have exhibited a high level of commitment by the national government to the MSP process.

However, the level of interest of the private sector also requires that the initial transactions be done well. These transactions are being looked at very carefully. There is a concern that a “bad” deal or two in such a nascent market could have a substantial negative impact on further investor interest. The value added by the MIIU to these transactions is perceived as critical to their completion, but also sets a high standard of practice and procedure for the market participants. However, two deals do not make a market, with the result that there is a continuing need for high levels of performance and transaction surveillance.

c) Consultants

Two issues were identified. The first is that the contribution of local consultants has, to this point, been somewhat limited due to a lack of experience with MSPs and the process. (However, this contribution can be expected to improve over time.) The second is that notwithstanding the

availability of some capable consultants, it is essential that a municipality have the capacity to “manage” its consultants for the benefit of the project.

With a view to ensuring deal flow, the MIU has had to get more involved in the initial deals than originally anticipated, but it is expected that the consultants will provide a better service with subsequent projects and that the MIU advisors will play less of a role. This is especially due to the fact that standards will be in place for consultant performance and for the assessment of this performance, the process for the preparation of MSPs, and for model contracts.

d) Financial

The financial sector of the market is comprised of both the municipalities’ and the contractor’s access to private finance. Municipal access to private financial resources is limited by the legal risks created by uncertainties in the legal and regulatory framework as well as issues of creditworthiness. To the extent financing is sought on a project finance basis, service area demographics and lack of operating history reflect the ability to pay restrict the availability of these resources. There is limited demand from the private sector for municipal debt and the additional issues of legal risks and creditworthiness add to the reluctance of private financial institutions to participate in this market.

The contractor’s access to the private financial market is dependent on the investment it is willing to undertake. To the extent a contractor seeks financing in addition to its own investment, many of the same issues of feasibility and legal risks will lead to a reluctant market. However, to the extent the contractor has confidence in the project sufficient to invest in it, and has the requisite balance sheet, it may be capable of financing on the basis of its credit.

The increasing clarity in the regulatory environment will reduce barriers to private finance, as will a track record of payment for services achieved by

contractors. In the interim, consideration should be given in setting the standards for contractors selection to the ability of the contractor to secure private financing for the project's capital needs.

e) Legislative and Regulatory Framework

An essential element in the creation of a market for MSPs is the legal and regulatory environment in which the privatisation transactions are carried out and in which the private partners must operate during the term of their participation. The South African legal and regulatory environment for MSPs has been and is complex, conflicting and evolving, in part contributing substantially to the delay in the closure of the first MIU projects and inhibiting access to private financing.

The role of the PPU in its advocacy of an appropriate legal and regulatory structure within various governmental agencies has been essential to the forward, albeit slow, progress of projects. The PPU's contribution is based on the practical experience of putting the projects together and the viability for continued delivery of municipal service by a private partner, as well as the concerns of the private financial investment sector. The input has been perceived by those interviewed as credible and effective. However, the environment is fluid and evolving. This role of the PPU as a force in interacting with governmental departments and other regulatory agencies, although not originally focused on as a principal performance indicator, is one in which the PPU has been especially effective and one that has also proven to be critical to the effectiveness of the PPU in creating a market.

7.4 Funding

At its outset the PPU obtained \$3 million grant funding from USAID to pay for the USAID supported international advisors contract, with a further \$800 000 being set aside for a fourth year, if required and requested. USAID also set aside \$1.3 million grant funding for the PF. The MIU is presently uncertain about future grants from the DPLG for the PF. This uncertainty in respect of

the fifth year of the PPU's operations (payment for USAID supported international advisors) and the PF has bedevilled planning in the MIIU.

In this respect, one of the implied mandates of the MIIU was to secure additional funding sources. This remains one objective in which the MIIU has not been successful. There exists some confusion as to the exclusive role of the Local Government Transition Program (LGTP) in the route to donor sources and the allocation of donor funds through the LGTP process. Donors reportedly believe that the activities of the MIIU are conducive to cost recovery and apparently are reluctant to contribute to the MIIU due to the lack of a "revolving feature" for grant funding.

The MIIU has consequently not been successful in obtaining adequate funding for its term of five years and needs to examine and reassert its efforts to comply with this mandate. Renewed efforts at donor funding should also be pursued in the context of a potential exit strategy and its future communication strategy (see discussion below).

7.5 Creating a Path

The successful completion of projects is essential for the creation of a market for MSPs. The completed projects as well as the process represent the capacitation of the MSP market. At this point, the few projects that have signed contracts do not yet provide such capacity, although the tortuous path of the transactions has provided many lessons for future transactions to both follow and to avoid. An essential element of providing this capacity is the development of standardized procedures and model documents. As more projects begin to move through the pipeline, there should be a priority created for this element. As a result of the Nelspruit and Dolphin Coast projects and the many landfill projects approaching signing, there should be the opportunity to develop standardized documents and procedures in these sectors that would be of substantial value to local officials and would provide a means for the PPU to reallocate some of its limited human resource capacity by reducing its level of involvement in those sector areas (see exit strategy below).

7.6 Role of MIIU

The MIIU is clearly viewed by all sectors of the MSP market as making an effective and instrumental contribution to the ability of municipalities to meet their service demands through the utilization of private sector investment. Based on the participants in the case studies and market participants in other projects in various stages of development the MIIU contribution is viewed as a factor without which the projects would not be happening.

a) Grant Funding

The MIIU funding of a portion of the costs of project preparation is essential, especially as it obviates the financial risk to municipalities of exploring MSP options and perhaps finding that a MSP is inappropriate.

b) Independence

The MIIU is viewed as an independent advisor to the municipality without any agenda other than the “best interests” of the municipality. This perception is due, in part, to the MIIU’s independent source of funding and the lack of any cost reimbursement to the MIIU based on the completion of a transaction. The MIIU does not have any financial incentive in the direction of a transaction and is not financially disadvantaged by recommending against proceeding with “bad deals.” (Note that this represents one argument against the MIIU’s becoming dependent on a revolving fund.) Additionally, the consultant community, even if retained by the municipality, is not generally perceived as having this level of independence.

In contrast, there may be a financial incentive for a consultant to recommend that a transaction proceed in a certain direction. Further, the extension of the process or “churning” may often be a means for increased consultant compensation. There is also a perception that a consultant may not always negotiate aggressively on behalf of a municipality against a private counterpart in the hope of developing a future consultancy relationship that

may be more lucrative than such relationships are with the public sector. The MIU is viewed as an “honest broker” working for the benefit of the municipality without any financial stake in the outcome, giving great credibility to its advice.

c) Expertise

The PPU has been credited with bringing a very high level of expertise and international standards and experience to the MSP process.

d) Advocate

The PPU has been credited with being a strong advocate for municipalities' interests. The PPU assists the municipalities to negotiate the best deal for the municipality. This strong advocacy for the municipality has substantially improved the position of the municipality. In one example, a private contractor provided a contract to a municipality prior to the MIU's participation. The private contractor admitted that as a result of the advice that the municipality received from the MIU, the contract was negotiated with substantially improved terms for the municipality. In this case, such advocacy produced a substantial cost saving to the municipality and, ultimately, its residents.

e) Management assistance

An important function of the PPU has been to assist the municipality to manage its team of consultants to assure that relevant work is produced and that issues are dealt with in a deliberate time frame to further the forward progress of the transaction. This assistance has been identified as one of the particularly valuable contributions of the PPU and for which there is not any alternative assistance available to the municipality. In the same vein, the MIU is now helping municipalities to establish monitoring and evaluation units.

8. Issues and Concerns

8.1 Management

The unique organizational structure of the MIIU and its management relationship with the Development Bank of Southern Africa (DBSA) has created a difficult management structure in which the MIIU must operate. The primary problematic areas deal with issues of accountability. Although management of the MIIU is appropriately accountable to the Board of Directors, the Board of Directors has minimal input and certainly no control of personnel matters relating to the PPU. Pursuant to the Management Agreement between the DBSA and the MIIU, the DBSA is, inter alia, responsible for “managing and administering” the operational functions of the PPU, including staffing through secondment of DBSA staff and providing certain ancillary support services. Remuneration and other benefits are determined by the DBSA and not by the MIIU Board of Directors. Despite the MIIU’s significant role, it does not appear to be a high operational priority of the DBSA and there exists the impression that the DBSA is not responsive to the needs of the MIIU.

The Management Contract expires in March 2000 and must be extended, terminated or renegotiated. This opportunity should be taken by the Board to negotiate more satisfactory terms to this arrangement that reflect mutual accountability between the Board and management of the MIIU.

8.2 Human Resource Constraints

The labour intensive nature of the advisory services provided by the PPU as well as the need to assure good practices and procedures have severely strained the human resource capacity of the PPU. Recommendations with regard to the exit strategy referred to below include a more selective participation in MSP sectors where a critical mass of transactions have occurred and model documents and procedures are in place. This will

alleviate some of the constraints on the PPU's human resources. Additionally, if funding sources permit, we recommend any additional human resource capacity added to the PPU be made with a goal of capacitation of South Africans. Depending on the potential role of the DBSA in the exit strategy, the source of additional personnel does not necessarily have to be limited to the DBSA.

A measure of success for the MIIU upon its expiration will be the capacity for providing the services rendered by the MIIU within South Africa. More South Africans within the PPU staff would enhance this objective.

8.3 Effectiveness of Board

The Board was appointed by the Minister of the DPLG with a view to representation of various constituencies rather than on the basis of the ability to provide strategic policy advice and direction. Consideration should be given to decreasing the size of the Board to a smaller number having the capacity, commitment, and awareness of MSPs to better direct the MIIU mission.

8.4 Local Government Transformation

At present, many municipalities are showing interest in the existing examples where MSPs are either in implementation or in preparation. This market-making phenomenon will to some extent be undone by the re-demarcation of municipalities and the consequent arrival of new councillors and some newly appointed senior officials. It is likely that the new demarcations will put renewed pressures on municipalities to deliver services and therefore increase the demand on the MIIU.

8.5 Support of the Department of Provincial and Local Government

The MIIU's ability to assist with MSP deals and to address opposition to partnerships was considerably enhanced by support from the Minister of, and

senior officials in, DPLG. This support also arose from constructive links between the CEO of the MIIU and DPLG. This particular link has proven invaluable in enabling the PPU to contribute to policy, and, in particular, local instances where councillors and officials have taken heart from this support and proceeded with negotiations for MSPs.

Following the recent Cabinet reshuffle, there is uncertainty regarding government support of MSPs and whether the operations and funding of the MIIU will continue to receive similar support. In order to counter this uncertainty, it is desirable that DPLG again clarifies its support for MSPs and the activities of the MIIU.

8.6 Communications

The mandate of the MIIU is to create a market for MSPs. PPU communication activities have primarily dealt with developing the market, that is, communicating horizontally and downwards. This strategy assumes government commitment to MSPs and the assured availability of funding. With a new Cabinet in place and with a view towards ensuring continued support from key stakeholders, the PPU should clearly be communicating its mission “upwards.”

The effective role of the MIIU is enhancing the ability of municipalities to meet the increasing demand for services of their constituents. In many instances, without private investment in the capital infrastructure, these services would not be provided. This broader perspective of the achievement of MSPs should not be understated. The MIIU’s objective of increasing private investment in public infrastructure is not as politically palatable as the increase of services to local constituencies, and in seeking the strong support of national government for the MIIU, these tangible results should be clearly communicated.

8.7 Empowerment

Additionally, MSPs present substantial opportunities for empowerment, an item that, other things being equal, contractors are unlikely to include in their desired contracts. The PPU's participation in project documentation has reinforced municipal ability to include empowerment concerns in the tendering. Empowerment occurs at four levels:

- capacity of councillors and officials;
- equity partners;
- small, medium and micro enterprises; and
- community based and non-government organizations.

Instead of focusing on increasing private sector participation for service delivery, which is only a means to an end, the MIIU should emphasise its role in extending service delivery at affordable prices to low-income communities.

The MIIU should communicate:

- MSPs provide a particularly effective means through which municipalities can ensure that services are delivered to low-income communities;
- service delivery contracts promote empowerment; and
- MSPs have not and do not necessarily lead to job losses.

8.8 Exit Strategy

In anticipation of the term limit of the MIIU, more focus should be given to a strategy for the termination of its operations. The potential increased flow of projects through the pipeline in the short-term, as well as personnel time limitations present an immediate need for increased discrimination among the transactions to be selected for assistance and the nature of the assistance to be given. The demand driven strategy of the MIIU appears to have been an effective one and has avoided the difficulty of prioritisation among sectors. The policy of creating a path through the difficult process with the best-

prepared deals has served well. However, there should be a determination made as to when a particular sector has developed a critical mass of transactions, sufficient model documentation is in place and the procedural pathway constructed. Upon such a determination the MIIU should redefine its potential assistance to a client in such a sector to include solely technical assistance on a limited basis and to exclude funding assistance. This exclusionary approach would extend the personnel available in the sectors that have yet to be developed.

The MIIU must also start to prepare for the termination of its existence. The first issue is to determine when the termination should occur. Although the original mandate was for the MIIU to function for five years, unless funding is made available for the full five year period, the MIIU must be prepared to cease its operations when funding is no longer sufficient. However, assuming sufficient funding through the five-year period, the MIIU must be prepared to cease its operations at that time.

But the issue is whether termination should automatically occur if its mandate has not been achieved at that point in time. One interpretation of the MIIU mandate is that it is to provide services for five years and that the mandate by its own terms is accomplished on its fifth anniversary. The contribution that has been provided within five years is the mandate. Another interpretation is that the mandate is to create a market for MSPs and an expected term of five years was set to accomplish that mandate. This interpretation raises the question that, if at the end of the five year period, a sustainable market is not in place due to unforeseen delays (such as the regulatory environment) and new needs (such as local government transformation and demarcation), it may be desirable to extend the MIIU's mandate for a specified extension.

Although there is a strong minority of opinion for the first interpretation, most market participants feel strongly that so long as the performance of the MIIU continues to be critically effective, there is no existing entity to perform the same independent function or provide the similar services, and important

elements of the market remain to be developed, then consideration should be given to extension of its term.

There is a near unanimous view that achievement of the MIIU mandate will take more than five years, many indicating five to seven years, but not more than ten years may be appropriate. There has not been any support for the MIIU to have a permanent existence in its current form.

Although we believe that the MIIU should continue its function until the mandate has been satisfied, it is premature to determine whether this will be accomplished in five years. However, the MIIU should be exploring its options in the event the five year period is determined not to be sufficient.

Support for an extension of the life of the MIIU until such critical elements of a market are in place may require that the MIIU redefine itself or consider a new home to provide its services. One option may be to become a private non-profit entity funded with supportive donor funds and the recovery of its costs for project preparation. (The lack of a governmental affiliation may inhibit its policy contribution, but within five years many of the framework issues should be in place.) Another option may be to locate its functions within the DBSA or some other appropriate institution.

9. Conclusion

The MIIU has facilitated projects. These projects and the projects were better for the municipalities because of the MIIU contribution. Interviews and case studies further support that if the MIIU were not present, there would not be MSP projects in various stages of development.

The MIIU is an effective operation providing essential funding and technical expertise to the process of utilizing the private sector investment in the delivery of municipal services. One of the MIIU's roles has been to provide necessary funding for the process. A second role of the MIIU is being an

honest broker in its advisory role. For instance, the MIIU serves as an independent, knowledgeable advisor to municipalities with its advice perceived as being the “best deal” for the municipality. This independence and integrity have given the MIIU the credibility among municipal officials, national policy participants, and the private partners and consulting entities.

In addition, the role of the PPU in its advocacy of an appropriate legal and regulatory structure within various governmental agencies has been essential to the forward, albeit slow, progress of projects. This role of the PPU as a force in interacting with governmental departments and other regulatory agencies, although not originally focused on as a principal performance indicator, is one in which the PPU has been especially effective. In addition this role has proven to be critical to the effectiveness of the PPU in creating a market.

The demand on municipalities to provide good quality and affordable services is acute and will continue to grow, thereby increasing their need to assess their options in delivering such services, including the various forms of municipal partnerships with the private sector. Increasing private sector investment in the capital needed to provide municipal services is an essential tool for municipalities meeting the demands for services. Therefore it is reasonable to conclude that there will be an increased demand for MIIU resources.

Annexure 1. Persons Interviewed

| | |
|------------------------|---|
| Jim Aiello | PPU |
| John Barton-Bridges | Member of the Board and Manager, Private Sector Investments of the DBSA |
| Thierry Chatry | SAUR |
| Francois Buck | Dolphin Coast |
| Philip Chen | CEO, Standard Bank Infrastructure Fund |
| Peter Coetzee | Greater Johannesburg Metropolitan Council |
| James Dorman | PPU |
| Andrew Ferguson | CEO, Dolphin Coast |
| Clive Ferreira | MD, Fieldstone Private Capital Group |
| David Ferreira | Member of the Board |
| Stewart Gibson | Consultant |
| Prem Govender | Greater Johannesburg Metropolitan Council |
| Marlene Hesketh | Member of the Board |
| Monhla Hlahla | CEO of the MIIU |
| Brian Hlongwa | Greater Johannesburg Metropolitan Council |
| Barry Jackson | DBSA |
| Joel Kolker | USAID |
| Roelf Kotze | CEO, Nelspruit |
| Johan Kruger | CEO, INCA |
| James Leigland | PPU |
| Mike Madlala | Member of the Board |
| Phuti Mahanyele-Ndzeku | Fieldstone Private Capital Group |
| Gugu Molo | (To become a) Member of the Board and Department of Provincial and Local Government |
| Sisa Njikelana | Member of the Board |
| Dr. C. Olver | Acting Director General of the Department of Environmental Affairs and Tourism |
| Richard Payne | Biwater |
| Andre Steyn | FBC Fidelity |
| Roland White | Member of the Board and Department of Finance |

The consultants sought to meet the mayors of Nelspruit and Dolphin Coast, but they were unavailable.

Annexure 2. Documents Reviewed

Cabinet Memorandum No. 14 of 1997

Articles of Association of MIIU

Management Agreement between the MIIU and the DBSA

1999 MIIU Annual Report

Framework for Restructuring of Municipal Service Provision

Privatisation of a Municipal Enterprise Through Competitive Sale;
By Peter Coetzee and Jan van der Schyff

Nelspruit and Dolphin Coast: Lessons for the First Concession Contracts;
By R. Kotze, Andrew Ferguson and James Leigland

U.S. AID South Africa, Quarterly Report 98/01, April-June 1998

MIIU Business Plans:

12/31/98

3/31/99

6/30/99

9/30/99

Scope of Work from USAID supported international advisors RFP

MIIU Progress Reports

April 1, 1998 to September 30, 1998

October 1, 1998 to December 31, 1998

January 1, 1999 to March 31, 1999

April 1, 1999 to September 30, 1999

Performance and Monitoring Report for the Quarter ending June 30, 1998

MIIU Model Terms of Reference for Project Feasibility Studies

Model Document No. LFRFP

Conditions of Proposals and Instructions to Proposers

MIIU Model Agreement for the Provision of Grant Funding in Support of
Technical Assistance

MIIU Model Terms of Reference for Grant Funded Technical Assistance

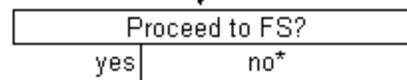
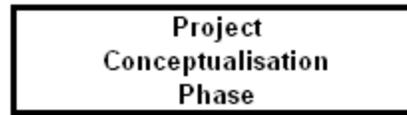
Annexure 3. Project Development Process

* = Reconsideration by Council

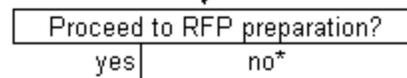
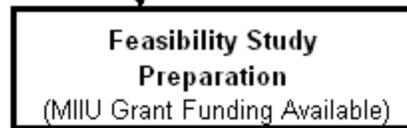
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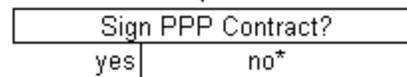
Questionnaire



Contract (Municipality/MIU)



Contract (Municipality/MIU)



Contract



Annexure 4. Project Pipeline

Contract closure

- Dolphin Coast Water and Sanitation Project
- GJMC WMLC/Mondi Recycle and Buy-Back Centre

Contracts signed

- Nelspruit Water and Sanitation Concession

Projects in negotiation

- Nkadimeng Rural Water Supply Scheme
- Pretoria West Power Station

Projects in preparation

- GJMC Rand Airport
- Plettenberg Bay Water and Sanitation
- Eastern Cape Municipalities Information Technology
- Margate Sanitation
- Margate Airport
- GJMC Gas
- GJMC Unaccounted-for-Water
- Richards Bay Airport
- GJMC Information Technology

Projects where feasibility studies are underway

- Stanger Regional Solid Waste
- Stanger Water and Sanitation
- GJMC Power Generation Stations
- Harrismith Water and Sanitation
- GJMC Inner City Informal Trade
- Richards Bay Wastewater Treatment
- Richards Bay Solid Waste Disposal
- Lowveld RDC RSC Collection
- Newcastle Solid Waste
- Margate Road Maintenance
- Greater Thohoyandou Solid Waste
- Tzaneen Regional Solid Waste Collection and Disposal
- West Coast District Solid Waste
- Port Elizabeth Water and Sanitation
- GJMC Inner City Cleansing
- Queenstown Landfill
- GJMC Fleet and Plant Management Services
- GJMC Produce Market
- GJMC Fire and Emergency