

**Eleventh MIIU Board of Directors Meeting
No. 05/1999**

**MIIU Progress Report
July 1999 - September 1999
and
Semi-Annual Report**

**ASSISTANCE TO THE SOUTH AFRICAN
MUNICIPAL INFRASTRUCTURE INVESTMENT UNIT (MIIU)**

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MIU

Municipal Infrastructure
Investment Unit

**A. ELEVENTH MEETING OF THE BOARD OF DIRECTORS
TO BE HELD ON FRIDAY 19 NOVEMBER 1999
IN CR20, DBSA BUILDING,
LEVER ROAD, MIDRAND
TIME: 9:00 – 10:00**

**CHAIRPERSON: MS MARLENE HESKETH
A G E N D A**

- | | | | |
|----|---|----------------|-------------|
| 1. | INTRODUCTION AND WELCOME | Chair | |
| 2. | APOLOGIES | Chair | |
| 3. | ADOPTION OF PREVIOUS MINUTES | Chair | A |
| 4. | MATTERS ARISING
Request to Ernst and Young to run elections
Highlights of current issues
Exit Strategy proposal
Resubmission of business plan
Meeting with LGTP | Chair
CEO | |
| 5. | CONTRACT WITH THE DBSA | Chair | B |
| 6. | ELECTION OF CHAIRPERSON | E & Y Auditors | |
| 7. | CLOSURE | Chair | |
| | DOCUMENTS FOR NOTIFICATION:
Highlights (as at 7 November)
Progress report (1 July – 30 September 99)
Amended Business Plan | | C
D
E |

**B. WORKSHOP BETWEEN THE MIU AND THE
DEPARTMENT OF CONSTITUTIONAL DEVELOPMENT
TO BE HELD ON FRIDAY 19 NOVEMBER 1999
IN THE AUDITORIUM, DBSA BUILDING,
TIME: 10:15 – 13:00**

- | | | | |
|----|-------------------------------------|----------|--|
| 1. | OPENING | Chair | |
| 2. | PRESENTATION : ANNUAL REPORT | CEO | |
| 3. | DCD'S STRATEGIC VISION | Minister | |
| 4. | DISCUSSION | Chair | |
| 5. | CLOSURE | Chair | |

ANNEXURE A

MIIU
Municipal Infrastructure
Investment Unit

**Minutes of the tenth meeting of the
Board of Directors
20 August 1999
CR 20, DBSA Building, Midrand**

Present :

Directors :

Marlene Hesketh (Chair)
Fanyana M Madlala
Noma-India Mfeketo
John Barton-Bridges
Nonhlanhla Mjoli-Mncube
Neil Macleod
Mzimkula Msiwa
Roland White
Nozabelo Ruth Bhengu

Functionaries :

Monhla Hlahla
James Aiello
Barry Jackson
Beverley Parsonson
James Leigland
James Dohrman
Anthony Still
Chris Strydom
Jackie Lesaoane

Apologies :

Directors :

Brian Whittaker
Sisa Njikelana
Gugu Mloi
David Ferreira
Nomagugu Mgijima

1. INTRODUCTION AND WELCOME

The meeting convened at 10h15. Chair Marlene Hesketh welcomed all attendees to the tenth meeting of the Board of Directors of the Municipal Infrastructure Investment Unit (MIIU).

2. APOLOGIES

Apologies from Sisa Njikelana, Brian Whittaker, Gugu Mloi and Nomagugu Mgijima were noted.

3. ADOPTION OF PREVIOUS MINUTES

The agenda for the meeting was adopted and the minutes of the previous meeting were approved with editorial.

4. MATTERS ARISING FROM PREVIOUS MEETING

4.1. Chairmanship of the MIU Board

No outcome from the voting process was reached as a number of structural problems had been encountered. As a result a revote will have to be scheduled. The CEO tabled a summary of the anomalies.

It was resolved that the CEO write a letter to the auditors requesting them to conduct an election from members of the Board as at 19 September 1999 in terms of the Companies Act and South African law. It was further agreed that the election would be for the position of Chair and not Deputy Chair.

CEO

4.2. Information Flow to the Board

The Board requested the PPU to prepare a summary of events which had occurred during the quarter and to highlight current issues for inclusion in the Board documents. It was further requested that these issues be put into perspective with regard to projects. The CEO informed the Board that this item had been included in the Business Plan for further action. Board members also requested that a topical item be included on the agenda of each board meeting for general discussion purposes.

PPU

5. DRAFT DIRECTORS' REPORT AND DRAFT FINANCIAL STATEMENTS

- 5.1. Joseph Njorogo from Ernst and Young Auditors gave an overview of these two documents. He clarified that the auditors did not report on the Corporate Profile and CEO's report. These documents were just checked for irregularities.

Once approved by the Directors, these documents will be signed by the auditors and presented in a glossy format.

It was agreed that the report and financial statements would be approved subject to the following corrections

being made :-

- Note 5 (page 18) – Will be changed to read “Accrued interest”.
- Page 9 – This excludes donor-financed staff. It was agreed to limit the Directors’ Report to what is required by the Companies Act and to refocus it on financial issues only. From the second paragraph of the ‘Financial Review, including the graphs to be moved to the CEO’s Report.
- Page 16 – Dash to be changed to 0.

It was noted that the Cabinet Memorandum and Articles of Association do not make it clear what type of company the MIU should be. Tidying up of the Articles of Association is required. It was agreed to establish a sub-committee to look into these.

6. DRAFT BUSINESS PLAN AND DRAFT BUDGET

6.1. Draft Business Plan

The CEO gave an overview of the Business Plan for the second operational year. It was agreed that the CEO would present a proposal on the Exit Strategy at the next meeting.

CEO

The Board requested that the following changes be made :-

- Point 4 of ‘Operating Environment’ to read “Improving capacity to structure and package MSP projects in both local government and the whole advisory community in South Africa”.
- Point No. 9 should be broadened in terms of providing support to Government agencies with regard to interaction with unions.
- Marketing Strategy (Page 4) – The MIU to endeavour to reduce the information asymmetry between internal partners (councillors versus officials) by ensuring that councillors understand their projects and MSP strategies.
- Direct responsibilities should be assigned to direct individuals. A clear breakdown of these responsibilities should be given to the BOD members.
- Individuals to be held more accountable for targets set.

It was suggested that two types of targets be included:-

- Outcome targets (targets as reflected)
- Output targets (number of deals the MIIU is funding)

Technical assistance targets should be added. Table on Page 8 should include figures.

The Business Plan should be managed according to Key Performance Indicators and Budget. Figures to be added to these two items.

Business Plan to be resubmitted to the Board with these changes.

Some form of preference target should be included. The question of whether the MIIU is demand-led should be included as an item for discussion at the next Board meeting.

Mr Leigland spoke briefly on Municipal Bonds. Mr Barton-Bridges requested a further meeting with him to discuss this subject.

Draft Budget

It was noted that we are awaiting a response on the meeting between the Minister of Constitutional Development and the Minister of Finance with regard to budgetary allocations to the MIIU. Further discussions on fund-raising are required.

An urgent meeting should be set up in the next ten days to discuss the MIIU's funding needs. It was suggested that the Chair and CEO meet with the Chair and CEO of the LGTP. CEO/Chair

The draft Budget was accepted.

7. NELSPRUIT FINANCIAL CLOSURE

Mr John Barton-Bridges briefed the Board on the status of the Nelspruit Water and Sanitation project and DBSA's current position.

There was further discussion on this subject.

8. PROGRESS REPORT

The Progress Report for the quarter ending 30 June

1999 was tabled and noted.

9. GENERAL

The CEO informed the Board that Dr C Lover had requested that a workshop on the New Systems Bill be held between the MIIU and DCD.

The Board accepted the proposal and will wait dates from the DCD. It was agreed that the PPU should also attend this workshop. Published copies of the bill will be sent to the Board. The CEO to brief the Board members beforehand.

CEO/PPU

10. DATE OF NEXT MEETING

The date of the next meeting is 19 November 1999.

A proposal to invite the new Minister, Minister S Mufamadi to the next board meeting was tabled. It was suggested that this would be a good opportunity to launch the Annual Report. Members of staff from the DCD, the DoF, Media and public would be invited. This would be a good opportunity to raise the profile of the MIIU.

It was further agreed that a meeting be set up in a month's time with the Minister and available Board members to introduce him to the MIIU. A list of the Board members and the constituencies they represent should be sent to him. The CEO to work out the logistics of this briefing.

CEO

It was also agreed that the Chairperson (Naledi Pandor) and Dr Mike Sutcliffe (Demarcation Board) be invited to the launch so that they may understand the role of the MIIU. The CEO to request Mike Sutcliffe to make a short presentation to the Board on the Demarcation Act.

CEO

11. CLOSURE

The meeting was adjourned at 14h05.

Attest :

Marlene Hesketh, Chair

Date : _____

ANNEXURE B

MIIU

DBSA MANAGEMENT CONTRACT

The DBSA/MIIU contract for the provision of management services is due to end on March 31st 2000.

We suggest that a sub-committee of the Board of Directors be mandated to explore one of the following possible outcomes for approval and conclusion at the meeting of February 2000. The options are as follows:

1. Extend the DBSA contract for the rest of the life of the MIIU, i.e. three years
2. Terminate the DBSA contract and look elsewhere
3. Extend the DBSA contract for a period of one year during which time further options are explored. (It was intended to start this process in about six months' time, in order to allow plenty of time to decide and/or recruit before March 2001). All these options will be affected by the ability of the DCD to secure more funding for the Project Preparation Fund.

It is highly unlikely that a replacement firm and team could be recruited between now and March 2000. Therefore, assuming the choice is between options 1 and 3 above, the Board will need to consider how best to proceed.

ANNEXURE C

MIU

HIGHLIGHTS (As at 07 November 1999)

➤ **Financing of the Nelspruit Water and Sanitation Concession Contract**

On 21 October 1999 DBSA's Board of Directors approved loan finance in an amount of R146,8 million to Greater Nelspruit Utility Company (Pty) Ltd. The proposed funding is structured in two tranches; R48,5 million (one third of the debt) for DBSA's account and R98,3 million (two-thirds) to be placed with private sector banks and/or financial institutions.

DBSA's appraisal of the project concluded that the project is financially sound and well structured, with a reputable sponsor with a good international track record. DBSA was asked by the sponsor and Nelspruit TLC to assume responsibility as lead arranger of the debt finance. Investec and ABSA remain as co-arrangers. The private sector banks are not in a position to commit funds to the project as yet, primarily due to shortcomings in the legal framework with respect to concessioning of projects to the private sector within the water sector. DBSA agreed to this approach due to the high cost of further delay in achieving financial closure in terms of lack of services to the communities and costs to the project sponsor."

➤ **Mondi-WMLC Recycling Center Contract**

On 28 October 1999 Mondi Recycling and the Western Metropolitan Local Council signed an agreement for a public-private partnership for the operation of a recycling center located at the WMLC Robertson transfer Station. The signing ceremony was attended by MEC for Agriculture, Conservation and Environment, Ms. Mary Metcalfe, who was the keynote speaker. The MIU, through its Municipal Infrastructure Specialist, Jim Dohrman, began providing technical assistance to the WMLC in September 1998 on this project. This unique project is a true public-private partnership in that Mondi and the WMLC are coordinating their efforts to maximize the collection and processing of waste paper in the Region. One example of that cooperation is a curbside collection program for paper in all residential areas serviced by the WMLC waste collection trucks. It is envisioned that other recycle materials markets will join Mondi in the near future in forming a larger recycling park where glass, cans, plastics and other materials can be resold back to the manufacturers to be made into new products. The program will provide jobs and income for many small entrepreneurs, will avoid landfill costs, reduce litter in the area, as well as raising public awareness of the positive impacts of recycling.

The MIU assistance included conceptual planning, drafting the Request for Expressions of Interest, interviewing potential participating recycling companies, coordination with Mondi Recycling programs, site evaluations and general technical input regarding comprehensive recycling programs.

➤ **Pretoria West Power Generation Station**

The Pretoria West Power Station is 47 years old and nearing the end of its useful life. Without sufficient public resources to upgrade or even properly maintain the aging plant, it will surely close in the near future, with the loss of several hundred jobs. The Metro Council completed a Feasibility Study in November 1998 and issued a request for proposals in February 1999 for a 25 year private sector lease of the facility, which would provide the capital, needed to upgrade the facility and protect the current work force. Six proposals were received in April 1999 which were reduced to two by the proposal evaluation committee. In September 1999, after several months of negotiations and evaluation, Pretoria Energy Ventures (PEV) was selected as the preferred bidder. The PEV proposal includes a capital investment of 200 to 300 million rand and is unique in that it includes a dedicated coal mine and an ash-to-bricks facility which will create additional needed jobs in the Metro region. The next phases of the project will include negotiation of the lease agreement and Power Purchase Agreement (PPA), which must be competitive with ESKOM's tariffs.

The MIU became involved in the project during the proposal evaluation. We participated in the funding of legal, financial and technical evaluations of the proposals and participated in the proposal evaluation committee. We anticipate and look forward to continuing our role in the next phases of the project.

➤ **Metro Gas**

The sale of Metro Gas is in its final stages. The business is being sold because the city views it as a non-core function. The operation loses money annually; and non-revenue gas is about 30% of gas distributed. Because of budget constraints, the city has deferred capital investment and major repairs for years. Many of the underground pipes are over 90 years old.

Prequalified bidders are now preparing their first bids for the facility in response to an RFP issued in September. The bids are due by mid November. Three bids are now expected, including one from a strong international consortium specialising in gas distribution. Two preferred bidders will be invited to submit final bids, and a single preferred bidder should be identified by Christmas. A draft contract of sale has already been given to bidders, so final sale negotiations are expected to be relatively straightforward.

Metro Gas has about 115 employees, all of whom will be taken over by the successful bidder on terms as good as, or better than, their current employment arrangements. The new owner will also be required to continue gas service to the 14,000 household customers of Metro Gas. Extensive affirmative action and black empowerment requirements have been made part of the deal.

Key issues of concern for bidders include;

- Whether or not the city can grant exclusive city gas distribution rights to the winning bidder,
- How the city will regulate tariff increases,
- Exactly how large is the benefit package owed to employees,
- How much environmental clean-up will be required at the site,
- Whether or not SASOL will enter into a favourable contract for the continued supply of gas to the new owner of Metro Gas.

Each of these issues has been, or is being resolved.

The city paid for a feasibility study by Rand Merchant Bank, which was updated in early 1998. MIIU contributed to a follow-up PPP assessment, and has contributed to the final "project preparation" phase currently underway, including prequalification, RFP preparation, adjudication, contract drafting, and negotiation. The total MIIU contribution to this work is R1.35 million, or 47% of the total costs of the sale preparation work.

➤ **Rand Airport**

The sale of Rand Airport is also in its final stages. A contract of sale has been drafted and negotiations are about to begin with a preferred bidder. The airport is being sold because it is viewed as a non-core municipal function, and although it operates now at roughly a break-even level, the Metro Council believes it does not have the technical and institutional capacity to handle the growing demands of routine operations and maintenance, much less carry out the kind of investment programme needed to realise the full commercial potential of the airport.

A prequalification process concluded in October identified one bidder for the airport. An extensive review of the bidder's qualification concluded that the bidder was a fully credible purchaser of the airport, responsive in every way to the pre-qualification criteria. The decision was taken to open negotiations with the bidder after the preparation of a draft contract of sale was completed.

The airport has approximate 60 employees; all will be taken over by the new owner of the airport on terms as good as, or better than, their current employment arrangements. The new owner must also maintain Rand as a functioning airport serving clientele in the Johannesburg-Germiston area. Extensive affirmative action and black empowerment requirements have been made part of the deal. The key issue of concern for the bidder is whether or not Rand will retain its status as an

international airport. However, even if international status is taken away from the airport, as now appears to be the case, the preferred bidder will likely remain strongly interested in the purchase.

MIIU has contributed to a feasibility study and project preparation work, including prequalification, contract drafting and negotiations. The total MIIU contribution to this work is R750,000 or 57% of total costs.

➤ **Johannesburg Stadium**

The Metro Council, with MIIU's help, has begun a fast-track process of selling the Johannesburg Sports Stadium. Stadium land and facilities are currently being valued, and consultants are reviewing the legal and financial aspects of a sale. The Metro Council views the sale as essential. The Stadium operation posted a loss of R11 million for its last financial year; its long-term debt stands at R130 million. The Stadium requires extensive repairs to pipes and fans, has an obsolete electronic scoreboard for which the Stadium operation still owes R10 million. The city has recovered virtually none of the R110 million initially used to build the facility.

Work leading to the sale has just begun, but the existence of several, highly interested potential bidders, as well as detailed information on the condition of the stadium assets, should allow the sale process to proceed quickly. The lack of permanent municipal employees at the Stadium, greatly reduces problems associated with organised labour, however municipal unions still oppose the sale.

Key concerns for bidders will be a resolution of the complicated legal relationship between the city and the Section 21 company that currently leases the Stadium facility, and the termination of a management contract between the Sect. 21 company and an independent operator of the stadium. Consultants are currently investigating these issues.

Following standard MIIU procedure for feasibility study preparation, the MIIU's current contribution to this work is R480,000 or 80% of the feasibility study costs. The MIIU will reduce its financial contribution to the next project preparation phase.

ANNEXURE D

MIIU

PROGRESS REPORT FOR THE PERIOD 1 JULY 1999 TO 30 SEPTEMBER 1999

1. **ADMINISTRATIVE MATTERS**
Mr A. Still's resignation
Interim Board management
2. **PROJECT STATUS**
MPPP Projects
MIIU Projects
3. **FINANCIAL AND BUDGETARY MATTERS**
4. **MARKETING AND PUBLICITY**
Partnership Magazine
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5. **STRATEGIC AND POLICY ISSUES – INTERNAL**
Midterm evaluation
BoTT programme
6. **STRATEGIC AND POLICY ISSUES – EXTERNAL**
MSP Policy Implementation Framework
Municipal Systems Bill
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Demarcation Act
Tariff Setting Guidelines
7. **ANNEXURES**
A – MPPP Project Status
B – MIIU Project Status
C – Geographic and Sector Distribution of Projects
D – Financial Statements

**PROGRESS REPORT FOR THE PERIOD
1 JULY 1999 TO 30 SEPTEMBER 1999**

1. ADMINISTRATIVE MATTERS

Anthony Still's resignation

Mr Anthony Still resigned from the DBSA and the MIIU on 31 September 1999. This has left the MIIU with a project management gap, and we are hoping that the DBSA will be able to replace him with a suitable candidate soon.

We wish Anthony great success in his new position of Transitional Manager, Greater Johannesburg Metro water and sanitation utility.

Interim Board management

Ms Marlene Hesketh continued to act as Chairperson of the Board of Directors until a new Chairperson has been elected.

2. CURRENT PROJECT STATUS

➤ **MPPP Projects**

The MIIU disbursed 69% (an additional 2% from last quarter) of the MPPP funds as at 30 September 1999. The disbursement rate is continuing to decline, indicating that most projects have either graduated into MIIU funding, or have not continued.

In the current quarter, an amount of R218,434 was disbursed largely from the Stanger regional solid waste project, which has made significant strides towards accessing a phase one permit from the DWAF. There are still projects such as the Nkadimeng rural water scheme where a lot of work has been done, but the municipality has not been able to process a claim to the MIIU. Project managers are making follow-ups on these municipalities.

Annexure A provides detailed information on MPPP projects.

➤ **MIIU Projects**

Disbursements on MIIU projects have been very disappointing having dropped significantly from the last quarter during which the Greater Johannesburg Metropolitan Council's project claim was processed. The current total disbursement of about R497 208 was largely due to the GJMC's power plant project which is moving closer to preparation and partial sale, and the Cape Town gas project where the MIIU participated in the feasibility study. Again, project managers are using the last months of the year to improve disbursements by assisting municipalities

with the processing of claims where necessary. Overall, an enormous amount of work has been done as evidenced in the list of projects with feasibility studies completed. We expect the disbursements to improve significantly.

Annexures B and C provide detailed information on MIIU projects and geographic distribution, respectively.

3. FINANCIAL AND BUDGETARY MATTERS

The need for additional funding becomes more critical as project mature into project preparation, and as some municipalities are becoming pathfinders in their decisiveness to use partnerships to improve service delivery. We have still not received an official feedback from the DCD on their attempts to access funding through the government's MTEF.

Discussions with the LGTP in August have not generated anything new except to confirm that some of the LGTP programmes are to finance Municipal service partnerships, thus performing the same mandate as the MIIU. In the absence of better co-ordination, it may be necessary for the MIIU to consider referring some of our projects to the LGTP for financing if there is not additional financing for the PPF.

Financial statements are attached as Annexure D

4. MARKETING AND PUBLICITY

➤ Publications

- Partnership Magazine

Volume 4 of Partnerships will be distributed at the Board meeting of November 19.

- Development South Africa Journal

MIIU has been invited to provide editorial guidance for a special issue of DBSA's quarterly research journal, *Development South Africa*. The special issue will be devoted to municipal service partnerships in South Africa, particularly public-private partnerships. Many of the individual contributions are provided by MIIU staff, and focus on MIIU projects.

Barry Jackson and Monhla Hlahla introduce the general topic by describing the enormous municipal infrastructure financing challenges facing the nation. Monhla Hlahla discusses the creation and functioning of the MIIU, presented as a key response by the South African government to the kinds of infrastructure finance and service delivery challenges that municipal service partnerships (MSPs), including PPPs, are best able to meet. Michael Sinclair draws on his consulting experience in South Africa to provide an overview of the government's

efforts to establish a legal and regulatory framework for MSPs, while Chris Heymans and Michael Schur examine the government's efforts to facilitate PPPs at the provincial and national levels.

A number of case studies are also included in the volume. The Chief Executive Officers of Nelspruit and Dolphin Coast, respectively Roelf Kotze and Andrew Ferguson, describe the lessons learned from the first long-term municipal concession contracts. Johannesburg's strategic plan for MSPs, including privatisation and traditional PPPs, is explained by the city's PPP Project Manager, Prem Govender, and MIIU staff member, James Aiello. Johannesburg managers Peter Coetzee and Jan van der Schyff relate the city's efforts to sell Metro Gas, and James Dohrman, also of the MIIU, and James Aiello, discuss the challenges facing solid-waste management PPPs.

The concluding section highlights selected finance issues. Karen Breytenbach and Claudia Manning, of DBSA, describe the lender's perspective on South Africa's first long-term municipal build-operate-transfer (BOT) project. Lastly, James Leigland of MIIU, and Rosalind Thomas of DBSA, review the extent to which direct municipal borrowing via the bond market can be thought of as an alternative to the PPP approach.

➤ **Workshops and Seminars**

- The CEO addressed second year students of the Wits Planning School on what has become a 'PPP 101' annual lecture. This is the third year that she has participated in this regard, and some of the students have become useful partners employed by South Africa's three levels of government.
- Jim Dohrman co-authored a paper with DBSA's Mike Marler and presented it at the Institute of Waste Management Seminar held in Cape Town on September 16 and 17. The Paper entitled "How can a Local Authority Implement a Landfill Project with Limited Resources" highlighted the financial constraints placed on local municipalities in providing basic services, increased costs of regulation and the role of the private sector. The paper was well received and has resulted in several potential new waste management projects in the Western Cape.
- The CEO participated in the DWAF's municipal services workshop with the new Minister on the 3rd of July this year. She made a presentation on the role of the MIIU and on the emerging institutional solutions to municipal water and sanitation delivery.

The Minister mentioned that he had already been briefed at Cabinet level of the MIIU and its role, and that he committed his department to partnership with the MIIU to introduce innovative and sustainable solutions to water and sanitation delivery. He also informed the

workshop that he was aware of the urgency of the Nelspruit contract, and that his team would assist him structure an appropriate support statement for the project.

- The CEO participated in a Euromoney Conference in London where she made a presentation on South Africa's experiences with private participation in the water and sanitation projects. Project participants were drawn largely from the advising community. Not surprising, the group was extremely conservative and cautious of the South African regulatory environment, which they perceive to be unfriendly to private participation. They were however interested in prison transactions and any other PFI type transaction that may not involve direct investment.

The CEO had several follow-up discussions with UK operators who are keen to explore the South African municipal market.

- On 27 August, Anthony Still and Jim Dohrman attended a workshop in Durban at the KZN regional offices of DWAF; to discuss a new KZN-DWAF project entitled "Implementation of Sustainable Water Institutions Programme (ISWIP)". This 3-year program will provide R500 000 in each of the 3 years, to each of the seven Regional Councils (RCs) in KZN to capacitate them in their role as water service authorities. Since many of the issues to be addressed in the ISWIP program are similar to what the MIIU would include in their approach to alternate service delivery, we are coordinating our efforts with DWAF in those RCs with current or potential MIIU projects. As a follow-up to the 27 August meeting, Jim Dohrman gave a presentation to the KZN Water and Sanitation Forum (WATSAN) on 14 September to explain the MIIU program and how it could be integrated into the ISWIP project.
- The CEO participated in the annual Winelands local governance workshop held in Stellenbosch. Her presentation on '*PPPs and municipal governance*' was well received by participating municipalities and challenged by the largely academic audience concerned with what they perceive to be the neglect of alternative solutions to PPPs.

➤ **Institutions that interacted with the PPU**

- Operators
 - Concor-Thames
 - Basil Read
 - BiWater
 - West Scotland Water
 - Northumbrian Water
 - Vivendi
- Water Boards
 - Rand Water
 - Umgeni Water

- **Advisors**
 - KPMG-KMTT
 - Ninham Shand
 - Deutsche Bank/DMG
 - Steinmuller
 - Deloitte and Touch

- **Other**
 - DFID
 - USAID
 - Wits Planning School
 - Business Map
 - World Bank
 - SALGA
 - British Trade
 - French Trade
 - DCD
 - DoF
 - DME
 - DWAF

5. STRATEGIC POLICY ISSUES - INTERNAL

➤ **Mid-term Evaluation**

The midterm evaluation will begin on Monday, 22 November 1999 with a PPU staff interview. Richard Tomlinson of Wits University and Michael Deangelis of the United States will be examining the MIIU's progress in supporting the provision of municipal infrastructure through the use of private capital in South Africa. The municipal officials, consultants, and operators involved in selected projects will be interviewed, as will some members of the MIIU Board of Directors. The evaluators will review progress to date and may suggest potential adjustments to the MIIU Amended Business Plan. All reviews and interviews will take place during November and early December, with a draft report due in early February. Upon finalisation, the evaluators will present the report to the Board in February.

➤ **Department of Water Affairs' BoTT programme**

Since 1994, the Department of Water Affairs and Forestry (DWAF) have been tasked with providing potable water to the twelve million residents of rural South Africa who are not currently served. Since that time DWAF has been spending about R600 million per year, primarily in support of its Build-operate-Train- and- Transfer (BoTT) program operating in four provinces. In the BoTT program, DWAF contracts with a private sector firm to design, build, and operate a grant-financed potable water facility in a particular region. This same firm is required to conduct sufficient training of area local officials in the maintenance and operation of the facility such that after a period of time, not to exceed five

years, locals can take the facility over. Cost recovery responsibilities, not stressed initially; are currently being emphasised along with the operation and maintenance training.

The pilot BoTT programs have not delivered up to their expectations for a variety of reasons, not the least of which include lack of local buy-in to the process at the outset, lack of local capacity, inappropriate technology, and reduced national government subsidies. The BoTT programme will be phased out in two years time, and the local authorities are expected to take over the assets.

In July of this year, DWAF approached the MIU, requesting our assistance to structure appropriate systems for local government take over of the schemes, and increased private sector participation in the program. The PPU will fully participate in the processes.

6. STRATEGIC AND POLICY ISSUES - EXTERNAL

➤ MSP Policy Implementation Framework

With the Launch of the Municipal Service Partnerships Policy in May of this year, the Department of Constitutional Development has now turned its attention to developing a framework for its implementation. A draft policy implementation framework was issued in September of 1999. The PPU provided inputs and reactions to the document. Among the issues being addressed are,

- the scope of required support by national government to municipal services contracts implementation and,
- The institutional form that support should take.

Also under discussion are the contracts implementation-reporting requirements to be required of local governments engaged in municipal services

➤ Municipal Systems Bill

The Bill was published for public comment on 6 August with the deadline for comments being 17 September 1999. The published version included inputs from the MIU, but further comments were submitted by the PPR prior to the due date, and a formal presentation of these comments were provided the DCD after the 20 September meeting with Minister Mufamadi. The bill is clearly supportive of all forms of MSPs. The Director General of DCD reported that the bill was discussed at a recent Cabinet sub-committee meeting, where it was agreed to hold back submission of the bill to parliament in order to consult with affected departments. It is also expected that all affected departments will be given a grace period to harmonise their sector legislation to fit the Local Government Systems Act.

➤ **Municipal Structures Act**

This Act, passed in 1998, governs the establishment of municipalities of various categories, including "Unicities". Recently, the Constitutional Court declared certain sections of the Act unconstitutional, as infringing on the prerogatives of the Provinces. The sections in question allowed the Minister to make certain decisions on the categories of municipalities within the Provinces. The Court held that the Minister could not make these decisions unilaterally. This ruling clarifies the role of Province in matters of local government.

➤ **Regulations on the WSA**

Several separate processes are in progress to generate regulations to supplement the Water Services Act. The MIIU has been involved in three so far.

Draft regulations on minimum standards and tariff structures were published for comment. Some comments were submitted by the closing date in August. The WSA also envisages model contracts for various contractual arrangements for water services. Some drafts were presented to a workshop in August, but it was clear that they needed much more work. We await an invitation to the next workshop. In the meantime, it was agreed that the MIIU would be able to contribute to this process and its first priority would be to produce a model contract for a concession. The PPU is currently working on a model concession contract for water and sanitation.

The new Minister of Water Affairs has recently announced that regulations will be published at the end of November 1999.

➤ **Potential Impact of Demarcation on MIIU and its Clients**

It is probable that very few municipalities will be left untouched by the current re-demarcation process. Almost all will be enlarged in area and population, if not in tax base. The newly demarcated entities will gain more responsibilities in terms of unserved households, which may well increase their interest in some form of PPP to help meet the needs. Changing boundaries may also affect existing contracts, requiring re-negotiation to incorporate new areas. It may also affect ongoing feasibility studies and project preparations, where the scope of works for consultants might need to be modified. Hopefully, one positive outcome will be that all new municipalities should have the tax base to be able to afford qualified and experienced senior staff who should be able to understand the challenges facing them, and be able to confidently procure appropriate advisory services.

➤ **Tariff Setting Guidelines**

The Municipal Systems Bill lays down the requirement for municipalities to develop their own tariff policies, within parameters provided in the Bill. Further requirements may be produced in the form of regulations to follow the main legislation. The DCD is sensitive to the constitutional implications of dictating too much to local government and is considering the use of guidelines instead. The guidelines will demonstrate how tariffs should be computed and how they can be structured to effect cross-subsidies for the poor while avoiding excessive taxation. The MIU is represented on the steering committee for the guidelines and members have attended a workshop on an earlier draft. They should be complete before year-end.

7. ANNEXURES

- A - MPPP Project Status
- B - MIU Project Status
- C - Geographic and Sectoral Distribution of projects
- D – Financial Statements

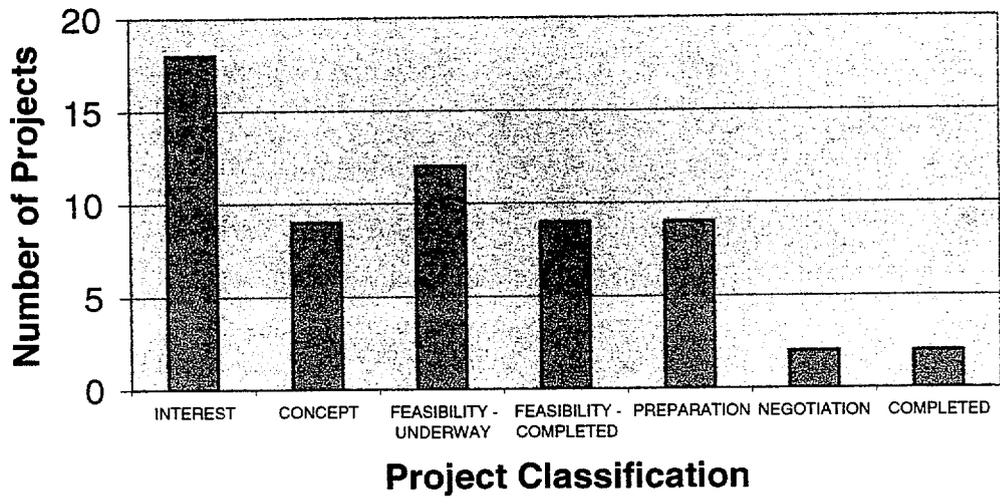
**ANNEXURE A
OF THE PROGRESS REPORT
MPPP PROJECT STATUS**

MPPP PROGRAMME - as at 30 SEPTEMBER 1999

City	Type of Project Sector	Consultants Contract	MPPP Grant Appointed	Disbursed by DCD	Transferred to MIU	Actual disbursements			Disbursement MIU to date	Balance Remaining	Projected disbursement			Status and comments	
						Apr 98 - Mar 99	Apr - Jun 1999	Jul - Sep 1999			Oct-Dec99	Jan-Mar 00	Apr-Jun 00		
1	Nkadimeng Water supply	TBD	ENRO Water Co. 1	250,000		250,000	-	-	-	250,000				Negotiations underway	
2	Port Elizabeth Water/sanit	TBD	BKS Consortium	1,000,000	55,566	944,434	364,645	-	9,170	373,815	570,619	300,000	270,619	FS evaluated decision - consultants awaiting further instruction from PEM	
3	Stanger Solid waste	TBD	Lombard & Ass/DBSA	505,000		505,000	-	-	132,330	132,330	372,670	-		P1 complete - Issuance of tender Docs. for P2 underway under MIU	
4	Bloemfontein Transport	TBD	Buscon Consortium	300,000		300,000	187,299	93,425		280,724	19,276			Feasibility study complete	
5	Dolphin Coast Water/sanit	Concessior	DBSA	1,000,000		1,000,000	974,274	-		974,274	25,726			Contract signed 29 Jan. 1999 Implementation since 1 Apr. 1999	
6	JNB Metro 1) Informal trading	TBD	Urban Solutions	500,000	-	500,000	500,000	-		500,000	-			Feasibility study complete. Council considering the findings & next steps	
	2) Solid waste	FS	Bohlweki Env. Consort	500,000	-	500,000	278,459	-	76,934	355,393	144,607		73,847	73,847	Feasibility study complete. Awaiting decision to form solid waste utility
7	Lekoa/Vaal Water/sanit	Sect. 21	Booz-Allen	600,000		600,000	600,000	-		600,000	-			Sect. 21 formed; - no more disbursement from programme	
8	Nelspruit 1) Water/sanit (PPP)	Concessior	DBSA	2,947,269	2,047,816	899,453	899,453	-		899,453	-			Concess. contract signed 21 Apr. 1999 Financial closure expected in Nov. 1999	
	2) Water/sanit (Capex)	Capex only	N/A	5,674,851	3,594,852	2,079,999	1,563,236	-		1,563,236	516,763	258,382		258,381	Tekwane development activities continuing
9	Plettenberg Bay Water/sanit/s waste	TBD	Stewart Scott, Inc.	280,000		280,000	280,000	-		280,000	-			Project Prep for 1st stage analysis complete. Docs for Pre-qual & RFP	
10	Richards Bay Solid waste	TBD	Cathy Lee	451,000	-	451,000	97,524	196,245		293,769	157,231	-		Transition to MIU	
11	Tzaneen Solid waste	TBD	V3 Engineers	275,000		275,000	233,790	41,210		275,000	-			Transition to MIU- no more disbursement from programme	
12	Cape Town Water/sanit	TBD	Gibb Africa	672,155	217,155	455,000					-			Dormant - City to implement part of study	
13	Durban Waste-to-energy	Concessior	IFC	1,000,000		1,000,000	816,588			816,588	183,412			Dormant - City to decide on how to proceed	
14	Khayalami Waste water	Concessior	Booz-Allen	400,000		400,000					400,000			Dormant - project cancelled	
15	Kimberley Resorts	TBD		250,000		250,000					250,000			Dormant - project cancelled	
TOTAL				16,605,275	5,915,389	10,689,886	6,795,268	330,880	218,434	7,344,582	2,890,304	808,382	344,466	332,228	
% of the disbursements against approved grant				100%	36%		64%	3%	2%	69%	27%				

**ANNEXURE B
OF THE PROGRESS REPORT
MIU PROJECT STATUS**

MIU PIPELINE SUMMARY



EXPRESSIONS OF INTEREST as at 30 SEPTEMBER 1999

No.	LOCAL AUTHORITY	SECTOR	PROVINCE
1.	Bloemfontein	Water/sanit	Free State
2.	Ficksburg	Water/sanit	Free State
3.	Rustenburg DC	Water/sanit	North West
4.	Southern DC	Water/sanit	North West
5.	Inner West TLC	Multiple	Kwazulu/Natal
6.	Central Distr. Council	Water/sanit	North West
7.	Welkom	Water/w	Free State
8.	East London	Solid waste	Eastern Cape
9.	Lekoa Vaal	Solid waste	Gauteng
10.	Uthukela/Umzinyathi	Water/sanit	Kwazulu/Natal
11.	Richards Bay	Solid waste	Kwazulu/Natal
12.	East London	Water/sanit	Eastern Cape
13.	Vryheid	Combined service	Kwazulu/Natal
14.	Krugersdorp	Water/sanit	Gauteng
15.	Kimberley	Resorts	Northern Cape
16.	Robertson	Solid waste	Western Cape
17.	DME Uthungulu	Non Grid	Kwazulu/Natal
18.	King Williamstown	Waste water	Eastern Cape

PROJECTS IN FEASIBILITY STUDY PHASE as at 30 SEPTEMBER 1999

No.	LOCAL AUTHORITY	SECTOR	PROVINCE	CONSULTANTS APPOINTED	CONTRACT COMMITMENT		EXPECTED COMP. DATE OF FS
					MIU Portion (R)	Client Portion (R)	
A. FEASIBILITY STUDIES UNDERWAY							
1	Richards Bay	Wastewater	Kwazulu/Natal	GFJ Eng.	200,000	30,000	31/07/99
2	Johannesburg Metro	EMS	Gauteng	African Merch. Bank	95,389	172,222	31/08/99
3	Lowveld RDC	RSC Collection	Mpumalanga	HSBC	243,000	60,000	28/07/99
4	Newcastle	Solid waste	Kwazulu/Natal	HSBC	200,000	200,000	30/03/99
5	Margate	Road Maint.	Kwazulu/Natal	A Andersen	296,000	74,000	28/07/99
6	Grt Thohoyandou	Solid waste	Northern Province	Jarod Ball	240,000	50,000	31/08/99
7	Stanger	Water/sanit	Kwazulu/Natal	BKS Consortium	200,000	50,000	27/09/99
8	Stanger	Solid waste	Kwazulu/Natal	Lombard & Ass/Consort	253,796	197,303	TBD
9	Tzaneen P2	Solid waste	Northern Province	V3 Engineers	120,000	80,000	15/08/99
10	West Coast	Solid waste	Western Cape	Emtech	253,200	63,300	31/09/99
11	Queenstown	Solid waste	Eastern Cape	Jeffares & Green	304,000	76,000	31/08/99
12	East London	Prod. Mkt	Eastern Cape	To be appointed	120,000	50,000	TBD
	TOTAL:				2,525,385	1,102,825	

MIU PIPELINE

PROJECTS IN NEGOTIATION as at 30 SEPTEMBER 1999

No.	LOCAL AUTHORITY	SECTOR	PROVINCE	ENVISAGED	CONSULTANTS
1.	Nkadimeng	Rural water supply	Northern Province	CNTR. TYPE	Consortium-Africon
2.	GJMC - Jnb	Unacc.for water	Gauteng	Service	Knight Piesold

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CONTRACTS SIGNED as at 30 SEPTEMBER 1999

NO.	LOCAL AUTHORITY	SECTOR	PROVINCE	CONTRACT TYPE	CONCESSIONAIRE	CONTRACT PERIOD
1.	Nelspruit	Water/sanit	MP	Concession	GNUC/Biwater	30 years

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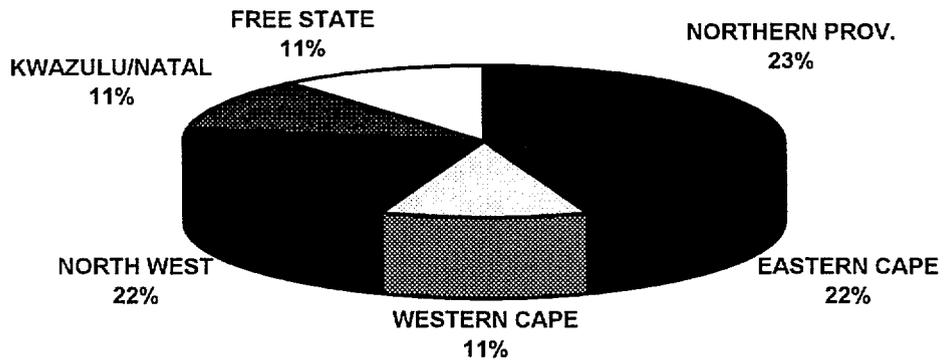
CONTRACTS CLOSED as at 30 SEPTEMBER 1999

NO.	LOCAL AUTHORITY	SECTOR	PROVINCE	CONTRACT TYPE	CONCESSIONAIRE	CONTRACT PERIOD
1.	Dolphin Coast	Water/sanit	KN	Concession	Siza Water Co./SAUR	30 years

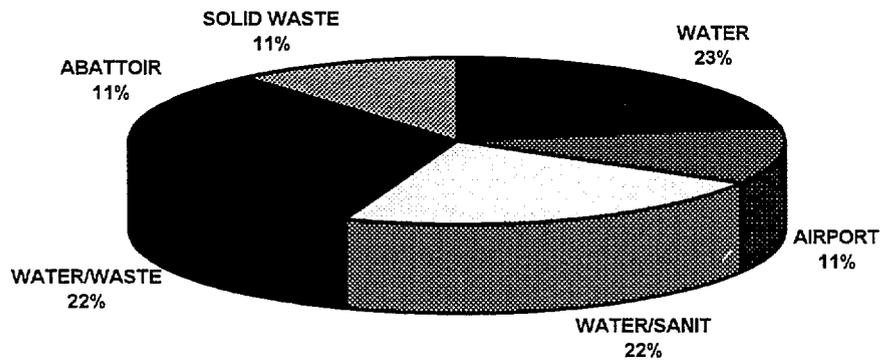
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**ANNEXURE C
OF THE PROGRESS REPORT
GEOGRAPHIC AND SECTOR DISTRIBUTION PROJECTS**

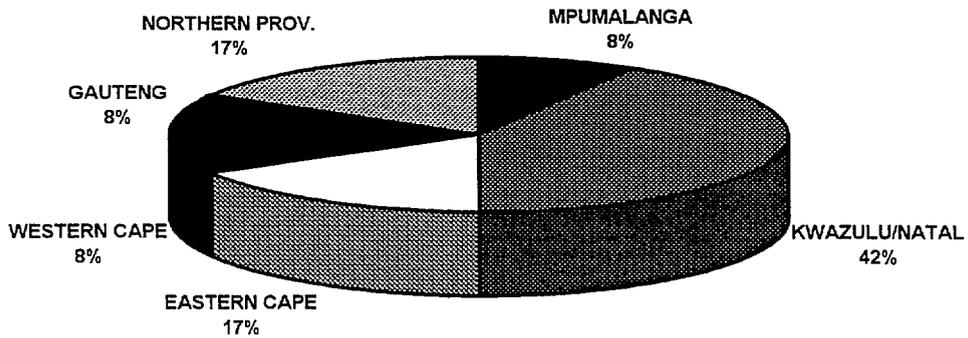
PROJECTS IN CONCEPTUAL PHASE BY PROVINCE



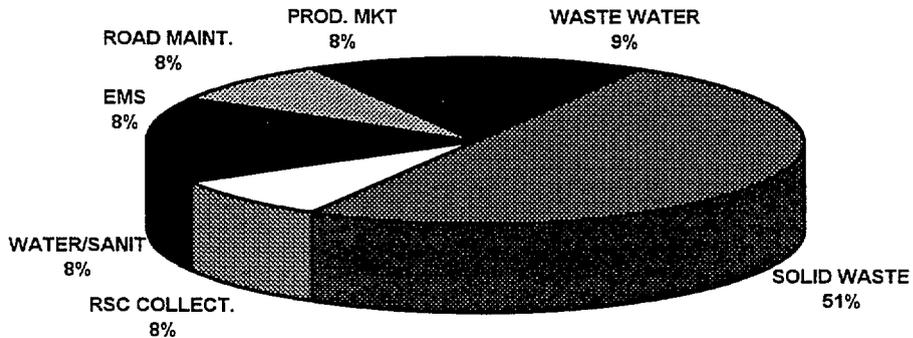
PROJECTS IN CONCEPTUAL PHASE BY SECTOR



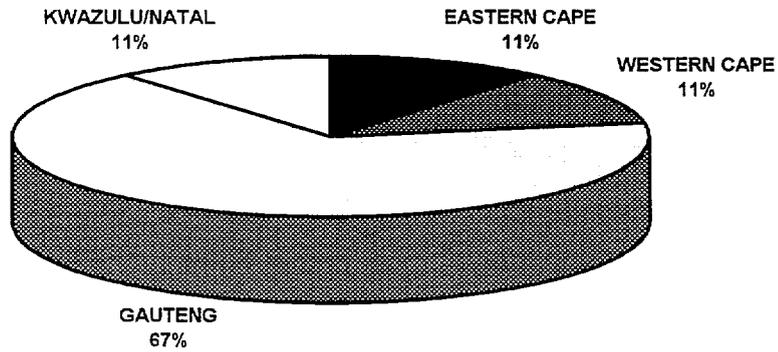
**PROJECTS IN FEASIBILITY STUDY PHASE -
FEASIBILITY STUDY UNDERWAY- BY PROVINCE**



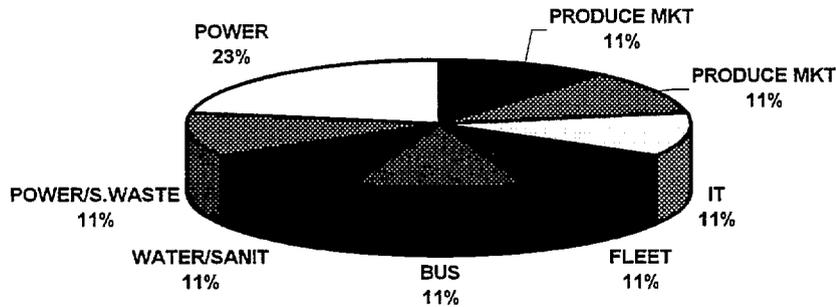
**PROJECTS IN FEASIBILITY STUDY PHASE BY
SECTOR - FEASIBILITY STUDIES UNDERWAY**



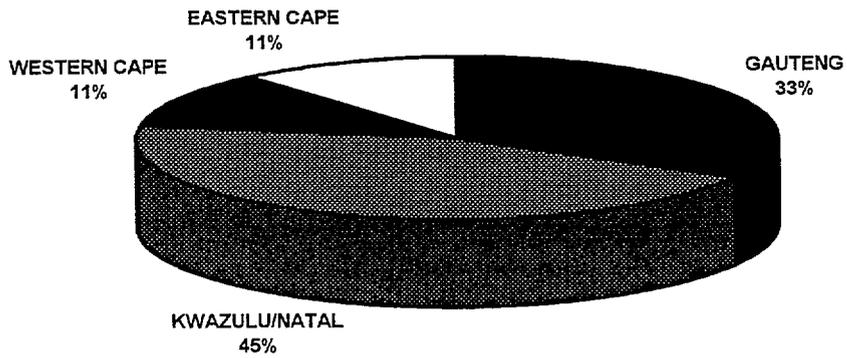
PROJECTS IN FEASIBILITY PHASE - FEASIBILITY STUDIES COMPLETE - BY PROVINCE



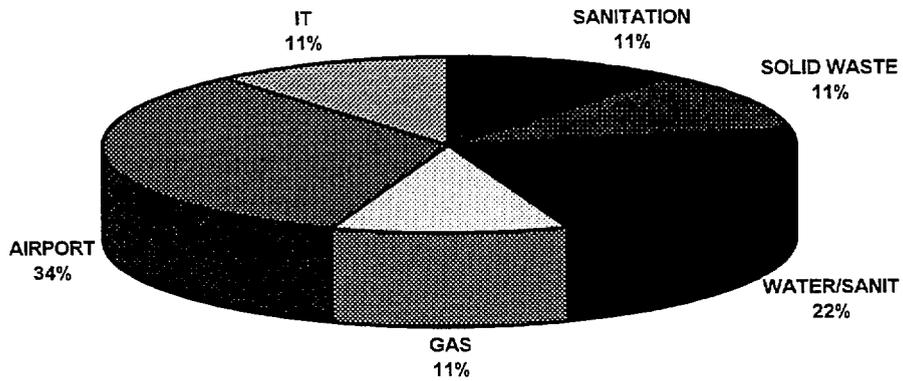
PROJECTS IN FEASIBILITY PHASE - FEASIBILITY STUDIES COMPLETE - BY SECTOR



PROJECTS IN PREPARATION PHASE BY PROVINCE



PROJECTS IN PREPARATION PHASE BY SECTOR



**ANNEXURE D
OF THE PROGRESS REPORT
FINANCIAL STATEMENTS**

THE MUNICIPAL INFRASTRUCTURE INVESTMENT UNIT COMPANY

Association incorporated under section 21 of the Companies Act 61 of 1973

(Registration No.98/05340/08)

INDEX TO FINANCIAL STATEMENTS

	PAGE NO.
BALANCE SHEET	1
INCOME STATEMENT	2
CASH FLOW	3
NOTES TO THE FINANCIAL STATEMENTS	4

Approved : *[Signature]*.....

Date : *11/1/99*.....

THE MUNICIPAL INFRASTRUCTURE INVESTMENT UNIT COMPANY

Association incorporated under section 21 of the Companies Act 61 of 1973

(Registration No.98/05340/08)

BALANCE SHEET AS AT 30 SEPTEMBER 1999

	NOTES	SEPT'1999 R'000	FEB'1999 R'000
FUNDS EMPLOYED			
FUNDS ACCOUNT	3	<u>20,651</u>	<u>15,717</u>
 EMPLOYMENT OF FUNDS			
CURRENT ASSETS		20 701	17 480
Cash, deposits and tradable securities	4	20 477	17 167
Accounts receivable	5	224	313
LESS: CURRENT LIABILITIES		50	1 763
Accounts payable	6	50	1 763
		<u>20 651</u>	<u>15 717</u>

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THE MUNICIPAL INFRASTRUCTURE INVESTMENT UNIT COMPANY

Association incorporated under section 21 of the Companies Act 61 of 1973

(Registration No.98/05340/08)

INCOME STATEMENT**for the 7 months ended 30 September 1999**

	NOTES	SEPT'1999 R'000	FEB'1999 R'000
INCOME			
Interest received		1 773	3 119
		<u>1 773</u>	<u>3 119</u>
 OPERATING EXPENDITURE			
Audit Fees		6	48
Bank Charges		1	1
Board of Directors Costs		12	13
Consulting Fees		-	21
Copiers		-	8
Courier Services		-	2
Entertainment		3	42
Folders, Brochures and Publications		18	-
Legal Expenses		-	8
Public Relations Activities		-	21
Portfolio Management Fees		46	73
Remuneration		722	1 290
Rental		36	87
Stationery		4	26
Subsistence and Travelling		120	88
Telephone		11	25
Training Services		4	8
		<u>983</u>	<u>1 761</u>
Excess/Shortfall of Income over Expenditure transferred to Funds Account	3	<u><u>790</u></u>	<u><u>1 358</u></u>

FUND ADMINISTERED BY THE MUNICIPAL INFRASTRUCTURE INVESTMENT UNIT COMPANYCASH FLOW STATEMENT FOR THE 7 MONTHS ENDED 30 SEPTEMBER 1999

	NOTES	SEPT'1999 R'000	FEB'1999 R'000
NET CASH FLOW FROM OPERATING ACTIVITIES		(834)	2 808
Excess of income over expenditure		790	1 358
Net working capital movement	7	(1 624)	1 450
NET CASH FLOW FROM FINANCING ACTIVITIES		4 144	14 359
Grants received		8 000	22 690
Grants disbursed		(3 856)	(8 331)
Increase in Cash and Cash Equivalents		3 310	17 167
Cash and Cash Equivalents at beginning of period		17 167	-
CASH AND CASH EQUIVALENTS AT END OF PERIOD		<u>20 477</u>	<u>17 167</u>

THE MUNICIPAL INFRASTRUCTURE INVESTMENT UNIT COMPANY

Association incorporated under section 21 of the Companies Act 61 of 1973

(Registration No.98/05340/08)

Notes to the financial statements for the 7 months ended 30 September 1999**1 ACCOUNTING POLICIES**

The annual financial statements are prepared on the historical cost basis. The policies on which the financial statements are based conform with South African generally accepted accounting practice in all material aspects.

1.1 Investments

Investments are stated at cost, unless, in the opinion of the Directors there has been a permanent diminution in the value of the investment has occurred.

Interest on investments are recorded as income on an accrual basis.

2 CAPITAL

The company does not have share capital.

3 FUNDS ACCOUNT

Funds consist of funds administered on behalf of the Department of Constitutional Development, for no consideration.

	SEPT'1999 R'000	FEB'1999 R'000
Funds brought forward from previous year	15 717	-
Fund received from Department of Constitutional Development for new projects	8 000	12 000
Fund received from Department of Constitutional Development for completion of existing projects	-	10 690
	<u>23 717</u>	<u>22 690</u>
Plus: Excess of Income over Expenditure transferred from Income Statement	790	1 358
Less: Grants Disbursed	3 856	8 331
Municipal Public Private Partnerships- New projects	3 223	1 620
Municipal Public Private Partnerships- Existing projects	633	6 711
	<u><u>20 651</u></u>	<u><u>15 717</u></u>

4 CASH, DEPOSIT AND TRADEABLE SECURITIES

Current Account	(162)	14
Call Account	11 732	7 299
Tradable Securities	8 907	9 854
	<u><u>20 477</u></u>	<u><u>17 167</u></u>

5 ACCOUNTS RECEIVABLE

Accrued interest on deposits and securities	224	313
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THE MUNICIPAL INFRASTRUCTURE INVESTMENT UNIT COMPANY

Association incorporated under section 21 of the Companies Act 61 of 1973

(Registration No.98/05340/08)

Notes to the financial statements for the 7 months ended 30 September 1999

	SEPT'1999 R'000	FEB'1999 R'000
6 ACCOUNTS PAYABLE		
Creditors	50	1 463
Accrued Expenses	-	300
	<u>50</u>	<u>1 763</u>
7 NET WORKING CAPITAL MOVEMENTS		
Decrease in accounts payable	(1 713)	1 763
Decrease in accounts receivable	89	(313)
	<u>(1 624)</u>	<u>1 450</u>

ANNEXURE E

MIIU

**DRAFT BUSINESS PLAN
APRIL 1999 TO MARCH 2000**

OPERATING ENVIRONMENT

The current operating environment is characterised by the following:

1. Growing financial constraints in local government
2. Continuing backlogs and needs in local government
3. Ongoing restructuring and demarcation of local government including preparations for the next local government elections
4. Improving capacity to structure and package MSP projects in both local government and the advisory community
5. Improving awareness of options for private sector financing of infrastructure by the SA finance and banking community
6. Commitment by new Cabinet to service delivery and support for PPPs in infrastructure and service delivery
 - The President expressed his support for PPPs in infrastructure and service delivery.
 - The new Ministers for Water Affairs and Constitutional Development have expressed support for MIIU.
7. Continuing constraints in the Legislative and Regulatory environment e.g., Water Services Act and LGTA
8. Diminishing donor support to the South African economy since 1994 national elections
9. Continued organised labour resistance to PPPs

BUSINESS OBJECTIVES

#	OBJECTIVE	OUTPUTS AND ACTIVITIES	LEAD PERSON
1	<p>Development of a Mature Pipeline</p> <ul style="list-style-type: none"> ➤ To carry several key projects through the project cycle at the shortest time possible ➤ To expand the MIU pipeline with a variety of projects in various sectors and in stages of the project cycle ➤ To gradually increase a pipeline category of "TA-only" projects <i>(projects that benefit from MIU staff advice and model documents and not MIU grant funding)</i> 	<ul style="list-style-type: none"> ➤ Project Targets (See Table 2 for cumulative project targets) <ul style="list-style-type: none"> Of the Partnership targets, <ul style="list-style-type: none"> ▪ 5-8 contracts signed Of the Municipal Debt targets, <ul style="list-style-type: none"> ▪ 1 project in feasibility study (bond related) ▪ 2 key policy support activities e.g., support to key initiatives for investment funds specialising in local government debt ➤ Increase the number of TA support where model documents and processes have been developed 	CEO/Project Managers
2	Secure funding for the PPF's five operational years	➤ Secure new funding for the PPF	CEO + BOD sub-committee

	<ul style="list-style-type: none"> ➤ To implement and improve on the approved fundraising plan 	<ul style="list-style-type: none"> ➤ Establish a firm programme with the National Government (DCD & DoF) 	
3	<p>Improve the PPU's operational efficiency</p> <ul style="list-style-type: none"> ➤ To improve PPU operational efficiency through improvements in project management techniques, as well as in general administrative and management information systems 	<ol style="list-style-type: none"> 1. Develop a central repository of project information 2. Develop best practice in project management techniques for the PPU through sharing of experiences between the project managers and from external input 3. Develop strategic model documents <ul style="list-style-type: none"> ➤ Model Contracts ➤ Develop documents that clarify existing processes such as: <ul style="list-style-type: none"> - price test on unsolicited proposals - Ring fencing/corporatisation 3) Review of MIU Standard Documents. 4) Start library of case studies/best practice from all over the world 5) Develop a completion report 	<p>Admin Team</p> <p>CEO/Project managers</p> <p>CEO/Project managers</p> <p>To be Outsourced</p> <p>Project Managers</p> <p>Admin Team</p> <p>CEO/Project managers</p>

		6) Investigate an appropriate project management system	Admin Team
4	<p>To Market and Publicise the MIU</p> <p>➤ To develop a new marketing and publicity plan given the unsuccessful implementation of the marketing plan agreed to with the DCD</p>	<ol style="list-style-type: none"> 1. Develop a new well-targeted marketing and publicity plan for the MIU 2. Improve Website management and optimise marketing and publicity of projects and best practice 3. Secure new and sustainable sponsorship for Partnerships 4. Secure a special issue of Development South Africa to focus on the MIU and municipal partnerships 5. Immediate update of MIU folder contents 6. Investigate and develop an A4 folded brochure to replace the existing MIU folder 7. Continue participation in relevant conferences, workshops and seminars 	<p>PPU (BMJ/JA)</p> <p>Ceo/Secretary</p> <p>Editorial Team</p> <p>PPU (JL)</p> <p>Admin Team (Chris)</p> <p>Admin Team (Chris)</p> <p>PPU</p>

5	Improve information to the Board of Directors	➤ Improve quality of information to the BOD	PPU
6	Ensure effective delivery of the USAID midterm evaluation	➤ Provide all required support for the evaluation process	PPU & BOD
7	Support the Department of Water Affairs with the following: 1. Establish financially sustainable BoTT contracts with rural local government. 2. Build model contracts for municipal partnerships in water and sanitation	➤ Assist DWAF and local authorities design sustainable partnerships to take over the existing BoTT projects in 2yrs time ➤ To share MIU model contracts with DWAF	CEO/BMJ/JA
8	To develop an exit strategy ➤ The BOD to approve an exit strategy to be reviewed annually ➤ To develop a succession plan for the existing PPU human resource capacity	➤ PPU to review existing draft exit strategy for approval by the BOD within this operational year (PPU/BMJ) ➤ The PPU to develop scenarios for consideration by the BOD (CEO/BMJ)	BOD BOD
9	Contribute to creation of an enabling legal and regulatory environment for MSPs	Contribute to relevant policy and legislative developments. These will include; - finalisation of the Systems Bill	PPU

		<ul style="list-style-type: none">- MSP framework- Regulations for the Water Services Act- Water Tariff Policy- National tariff policy guidelines for local government- Integrated rural development strategy (in relation to MSPs)- Review of use of equitable share grant to local government- Department of Minerals and Energy's approach to non-grid electricity distribution with local government	
--	--	--	--

3: KEY PERFORMANCE INDICATORS

1. Number of contracts signed

Envisaged Targets				
PPP contracts signed	5	6	8	11

2. Number of active projects (assume that half of the project will continue into the next year)

Envisages Targets				
Project Type	1999-00	2000-01	2001-02	1002-03
Technical Assistance (no grants)	7	10	12	15
Feasibility Studies	21	22	19	15
Projects in Preparation	10	15	15	15

4. KEY SUCCESS INDICATORS

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

MIIU

Municipal Infrastructure
Investment Unit

- A. **ELEVENTH MEETING OF THE BOARD OF DIRECTORS
TO BE HELD ON FRIDAY 19 NOVEMBER 1999
IN CR20, DBSA BUILDING,
LEVER ROAD, MIDRAND
TIME: 9:00 – 10:00**

**CHAIRPERSON: MS MARLENE HESKETH
A G E N D A**

- | | | | |
|----|--|----------------|-------------|
| 1. | INTRODUCTION AND WELCOME | Chair | |
| 2. | APOLOGIES | Chair | |
| 3. | ADOPTION OF PREVIOUS MINUTES | Chair | A |
| 4. | MATTERS ARISING
Request to Ernst and Young to run elections
Highlights of current issues
Exit Strategy proposal
Resubmission of business plan
Meeting with LGTP | Chair
CEO | |
| 5. | CONTRACT WITH THE DBSA | Chair | B |
| 6. | ELECTION OF CHAIRPERSON | E & Y Auditors | |
| 7. | CLOSURE | Chair | |
| | DOCUMENTS FOR NOTIFICATION:
Highlights (as at 7 November)
Progress report (1 July – 30 September 99)
Amended Business Plan | | C
D
E |

- B. **WORKSHOP BETWEEN THE MIIU AND THE
DEPARTMENT OF CONSTITUTIONAL DEVELOPMENT
TO BE HELD ON FRIDAY 19 NOVEMBER 1999
IN THE AUDITORIUM, DBSA BUILDING,
TIME: 10:15 – 13:00**

- | | | | |
|----|------------------------------|----------|--|
| 1. | OPENING | Chair | |
| 2. | PRESENTATION : ANNUAL REPORT | CEO | |
| 3. | DCD'S STRATEGIC VISION | Minister | |
| 4. | DISCUSSION | Chair | |
| 5. | CLOSURE | Chair | |