

Progress Report
Performance and Monitoring Report (PMR)
January 1999 - March 1999
and
Annual Report

**ASSISTANCE TO THE SOUTH AFRICAN
MUNICIPAL INFRASTRUCTURE INVESTMENT UNIT (MIU)**
CONTRACT NO. 674-03120-C-00-8023-00
PROJECT NO. 674-0312-3-70210
PROJECT OFFICE: USAID/SOUTH AFRICA

Prepared by
PADCO, Inc.



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MIIU

Municipal Infrastructure
Investment Unit

30 April 1999

Mr. Joel Kolker
COTR
USAID/South Africa
P.O. Box 55380
Arcadia, Pretoria 007

Dear Mr. Kolker:

Re: Contract No. 674-03120C-00-8023-00

Enclosed herewith, in accordance with the provisions of §F of the above-cited Contract, is the Contractor's Performance and Monitoring Report (PMR) for the period ending 31 March 1999. This Report consists of the enclosed current draft of the Quarterly Report being prepared for the MIIU Board of Director's meeting, to be held on 21 May 1999, as supplemented by this letter. When that report is finalised, we will forward a copy to you. This letter sets forth those provisions in the draft Quarterly Report that correspond to the PMR reporting requirements as set forth in §F.3 of the Contract.

Work Plan

There has been no change in the Work Plan adopted 15 October 1998.

Section 1. Specific Work in Progress or Completed.

Contractor's report for this section is contained in Sections 1 and 2 of the draft Quarterly Report. Section 1 covers administrative matters addressed, and Section 2 relates to Pending MPPP and MIIU projects.

Section 2. Summary of the Accomplishments and Recommendations of any Short-Term Consultants. No short-term consultants were utilised during the first quarter of 1999.

Section 3. Analysis of and Significant Problems Being Encountered in Carrying Out the Responsibilities Under the Contract. Contractor's report for this item is contained in Sections 4 and 5 of the draft Quarterly Report.

Section 4. Copies of any Reports, Studies, Etc., Prepared During the Quarter. See the documents attached to the draft Quarterly Report.

Respectfully submitted,



James A. Aiello
Chief of Party

Cc: Monhla Hlahla, ~~PADCO~~

MIIU PROGRESS REPORT FOR THE PERIOD
1 JANUARY 1999 TO 31 MARCH 1999

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1. ADMINISTRATIVE MATTERS

(a) Framework for Restructuring Municipal Service Provision.

Implementation of the Framework is proceeding, but not without controversy. While IMATU, one of the two major municipal employee unions, has announced it will not oppose municipal service partnerships (MSPs), the other union, SAMWU, continues its general opposition. One element of that opposition is to insist that the Sectoral Forum established under the Framework be the final reviewing body for all MSP contracts executed in the country. The precise scope of work and authority of the Sectoral Forum is still being debated among the signatories to the Framework document.

It is clear, however, that as all MSPs move forward, they will be reviewed by the various stakeholders in the MSP process against the standards set forth in the Framework. The recently signed Nelspruit concession, only went forward after two of the stakeholders, the Department of Constitutional Development and SALGA, reviewed the draft concession agreement and found it to be consistent with the Framework.

(b) Interim Board Management

Subsequent to the resignation of Mr Enos Banda as Chair, Ms Marlene Hesketh, Deputy Chair, has been performing the functions of the Chair pending appointment of a successor.

2. Current Project Status

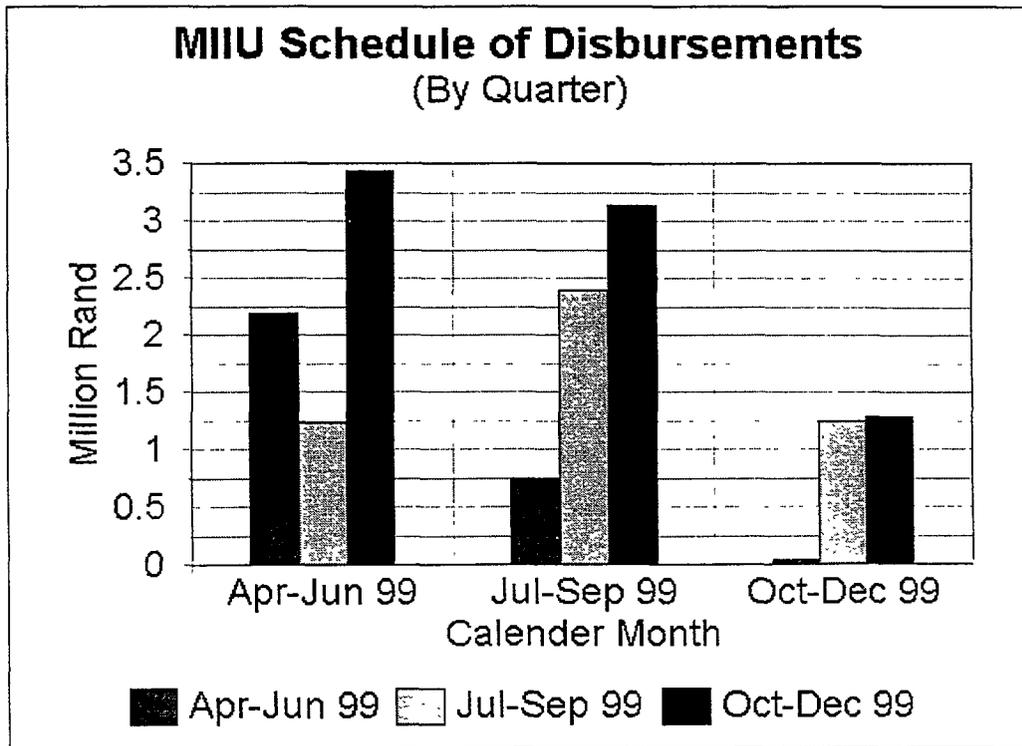
2.1 MPPP Projects

Annexure A shows the status of the projects inherited from the DCD under the MPPP Programme, as of 31 March. Since taking over the pipeline, the MIIU has disbursed R6 795 267. The progress made since our last report is evidenced by the annexed summary. In addition to the Dolphin Coast and Nelspruit projects "graduating" to MIIU projects in order to obtain funding sufficient to permit implementation, the Tzaneen and Stanger Regional Landfills projects have indicated a possible need to apply for MIIU funding as well.

Since our last report, 4 dormant MPPP projects have been terminated. The Kimberly project is pending a final decision.

2.2 MIIU Projects

Annexure B gives the full status report on all new projects. The report sections are as described previously. A summary of MIIU project disbursements is presented in the following graph:



3. Financial and Budget Matters

3.1 Financial Statement

Financial statements of the MIIU for the period up to 28 February 1999 are preliminary and being supervised by the Manager: Corporate Accounting and Budgeting of the Development Bank of Southern Africa (DBSA) in terms of a management agreement concluded between the MIIU and the DBSA. Once approved by the DBSA manager and the CEO of the MIIU, it will be submitted to the Board of Directors at a next meeting scheduled for 21 May 1999 for their consideration and approval. The approved financial statements will also be subject to external auditing scheduled for June 1999. Upon approval they will be provided.

3.2 Fund-raising Plan

A draft fund-raising plan has been prepared by the Chief Executive Officer and is being circulated for approval by the BOD at its 21 May meeting. A copy of the draft is attached as "Annexure C."

4. Marketing and Publicity

4.1 Partnerships Magazine

Partnerships Magazine is now a joint production of the National Business Initiative (NBI) and the MIIU. Published quarterly, the primary objectives are to inform key municipal stakeholders of the progress with municipal service partnerships (MSPs) in South Africa and to provide a reliable source of information on the subject. The first issue of the new *Partnerships* issued on 26 January 1999. In order to reach the target audience, a decision was taken to insert *Partnerships* in the *Local Government Digest* (LGD). The LGD has a readership of 40,000 across all spheres of government. Over and above this, the

publication is distributed to all members of SALGA, central and provincial government departments, tertiary educational institutions, donors, consulting companies involved in MSPs, and the banking sector. The publication is distributed by direct mail and at conferences and seminars. *Partnerships* also appears on the MIU and NBI websites which are linked to other websites. A copy of this issue is attached as Annexure "D."

4.2 Communications Plan

A Scope of Work for the Communications Plan has been finalised between the MIU and DCD. A copy of the Scope of Work is attached as Annexure "E". The next step is the release of funding from the DCD to the MIU. Upon release, the PPU will conduct the procurement to secure the services of a qualified firm or consortium to implement the Plan, and will manage its implementation as well. Initial procurement documents have been prepared, in anticipation of the funding transfer. This will be a multi-year undertaking.

4.3 Workshops/Seminars/Training

PPU staff were lecturers in the MSP Technical Workshops held in Durban, East London, and Cape Town during the month of February 1999. Additionally, PPU staff participated in over 11 seminars and workshops sponsored by trade associations and municipalities during the quarter.

5. Strategic and Policy Issues

5.1 Systems Bill

The PPU provided input to the several iterations of the Systems Bill drafted during the quarter. The latest draft features substantially fewer provisions than earlier drafts. However, it does appear to clarify those provisions of the Local Government Transition Act (LGTA) which seemed to prohibit concessions wherein the concessionaire has tariff collection authority. Ongoing negotiations are underway to use the Systems Bill as a vehicle for amending those provisions of the Water Services Act that would (a) require a municipality to consider any public provider of water and sanitation services before entering into a contract with a private sector services provider, and (b) empower the Minister to enact national norms and standards for water services tariffs in respect of surplus profits. The bill is expected to be tabled in Parliament in June.

5.2 Municipal Service Partnerships

An adjunct to the Systems Bill are the Guidelines for Municipal Service Partnerships. They are intended to provide guidance to municipalities regarding implementation of the Systems Bill. The PPU is represented on the Steering Committee for this activity, and provided numerous comments and input to the multiple iterations of this document. Although the Municipal Systems Bill will not have yet been tabled, the DCD intends to present a final draft of these Guidelines to the Cabinet in the first week of May.

5.3 Nelspruit Water and Sanitation Contract

Although the contract signing at Nelspruit occurred subsequent to 31 March, we thought an initial report on MIU efforts regarding this project would be in order.

On 21 April 1999, the Nelspruit Transitional Local Council signed a thirty-year concession contract with the Greater Nelspruit Utility Company (GNUC), a private company jointly owned by British water operator, Biwater, and local black empowerment firm, Sivukile Investments. The contract will make possible over R 1.4 billion in investment in water and

sanitation services in the Nelspruit area, where 75% of the population lives in formerly disadvantaged areas, amalgamated into the predominately white municipality in 1994. The contract represents by far the largest and most sophisticated municipal public-private partnership ever concluded in South Africa.

5.2 Mid-term Evaluation, USAID

Attached as Annexure "F" is a draft Scope of Work for the Mid-Term Evaluation of the MIIU, in accordance with the contract with USAID. It will be presented to the Board of Directors for approval at its 21 May 1999 meeting. Once approval is obtained, USAID will undertake to secure the contractors called for in the Scope of Work. The PPU has provided input to the Scope of Work, and has suggested names of potential contractors, both local and international.

5.3 Appointment of Board Chairman

The replacement for Mr Enos Banda, initial Chair of the MIIU Board of Directors is expected to be announced at the 21 May 1999 Board meeting.

Annexure

A

Annexure

B

PROJECTS REJECTED AS AT 31 MARCH 1999

No	LOCAL AUTHORITY AND	SECTOR	PROJE CT NO.	PROJEC T	REASON REJECTED	STAGE OF REJECTION
1	Lowveld Escarpment District Council	Water		JL	FS cannot begin until DWAF study completed - reconsider in 1999.	Post questionnaire
2	Uthukela RC	Water		JD	Bulk water conflict with DWAF/New water board	Post questionnaire
3	Potgietersrus	Water		JD	Seeking project financing	Pre-questionnaire
4	Stellenbosch	Water		JL	Pre existing agreement with private company regarding awarding of project	Post-questionnaire

NC NORTHERN CAPE

GA GAUTENG

MP MPUMALANGA

WC WESTERN CAPE

KN KWAZULU/NATAL

FS FREE STATE

NP NORTHERN PROVINCE

EC EASTERN CAPE

NW NORTH WEST

//



EXPRESSIONS OF INTEREST as at 31 MARCH 1999

No	LOCAL AUTHORITY	SECTOR	PROVINCE	DATE FIRST CONTACT	CONTACT PERSON	INTERACTION-CORRESPONDENCE	MIIU FOLLOW UP ACTION	By Whom
1.	Blaauwberg Muni	Multiple	WC	02/10/98	W van H Loots	Q sent 1/7/98	Await appl. - to be withdrawn	JA
2.	Vredendal	Multiple	WC	02/06/98	D G Ras	Q sent 24/6/98	Q returned 9/9/98	JA
3.	Cape Town	Market	WC	08/07/98	Mike Marsden	Q sent	E-mail 3/8/1998	JL
4.	Lamberts Bay	Harbour	WC	05/06/98	D G Pols	Q returned - meetings	PPR decision imminent	AS
5.	Malmsbury	Multiple	WC	07/07/98	C van Rensburg	Q sent 7/7/1998	Called 17/7/98	JA
6.	Deneysville	Multiple	FS	05/08/98	W C Reade	Q sent	Called 1/9/1998	JL
7.	Welkom	Water	FS	20/05/98	Mr. Sesele	Q sent	Welkom still interested - 01/99	AS
8.	Bloemfontein	Water/sanit	FS	27/07/98	MJ Mattole	Q sent 27/7/98	Partial Q returned 12/8/98	JA
9.	Brits	Water/sanit	NW	01/04/98	P Buys	Pending DBSA Audit	On Hold	JD
10.	Rustenburg	Abattoir	NW	24/08/98	H v.d Walt - CEO	Workshop on 8/9/98	Application received in April	AS
11.	Klerksdorp	Sanit	NW	20/05/98	CW Eden	Q sent	Called 2/7/1998	JL
12.	Bushbuckridge W.Bd	Water/sanit	MP	26/07/98	G Nkuna - CEO	Q sent	To be withdrawn	AS
13.	Hazyview	Water	MP	09/06/98	B Guildenhuis	Q sent	Called 30/6/1998; 30/7/1998	JL
14.	Hoedspruit	Water	NP	23/03/98	F Mohlala - Clr	Q sent 29/7/98	Applied - meeting requested	AS
15.	Thohoyandou	Multiple	NP	31/07/98	M H Mathivaha	Q sent 7/8/1998	Await application	JA
16.	Grahamstown TLC	Water	EC	20/05/98	S Cridland - CEO	Q sent 1/7/1998	Q returned - clarity requested	AS
17.	Port Alfred	Multiple	EC	31/03/98	A G Schlemmer	Report	Await application	JA/AS
18.	GJMC-Jnb	Water/sanit	GA	11/09/98	W Mayne	Met frequently	Ongoing discussions	AS
19.	Krugersdorp	Water/sanit	GA	20/05/98	W Welton	Q sent 21/7/98	Await application	JL
20.	Pretoria	Lighting	GA	20/12/98	Adriaan Smuts	11/1/99	Await application	JD
21.	Pietermaritzburg	Engineering	KN	20/05/98	D Deldon	Q sent 6/7/98	Await application	JL
22.	Durban	meter	KN	05/01/99	R Gault - Manager	Meeting	Await questionnaire	JL
23.	Zululand R C	Multiple	KN	25/08/98	G Gohrs - CEO	Q sent 16/9/98	Q returned/clarity requested	AS
24.	Pietermaritzburg	Water/sanit	KN	18/11/98	K Duxbury	Telephonic	Advice given - potential	AS
25.	Kingwilliamstown	Tourism	EC	10/08/98	C Hetem	SDI request	Help to draft RFP	AS
26.	Cape Town	Transport tramway	WC	15/11/98	Transport CE	Telephonic	Await their request	AS
27.	Leandra Municipality	Sewerage System	MP	25/02/99	H B Roussouw - CEO	Q sent 08/03/99	Await return of completed Q	JA

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PROJECTS IN CONCEPTUAL PHASE (PPR APPROVED) as at 31 MARCH 1999

No.	LOCAL AUTHORITY	SECTOR	PROVINCE	PROJECT	QUESTIONNAIRE RETURNED	PPR APPROVED	BUDGET ESTIMATE		MIU GRANT AGREEMENT		FS or PP
					Date		MIU Portion	Client Portion	Client Signature	MIU Signature	
1.	Bochum/My Darling	Water	NP	AS	01/09/98	01/09/98	R 150,000	R 30,000	in negotiation		FS
2.	Greater Thohoyandou	Solid waste	NP	JD	31/08/98	21/12/98	R 300 000	R 75 000	in negotiation		FS
3.	Stanger	Water & sanit	KN	JA	13/11/98	11/01/99	R 250 000	R 50 000	17/03/99	04/03/99	FS
4.	GJMC-Jnb	Produce mkt	GA	AS	01/08/98	08/08/98	R 200,000	R 50,000	pending		FS
5.	Harrismith	Water/sanit	FS	JL	12/06/98	18/06/98	R 190,000	R 30,000	04/08/98	18/08/98	FS
6.	Margate	Sanit	KN	JL	30/06/98	08/07/98	R 200,000	R 30,000	07/10/98	18/10/98	FS
7.	Margate	Airport	KN	JL	30/06/98	16/07/98	R 90,000	R 20,000	07/10/98	18/10/98	FS
8.	Nkwazi	Water/sanit	KN	JL	17/08/98	31/08/98	R 210,000	R 37,000	09/10/98	14/10/98	FS
9.	Richards Bay	Wastewater	KN	JL	18/08/98	31/08/98	R 200,000	R 30,000	09/09/98	17/09/98	FS
10.	Richards Bay	Airport	KN	JL	17/06/98	22/06/98	R 50,000	R 30,000	03/07/98	07/08/98	FS
11.	Richards Bay	Water	KN	JL	18/08/98	31/08/98	R 200,000	R 30,000	09/09/98	17/09/98	FS
12.	Stanger	Woodwast	KN	JA	14/07/98	12/08/98	R 100,000	R 25,000	in negotiation		FS
13.	Newcastle	Solid waste	KN	JD	04/11/98	01/12/98	R 200 000	R 50 000	29/01/99	02/02/99	FS
14.	Umtata	IT	EC	JL	15/06/98	17/06/98	R 60,000	R 8,000	28/08/98	04/09/98	FS
15.	Umtata	Water	EC	AS	01/08/98	01/09/98	R 200 000	R 40,000	in negotiation		FS
16.	Queenstown	Solid waste	EC	JD	01/11/98	20/12/98	R 304 000	R 76 000	in negotiation		FS
17.	West Coast	Solid waste	WC	JD	36004	01/12/98	R 100 000	R 25 000	in negotiation		FS
18.	Plettenberg Bay	Water/sanit	WC	AS	N/A	N/A	R 600 000	R 500 000	in negotiation		PP

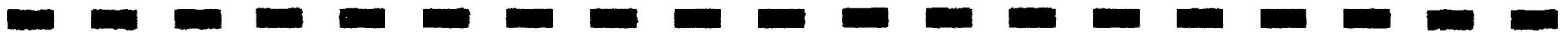
PROJECTS IN FEASIBILITY PHASE as at 31 MARCH 1999

NO	LOCAL AUTHORITY	SECTOR	PROVINCE	PROJECT MANAGER	TOR AGREED	DATE RFP ISSUED	CONSULTANTS APPOINTED		CONTRACT COMMITMENT		DISBURSED TO DATE		EXPECTED COMPLETION DATE OF FS
							Whom	Date	MIIU Portion	Client Portion	MIIU	Client	
1.	Harrismith	Water/sanit	FS	JL	Y	05/09/98	Palmer/B&V	28/10/98	R 190,000	R 30,000	R 0	R 0	15/02/99
2.	Margate	Airport	KN	JL	Y	01/10/98	PricewaterC	11/11/98	R 90,000	R 20,000	R 0	R 0	29/02/99
3.	Margate	Sanit	KN	JL	Y	04/10/98	BKS	04/03/99	R 200,000	R 30,000	R 0	R 0	30/04/99
4.	Richards Bay	Water	KN	JL	Y	05/10/98	Africon	04/03/99	R 200,000	R 30,000	R 0	R 0	31/05/99
5.	Richards Bay	Wastewater	KN	JL	Y	05/10/98	GFJ Eng.	04/03/99	R 200,000	R 30,000	R 0	R 0	31/05/99
6.	Nkwazi	Water/sanit	KN	JL	Y	02/11/98	tendering underway		R 210,000	R 37,000	R 0	R 0	15/03/99
7.	Umtata	IT	EC	JL	Y	18/09/98	Black&Veatch	06/11/98	R 60,000	R 8,000	R 0	R 0	23/02/99
8.	Cape Town	Power/SW	WC	JD	Y	01/09/98	Stewart Scott	01/10/98	R 160 000	R 240 000	R 0	R 0	31/12/98
9.	GJMC - Jnb	Airport	GA	JL	Y	15/11/98	Khuthela	13/12/98	R 250,000	R 50,000	R 0	R 0	05/03/99
10.	GJMC-Jnb	IT	GA	JA	Y	15/11/98	HSBC	13/12/98	R 1,120,000	R 200,000	R 0	R 0	30/03/99
11.	GJMC-Jnb	Bus	GA	AS	Y	15/11/98	A Andersen	13/12/98	R 296,000	R 74,000	R 0	R 0	28/02/99
12.	GJMC-Jnb	EMS	GA	JA	Y	15/11/98	Afr.Mrch. Bnk.	13/12/98	R 688,888	R 172,222	R 0	R 0	08/03/99
13.	GJMC - Jnb	Power	GA	JL	Y	15/11/98	Fieldstone	13/12/98	R 240,000	R 60,000	R 0	R 0	
14.	GJMC-Jnb	Fleet	GA	AS	Y	15/11/98	HSBC	13/12/98	R 243,000	R 60,000	R 0	R 0	28/02/99
15.	Lowveld RDC	RSC collect	GA	JL	Y	15/11/98	Tendering underway	13/12/98	R 45,000	R 20,000	R 0	R 0	15/03/99
16.	New Castle	Solid waste	KN	JD	Y	05/03/99	tendering underway		R200,000	R 50,000	R 0	R 0	01/08/99

MIU PIPELINE
TOTAL DISBURSEMENTS as at 31 MARCH 1999

NO	LOCAL AUTHORITY AND SECTOR	PROVINCE	PROJECT MANAGER	CONTRACT COMMITMENT		TOTAL DISBURSEMENTS TO DATE (Refer to Schedule VII)	EXPECTED DISBURSEMENTS					BALANCE
				Client	MIU		Apr-Jun 99	Jul-Sep 99	Oct-Dec 99	Jan-Mar 00	Subsequent	
1.	SMLC Waste PP	GA	AS	14,000	50,000	49,999						1
2.	Water & sanit	MP	JL	2,847,269	800,000	653,244	146,756					146,756
3.	Richards Bay Airport	KN	JL	260,129	300,000	50,000			250,000			250,000
4.	Coast Water &	KN	JL	1,000,000	884,337	884,337						-
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ACTUAL DISBURSEMENT DETAILS as at 31 MARCH 1999

N O.	LOCAL AUTHORITY AND SECTOR	PROVINCE	PROJECT MANAGER	PREVIOUS DISB.									TOTAL TO DATE	
					Date	Amount	Date	Amount	Date	Amount	Date	Amount		
1.	SMLC Waste PP	GA	AS		11-Nov-98	49,999								49,999
2.	Nelspruit Water & sanit	MP	JL		21-Jan-99	635,244								635,244
3.	Richards Bay Airport	KN	JL		29-Jan-99	50,000								50,000
4.	Dolphin Coast Water & sanit	KN	JL		29-Mar-99	884,337								884,337
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1/10/99



TOTAL POTENTIAL FUTURE FUNDS FLOW as at 31 MARCH 1999

No.	PROJECT & SECTOR	PROVINC E	BALANCE REMAININ G (Refer to Schedule VI)					TOTAL EXPECTED PROJECT COSTS		
				(Apr-Jun 99)	(Jul - Sep 99)	(Oct - Dec 99)	(Jan- Mar 00)	Actual Commitment	Potential Applications	TOTAL
1.	Bochum/My Darling PP	NP		70,000	50,000	-	-		120,000	120,000
2.	Bochum/My Darling FS	NP		160,000		-	-		160,000	160,000
3.	Thohoyandou	NP			150,000	150,000	-		300,000	300 000
4.	Tzaneen	NP		100,000	100,000	-	-		200,000	200 000
5.	Dolphin Coast PP	M	-	-		-	-	884,337	-	884,337
6.	Lowveld RSC PP	M		50,000		-	-		50,000	50,000
7.	Lowveld RSC FS	M		45,000		-	-	45,000	-	45,000
8.	Nelspruit PP	M	146,756	-		-	-	800,000	-	800,000
9.	GJMC IT	G	1,040,000	500,000	500,000	40,000	-	1,040,000	-	1,040,000
10.	GJMC EMS	G	116,000	116,000	-	-	-	116,000	-	116,000
11.	GJMC Bus PP	G		100,000	100,000	100,000	-		520,000	520,000
12.	GJMC Bus FS	G		196,000	100,000	-	-	296,000	-	296,000
13.	GJMC Fleet PP	G			250,000	150,000	-		400,000	400,000
14.	GJMC Fleet FS	G		100,000	143,000	-	-	243,000	-	243,000
15.	GJMC Market PP	G			100,000	200,000	-		300,000	300,000
16.	GJMC Market FS	G		80,000	100,000	-	-		180,000	180,000
17.	GJMC Metro Gas PP	G			300,000	-	-		300,000	300,000
18.	GJMC Metro Gas FS	G		750,000		-	-		750,000	750,000

TOTAL POTENTIAL FUTURE FUNDS FLOW as at 31 MARCH 1999

No.	PROJECT & SECTOR	PROVINC E	BALANCE REMAININ G (Refer to Schedule VI)					TOTAL EXPECTED PROJECT COSTS		
				(Apr-Jun 99)	(Jul - Sep 99)	(Oct - Dec 99)	(Jan- Mar 00)	Actual Commitment	Potential Applications	TOTAL
19.	GJMC - Power	G		200,000	100,000	-	-		300,000	300,000
20.	GJMC - Airport	G		150,000	100,000	-	-		250,000	250,000
21.	Harrismith PP	FS			250,000	-	-		250,000	250,000
22.	Harrismith FS	FS		190,000		-	-	190,000	-	190,000
23.	Margate Airport PP	KZN			150,000	-	-		150,000	150,000
24.	Margate Airport FS	KZN		90,000		-	-	90,000	-	90,000
25.	Margate Water PP	KZN			250,000	-	-		250,000	250,000
26.	Margate Water FS	KZN		200,000		-	-	200,000	-	200,000
27.	Nkwazi PP	KZN			250,000	-	-		250,000	250,000
28.	Nkwazi FS	KZN		210,000		-	-		210,000	210,000
29.	Richards Bay Airport PP	KZN		150,000	150,000	-	-		300,000	300,000
30.	Richards Bay Airport FS	KZN		50,000		-	-		50,000	50,000
31.	Richards Bay Wastewater PP	KZN			250,000	-	-		250,000	250,000
32.	Richards Bay Wastewater FS	KZN		200,000		-	-	200,000	-	200,000
33.	Richards Bay Water PP	KZN			250,000	-	-		250,000	250,000
34.	Richards Bay Water FS	KZN		200,000		-	-	200,000	-	200,000

TOTAL POTENTIAL FUTURE FUNDS FLOW as at 31 MARCH 1999

No.	PROJECT & SECTOR	PROVINC E	BALANCE REMAININ G (Refer to Schedule VI)					TOTAL EXPECTED PROJECT COSTS		
				(Apr-Jun 99)	(Jul - Sep 99)	(Oct - Dec 99)	(Jan- Mar 00)	Actual Commitment	Potential Applications	TOTAL
35.	Stanger Woodwaste	KZN	100,000	100,000		-	-	100,000	100,000	200,000
36.	Newcastle	KN		50,000	150,000	-	-		200,000	200 000
37.	Richards Bay Solid Waste	KN		150,000	150,000	100,000	50,000	50,000	400,000	450,000
38.	Umtata IT PP	EC		150,000		-	-		150,000	150,000
39.	Umtata IT FS	EC		50,000		-	-	50,000		50,000
40.	Umtata Water and Sanitation FS	EC		200,000		-	-		200,000	200,000
41.	Umtata Water and Sanitation PP	EC			250,000	300,000	-		550,000	550,000
42.	Queenstown	EC		50,000	250,000	54,000	-		354,000	354,000
43.	Plettenburg Bay PP	WC		150,000	200,000	250,000	-		600,000	600,000
44.	West Coast Regional Council	WC		50,000	100,000	-	-		150,000	150,000
45.	Cape Town	WC		160,000		-	-	160 000	-	160 000
46.	Stanger Water & sanit	KZN	200,000		200,000	-	-	200,000	300,000	500,000
						-	-		-	-
						-	-		-	-
	TOTAL ACTUAL		1,302,756	2,047,000	743,000	40,000	-	4,704,337		
	TOTAL FUNDS		300,000	2,970,000	4,200,000	1,304,000	50,000		8,794,000	
	TOTAL POTENTIAL		1,602,756	5,017,000	4,943,000	1,344,000	50,000			12,798,337

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Annexure

C

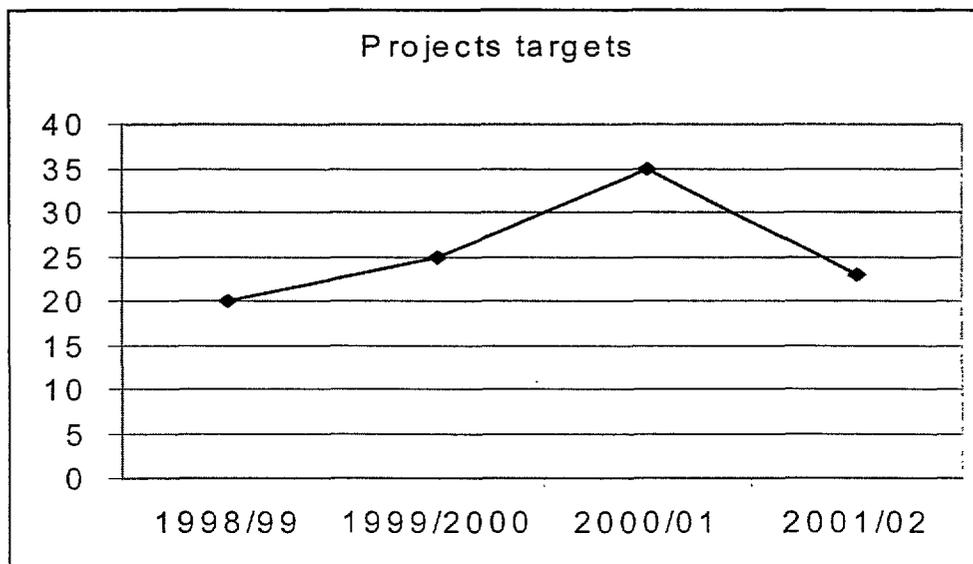
FUNDRAISING PLAN

INTRODUCTION

The establishment of the MIIU company whose purpose is to ensure that processes of public/private partnerships for municipal infrastructure and services are established, marketed and well managed in the interest of both the public and private sector is based on an approved business plan for the 1998/99 year.

The business plan takes a four-year view of envisaged cumulative project targets which pick in the third operational year and decline towards the last operational year (See Figure 1). The targets include partnership and municipal debt projects in various stages of the development cycle.

Figure 1: Project Targets



In the first operational year, the Project Preparation Unit(PPU) received 81 expressions of interest from municipalities seeking assistance with preparation of municipal service partnerships in various services including water and sanitation, street lighting, transport tramway and roads. In addition, as at 31 December 1998, the PPU had committed about R6million in project preparation as follows:

- 15 projects in feasibility study
- 8 projects in preparation for various contracts including concessions, BOO and management.

This amount excludes the R3.4million disbursed as at 31 December 1998 on the MPPP's 15 projects.

Demand for MIIU support is expected to continue growing as municipalities become comfortable with the concept of partnerships, and as the national government completes its processes to clarify the legal and regulatory framework for municipal partnerships.

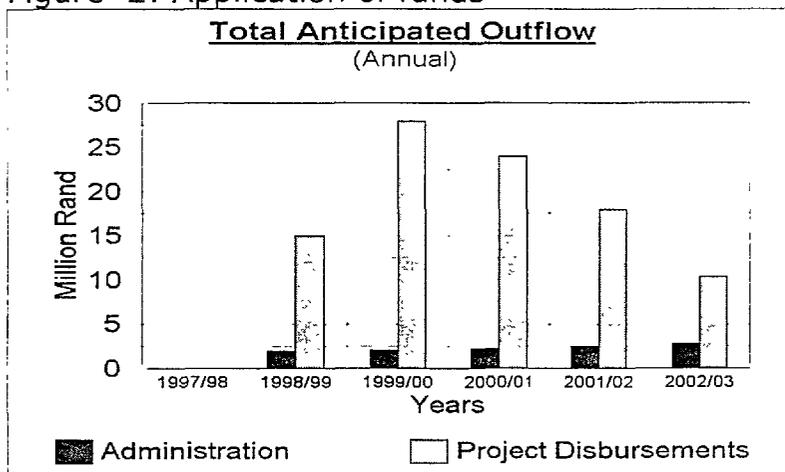
1. BUDGETARY REQUIREMENTS

According to the multi-year budget for the period 1998 to 2003, the MIIU would require a total budget of about R119.6million to fulfil its mission, mandate and targets for the five operational years. Of this amount, 46%(54.690million) has been secured, leaving a funding gap of about R65 million. The funding gap starts in the second operational year where only 46% of the required funds have been secured, and grows substantially in the last two years (See Figure 2).

2. APPLICATION OF FUNDS

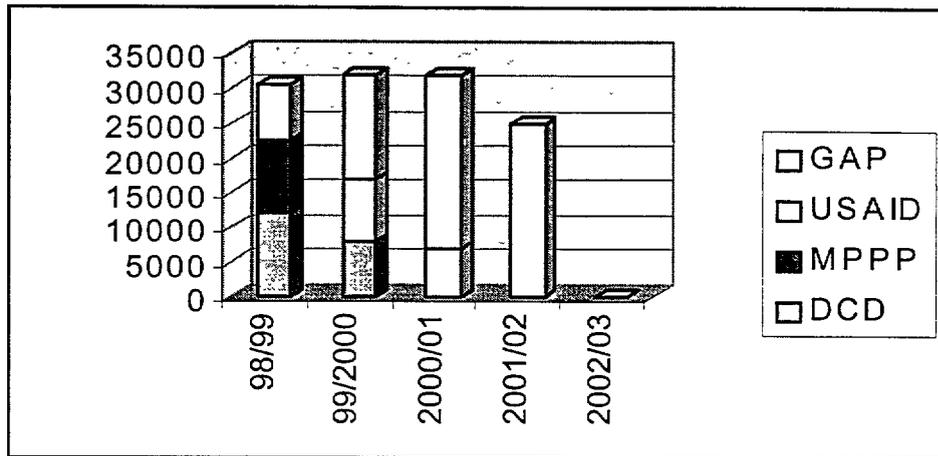
The total anticipated outflow of funds is reflected in the chart in Figure 2 below. This chart is based on long-term projections as reflected in the 1998/99 business plan and budget, and shows a decline in expenditure on projects over time as part of the MIIU exit strategy. It also indicates MIIU's commitment to spending more on project work with limited growth in administrative and related operational costs.

Figure 2: Application of funds



3. Current Sources of Funding

Figure 3: Sources of Funding (R'000)



The Project Preparation Fund is currently capitalised as follows:

3.1 The Department of Constitutional Development: R20 million

This is a once off grant by the South African government to capitalise the PPF over the first operational years. Amounts of R12million and R8million were allocated to the years 1998/99 and 1999/2000 respectively.

3.2 The DCD's MPPP: R10 690m

The MIU inherited the DCD's Municipal Public Private Partnership Programme (MPPP) with 15 projects. An amount of R10.690million was transferred into the PPF representing government's commitment to the projects. Additional funding requirements by the projects for preparation and management were not provided for.

3.3 USAID: R24 million

The USAID provided a total amount of R24 million allocated as follows:

- (i) PADCO Contractor: R18.179million

This is for salaries, PPU operational costs, accommodation, insurance and other related costs to settling the international team in South Africa. The staff is comprised of a municipal development specialist, a municipal infrastructure specialist, a municipal finance specialist and an administrator.

- (ii) Project Preparation Fund: R5.921million

The USAID allocated a residual amount of R5.921m to the Project Preparation Fund. These funds are restricted to infrastructure projects that provide services in the areas of water, waste water, solid waste, electrical distribution and other similar infrastructure.

4. POTENTIAL SOURCES OF FUNDING

4.1 National Government

- MTEF: The PPU has applied to the SA Government for an additional R20m under the MTEF process following several discussions with the DCD. This allocation would be part of the DCD's capital grant request, and would be spread over the last three operational years as follows:

Year 3 : R9.95 m

Year 4 : R6.54 m

Year 5 : R3.51 m

Outcome: The PPU was verbally informed that an amount of R3 million was allocated to the MIIU for one year, and that we would apply annually as part of the DCD's programme for additional MTEF funds.

Other government sources: The PPU exploring other alternative government sources with assistance from the DCD and DoF.

4.2 Donors

- USAID

The USAID has allocated an amount of US\$2m for the Project Preparation Fund under their existing bilateral agreement with the Department of Constitutional Development. This amount comes with a condition that it be converted into a revolving fund for the MIIU.

It appears that these funds will be transferred to other DCD programmes following the MIIU Board of Director's decision not to establish a revolving fund. The PPU will continue discussion with both the USAID and the DCD to conclude on this matter.

- DFID

A joint UK-Japan initiative, the Public-Private Infrastructure Advisory Facility (PPIAF) has been established to channel technical assistance to governments in developing countries on strategies and measures to leverage private sector finance and skills. As part of its mandate, the Facility will assist governments meet challenges of designing and implementing specific reforms and transactions. The Facility is managed by the World Bank.

The PPU, with assistance from the Department of Water Affairs, has opened discussions with DFID to access the Facility.

➤ European Union

The European Union is reviewing its development assistance programme with South Africa for the years 2001 onwards. It is envisaged that the programme will focus mainly on local government transformation and service delivery in the poorest provinces.

A discussion took place between the PPU and the European Union representatives on potential support for the PPF. There is a general willingness to programme MIIU support within the new focus.

The European Union also mentioned the possibility of the MIIU accessing grant funding through their possible agreement with DBSA/EBRD. This will be taken further as more information becomes available.

➤ Other Donors

The following embassies and donor organisations were identified by the DCD and DoF as possible contributors to the PPF:

1. Canadian High Commission
2. Embassy of the Kingdom of Belgium
3. Embassy of the Republic of Germany
4. Australian High Commission
5. Embassy of Finland
6. Embassy of France
7. Embassy of Ireland

8. Embassy of Israel
9. Embassy of Italy
10. Embassy of Japan
11. Royal Netherlands Embassy
12. Embassy of Sweden
13. Embassy of Switzerland
14. United Nations Development Programme

CONCLUSION AND TIME FRAMES

The growing demand on municipalities for good quality and affordable services, coupled with weak balance sheets and capacity to deliver services, will continue to apply pressure on municipalities to seek innovative ways to deliver services including municipal partnerships. Demand on MIIU resources will therefore continue to grow, challenging the institution to not only become strategic in its application of financial resources, but to also capitalise its PPF fully, so as to free up human resources to focus on project preparation.

The following programme of activities and timeframes is suggested:

Activity	By Whom	By When	Status
Fundraising Plan	Ms M. Hlahla	12/03/99	Draft Completed And distributed
Approval by BOD	Acting Chairperson Mr D. Ferreira Mr B. Whittaker	31/03/99	
Follow-up with Government	M. Hlahla (Assisted by MR R White and the DCD)	Continuous	
Follow-up with Donors	M. Hlahla	Continuous	
Securing of Commitments	M. Hlahla	By December 1999 (??)	

Annexure

D

MIU

Municipal Infrastructure
Investment Unit

1ST QUARTER 1999 VOL 1

partnerships

LOOKING TO THE FUTURE OF SERVICE DELIVERY

NEWSFLASH

Government and unions sign agreement to facilitate PPPs

On December 11, the national government, unions and local authorities ratified a groundbreaking 'framework agreement' that will facilitate the signing of PPPs for municipal service delivery across the country. The framework should address fears about PPPs in two ways. First, PPPs may only be considered in situations where local governments clearly have no realistic opportunity to deliver adequate levels of service themselves. Second, the actual contracts entered into must require that private partners meet a variety of basic conditions, all of which are standard features of concessions designed according to international best practice standards. The framework represents a breakthrough after months of negotiations.



Nelspruit and Dolphin Coast PPPs



NBI
NATIONAL BUSINESS INITIATIVE
Enhancing the business contribution
to South Africa's success

Nelspruit: Municipal services in Crisis

Before 1994, Nelspruit had a population of about 24 000 people. Africans were excluded from the city. After 1994, the Nelspruit TLC's area of control expanded to at least 240 000 people. As a result, the Nelspruit TLC found itself unable to cope with the demand for new and improved services, such as water and sanitation.

In 1995, the TLC estimated the provision of basic water and sanitation services to all residents at about R212 million. Nelspruit's annual capital budget was then R21,7 million, for all services, not only water and sanitation.

It is currently estimated that at least R250 million (1997 prices) is required to meet the demand for water and sanitation services – much more

than the TLC can borrow. The TLC is allowed 6% annual growth on its capital budget and may not budget for a deficit. The amount available in the TLC's budget for water and sanitation services, as approved by the Department of Finance, is R8,5 million.

In August 1997, the TLC decided to investigate the possibility of private-sector involvement in the provision of water and sanitation services, due to its lack of funds and other resources. The concession-contract option was identified as the best to meet the challenges faced. A competitive bidding process was initiated and strict compliance with the evaluation criteria defined in a request for proposals. In October 1997 the TLC announced BiWater-Metsi a Sechaba as the successful bidder, having complied with all criteria.

In terms of the contract, BiWater-

MSP/PPP Project Updates

What's happening across South Africa?

Nation-wide, many PPP/MSP projects are in various stages of preparation, some of which are:

PPP contract negotiations with preferred bidders nearing completion:

- Dolphin Coast: Water and sanitation
- Nelspruit: Water and sanitation

Completed feasibility studies being evaluated:

- Nkadmeng: Rural water supply
- Plettenberg Bay: Water, sanitation and solid waste
- Port Elizabeth: Water and sanitation
- Tzaneen: Solid waste

Feasibility studies underway:

- Stanger: Solid waste
- Johannesburg Metropolitan Council: Informal trade
- Johannesburg Metropolitan Council: Solid waste
- Harrismith: Water and sanitation
- Margate: Airport
- Margate: Sanitation
- Richards Bay: Airport
- Richards Bay: Waterworks
- Richards Bay: Waste water

Municipal Systems Bill targeted for June

Government intends to table a Municipal Systems Bill in June, as the next step in enacting legislation implementing the Local Government White Paper. Once adopted, the Bill will repeal inconsistent provisions of the Local Government Transition Act (LGTA). It will also clarify mechanisms that local governments may use in preparing public-private

Metsi a Sechaba will undertake the supply of water and sanitation services within the municipal area on behalf of the Nelspruit TLC. The company will deliver this service subject to the conditions of the contract, the approved tariffs and in accordance with all applicable legislation.

Dolphin Coast: Service improvements urgently needed

The Dolphin Coast Municipality was established on 1 February 1995, and comprises 11 formal towns and settlements spread over an area of about 160 km². Its population at the time was estimated at about 28 000 people. Prior to this, the Port Natal Ebodwe Joint Services Board provided the water and sewerage services for the formal towns. However, with the abolition of the Board, the Municipality was compelled to take over these services from March 1996.

A number of challenges faced the municipality from that date:

- The services in the municipality, even in formal towns were in extremely poor condition, while the informal settlement areas had virtually no services at all.
- The municipality only took over a relatively small staff who were made responsible for maintenance and operation. No technical or management staff members were transferred to the municipality.
- The population is now estimated at over 40 000 people, which potentially doubles the need for services. Given these challenges, an extremely urgent need has arisen to expand affordable services to the 50% of the population living in the deprived informal settlements. Simultaneously, resources need to be found to upgrade the existing poor infrastructure.

It is currently estimated that the population growth forecast for the municipality over the next 25 years will reach 250 000 people. By the year 2020, an investment in the region of R200 million (1997 prices) will be required to upgrade water and sewerage services in the area.

Like Nelspruit, Dolphin Coast is not in a position to provide for the required capital expansion – especially in view of its budgetary restrictions. Neither municipality could directly access private capital markets due to uncertainty regarding their creditworthiness.

In November 1996, the municipality approached the Development Bank of Southern Africa to investigate options for the delivery of services.

It was decided that the concession option would be pursued with a service provider selected through full and open competition.

Nelspruit and Dolphin Coast: Frequently asked questions

Have these concession contracts been designed in such a way that they are consistent with international practices?

Yes. As with long-term concession contracts signed in other countries, the private contractors in Nelspruit and Dolphin Coast will be entirely responsible for the services they are contracted to provide, including operation, maintenance and management, as well as the capital investment necessary for the expansion of services. All fixed assets remain the property of the municipality, although they are entrusted to the contractor for the duration of the concession contract, and must be returned in a specified condition at the end of the concession period.

The advantage of combining responsibility for operations and investments is that it provides an incentive to the operator to make efficient investment decisions. It also provides an incentive for technological innovations, because the operator will benefit directly from any efficient improvements made.

Penalties in concession contracts are levied if the contractor fails to meet either the targets for service coverage or the quality of services specified.

Have the municipalities abdicated their responsibility to provide water and sanitation services to their residents?

No. The activities and performance of BiWater-Metsi a Sechaba in Nelspruit,

partnerships (PPPs) and municipal service partnerships (MSPs) contracts. Importantly, the Bill will allow the creation of multiple-jurisdictional municipal service districts for the provision of key municipal services to all member councils of the district. In general, the Bill is expected to facilitate PPP/MSP arrangements as part of government's ongoing effort to provide municipalities with the flexibility needed to meet ever-changing challenges



Johannesburg Metropolitan Council enlists MIIU aid on pilot PPPs

A contract with the Greater Johannesburg Metropolitan Council (GJMC) was signed on 11 December 1998, committing the Municipal Infrastructure Investment Unit (MIIU) to cost-share in the funding of up to R3.42 million in technical assistance. This funding is aimed at returning Johannesburg to a sound financial footing in the quickest possible time and is the largest single contract signed by the MIIU to date. The agreement calls for feasibility studies assessing PPPs for Rand Airport, Fire and Emergency Services, the Gas Works, Electricity Generation, Fleet Management, Bus, Information Technology and, eventually, the Fresh Produce Market.

These projects were initiated by the Committee of Fifteen and are expected to pave the way for larger initiatives in water and sanitation, solid waste and electricity distribution. In each case, consultants have been appointed to undertake a feasibility study and

and SAUR Services in Dolphin Coast will be monitored by the TLCs. The TLCs will approve the tariffs levied for water and sanitation services. They will also monitor the way in which these services are provided. If the contractor stops the supply of services to a Nelspruit resident, the TLCs will investigate the circumstances. The TLCs will also monitor the impact that supplying these services may have on the environment.

Was organised labour consulted before the contract was awarded?

Yes. Both unions recognised by the Nelspruit TLC, IMATU and the South African Municipal Workers' Union, were consulted. The Nelspruit and Dolphin Coast projects have been discussed in a number of high level meetings between COSATU, SALGA and Minister Moosa. A framework for evaluating such projects has been agreed on between government and COSATU, and COSATU has reviewed the draft contracts.

Has the public-private partnership process been consistent with government's rules and regulations for integrated development plans as per the Local Government Transition Act of 1993?

Yes. In Dolphin Coast the Municipal IDP process has been completed and the proposals for the future management of the water and sewerage services are in line with the said document.

A formal integrated development planning process is still underway in Nelspruit. The TLC has followed and is following all relevant rules and regulations associated with this process.

Have the TLCs acted in accordance with the Department of Constitutional Development's guidelines for PPPs?

Yes. Dolphin Coast has conducted their entire process in terms of these guidelines, which were published in mid-1997, at least a year after the Nelspruit PPP process had begun. Despite this, the Nelspruit TLC has achieved substantial compliance with the guidelines.

Have the TLCs' decisions 'contravened' the Water Services Act, 1997 as public water providers were not 'utilised before municipal companies were chosen'?

No. The Nelspruit TLC consulted the Minister of Water Affairs, who is in agreement with the process. Both contracts are in line with the provisions of the Water Services Act.

The South African Local Government Bargaining Council agreed on 30 June 1997 to 'improve and extend service delivery within the public sector before privatisation is even considered'. Does this project contradict this agreement?

No. The resolution does not apply in circumstances where massive new infrastructural development is required, and where it is obvious from the surrounding circumstances and budgetary constraints

analysis of options to enable the GJMC to choose a form of PPP/MSP and then execute it. Most of these studies will be completed in the first quarter of 1999, after which serious project preparation will begin. A future edition of PARTNERSHIPS will focus on the GJMC initiatives.

New MSP Regulatory Framework should boost Municipal Partnerships

The second draft of the proposed Regulatory Framework for MSPs was unveiled by the Department of Constitutional Development on 10 December 1998. 'Municipal Service Partnerships' include public-public, public-private, and public-NGO/CBO projects.

This draft undertakes to outline the scope of an MSP Policy Framework. It is intended to create a policy environment that enhances the viability and feasibility of MSP service delivery. In general, this policy environment will mirror the provisions of the Municipal Systems Bill.

CONTACT

Partnerships is published quarterly by the Municipal Infrastructure Investment Unit and the National Business Initiative.

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WHAT IS THE MIIU?

The Municipal Infrastructure Investment Unit (MIIU) is a section 21 company established by the South African government. It has been established to help municipalities find innovative solutions to critical problems with the financing and management of essential municipal services such as water supply, sanitation, waste, energy and transport. These solutions include the involvement of new parties in service delivery in various forms of partnership arrangements. The MIIU strives to encourage and optimise private sector investment in local authority services, on a basis that is sustainable for both local authorities and at a national level.



that a municipality does not have the resources or finances to deal with the magnitude of the problem. It would lead to absurd results if municipalities were first required to give their own departments an opportunity to perform functions that they are clearly not able to do.

Will the Nelspruit and Dolphin Coast PPPs threaten job security of workers?

No. No workers will be retrenched and workers' benefits will be as good as, or better, than before. In terms of the agreements, all municipal workers involved in the provision of water and sanitation services must be employed on the same or better conditions of service – an essential condition of the contract. All bidders had to put forward innovative proposals regarding staff training and development and remuneration policies, such as equity schemes, support for the education of workers' children, funding of community-development programmes and youth and women- development programmes.

Bidders were also required to

include proposals for the development of small contractors, the development of, and support for, local businesses and professionals.

Will possible tariff increases resulting from the Dolphin Coast TLC's decision mean that it will be more difficult for poor people and workers to gain access to services?

No. The prices (average combined water and sanitation tariff) proposed by private operators bidding for contracts in Nelspruit reflect an allowance for substantial capital investments over 30 years. Tariffs will be much lower than would have been the case if the municipality had made the improvements itself.

In the case of Dolphin Coast, the tariffs for the small consumer, basically those from deprived areas, will be much lower than the municipality would have charged to offer the same level of service.

Will the public-private partnerships mean that disadvantaged areas will not be served?

No. The whole purpose of the PPPs is to extend services to disadvantaged and under-served areas.

The Dolphin Coast municipality regards the PPP as an integral part of its Reconstruction and Development Programme. Without this co-ordinated approach the municipality would not be able to provide the required levels of service in the deprived areas.

The Editor gratefully acknowledges the contributions of the Department of Constitutional Development and the cities of Nelspruit and Dolphin Coast who assisted in the preparation of this article.

Annexure

E

Terms of Reference
Communications Strategy for
Municipal Service Partnerships

INTRODUCTION

The CMIP programme is now approaching 18 months of implementation. Over 250 projects are in the construction phase and 158 projects have been completed. As part of National Government's strategy to address the capacity short falls in municipalities to operate and maintain CMIP-funded facilities, Government developed necessary methods to address the need for infrastructure service delivery to be rolled out to all people.

One method addressing this problem is through the Municipal Service Partnerships (MSPs) whereby municipalities could obtain technical and financial expertise necessary from other partners both public and private to ensure that sustainable services are provided to communities.

It is essential that the full package of information about operation and maintenance options are also built into a long term communications plan to ensure that the services provided by Government through the CMIP programme are well looked after by municipalities and do not collapse in a few years time.

The Municipal Infrastructure Investment Unit (MIIU) was established through the collaboration of the Department of Constitutional Development (DCD) and the Department of Finance in 1998. Its mission is to assist municipalities in accessing private sector funding and expertise to provide and sustain the needed infrastructure. A section 21 company operational since 1 May 1998, the MIIU is currently assisting municipalities in all nine provinces. It provides grant funding, on a cost-sharing basis, to municipalities for technical

assistance in assessing Municipal Service Partnerships (MSPs) in order to sustain basic services to communities benefiting from CMIP.

The MIIU, in consultation with provinces and SALGA is therefore ideally placed to implement this communications plan on behalf of the Government.

Because of labour's concerns regarding MSPs, the Government, SALGA (the South African Local Government Association), and COSATU (the Congress of South African Trade Unions) came together and negotiated a Framework for Restructuring of Municipal Service Provision, which will guide the overall approach to local government restructuring and the MSP process. It is anticipated that adherence to this Framework should facilitate MSP consideration by municipalities while the regulatory framework and legislation is being prepared by Government..

The communications plan will be implemented by the MIIU and monitored by the DCD, to assure that the mission of the MIIU is fulfilled within its five-year mandate.

TERMS OF REFERENCE

The work to be performed under these Terms of Reference will involve two phases. Phase one will encompass the development of a communications strategy containing the following elements:

- Creative: Concept and Image
- Media strategy and material distribution
- Public Relations Strategy
- Research

The emphasis is to ensure that people/citizens become acquainted with the costs and benefits of PPPs/MSPs.

The second phase, entered into subsequent to the selection and approval of a preferred strategy, will involve the implementation of the plan.

Parallel to the implementation plan will be ongoing research on South African and international experience with MSPs. This information will feed into the implementation of the communication strategy. The preferred bidder is expected to provide research capacity for this purpose.

TARGET AUDIENCE

Target audiences include:

- Elected local government officials and managers (TLC, MLC, and GMC Councilors, District Councilors, SALGA, Associations of engineers, financiers, etc.).
- Provincial governments
- Communities and beneficiaries of MSP initiatives (previously disadvantaged populations, industry, labour etc.).
- Other national government and parastatal agencies affected by or affecting MSPs.
- Domestic and international infrastructure financing institutions (including development finance institutions).
- Domestic and international operators who compete for MSPs.
- Organised labour in South Africa.
- Research and educational institutions training future local government managers.
- Donor Agencies.
- The non-trade electronic and print media in South Africa.

Respondents are invited to suggest other members of the Target Audience.

PHASE 1: COMMUNICATION STRATEGY

Develop a communications strategy addressed to the Target Audience containing the following elements:

1.1 Creative

Develop a concept and image of the campaign.

1.2 Media Strategy and Material Distribution

1.1.1 A *media package* reflecting the current status, capable of easy updating to reflect rapidly-changing situations, containing at least:

- a) Government Vision for MSPs in relation to the CMIP program (This could include assistance in preparation of remarks for the Minister);
- b) SALGA's vision and programmes around MSPs
- c) A description of the MIIU and its mission;
- d) Summaries of current CMIP/MIIU-supported projects and other key projects undertaken independent of MIIU
- e) Statements from Mayors, CEOs, Town Clerks, and other municipal officials benefiting from MSPs and CMIP/MIIU support
- f) Statements from the Chairman of the Board of Directors and CEO of the MIIU;
- g) Profiles of the Members of the MIIU Board of Directors
- h) Copies of major news stories on CMIP/MIIU projects
- i) A copy of the Framework for Restructuring Municipal Services and comments from relevant stakeholders;
- j) The latest issue of Partnerships, the MIIU publication; and
- k) Other materials and documents as suggested by the contractor, and agreed upon by the MIIU and DCD.

- l) Inputs from communities/consumers;
- m) Work of the Sectoral Forum.

1.1.2 *Collateral materials* capable of being distributed singly or in combination, or included within media packages, including at least the following:

- a) A description of the various types of MSPs, as well as their costs and benefits;
- b) “fact sheets” with regard to specific CMIP/MIIU-supported projects
- c) “frequently asked questions” sheets regarding MSPs in general, the MIIU specific, high profile projects, etc.,
- d) Other matters as identified by the contractor and concurred in by the MIIU and DCD.

1.1.3 *A materials creation and information dissemination plan*, setting forth appropriate time-frames wherein the materials described in subsections 1.1.1 through 1.1.2 will be created and made ready for dissemination.

Dissemination mechanisms will include:

- Print and electronic media
- Radio and TV
- Own publications and media package
- Off-line: -events, seminars, conferences, posters, videos, billboards etc.,

1.3 Public Relations(PR) Strategy

1.3.1 *a regular media briefing plan* setting forth a suggested program whereby all forms of media are regularly informed of ongoing CMIP/MIIU activities;

1.3.2 *press release execution and launch* training so that MIIU and relevant DCD staff may regularly prepare and launch press releases of a nature as will be picked up by the appropriate media; and

1.3.3 *A crisis plan* for unusual events and crises that may arise. A plan for quick, reasoned responses reflecting not only the crisis at hand, but appropriate national government policies, positions and interpretation is required.

1.4 Research

This involves surveys of both South African and international MSP experience, highlighting cost and benefits, coverage and quality of services, employee participation and benefits as well as community participation and benefits.

PHASE II: IMPLEMENTATION PROGRAMME

Develop a program whereby phase one will be implemented. Include a calendar or chart showing the suggested event where the information is developed and disseminated, the types of information to be disseminated, and the mechanisms to be used. Provide this information for a two(2) year period effective 30 March 1999. It is critical that the consultant works closely with provinces, with SALGA, and with the provincial SALGA organisations.

INSTITUTIONAL ARRANGEMENTS

The preferred bidder (Communications Company) will be managed by the Municipal Infrastructure Investments Unit (MIIU).

PROCESS

1. Pre-qualification: Preferably 3 firms
2. Full briefing of selected firms
3. Review of proposals: Communication Strategy
4. Bid on quality of strategy and not price
5. Negotiation and contract

Pre-qualification

Consortiums with a mix of the following skills:

- Social research
- Outreach (Community outreach experience)
- Public Relations skills
- Black empowerment
- Use of small contractors
- User friendly outreach

The MIU is to develop the following:

1. An advert for pre-qualification plus Criteria for evaluation.
2. Structure a team with the DCD (Dr. Olver, Mrs Moloi, Richard Kruger)
3. Review (Schedule and venue)
4. Selection of qualified firms
5. Briefing of firms
6. Review of proposals
7. Selection of bidder

Request for Expressions of Interest:
Development and Implementation of a
Communications Strategy for
Municipal Service Partnerships

The Municipal Infrastructure Development Unit (MIIU) invites Expressions of Interest from suitably qualified firms and individuals to develop and implement a communications strategy for Municipal Service Partnerships (MSPs).

Qualifications include demonstrated competence in:

- development and implementation of nation-wide communications and/or public relations plans;
- writing, producing and disseminating collateral materials nation-wide;
- community outreach - engaging previously disadvantaged communities on matters of community interest;
- development and implementation of a media strategy, including media training;
- an understanding of the relationships between the Department of Constitutional Development, SALGA, COSATU and its affiliated organisations, the MIIU, and elected local officials;
- Social research
- Outreach (Community outreach experience)
- Public Relations skills
- Black empowerment
- Use of small contractors
- User friendly outreach

Interested firms and individuals should obtain a copy of the Terms of Reference: Communications Strategy for Municipal Service Partnerships, to determine the applicability of their expertise to this undertaking. Copies will be available at the MIU, located in the Development Bank of Southern Africa, 2nd Floor, DBSA Building, 1258 Lever Road, Headway Hill, Midrand 1685, from Tuesday 9 March 1999 until the close of business Friday, 12 March 1999. The fee for each copy shall be R500,00.

Expressions of Interest must be filed with the MIU at the address listed above, by 16h30 on Thursday 25 March 1999.

Up to three (3) firms and individuals may be selected for a further briefing and invitation to submit a detailed technical and financial proposal.

Selection from the firms and individuals invited to submit detailed technical and financial proposals will not be determined by cost alone, but by a combination of technical merit, demonstrated competence, affirmative action record, and cost.

The MIU reserves the right to reject any or all Expressions of Interest submitted, any or all proposals submitted pursuant to invitation, and to withdraw its decision to proceed with this undertaking at any time.

Questions regarding this advertisement may be directed to Mr J Lesaoane at (011) 313 3546 until the close of business Friday 12 March 1999.

Annexure

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**Mid-Term Evaluation
Municipal Infrastructure Investment Unit
Terms of Reference**

Purpose:

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 consultants should (1) examine the interim and First Amended MIIU business plan; (2) speak with the relevant participants in the public and private sectors (including local governments); (3) review progress to date; and (4) if necessary, suggest potential adjustments.

Background:

The Republic of South Africa's (RSA) Growth, Employment and Redistribution Program, (GEAR) identified private investment in municipal infrastructure as a key ingredient to remedy the backlog in municipal services provision. The MIIU was established to help local governments package municipal infrastructure projects for private financing, design, and operation, and to manage public/private and public/public partnerships. Demand driven, the MIIU focuses its efforts at the local government level. The MIIU helps to ensure that the process of public/private and public/public partnerships for municipal infrastructure is well managed in the interests of both the public and private sectors, and to facilitate private investment in municipal infrastructure. Operationally, the MIIU supports municipalities by providing grant funding, on a cost-shared basis, to prepare projects that entail at a minimum accessing private capital and skills.

The overall goal of the MIIU is to assist in creating a mature financial market that will facilitate the flow of private capital to local governments throughout South Africa in support of municipal infrastructure. Through this effort, the assistance will also support the creation of technical expertise in local governments and the private sector to package and secure this financing. An indicative measurement of this goal will be the creation and financing of municipal infrastructure packages prepared by local governments and their consultants with MIIU assistance for private financing.

The MIIU is a Section 21 Company (not-for-profit) that consists of three interlocking components. The first is a Board of Directors that has a broad oversight and a policy role, and a specific fiduciary duty with respect to the grant fund. The second is a Project Preparation Unit (PPU) that is the operational core of the MIIU. It processes applications for technical assistance from local authorities and provides oversight and guidance to them. The PPU also oversees the management of the third component of the program, the Preparation Fund (PF). The PF is the source of the direct grant assistance to municipalities. The MIIU requires, in most instances, that PF resources be combined with local resources to ensure cost sharing.

The MIIU has been functioning since April 1998. Since that time, the Unit has examined over 50 different projects in all nine provinces. A total of R4,144,888 million has been committed to projects as of 28 February 1999. The R884,337 contribution to the Dolphin Coast project, recently finalized, will generate some R1.3 billion in investment over the life of the concession. Several projects are in advanced stages.

Scope of Work:

The consultants should undertake the following tasks:

1. Review all relevant project documents including the Memorandum of Understanding between the Development Bank of Southern Africa (DBSA) and the Department of Constitutional

Development (DCD), the Interim and First Amended Business Plans, Application, Approval, and Procurement Procedures, Model Agreements, Code of Conduct, Quarterly Reports, Board Meeting Packets, and other program management documentation.

2. Initially meet with the MIU Project Preparation Unit to discuss their objectives in terms of completing the evaluation. Also seek recommendations in terms of potential site visits to municipalities. In addition, meet with an appropriate selection of Board members, representatives from the Department of Finance, the Department of Constitutional Development, the Development Bank of Southern Africa, and USAID to discuss their views of the MIU's activities to date.
3. Visit at least three municipalities to examine the assistance provided by the MIU and the overall state of private investment in municipal infrastructure. Meet with the appropriate local officials, and, if warranted, community representatives.
4. In a report, which should include an executive summary, summarize the current status, impact, and role of the MIU support to local authorities. Comment on the administrative functions and processes of the MIU, and, if appropriate, recommend alterations and/or changes that could streamline and facilitate the flow of potential projects and the closing of deals. Comment on the support received by the MIU from other South African governmental agencies. Comment on policy issues that facilitate and/or inhibit private investment in municipal infrastructure. Without going into extensive research, generally comment on the potential solutions to those policy issues identified by the MIU.
5. Review the draft report with the MIU Preparation Unit, the relevant Board members and USAID before preparing a final draft report. Upon receipt of comments from the relevant parties, finalize the mid-term evaluation.

Performance Period:

The work is scheduled to begin no later than September 30, 1999 and be completed by February 28, 2000.

Level of Effort:

Two professionals are required to complete this work.

The first person should be a senior level expert in municipal infrastructure with a strong understanding of the South African market. The individual should be familiar with the RSA's GEAR, CMIP, White Paper on Local Government, and other corresponding programs supporting local government's efforts to deliver municipal infrastructure. A solid understanding of the needs and constraints of private investors in municipal infrastructure in South Africa is essential. A minimum of 10 years of relevant professional experience is required.

The second person should also be a senior level expert with a minimum of 10 years of professional experience working in the municipal infrastructure sector in the international arena. The individual should be familiar with all issues related to securing private investment in municipal infrastructure, and particularly, the constraints and opportunities that arise in emerging markets. Some familiarity with the municipal infrastructure market in South Africa is desirable, but not essential.

Each consultant is allowed 24 working days to complete those tasks. It is anticipated that a total of two weeks will be spent in South Africa for the international consultant. The balance of time will be available for preparation work and report drafting and finalization.

Deliverables:

A draft report should be provided before the international consultant departs South Africa. Within 10 days of receipt of comments from the MIU Project Preparation Unit, the MIU Board of Directors

and USAID, the final report should be completed. Twenty copies of the report should be delivered to the MIU Project Preparation Unit and USAID for distribution.