

**Thirteenth MIU Board of Directors Meeting
No. 03/2000
and
MIU Progress Report
April 2000 - June 2000**

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

CONTRACT NO. 674-03120-C-00-8023-00

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**THIRTEENTH MEETING OF THE BOARD OF DIRECTORS OF THE
MUNICIPAL INFRASTRUCTURE INVESTMENT UNIT (MIIU)
TO BE HELD ON FRIDAY, 18 AUGUST 2000
IN CR20, DBSA BUILDING,
LEVER ROAD, MIDRAND
TIME : 10:00– 13:00**

CHAIRPERSON : MS MARLENE HESKETH

A G E N D A

- | | | | |
|------|--|---------------|---|
| 1. | INTRODUCTION AND WELCOME | Chair | |
| 2. | APOLOGIES | Chair | |
| 3. | WELCOME TO THE MINISTER | Chair | |
| 4. | ADOPTION OF PREVIOUS MINUTES | | 1 |
| 5. | MATTERS ARISING | | |
| 5.1. | CEO Interviews and appointment | Sub-Committee | |
| 5.2. | Signing of DBSA/MIIU Management Contract | Chair | |
| 5.3. | DBSA and USAID S & T Policies | Acting CEO | |
| 6. | PROGRESS REPORT
APRIL 2000 TO JUNE 2000 | | 2 |
| 7. | SUMMARY AND CONCLUSIONS | Chair | |
| 8. | DATE OF NEXT MEETING
17 November 2000 | Chair | |
| 9. | CLOSURE | | |

**Minutes of the Meeting of the
Board of Directors
Of the Municipal Infrastructure Investment Unit (MIIU)
19 May 2000
CR 20 DBSA, 1258 Lever Road, Midrand**

Present :

Directors :

Marlene Hesketh (Chair)
David Ferreira
Fanyana M Madlala
Neil Macleod
Brian Whittaker
Sisa Njikelana
Gugu Mloi
Mzimkula Msiwa
Nomagugu Mjijima
Nozabelo Ruth Bhengu

Functionaries :

James Aiello
James Dohrman
Barry Jackson
Beverley Parsonson

Apologies :

Directors :

Minister Sydney Mufamadi

Noma-India Mfeketo
John Barton-Bridges
Nonhlanhla Mjoli-Mncube
Roland White

ACTION

1. INTRODUCTION AND WELCOME

The meeting convened at 10h15. Chair Marlene Hesketh welcomed all attendees to the meeting of the Board of Directors of the Municipal Infrastructure Investment Unit (MIIU). The Chair informed the meeting that Roland White had tendered his resignation and that the Department of Finance will be nominating another director to the Board.

2. APOLOGIES

Minister Mufamadi, Noma-India Mfeketho, John Barton-Bridges, Nonhlanhla Mjoli-Mncube and Roland White.

3. ADOPTION OF PREVIOUS MINUTES

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

4. **MATTERS ARISING FROM PREVIOUS MINUTES**

CEO Appointment and Progress

As per agreement at the last Board meeting, the existing sub-committee was tasked with beginning the process of advertising for the post, approving the job spec and presenting a short list to the Board.

Sub-Committee

The DBSA Human Resources department began the process which was found to be unsatisfactory. The process was then restarted and an advertisement was placed in the Mail & Guardian and Sunday Times to run for two weekends. 88 responses were received by closing date of 15 May 2000.

The Chair proposed that the sub-committee now go through the summary which had been prepared by the Acting CEO to draft a short list of six.

The Committee would then conduct interviews to which Board members were invited subsequently, if a suitable candidate were to be found, the person would be appointed, with due board notification.

It was agreed that this sub-committee needed to be reconstituted. David Ferreira and Sisa Njikelana were named to the Committee.

Management Contract with DBSA

The contract expired at the end of March. Negotiations have taken place and a draft contract has been agreed upon. There are two main additions :-

- The appointment of DBSA staff and their level of remuneration would be the responsibility of the Board.
- If DBSA is unable to provide suitable staff members, the DBSA could employ staff on a contract basis to be seconded to the MIU.

It was agreed that the Chair be authorised to execute and sign this agreement. The Acting CEO to e-mail this draft contract to Board members for their comments.

Chair
All

Articles of Association

This matter is in progress.

Formal Notification of Gugu Moloi's Appointment as a Board Member

This notification has been received.

Report on PPU Strategic Session

A summary of this strategic session was tabled. The Acting CEO gave a brief overview. Some discussion was held.

5. **PROGRESS REPORT – 1 JANUARY 2000 TO 31 MARCH 2000**

The Acting CEO reported briefly on the project highlights of the quarter. There was some discussion on the issue of demarcation and the impact it was having on our projects. Gugu Moloi reported that the Minister had scheduled a meeting with the MEC to discuss the Harrismith demarcation issue.

A further discussion on the issue of consultation with local councillors was held. It was agreed that Mike Madlala should use his influence with SALGA and present the MIIU's models to them for purposes of training.

Deputy Chair

PPU

It was agreed by the Board members that the Quarterly Report Highlights should show the extent of empowerment that has taken place with regard to projects. It was further agreed that an early warning system should be integrated to highlight when empowerment was not taking place and whether there was enough of a platform for that empowerment to continue once MIIU involvement ceases.

Relationship with Government

Meeting with the Minister of DPLG

The Chair, Deputy Chair and Acting CEO visited with the Minister. This meeting was very successful and the Minister is very interested and supportive of the MIIU. At this meeting he pledged financial commitment to the MIIU and expressed his interest in having a continued relationship with the MIIU. The Department will be transferring R5 million to the MIIU subject to a few conditions such as the secondment issue, etc. The Acting CEO to continue liaising with Gugu Moloi's office to ensure that this is implemented.

Acting
CEO/GM

Letter to the President

After discussion and based upon changed circumstances, it was determined that the letter not issue.

Workshop to Discuss Outcome of Mid-Term Evaluation

The issue of extending the life of the PPU to be discussed at a workshop as well. A date should be scheduled as soon as the new CEO is in place. Other issues to be discussed at the workshop would be (i) whether the MIU is being externally led; (ii) knowledge transfer; (iii) empowerment.

Meeting with Minister of Water Affairs and Forestry

All

DWAF - Minister Kasrils requested a meeting with the MIU to discuss matters of mutual interest. The meeting has been initially scheduled for the second week of June. Board members are requested to give any inputs before this meeting.

Two items for discussion were proposed :

- Water Regulations
- Amendment of Water Services Act

6. FINANCIAL STATEMENTS

Details of the Auditors Services to the value of R 156 000 for the election of the Chair were discussed.

It was proposed that the DBSA and USAID S & T policies be circulated to the Board members for discussion at the next meeting.

PPU

Board members requested that financial statements show actuals-to-date against budget figures.

Chris Strydom

7. CBO/COMMUNITY BASED PARTNERSHIPS

This issue will also be discussed at the pending Issues Workshop.

Attest :

Marlene Hesketh, Chair

Date : _____

MIIU PROGRESS REPORT FOR THE PERIOD
1 April 2000 TO 30 June 2000
I N D E X

HIGHLIGHTS OF THE QUARTER

1. **MATTERS ARISING**
Extending the life of the MIIU
Contract with the DBSA

2. **ADMINISTRATIVE MATTERS**
Welcome to new Chief Executive Officer
Welcome to two new Board Members

3. **CURRENT PROJECT STATUS**
MPPP Projects
MIIU Projects

4. **FINANCIAL AND BUDGET MATTERS**
Financial Statements
USAID Contribution to Project Preparation Fund

5. **MARKETING AND PUBLICITY**
Interaction with other Institutions
Workshops/Seminars/Training

6. **STRATEGIC AND POLICY ISSUES (INTERNAL)**
Amendments to Articles of Incorporation

7. **STRATEGIC AND POLICY ISSUES (EXTERNAL)**
Water Services Act Regulations
Issues Arising in anticipation of Demarcation
Municipal Systems Bill
MSP Study Tour
USAID Visit to Dolphin Coast

8. **ANNEXURES**
A – MIIU Project Status
B—Copy of DBSA-MIIU Memorandum of Agreement
C – Letter of Appointment, David Savage
D - Draft Financial Statements and Directors' Report
E – MSP Study Tour Report
F – Copy of §14 Notice by KZN MEC for Local Government

HIGHLIGHTS OF THE QUARTER

➤ Nelspruit Water & Sanitation Concession

On 29 June 2000, definitive financing agreements were signed between project sponsors and the Development Bank of Southern Africa.

➤ Robertson Solid Waste

In June, a five-year service contract and equipment lease was signed with Du Plessis Garden Services, an SMME and emerging black contractor. The contract calls for operation of a composting operation, and will be subsidised up to the value of avoided landfill cost. The municipality will also purchase all of the compost for public use.

➤ Johannesburg Fresh Produce Market

The corporatisation of the Johannesburg Fresh Produce Market was completed in the second quarter of this year. Identified as a non-core activity by an earlier PriceWaterhouse Coopers report, the GJMC initially sought to sell the market. However, after iGoli 2002 was adopted, the Transformation Lekgotla decided to corporatise the Market instead. Memoranda and Articles of Association were drawn up and adopted, a board of directors were chosen after advertisements were placed, and a new black Managing Director chosen. An asset sale document was executed, and corporate governance policies adopted. The template created by this MIIU-supported activity was also used in the corporatisation of the Zoo, the Civic Theatre, Metro Bus, and in the corporate structure formation of the Solid Waste and Water and Sanitation utilities. An estimated R50 million in new capital investments will occur over the next five years.

➤ Thabazimbi Solid Waste

The current operation of the new Thabazimbi Landfill were so inefficient that the TLC decided to seek tenders for landfill operation, waste collection and street cleaning. Tenders were issued in May, and Council awarded the five-year contract to The Waste Group. Implementation is scheduled for August 2000. New investment in the amount of R300 000 is immediately anticipated. Substantial savings are expected in the more efficient operation of the landfill, to extend its useful life, and avoid the necessity of expanding the site or obtaining a new landfill site.

➤ Johannesburg Metropolitan Council Bus

Johannesburg Metro Bus Services operates 551 buses, with associated infrastructure such as depots and workshops. The bus fleet and support infrastructure have deteriorated seriously in the recent past. Pending legislation envisages mandatory competitive tenders for urban bus routes by 2002, but the routes have to demonstrate sustainability. This project entailed the corporatisation of Metro bus and the appointment, after advertisement, of a new Managing Director. The Managing Director will be empowered to rationalise existing bus routes to the

end that a sustainable system may be put in place in time to meet the legislative mandates. Hopefully, the rationalisation implemented will substantially reduce the current R90 million bus subsidy.

➤ **Johannesburg Sports Stadium**

The sale of Johannesburg Stadium appears to be close to completion. This has been an MIU project since late 1999. In 1994, the Council created a Section 21 company and loaned it R100 million to build the stadium. The Section 21 company later contracted out the management of the stadium, but the contracting arrangements (including a sub-sub-contract for operations) helped ensure that no profit for the city was ever generated from the facility--in fact, stadium operations have cost the city R11-13 million each year. The current total cost to the city of building and operating the facility stands at R160 million. MIU's assistance has helped to terminate the complicated contracting arrangements, rationalize the Sect. 21 company's accounts, determine the replacement value of the facility (between R20-40 million), and manage the process of selecting and negotiating with a new owner. That process is now almost complete, and the current price being negotiated is R50-60 million. Unfortunately, some recent news accounts inaccurately portray this as a "give away" of a facility "worth" R160 million. In fact, the proposed sale price is substantially higher than the current estimated replacement value of the facility. The proposed buyer is the Kaiser Chiefs.

Project Updates

Several key MIU PPP contracts were previously reported on, but have still not yet been signed for a variety of reasons:

- The **Harrismith** management contract with Rand Water (MIU's first public-public partnership) has been finalised for some time. Initially, the process was put on hold because of provincial instructions that no Free State local government may sign contracts of any kind before local government elections. Through the intervention of the Minister of the Department of Provincial and Local Government, this bar was removed. However, the project has now been delayed in order to sort out previously-implemented cross-subsidisation of non-water related activities by water revenues.
- As previously reported, the contract of sale for **Johannesburg's Metro Gas** has been completed, but signing has been delayed first, by the necessity for promulgation of new gas licensing by-laws by the Johannesburg Council, and more recently by a reference to the Competition Commission under the Competition Act. It is difficult to anticipate when the Competition Commission will complete its review.
- It was initially reported that the **Richards Bay** airport concession contract had been finalised, but signing was delayed due to final ratification by Council, as well as their desire to schedule a public signing ceremony in June. In the interim, however, the concessionaire, Black and Veatch, has indicated a desire to re-open negotiations on concession financing. This turn of events makes it difficult to predict a final closing date.

- The joint venture contract between the **Eastern Cape Municipal Support Services** (owned by several municipalities in the E. Cape) and a preferred bidder was completed late in the quarter and prepared for signature. However, a change of personnel in key management positions has caused the preferred bidder to re-open negotiations. Negotiations are continuing.
- A small, but innovative concession contract between **Johannesburg Metro** and a preferred bidder for management of, and investment in, six public parking facilities in the CBD has been completed and is awaiting final review and approval by the Council. This contract has already been recognised by Metro officials as a model for similar, small concessions in the future; the project will move forward later in May.
- Tenders were received on 4 July 2000 for a strategic private partner for operation of the **Johannesburg Kelvin Power Generation Stations**. Two submissions were received from two international consortiums. The selected private partner will form a new operating company with the Metro Council for future operation of the existing power plants. The new operating company is expected to provide an immediate capital upgrade in excess of one hundred twenty million Rand. Negotiations will proceed into the next quarter.

1. MATTERS ARISING

Extension of the life of the MIIU

The current USAID contract for technical assistance to the MIIU is a three-year contract, with an optional additional year for three of the four technical team positions. The contract began on 12 March 1998, and the third year of the contract would end on 11 March 2001. The current life of the MIIU is for five years, extending until March 2003. USAID South Africa sent a request to USAID headquarters in Washington, D.C., for approval to extend the technical assistance contract, on the same terms and conditions, for an additional two years, on a sole-source basis, so that the term of the technical assistance contract would be identical to the life of the MIIU. USAID has agreed to provide funding for the additional two years; however the contract extension must be put out to tender.

Contract with the DBSA

The amendments to the draft contract with the DBSA have been made, and the contract was executed by the Chair on 3 August 2000, and by the DBSA on 7 August 2000. A copy is attached as Annexure B.

2. ADMINISTRATIVE MATTERS

Welcome to the new Chief Executive Officer. The selection sub-committee of the board of directors interviewed the short list of candidates selected subsequent to the publication of the advertisement for the position. Ms Gugu Moloi was the unanimous selection of the sub-committee. An appointment letter was drawn up

and executed between the DBSA and Ms Moloji. She assumed her duties on 14 August 2000.

Welcome to new Board Members. Elroy Africa, acting Chief Deputy, Local Government, Department of Provincial and Local Government, has been named to take the place of Ms Moloji on the Board of Directors. A letter so confirming is expected shortly. David Savage, (Director: Municipal Finance Policy (Infrastructure – Department of Finance) has been named by the Maria Ramos, Director General, Department of the Finance, to take the place of Roland White. A copy of the letter of appointment is attached as Annexure C.

An introduction to the MIIU was conducted by PPU Staff for David Savage on 8 August.

3. **CURRENT PROJECT STATUS**

Annexure A provides detailed information of project status.

MPPP Projects

- Project Status – Starting with this Quarterly Report, the status of remaining MPPP projects is included with the rest of the MIIU projects.
- Disbursements – As at 30 June 2000, 1% of MPPP funds transferred to the MIIU were disbursed.

MIIU Projects

- Project Status – Growth in the MIIU project pipeline was maintained in this quarter, with most Johannesburg projects starting to come to finalisation. Although new project applications are expected to diminish until after the November elections, the pace was maintained this quarter.
- Disbursements – As at 30 June 2000, 18% of MIIU budgeted funds were disbursed.

4. **FINANCIAL AND BUDGET MATTERS**

Financial Statements

The audited financial statements and the draft Director's Report of the MIIU for the financial year ending 29 February 2000 were discussed by a sub-committee of the Board on Thursday 3 August 2000. The sub-committee requested the PPU to make certain changes to the draft documents. Annexure D then contains the draft financial statements of the MIIU and the draft Director's report for the financial year ending 29 February 2000 after effecting all the changes and are hereby submitted for approval by the Board of Directors at this meeting.

USAID Contribution to the Project Preparation Fund

The amendment was finalized. Total USAID commitment to the grant fund is USD 1.3 million (or R 7.8 million) on a multi-year basis.

5. **MARKETING AND PUBLICITY**

Partnerships

As noted in the last Quarterly Update, the MIIU and NBI have now engaged the Department of Provincial and Local Government (DPLG) and the United Nations Development Programme (UNDP) in negotiations leading to what is expected to be a joint effort to publish a larger and more informative Partnerships that will be distributed to selected readers via direct mail. A co-operation agreement has been drafted and is being circulated for signatures by the respective parties. When completed, it will provide for pledged funding and staff effort to create a newsletter that will be a better source of news on municipal services partnerships. The next issue of Partnerships is due in September. The most recent is attached.

Interaction with other Institutions (Banks, Consulting firms, Operators).

The following institutions met with the PPU in this period:

- Operators: Water Corporation (Australia)
Thames Water International
- Water Boards: Rand Water
Umgeni Water
- Financial Institutions Standard Corporate and Merchant Bank
Barclays Bank
- Research Institutions CSIR

Workshops/Seminars/Training

➤ Conferences and Seminars

James Aiello attended the World Economic Forum in Durban in June. He was appointed rapporteur at the session entitled "Actions for Financial Services and Financial Markets to Sharpen the Region's Competitiveness".

James also made presentations to the Pietermaritzburg Council and Durban officials on the corporatisation of the Johannesburg Fresh Produce Market, and a presentation on MSPs and the MIIU generally to the Potgietersrus Council during the quarter.

James participated in several sessions with officials from DWAF with regard to the development of standardized water services contracts, and also assisted in the

drafting of the current WSA §19(5) regulations that have been published for comment.

James Leigland presented the following papers

A Comparative Review of Water/Wastewater PPPs. Address delivered at the "Public Private Partnership Summit 2000," Johannesburg, South Africa, March 29, 2000.

Sustainable Urban Finance. Keynote address delivered at the conference on "African Solutions: Towards Sustainable Urban Development," sponsored by the South African Department of Housing, and the Department of Environment and Tourism, Pretoria, South Africa, March 27, 2000.

Local Government Borrowing Instruments and Structures: Issues and Options. An address delivered at "The Global Conference on Capital Markets Development at the Sub-national Level," sponsored by the World Bank, New York City, February 16, 2000.

Barry Jackson attended the following :-

13 April - SAICE Congress, and gave a paper entitled Municipal Service Partnerships: special requirements for feasibility studies.

11 May – National Summit on Sanitation Policy, and chaired the morning sessions. (He was editor of the draft white paper in 1995/6).

12 May – A training workshop for Umzinyathi Regional Council arranged by NBI and IRI.

15 May - Africities 20000 Summit, Windhoek, and presented a paper entitled PPP Case Study of Solid Waste Management in Khayelitsha, Cape Town, South Africa, on behalf of Jabu Sindane of the NBI.

16 May – Africities 20000 Summit, Windhoek, and gave a presentation entitled: Investment promotion and capacity building as essential elements for establishing partnerships for municipal infrastructure services, at the request of MIGA.

17 May – Privatisation Africa 2000 Conference, and gave a presentation entitled Public-Private Partnerships: overcoming obstacles and getting value for money.

14 June - MSP White Paper provincial workshop for the W Cape

19 June – ditto for the N Cape

Jim Dohrman, a member of the Johannesburg Waste Utility Advisory Board, participated in two strategic workshops during the quarter. Jim also participated in the first meeting of the Rustenburg Regional Waste Management Committee on 11 July 2000.

Jim Dohrman made presentations to several local government Councils in Phalaborwa, Barberton and the Amatola District Council.

Jim Dohrman participated in a half-day workshop with DWAF regarding model contracts for water services, concentrating on rural water service agreements. He also represented the MIIU at the regional DPLG MSP White Paper workshop held in Mmabatho on 20 June 2000.

6. STRATEGIC AND POLICY MATTERS (INTERNAL)

Amendments to Articles of Incorporation

The Board earlier took a decision to extend the MIIU's fiscal year from 28 February to 31 March and to have the functions of the MIIU more accurately reflected in the Articles of Incorporation. To do so would entail amendments to the Articles of Incorporation. The registered members of the Company have subsequent to these decisions also changed suggesting that time is opportune to amend the Articles of Incorporation in one concerted effort. The PPU will obtain the services of the State Law Advisors, via the Department of Provincial and Local Government, to effect the necessary amendments.

This year's audit has observed that the MIIU is not fully complying with the requirements of the Companies Act with regard to aspects such as attendance registers at director's meetings and binding of minutes of director's meetings. The PPU is urgently pursuing the issues observed. It will do so cognizant of the possible interface with the changes in the Articles of Incorporation

6. STRATEGIC AND POLICY MATTERS (EXTERNAL)

Water Services Act Regulations

MIIU and DBSA staff spent considerable time with DWAF during the quarter to draft the WSA §19(5) regulations which were gazetted at the end of June 2000 for public comment. The effort was, in view of the PPU, worthwhile, as the draft that was published differed considerably, in a positive manner, from where the initiative started. The regulations provide for required provisions in third party water services contracts. While the PPU is of the view that many of these regulations should be guidelines instead of regulations, its overall view of the initiative is positive and supportive.

The meeting with the Minister referred to in the last Quarterly Report finally took place on 27 July. A detailed report of that meeting will be presented in the next Quarterly Update, but it bears noting that the meeting provided the occasion to introduce Ms Gugu Molozi to the Minister.

Issues Arising in Anticipation of Demarcation

Attached hereto as Annexure "E" is a copy of the §14 Notice by the Kwa-Zulu Natal MEC for local government that prohibits municipalities from entering into contracts with a term greater than one year. This would, of course, prohibit

entering into MSP agreements. A mechanism for obtaining an exemption from the MEC is provided. Officials at Kwa-Dukuza are applying for an exemption with regard to both the regional landfill project and the water and sanitation project. Other officials in KZN are ignoring the Notice.

As noted in our last Quarterly Update, it appears that similar prohibitions will issue from all the provinces. A recent newspaper article detailed remarks by the Gauteng MEC of a similar nature. However, it may be that all such proclamations are *ultra vires*. We have been provided a copy of the "Local Government: Municipal Structures Amendment Act 2000," which purports to provide, apparently for the first time, the authority for a provincial MEC to so act.

Municipal Systems Bill

The Department of Provincial and Local Government held a two-day workshop on the Municipal Service Provision White Paper and the Municipal Systems Bill. Barry Jackson attended both sessions, and James Aiello attended the second day's session on the Municipal Systems Bill. All stakeholders were in attendance. The MIIU's previously-stated views on the Systems Bill were re-iterated.

MSP Study Tour

The USAID-funded MSP Study Tour to Brazil, Argentina, Chile and Australia took place without any serious mishap. Barry Jackson, with help from a small sub-group of participants, has compiled a 25-page report with details of information gathered and some lessons learned. A draft executive summary of this is appended as Annexure E. The group felt that this should be supplemented by a section giving "implications for South Africa". This was not available at the time of going to press. The group also felt that this could be shared with key stakeholders in the form of a workshop. A decision is needed on who should be approached to fund the workshop.

USAID Visit to Dolphin Coast

On 19 May, MIIU will assist the Dolphin Coast Local Council in hosting a visit by seventeen officials of the U.S. Agency for international Development (USAID). The purpose of the visit will be to meet with Dolphin Coast officials and discuss their groundbreaking water and sanitation concession contract, as well as MIIU's role in the completion of that contract. This visit is part of USAID's assessment of MIIU accomplishments to date. The USAID contingent will be led by David Painter, Director of the Office of Urban Programs, USAID, Washington; Craig Kuehl, the U.S. Consul General, Durban; and Eilene Oldwine, Deputy Director of USAID, South Africa.

SCHEDULE A - EXPRESSIONS OF INTEREST from APRIL to JUNE 2000

No.	LOCAL AUTHORITY	SECTOR	PROVINCE	DATE FIRST CONTACT	FOLLOW UP ACTION
1.	Paulpietersburg	Combined	KN	9-Feb-2000	Await return of questionnaire
2.	Kokstad	Water/sanit/waste	KN	7-Jan-2000	Preliminary discussion
3.	Pietermaritzburg	Waste collection	KN	2-Mar-2000	Preliminary discussion
4.	Amatola	Solid waste	EC	13-Apr-2000	Preliminary discussion
5.	Cape Town	Solid waste	WC	17-Apr-2000	Preliminary discussion
6.	Lekoa/Vaal	Water Services	GA	17-Jan-2000	Await return of questionnaire
7.	Ceres	Bulk water	WC	12-Nov-1999	Demarcation delay
8	Barberton	Bulk water	MP	3-May-2000	Preliminary discussion

SCHEDULE B - PROJECTS IN CONCEPTUAL PHASE from APRIL to JUNE 2000

No.	LOCAL AUTHORITY	SECTOR	PROVINCE	MIIU GRANT AGREEMENT	
				Client Sign.	MIIU Sign.
1.	Bochum/My Darling	Water	NP	In negotiation	
2.	Brits	Water/sanit	NW	Awaiting demarcation results	
3.	Grahamstown	Water/waste	EC	In negotiation	
4.	Zululand RC	Water/waste	KN	In negotiation	
5.	Welkom	Water/sanit	FS	01-Sep-99	27-Sep-99
6.	East London	Solid waste	EC	Awaiting signature	
7.	Lekoa/Vaal	Solid waste	GA	In negotiation	
8.	Rustenburg	Water/sanit	NW	12-Jan-00	26-Sep-99
9.	East London (Mdantsane)	Water/sanit	EC	In negotiation	
10.	Krugersdorp	Water/sanit	GA	In negotiation	
11.	Lowveld Esc. DC	Water	MP	04-Oct-99	17-Dec-99
12.	Bloemfontein	Water/sanit	FS	In negotiation	
13.	King Williamstown	Waste water	EC	In negotiation	
14.	Hermanus/Hangklip-Klein	Water/sanit/waste	WC	In negotiation	
15.	Zeerust	Water service	NW	In negotiation	
16.	Phalaborwa	Solid waste	NP	In negotiation	
17.	Vryburg	Water	NW	In negotiation	
18.	Highveld Ridge	Water/sanit	MP	In negotiation	

SCHEDULE C - FEASIBILITY STUDIES IN PROGRESS

from APRIL to JUNE 2000

NO.	LOCAL AUTHORITY	SECTOR	PROVINCE	CONSULTANTS APPOINTED	CONTRACT COMMITMENT	
					MIIU Portion (R)	Client Portion (R)
1.	Newcastle	Solid waste	KN	V3 Engineers	200,000	200,000
2.	Grt Thohoyandou	Solid waste	NP	Jarod Ball	240,000	50,000
3.	Stanger	Solid waste	KN	Lombard & Assoc	577,796	197,303
4.	West Coast	Solid waste	WC	Entech	253,200	63,300
5.	Queenstown	Solid waste	EC	Jeffares & Green	304,000	50,000
6.	East London	Prod. Mkt	EC	PWC	120,000	76,000
7.	Umtata	Water	EC	BKS/PWC	220,000	76,000
8.	Stanger	Water/sanit	KN	BKS Consort	200,000	50,000
9.	Richards Bay	Solid waste	KN	GFJ Engineers	464,500	199,010
10.	Wolseley	Solid waste	WC	V3 Engineers	203,600	86,400
11.	Uthukela/Umzinyathi	Water/sanit	KN	MIIU TA only	-	-
12.	Ficksburg	Water/sanit	FS	Ficksburg Consort	200,000	50,000
13.	Vryheid	Combined Serv.	KN	V3 Engineers	160,000	40,000

SCHEDULE D - FEASIBILITY STUDIES COMPLETED - AWAITING NEXT STEPS

from APRIL to JUNE 2000

NO.	LOCAL AUTHORITY	SECTOR	PROVINCE	CONSULTANTS APPOINTED	CONTRACT COMMITMENT	
					MIU Portion (R)	Client Portion (R)
1.	Richards Bay	Waste water	KN	GFJ Engineers	200,000	30,000
2.	Lowveld RDC	RSC Collection	MP	Vic Nielson	50,000	10,000
3.	Tzaneen	Solid waste	NP	V3 Engineers	120,000	80,000
4.	Port Elizabeth	Water/sanit	EC	BKS Consort.	120,000	80,000

SCHEDULE E - PROJECTS IN PREPARATION PHASE from APRIL to JUNE 2000

No.	LOCAL AUTHORITY	SECTOR	PROVINCE	ENVISAGED CNTR. TYPE	CONSULTANTS APPOINTED	CONTRACT COMMITMENT		STAGE OF ACTIVITY
						MIIU Portion	Client Portion	
1.	Plettenberg Bay	Water/sanit	WC	Concession	S Scott & Consort	600,000	400,000	Prep.RFP
2.	Margate	Airport	KN	Concession	PWC	235,000	150,000	Tender docs. Issued
3.	Margate	Sanit	KN	Mgmt Contract	BKS	390,000	390,000	Contract on hold - UGU study
4.	GJMC - Jhb	Power Gen.	GA	Sale/Lease	Fieldstone	2,000,000	2,000,000	Tenders eval. underway
5.	GJMC - Jhb	Fleet (PII)	GA	Sale/Lease	HSBC	490,000	210,000	Adjud.underway
6.	GJMC - Jhb	Prod. Mkt (PII)	GA	Corporatisation	SCMB/CMK	350,000	350,000	Corporatisation complete
7.	GJMC - Jhb	Bus (PII)	GA	Mgmt Contract	PWC	443,800	190,200	Corporatisation complete
8.	Margate	Road Maint.	KN	Employ/Mgmt. buyout	BKS	296,000	74,000	FS complete
9.	GJMC - Jhb	Water/sanit	GA	Mgmt Contract	Various	600,000	1,400,000	RFP issued pre-qual co.
10.	GJMC - Jhb	IT	GA	Outsourcing	HSBC	1,120,000	200,000	Adjud.underway
11.	Pretoria	Power	GA	Long term lease/BOT	Fieldstone	300,000	200,000	Pref. bidders select.

SCHEDULE F - PROJECTS IN NEGOTIATION from APRIL to JUNE 2000

NO.	LOCAL AUTHORITY	SECTOR	PROVINCE	ENVISAGED CNTR. TYPE	CONSULTANTS APPOINTED	PREFERRED BIDDER
1.	Nkadimeng (MPPP)	Rural water supply	NP	Mgmt. Contract	Africon - consortium	ENRO Water Co.
2.	Harrismith	Water/sanit	KN	Mgmt. Contract	Black&Veatch	Rand Water
3.	GJMC - Jhb	Metro gas	GA	Sale	Fieldstone, W&C, B&V	Egoli Gas Consort.
4.	Richards Bay	Airport	KN	Concession	PWC	Black & Veatch
5.	East Cape	Regional IT	EC	Mgmt. Contract	Black&Veatch	PSU Int.
6.	GJMC - Jhb	Stadium	GA	Sale	PWC	Kaisers Chiefs
7.	Thabazimbi	Solid waste	NP	Concession	V3	Waste Group

SCHEDULE G - PROJECTS COMPLETED from APRIL to JUNE 2000

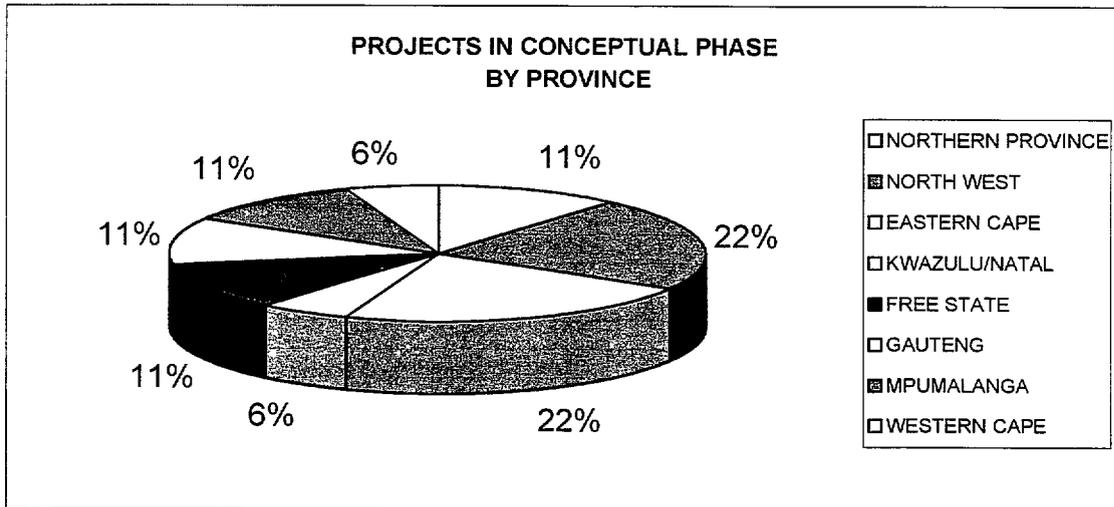
NO.	LOCAL AUTHORITY	SECTOR	PROVINCE	PROJECT OUTCOME	PRIVATE PARTNER
1.	GJMC - Jhb	Airport	GA	Sale	Rand Operators Assoc.
2.	Pretoria -Metro	Airport	GA	20 year concession	Pretoria Int. Airport Co.
3.	Dolphin Coast (MPPP)	Water/sanit	KN	30 year concession	Siza Water Co./SAUR
4.	Nelspruit (MPPP)	Water/sanit	MP	30 year concession	GNUC/Biwater
3.	WMLC	Solid waste	GA	5 year concession	Mondi Recycle
4.	Robertson	Solid waste	WC	5 year service contract	Du Plessis Garden Services
5.	GJMC - Jhb (MPPP)	Solid waste	GA	FS completed - merged with GJMC waste utility	-
6.	Lekoa/Vaal (MPPP)	Water/sanit	GA	FS completed - Sect.21 company created	-
7.	Bloemfontein (MPPP)	Transport	FS	FS recommended status quo & mgmt improvement	-
8.	Richards Bay	Water	KN	FS recommended status quo & mgmt improvement	-
					-

SCHEDULE H - PROJECTS TERMINATED PRIOR TO COMPLETION from APRIL to JUNE 2000

NO.	LOCAL AUTHORITY	SECTOR	PROVINCE	REASON FOR TERMINATION
1.	Cape Town	Power/Solid waste	WC	Unclear public objectives
2.	GJMC	EMS	GA	MIIU decision not to participate further
3.	GJMC - Jhb (MPPP)	Inform.trading	GA	MIIU decision not to participate further
4.	GJMC - Jhb	Unacc.for water	GA	Council decided not to go ahead with the project
5.	Lambert's Bay	Harbour & precinct	WC	MIIU cannot proceed until MSP element is clarified
6.	Hangklip-Kleinmond	Caravan Park	WC	Commercial project
7.	Rustenburg	Abattoir	NW	Decided to use own procurement rules
8.	DME Uthungulu	Non-grid	KN	No local request for assist. - conflicting national priorities
9.	Scottborough	Waste water	KN	District council override
10.	Cape Town (MPPP)	Water/sanit	WC	Municipality has decided to go no further
11.	Durban (MPPP)	Waste-to-energy	KN	MIIU decision not to participate further
12.	Khayalami (MPPP)	Waste water	GA	Inaction by municipality after warning
13.	Kimberley (MPPP)	Resorts	NC	Inaction by municipality after warning

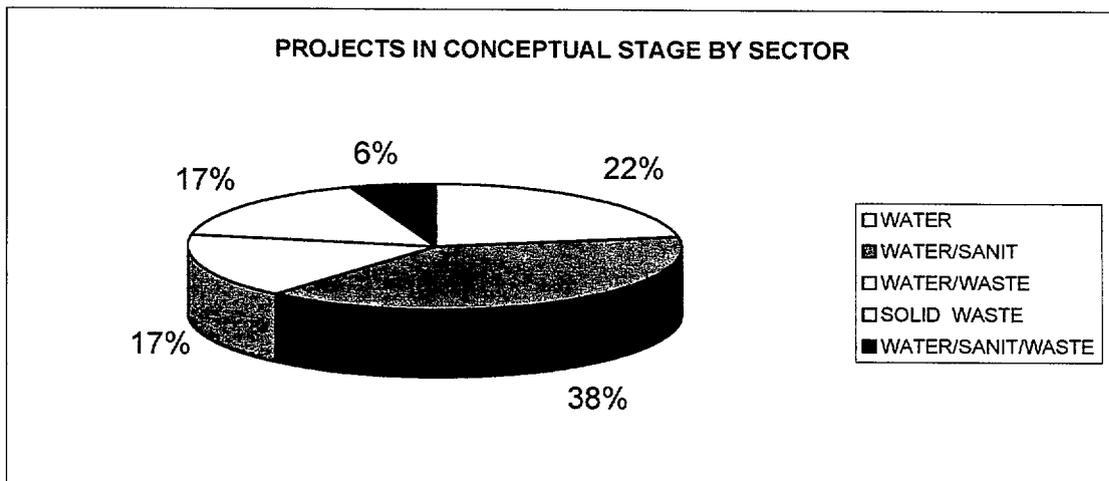
PROJECTS IN CONCEPTUAL PHASE BY PROVINCE

NORTHERN PROVINCE	11%
NORTH WEST	22%
EASTERN CAPE	22%
KWAZULU/NATAL	6%
FREE STATE	11%
GAUTENG	11%
MPUMALANGA	11%
WESTERN CAPE	6%
	<u>100%</u>



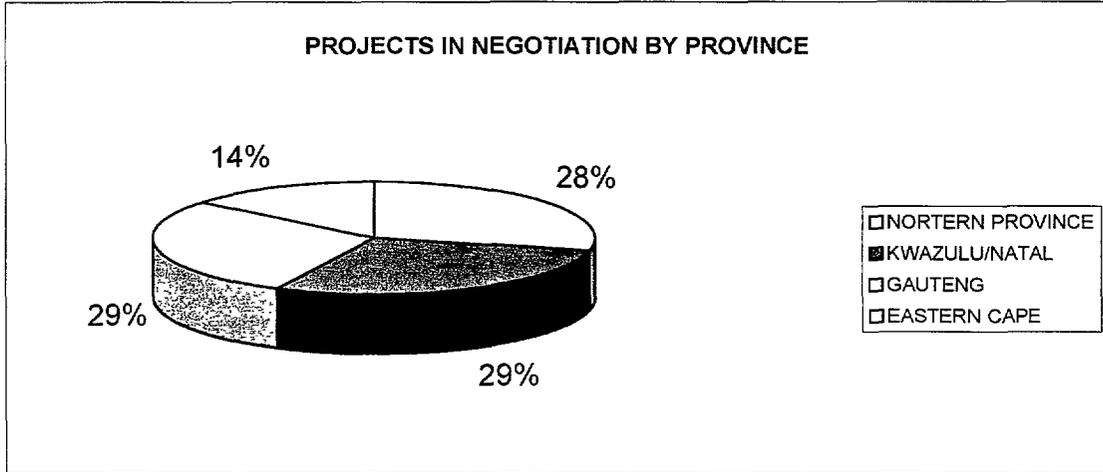
PROJECTS IN CONCEPTUAL PHASE BY SECTOR

WATER	22%
WATER/SANIT	39%
WATER/WASTE	17%
SOLID WASTE	17%
WATER/SANIT/WASTE	6%
	<u>100%</u>



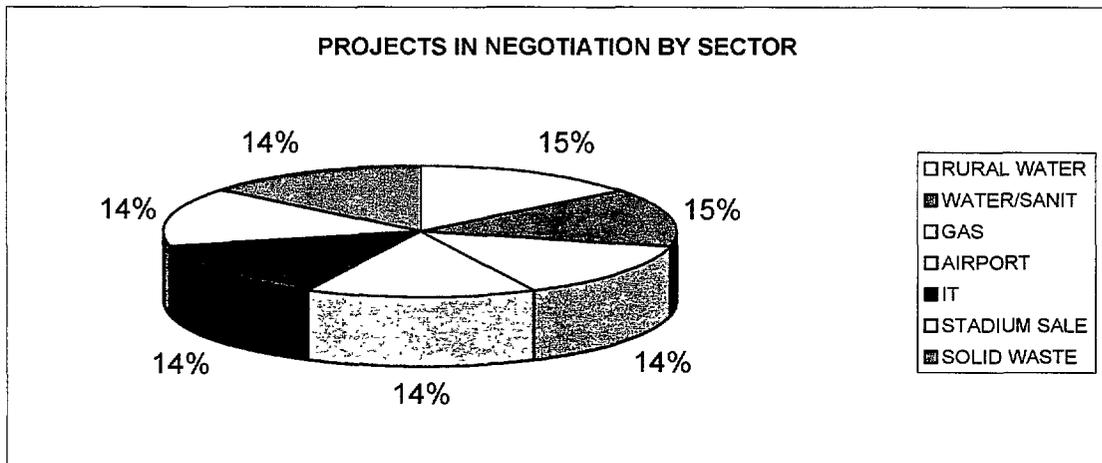
PROJECTS IN NEGOTIATION BY PROVINCE

NORTERN PROVINCE	29%
KWAZULU/NATAL	29%
GAUTENG	29%
EASTERN CAPE	14%
	<u>100%</u>



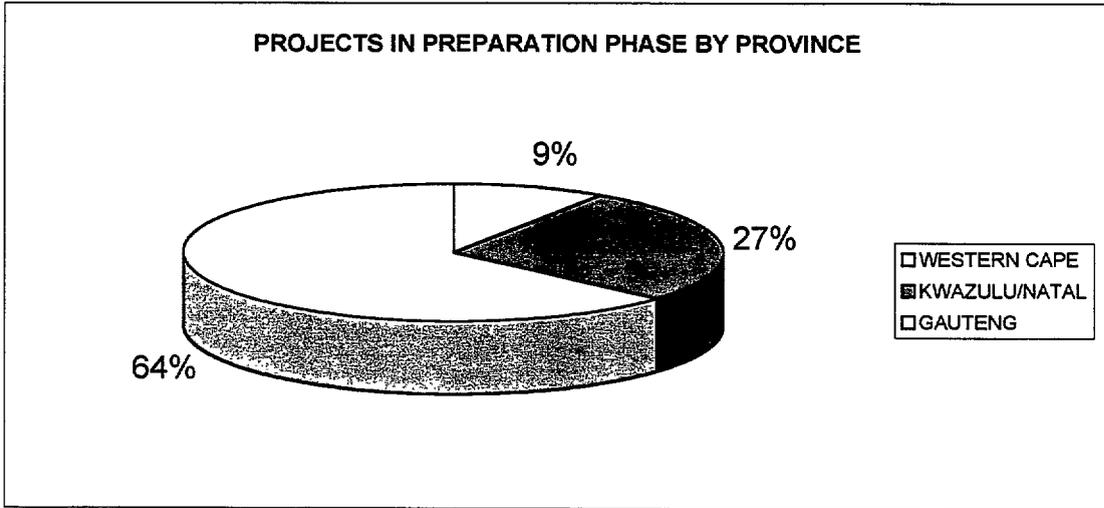
PROJECTS IN NEGOTIATION BY SECTOR

RURAL WATER	14%
WATER/SANIT	14%
GAS	14%
AIRPORT	14%
IT	14%
STADIUM SALE	14%
SOLID WASTE	14%
	<u>100%</u>



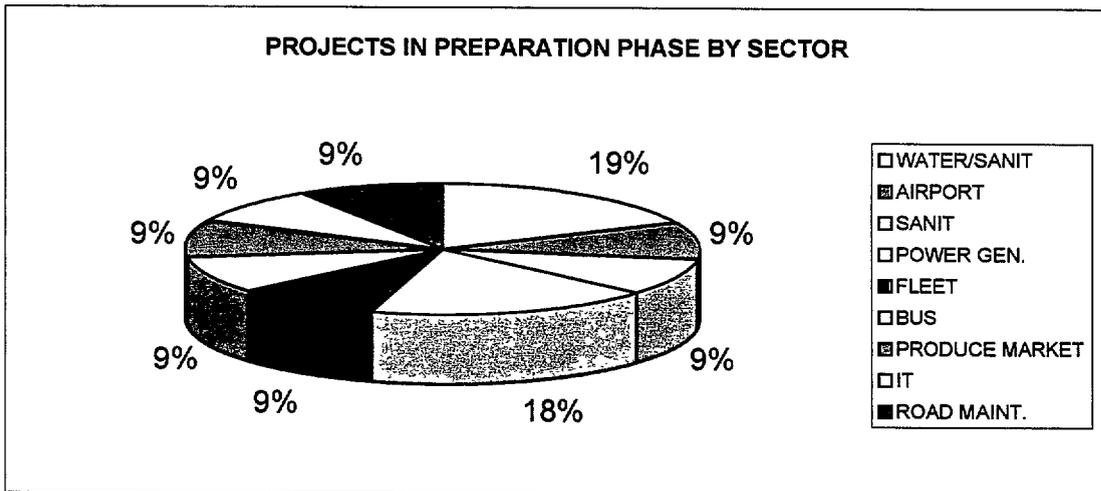
PROJECTS IN PREPARATION STAGE BY PROVINCE

WESTERN CAPE	9%
KWAZULU/NATAL	27%
GAUTENG	64%
	<u>100%</u>



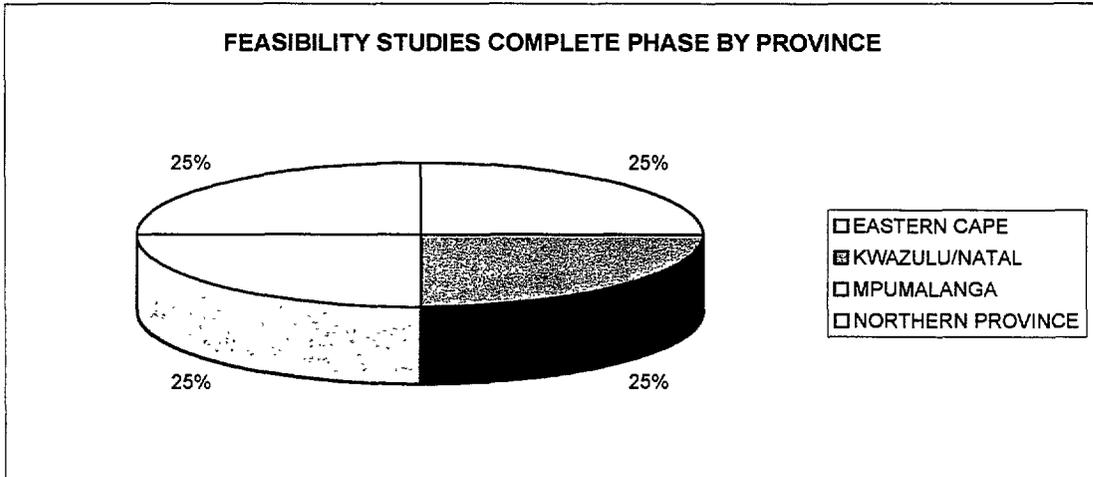
PROJECTS IN PREPARATION STAGE BY SECTOR

WATER/SANIT	18%
AIRPORT	9%
SANIT	9%
POWER GEN.	18%
FLEET	9%
BUS	9%
PRODUCE MARKET	9%
IT	9%
ROAD MAINT.	9%
	<u>100%</u>



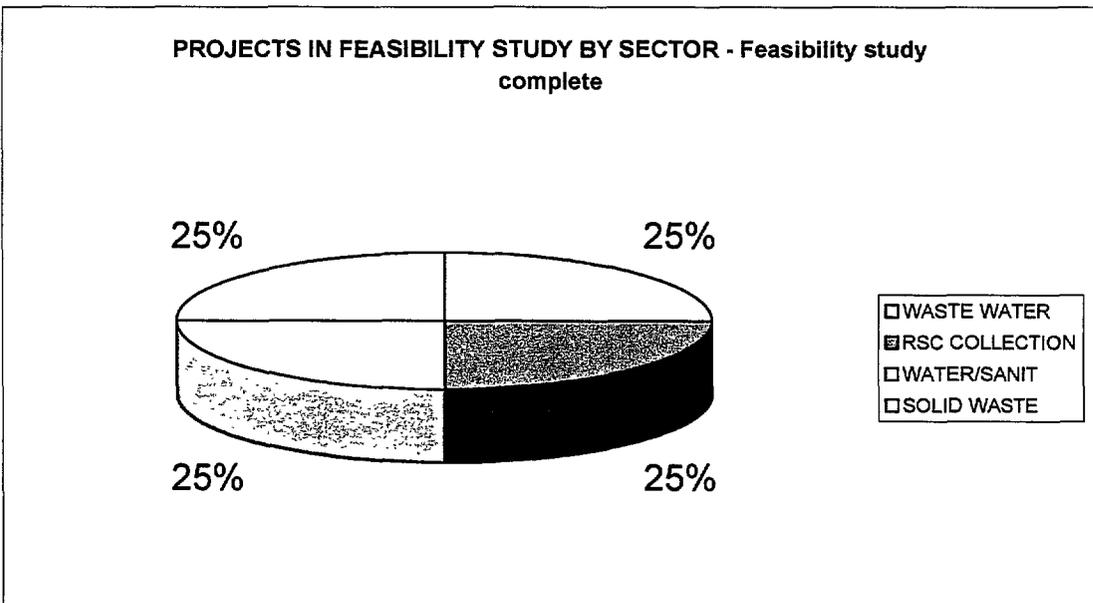
FEASIBILITY STUDIES COMPLETE - AWAITING NEXT STEP BY PROVINCE

EASTERN CAPE	25%
KWAZULU/NATAL	25%
MPUMALANGA	25%
NORTHERN PROVINCE	25%
	<u>100%</u>



FEASIBILITY STUDIES COMPLETE - AWAITING NEXT STEP BY SECTOR

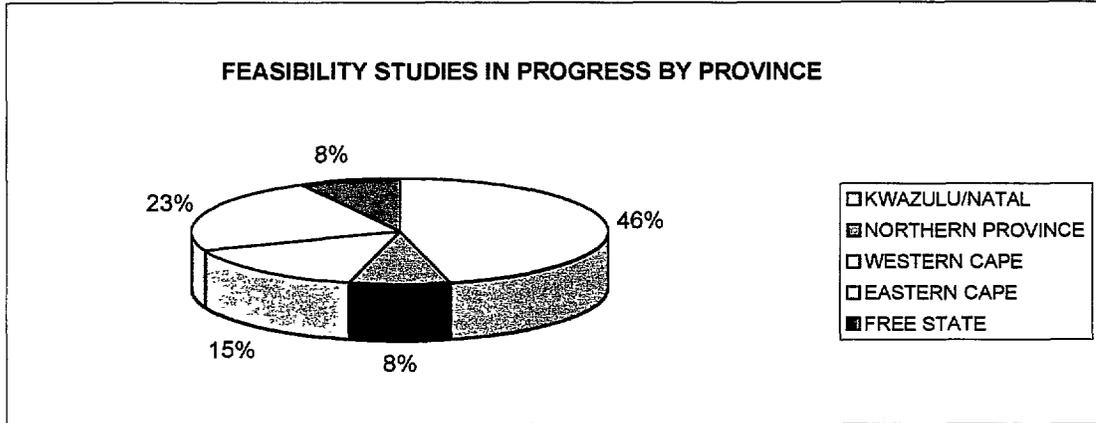
WASTE WATER	25%
RSC COLLECTION	25%
WATER/SANIT	25%
SOLID WASTE	25%
	<u>100%</u>



FEASIBILITY STUDIES IN PROGRESS BY PROVINCE

KWAZULU/NATAL	46%
NORTHERN PROVINCE	8%
WESTERN CAPE	15%
EASTERN CAPE	23%
FREE STATE	8%

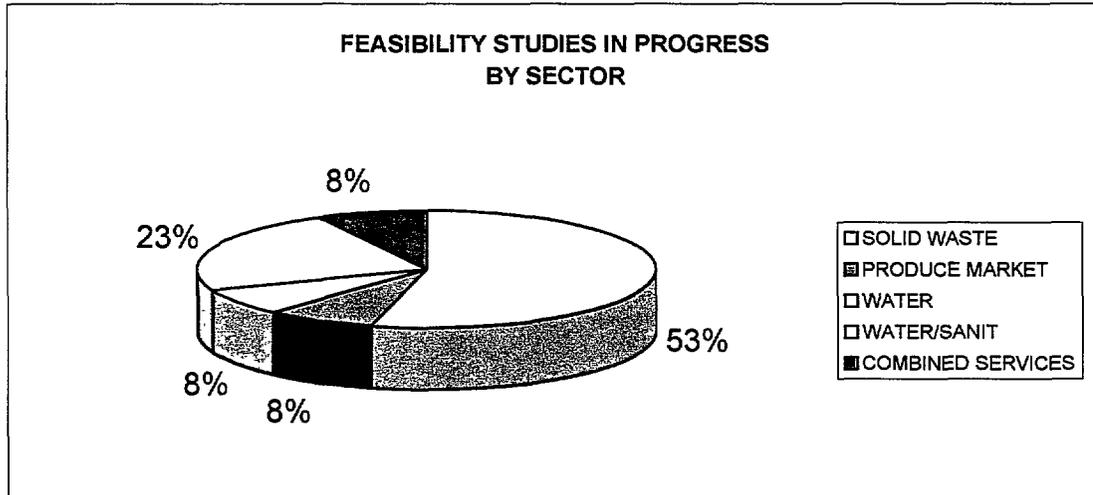
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FEASIBILITY STUDIES IN PROGRESS BY SECTOR

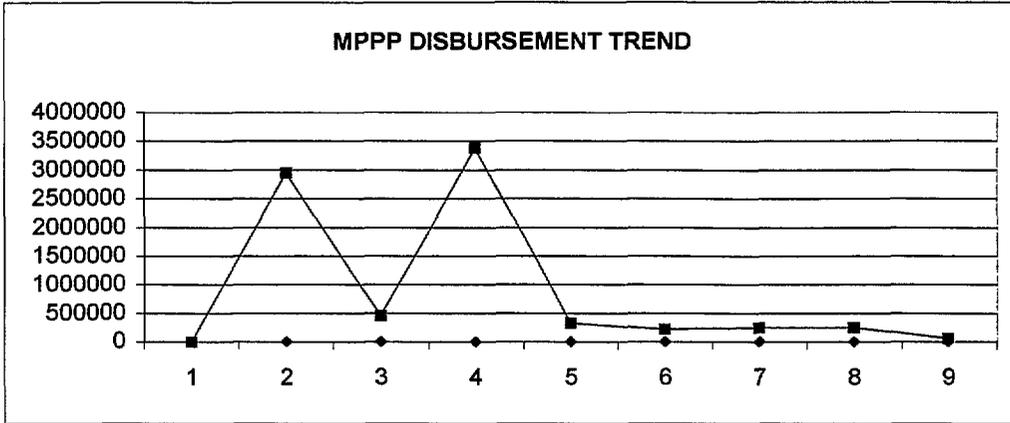
SOLID WASTE	54%
PRODUCE MARKET	8%
WATER	8%
WATER/SANIT	23%
COMBINED SERVICES	8%

100%



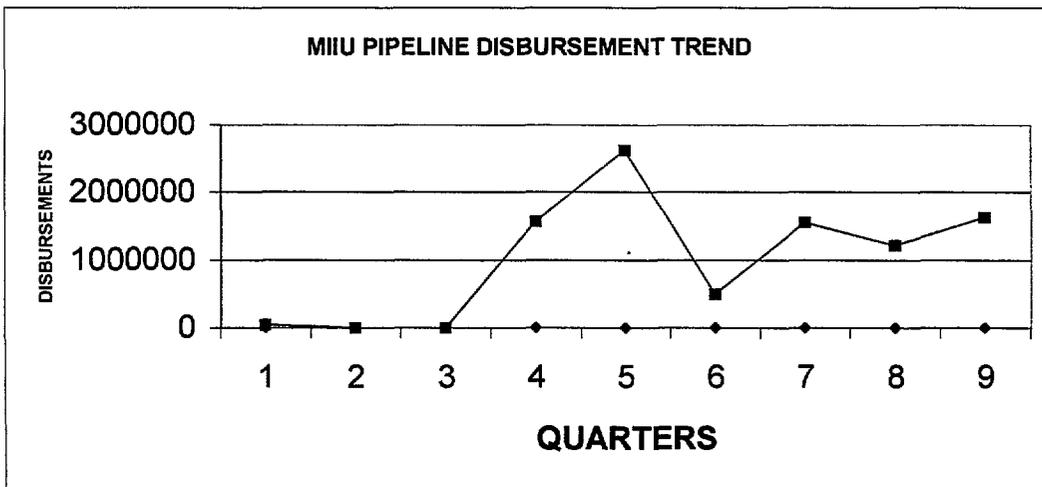
DISBURSEMENT BY QUARTER SINCE INCEPTION - MPPP

QUARTER	Disbursements
1	-
2	2,952,778
3	461,126
4	3,381,364
5	330,880
6	218,434
7	249,649
8	252,414
9	62,848



DISBURSEMENT BY QUARTER SINCE INCEPTION - MIU PIPELINE

QUARTER	Disbursements
1	50,000
2	-
3	-
4	1,569,581
5	2,624,831
6	497,209
7	1,559,231
8	1,222,453
9	1,630,312



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TECHNICAL AND LOGISTICAL SUPPORT AGREEMENT

entered into between

MUNICIPAL INFRASTRUCTURE INVESTMENT UNIT COMPANY

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

(Registration No.98/05340/08)

and

DEVELOPMENT BANK OF SOUTHERN AFRICA

(Registration No 16/00157/00)

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WHEREBY IT IS AGREED AS FOLLOWS:

1. **INTERPRETATION AND PRELIMINARY**

The headings of the clauses in this agreement are for the purpose of convenience and reference only and shall not be used in the interpretation of nor modify nor amplify the terms of this agreement nor any clause hereof. Unless a contrary intention clearly appears -

1.1. words importing -

1.1.1. any one gender include the other two genders;

1.1.2. the singular include the plural and *vice versa*; and

1.1.3. natural persons include created entities (corporate or unincorporate) and *vice versa*;

1.2. the following terms shall have the meanings assigned to them hereunder and cognate expressions shall have corresponding meanings, namely -

1.2.1. "board" means the board of directors of the MIU;

1.2.2. "DBSA" means the DEVELOPMENT BANK OF SOUTHERN AFRICA;

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- 1.2.3. "DBSA's time sheet system" means the official DBSA procedure for recording time on any matter;
- 1.2.4. "effective date" means 1 April 2000;
- 1.2.5. "Government" means the National Government of the Republic of South Africa;
- 1.2.6. "Grant Fund" means the funds made available for the provision of direct assistance to municipal service providers for the preparation of projects involving private sector funding and for other matters contemplated by the MIIU mandate;
- 1.2.7. "MIIU" means the MUNICIPAL INFRASTRUCTURE INVESTMENT UNIT COMPANY, an association incorporated under section 21 of the Companies Act, 61 of 1973;
- 1.2.8. "municipal service providers" means all agencies rendering municipal services;
- 1.2.9. "municipal services" means services which Local Government is obliged to render including, but not limited to, water and sanitation services, industrial waste water treatment, solid waste management, transportation facilities, fire and emergency services, energy reticulation and possible



generation, maintenance of roads, pavements, street verges, stormwater drains, parks, sports fields, recreation and community facilities, public transport, meter reading, billing and collection, street and traffic lighting, licensing, mechanical workshops, fleet and construction, plant management and library;

1.2.10. "parties" means DEVELOPMENT BANK OF SOUTHERN AFRICA and the MIIU collectively or if the context indicates otherwise, either one of them;

1.2.11. "PPU" means the Project Preparation Unit;

1.2.12. "prime rate" means the basic rate of interest per annum publicly quoted by The Standard Bank of Southern Africa Limited as the rate at which it lends on overdraft, compounded monthly in arrear, and calculated on a 365 (three hundred and sixty five) day year factor, irrespective of whether or not the year is a leap year, as reflected in a certificate issued by a manager of The Standard Bank of South Africa Limited (whose appointment it shall not be necessary to prove), which certificate shall be final and binding as to the matters stated therein;

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- 1.3. any reference to an enactment is to that enactment as at the date of signature hereof and as amended or re-enacted from time to time;
- 1.4. if any provision in a definition is a substantive provision conferring rights or imposing obligations on any party, notwithstanding that it is only in the definition clause, effect shall be given to it as if it were a substantive provision in the body of the agreement;
- 1.5. when any number of days is prescribed in this agreement, same shall be reckoned exclusively of the first and inclusively of the last day unless the last day falls on a Saturday, Sunday or public holiday, in which case the last day shall be the next succeeding day which is not a Saturday, Sunday or public holiday;
- 1.6. where figures are referred to in numerals and in words, if there is any conflict between the two, the words shall prevail;
- 1.7. expressions defined in this agreement shall bear the same meanings in schedules or annexures to this agreement which do not themselves contain their own definitions;
- 1.8. where any term is defined within the context of any particular clause in this agreement, the term so defined, unless it is clear from the clause in question that the term so defined has limited application to the relevant clause, shall bear the meaning ascribed to it for all purposes in terms of


W. J. 35.

this agreement, notwithstanding that that term has not been defined in this interpretation clause;

- 1.9. the expiration or termination of this agreement shall not affect such of the provisions of this agreement as expressly provide that they will operate after any such expiration or termination or which of necessity must continue to have effect after such expiration or termination, notwithstanding that the clauses themselves do not expressly provide for this.

2. RECORDAL

It is recorded that -

- 2.1. the MIIU is an association incorporated under section 21 of the Companies Act, 61 of 1973, established by the Government, and has as its main object to ensure that the process of public/private partnerships for municipal infrastructure is well managed in the interests of both the public and private sector, to facilitate investment in municipal infrastructure. The MIIU is a transitional mechanism created in order, *inter alia*, (a) to assist municipal service providers in preparing projects and engaging private investors and (b) to create a market for advisory services therein;
- 2.2. the PPU will be the operational core of the MIIU and will process applications and manage the Grant Fund. The PPU will undertake the


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management function of, *inter alia*, providing preparatory assistance to municipal service providers, approving applications to the Grant Fund and ensuring quality control, as set out below;

2.3. the DBSA has agreed to make technical and logistical support available to the MIU and to assist in the achievement of the MIU's main object aforesaid upon the terms hereinafter set out.

2.4 This Technical and Logistical Support Agreement replaces and supercedes the Management Agreement between MIU and DBSA entered into on 3 April 1998 and which expired on 31 March 2000.

3. **APPOINTMENT**

The MIU appoints the DBSA to provide technical and logistical support to the MIU by providing the services stipulated in this agreement, and the DBSA hereby accepts the appointment.

4. **DURATION**

4.1. Notwithstanding the date of signature of this agreement, the DBSA's appointment shall be deemed to have commenced on the effective date and shall endure for a period of 3 (three) years, subject to either party being entitled to terminate the appointment on 3 (three) months written notice to the other party whereupon all amounts outstanding between the parties will immediately become due and payable.


37.

4.2. Nothing contained in clause 4.1 shall in any way be construed as derogating from any rights that the MIIU may have to cancel the DBSA's appointment in terms hereof summarily if grounds should exist at common law which would entitle the MIIU to cancel the DBSA's appointment summarily.

4.3. The Parties have entered into this agreement on the basis of the MIIU's main object aforesaid and both Parties reserve the right to terminate the agreement, subject to Clause 4.1, in the event of a material change in the main objects of the other Party and/or a material change in the duties and powers of the PPU.

5. **DUTIES AND POWERS OF THE BOARD**

The board shall be responsible for the overall policy direction of the MIIU and the Grant Fund and in this regard -

5.1. shall broadly oversee policy and operational functions of the PPU;

5.2. shall consider and, if thought fit, approve the business plan and operational guidelines of the MIIU and the Grant Fund;

5.3. shall monitor and evaluate the success of the technical assistance programme, including monitoring potential conflicts of interest between advisors and financiers;



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- 5.4. shall monitor compliance of the PPU with policy and performance targets as contemplated in the approved business plan of the MIIU;
- 5.5. shall monitor compliance of the DBSA with policy and performance as contemplated in the approved business plan of the MIIU;
- 5.6. shall receive quarterly reports from the PPU and consider and, if thought fit, approve its budget on an annual basis;
- 5.7 shall consider and, if thought fit, approve the appointment of DBSA staff members seconded to the MIIU and their level of remuneration during the period of such secondment, and be responsible for all facets of performance management of such staff for the period of secondment.
- 5.8 Shall, notwithstanding the provisions of Clause 7.13, have full responsibility for the selection and interviewing of potential candidates for the post of Chief Executive Officer of the MIIU and for the making of such appointment.

6. DUTIES AND POWERS OF THE PPU

The PPU shall be the operational core of the MIIU and in this regard have the power and responsibility to -



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- 6.1. encourage and optimise private sector investment in municipal services in whatever manner it sees fit;
- 6.2. assist in the development of an established market for private sector advisory services as specified in the mission and articles of association of the MIU;
- 6.3. inform municipal service providers of the creation of the MIU and its objectives;
- 6.4. publicly solicit proposals from municipal service providers;
- 6.5. undertake the management function of providing preparatory assistance to municipal service providers;
- 6.6. receive and screen proposals in terms of guidelines and criteria to be developed by the PPU and approved by the board;
- 6.7. consider and, if thought fit, approve applications for funding from the Grant Fund;
- 6.8. provide grant funding to municipal service providers to hire project preparation assistance (up to the request for proposal, evaluation, negotiation or initial implementation state) from the private sector;




- 6.9. liaise with municipal service providers to develop terms of reference for technical assistance;
- 6.10. provide preliminary technical assistance to ensure appropriate selection of consultants;
- 6.11. provide management oversight to ensure that municipal service providers generate optimum quality technical support and advice in their contracts;
- 6.12. assist municipal service providers in the process of hiring private sector advisors;
- 6.13. assist municipal service providers to manage contracts with private sector advisors;
- 6.14. in such circumstances as it shall deem appropriate assist in the packaging of the project finance proposals to possible funders and assist in the review of project finance proposals;
- 6.15. raise additional financial support from donors.

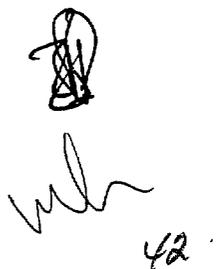
7. **DUTIES AND POWERS OF THE DBSA**

The DBSA shall -



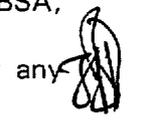
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- 7.1 second professional and administrative staff members to the MIIU, to assume such reasonable responsibilities requested and specified by the board; provided that, where the DBSA is unable to provide staff members with the requisite skills and experience to fulfil the responsibilities specified by the board, the DBSA will, in consultation with the board, and in accordance with the provisions 7.3, below, attempt to recruit a suitable candidate(s) externally. Such candidates will be employed on a contract basis by the DBSA and seconded to the MIIU for the period of the contract;
- 7.2 provide office facilities, equipment, printing and telecommunications services to the MIIU at agreed rates;
- 7.3 make available to the MIIU such number of suitably qualified staff members to fulfil such specific project-related tasks as may be mutually agreed.
- 7.4. at all times act with integrity and good faith and exercise all reasonable skill, care and diligence in the performance of its obligations under this agreement;
- 7.5. cause the MIIU to pay, from the Grant Fund, any taxes, levies or duties payable by the MIIU;
- 7.6. in the course of its normal operations, promote and market the MIIU;



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- 7.7 fulfil all financial accounting and reporting functions on behalf of the MIIU, in accordance with Generally Accepted Accounting Practice.
- 7.8. establish a bank account in respect of the MIIU and operate such account and the signature of all cheques or withdrawals from them;
- 7.9. ensure the calculation, administration and completion of all PAYE, SITE and other taxation aspects related to the MIIU or payments made thereunder;
- 7.10. comply with all legislation, administrative and other similar requirements under the Companies Act and the Income Tax Act;
- 7.11. have the sole right to appoint persons to assist the MIIU in its functions. Any such appointment shall be pursuant to a written request from the MIIU and shall be subject to the terms and conditions agreed between the DBSA and the MIIU from time to time provided that :-
- 7.11.1. any such entity or person will have no right to bind the MIIU to any obligation, except as expressly provided otherwise in this agreement;
- 7.11.2. such entity or person will have no contractual relationship with the MIIU but shall be solely responsible to the DBSA, provided that no appointment may be terminated, or any


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payment effected by the DBSA in respect of services rendered unless so instructed in writing by the MIU Board or its authorised representative;

7.11.3 the DBSA shall, notwithstanding the appointment by it of any other person or entity in whatsoever capacity or role, remain fully responsible for the fulfilment of all its obligations under this agreement;

7.12 The DBSA shall not alter any staffing arrangements made pursuant either to clause 5 or to this clause 7 without the prior consent of the MIU.

7.13 The DBSA shall at all times be responsible for any and all administration contemplated directly or indirectly by this agreement in respect of MIU personnel. Such responsibility shall include staff seconded by the DBSA to the MIU, notwithstanding that the decision to select or reject any candidate offered for selection to the MIU by the DBSA shall be made by the MIU alone.

8. DUTY OF CARE

8.1. The DBSA shall, in performing its duties, do so with due professional care, diligence and skill.



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8.2. The DBSA shall not be liable for any indirect or consequential losses suffered by the MIIU from any cause.

9. **RETAINER FEE**

9.1. In consideration for the services to be provided by the DBSA to the MIIU as contemplated in this agreement, the MIIU shall pay to the DBSA, quarterly in advance (the first payment to be made within 30 (thirty) days of the date of signature of this agreement and subsequent payments to be made on the first day of each and every succeeding quarter thereafter, commencing on 1 July 1998), an annual retainer fee (exclusive of VAT) in respect of the first year following the effective date, equal to R32 000,00 (thirty two thousand rand).

9.2. The management fee will escalate annually in the second and subsequent years by a percentage equal to the negotiated and approved average percentage annual salary increase for all DBSA staff.

10. **THE DBSA'S EXPENSES**

In addition to the retainer fee to be paid in accordance with clause 10 above, the MIIU shall also be responsible for the payment of all expenditure incurred by the DBSA from time to time in relation to -

10.1. expenditure in respect of and/or connected with the operation and administration of the MIIU, including, but not limited to -



- 10.1.1. taxes, fees or other government charges levied against the MIIU;
- 10.1.2. total personnel costs incurred in respect of services rendered -
 - 10.1.2.1. by employees of DBSA who, on either a full-time or part-time basis, work for or who have been seconded to the PPU on the understanding that the services so rendered be duly recorded and monitored on the DBSA's time sheet system; and
 - 10.1.2.2. by other professional advisors;
- 10.1.3. performing the human resources, corporate accounting, auditing and treasury functions related to the MIIU;
- 10.1.4. the cost of subsistence and travel of employees of the DBSA who work for or have been seconded to the MIIU;
- 10.1.5. the provision of office facilities, equipment, printing and telecommunications.



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- 11.1. The DBSA shall at all times maintain full, accurate and up to date books of account and other records relating to the management and administration of the PPU.
- 11.2. The books and records shall be available at all reasonable times for inspection, examination and audit by the MIIU.

12DISPUTES

- 12.1. Any dispute arising from or relating to this agreement, its interpretation or its termination shall, subject to clause 13.2, be referred for resolution pursuant to this clause.
- 12.2. Prior to the submission of a dispute to an expert as contemplated in this clause, the parties shall endeavour to resolve the dispute by way of mediation or conciliation proceedings. If, within 14 (fourteen) days of either party calling for such mediation or conciliation proceedings, the dispute has not been resolved, the dispute will be referred to the expert, for his decision in accordance with the remaining provisions in this clause.
- 12.3. The expert -



- 49 -

- 12.3.1. shall be a practising senior counsel or attorney of not less than 10 (ten) years' standing as such, agreed upon by the parties or, failing such agreement within 3 (three) days after the date on which either of them calls on the other to do so, appointed by the President of the Transvaal Law Society (or its equivalent successor-in-title in the Gauteng province) who may be instructed by either party to make that nomination at any time after the expiry of that 3 (three) day period;
- 12.3.2. shall be entitled to take advice from any person considered by him to have expert knowledge with reference to the matter in dispute;
- 12.3.3. shall be entitled to determine the liability for his fees incurred in the determination of the dispute and the costs of any person referred to in clause 13.3.2, in such manner and against such party/ies as he may determine;
- 12.3.4. shall act as an expert and not as an arbitrator;
- 12.3.5. shall determine the procedure to be adopted in any proceedings.

12.4. The expert's decision shall be final and binding on the parties.

13. INDEMNITY



13.1. Neither the DBSA nor any of its officers, directors, shareholders and employees (collectively referred to herein as the "indemnified parties"), shall, in the absence of wilful default or gross negligence, be liable to the MIIU or any of its investor participants for any act or omission (including, without limitation, an omission based on errors of judgement) done by it in connection with its appointment to provide the services specified in this agreement or the exercise of any of its powers, authorities, or discretions or the exercise of any of its duties under this agreement. The MIIU hereby indemnifies and holds harmless the indemnified parties from and against any loss, expense, damage, or injury suffered or sustained by the indemnified parties by reason of any act, omission or alleged act or omission arising out of its activities on behalf of the MIIU or in furtherance of the interests of the MIIU, including, without limitation to the generality of the foregoing, any judgement, award, settlement, attorney's fees (on attorney and own client scale), and any other cost and expenses incurred in connection with the defence of any actual or threatened action, proceeding or claim, provided further that the act, omission, or alleged act or omission upon which such actual or threatened action proceeding, or claim is based or has not been performed or omitted fraudulently or as a result of the gross negligence by such indemnified party.

13.2. Without detracting from the provisions of clause 13.1 above, in determining whether or not any of the indemnified parties have discharged their duties, regard shall be had to the nature and content of



the duties and to the purposes of the MIU as set out in the MIU articles of association.

84. **BREACH**

14.1. If any party materially breaches any material provision or term of this agreement (other than those which contain their own remedies in the event of a breach thereof) and fails to remedy such breach within 30 (thirty) days of receipt of written notice requiring it to do so (or if it is not reasonably possible to remedy the breach within 30 (thirty) days, within such further period as may be reasonable in the circumstances) then the aggrieved party shall be entitled without notice, in addition to any other remedy available to it at law or under this agreement, including obtaining an interdict, to cancel this agreement or to claim specific performance of any obligation whether or not the due date for performance has arrived, in either event without prejudice to the aggrieved party's right to claim damages.

14.2. The non-payment of any fees and/or failure to reimburse any expenditure in terms of this agreement shall not be deemed to be a material breach entitling the aggrieved party to terminate this agreement under any circumstance.


50.

15 DOMICILIUM CITANDI ET EXECUTANDI

15.1 The parties choose as their *domicilia citandi et executandi* for all purposes under this agreement, whether in respect of court process, notices or other documents or communications of whatsoever nature (including the exercise of any option), the following addresses :

15.1.1 the MIIU:

Physical: 1258 Lever Road
Headway Hill
Midrand
1685

Postal: P O Box 8151
Midrand
1685

Telefax: (011) 313 3358

Attention: The Chief Executive
Officer

15.1.2 the DBSA:

Physical: 1258 Lever Road
Headway Hill
Midrand
1685

Postal: P O Box 1234
Midrand
1685

Telefax: (011) 313 3086



Attention: The Manager, Private
Sector Investments Unit

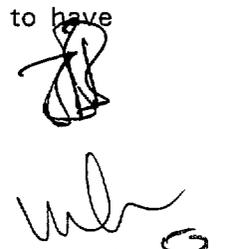
15.2 Any notice or communication required or permitted to be given in terms of this agreement shall be valid and effective only if in writing but it shall be competent to give notice by telefax.

15.3 Any party may by notice to the other parties change the physical address chosen as its *domicilium citandi et executandi* to another physical address where postal delivery occurs in the Republic of South Africa or its postal address or its telefax number, provided that the change shall become effective on the fifth business day from the deemed receipt of the notice by the other parties.

15.4 Any notice to a party -

15.4.1 sent by prepaid registered post (by airmail if appropriate) in a correctly addressed envelope to it at an address chosen as its *domicilium citandi et executandi* to which post is delivered shall be deemed to have been received on the 5th (fifth) business day after posting (unless the contrary is proved);

15.4.2 delivered by hand to a responsible person during ordinary business hours at the physical address chosen as its *domicilium citandi et executandi* shall be deemed to have been received on the day of delivery; or



Handwritten signature and initials, possibly 'W. J. S.', located at the bottom right of the page.

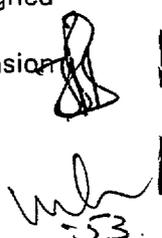
15.4.3 sent by telefax to its chosen telefax number stipulated in clause 16.1, shall be deemed to have been received on the date of despatch (unless the contrary is proved).

15.4. Notwithstanding anything to the contrary herein contained a written notice or communication actually received by a party shall be an adequate written notice or communication to it notwithstanding that it was not sent to or delivered at its chosen *domicilium citandi et executandi*.

16. **WHOLE AGREEMENT, NO AMENDMENT**

16.1. This agreement constitutes the whole agreement between the parties relating to the subject matter hereof.

16.2. No amendment or consensual cancellation of this agreement or any provision or term hereof or of any agreement, bill of exchange or other document issued or executed pursuant to or in terms of this agreement and no settlement of any disputes arising under this agreement and no extension of time, waiver or relaxation or suspension of or agreement not to enforce or to suspend or postpone the enforcement of any of the provisions or terms of this agreement or of any agreement, bill of exchange or other document issued pursuant to or in terms of this agreement shall be binding unless recorded in a written document signed by the parties. Any such extension, waiver or relaxation or suspension



Handwritten signature and the number 53.

which is so given or made shall be strictly construed as relating strictly to the matter in respect whereof it was made or given.

16.3 No extension of time or waiver or relaxation of any of the provisions or terms of this agreement or any agreement, bill of exchange or other document issued or executed pursuant to or in terms of this agreement, shall operate as an estoppel against any party in respect of its rights under this agreement, nor shall it operate so as to preclude such party thereafter from exercising its rights strictly in accordance with this agreement.

16.4 To the extent permissible by law no party shall be bound by any express or implied term, representation, warranty, promise or the like not recorded herein, whether it induced the contract and/or whether it was negligent or not.

17. GOVERNING LAW

This agreement shall be governed and interpreted by the substantive laws of the Republic of South Africa.



Handwritten signature and initials, possibly "M. 54".

18 **JURISDICTION**

The parties consent to the jurisdiction of the High Court which has jurisdiction over the Johannesburg geographic area.

19 **MUTUAL SUPPORT**

The parties shall display the utmost good faith to each other and take all steps for the implementation of the transaction recorded in this agreement.

20 **COSTS**

All costs of and incidental to the negotiation, preparation and up to and including execution of this agreement shall be paid by the MIU.

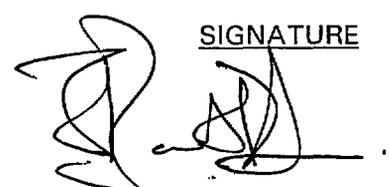


Handwritten signature and initials, possibly 'WSS' and 'WLR', located at the bottom right of the page.

SIGNED by the parties and witnessed on the following dates and at the following
places respectively:

<u>DATE</u>	<u>PLACE</u>	<u>WITNESS</u>	<u>SIGNATURE</u>
3/8/00	Sundton		 For: MUNICIPAL INFRASTRUCTURE INVESTMENT UNIT COMPANY
_____	_____		

1.

<u>DATE</u>	<u>PLACE</u>	<u>WITNESS</u>	<u>SIGNATURE</u>
7/8/2000	MIDRAND		 For: DEVELOPMENT BANK OF SOUTHERN AFRICA
_____	_____		

1.

2.

DEPARTMENT of FINANCE
DEPARTEMENT van FINANSIES
DIPHATEMENTE ya tsa DITJHELETE
IDIPHATIMENTI YEZEZIMALI

Office of the Director General • Kantoor van die Direkteur-generaal
Ofisi ya Modarektoro Kakaretso • Ihovisi lika-Director General



☒ X115, PRETORIA, 0001

Marlene Hesketh
Chair, Board of Directors
Municipal Infrastructure Investment Unit
PO Box 8151
MIDRAND
1685

● Fax (012) 315 5045
● ☎ (012) 315 5954
● Ref
● i David Savage
● Date 2000-06-05

Dear

Ms Hesketh.

NOMINATION FOR MIU BOARD

The letter from Mr Aiello, dated 16 May 2000 and requesting a nominee to replace Roland White on the MIU Board of Directors, refers.

Please be advised that I am nominating David Savage, Director: Municipal Finance Policy (Infrastructure) in the Department of Finance to serve as my representative on the Board. David holds the line function responsibility for municipal infrastructure policy in the Department, and is well-versed in the work and context of the MIU. He may be contacted on (012) 315 5954.

Yours faithfully,

Maria Ramos
Director-General: Finance

**THE MUNICIPAL INFRASTRUCTURE INVESTMENT UNIT COMPANY
(Association incorporated under Section 21 of the Companies Act 61 of 1973)**

REPORT OF THE DIRECTORS

The directors take pride in presenting their annual report, which forms part of the audited financial statements of the Municipal Infrastructure Investments Unit Company (MIIU) for the period ended 29 February 2000.

NATURE OF BUSINESS

The nature of the business is reflected in the Corporate Profile as attached hereto.

ACTS AND LEGISLATION

This report is compiled in compliance to Section 286 of the Companies Act, 1973 (Act 61 of 1973).

FINANCIAL RESULTS

The Department of Provincial and Local Government (DPLG) transferred R8, 0 million to the MIIU to finance new projects generated through the activities of the Project Preparation Unit (PPU). In addition, an amount of R 5,4 million was provided by USAID South Africa in terms of an agreement between the MIIU and the Donor Agency. Funds invested including those brought forward from the previous year, yielded interest to the amount of R2, 744 million for the financial period ended 29 February 2000.

In the same period, operating expenses amounted to R1, 554 million, resulting in an excess of income over expenditure of R1, 340 million. A total amount of R7, 022 million was disbursed to local authorities as grant funding in terms of the MIIU mandate.

COMPANY SECRETARY

The CEO of the MIIU acted as company secretary.

BOARD MEMBERS

- | | |
|---|---|
| 1. Ms. Marlene Hesketh (MIIU Chairperson) | Special Projects, Rand
Merchant Bank |
| Appointed MIIU Board Member | 19 June 1998 |
| Appointed Deputy Chairperson | 19 June 1998 |
| Appointed Acting Chairperson | 26 February 1999 |
| Appointed Chairperson | 19 November 1999 |

THE MUNICIPAL INFRASTRUCTURE INVESTMENT UNIT COMPANY
(Association incorporated under Section 21 of the Companies Act 61 of 1973)

REPORT OF THE DIRECTORS (Continued)

- | | | |
|-----|---|--|
| 2. | Mr. John Barton-Bridges

Appointed MIIU Board Member | Manager, Private Sector
Investments Business Unit,
DBSA
19 June 1998 |
| 3. | Ms. Nozabelo Ruth Bhengu

Appointed MIIU Board Member | Consultant, Ubuntu
Development Consultants
19 June 1998 |
| 4. | Mr. David Ferreira
Appointed MIIU Board Member | Partner, Praxis Capital
19 June 1998 |
| 5. | Mr. Fanyana M. Madlala

Appointed MIIU Board Member
Appointed Deputy Chairperson | Chairperson, Gauteng
Association of Local
Authorities (GALA)
19 June 1998
19 November 1999 |
| 6. | Mr. Neil Macleod

Appointed MIIU Board Member | Executive Director, Durban
Metro
19 June 1998 |
| 7. | Ms. Noma-India Mfeketo
Appointed MIIU Board Member | Mayor, City of Cape Town
19 June 1998 |
| 8. | Ms. Nomagugu Mgijima

Appointed MIIU Board Member | Town and Regional Planning
Consultant
19 June 1998 |
| 9. | Ms. Nonhlanhla Mjoli-Mncube

Appointed MIIU Board Member | Executive Director, National
Urban Reconstruction and
Housing Agency
19 June 1998 |
| 10. | Mr. Mzimkulu Msiwa
Appointed MIIU Board Member | City Engineer, Port Elizabeth
19 June 1998 |
| 11. | Mr. Sisa Njikelana

Appointed MIIU Board Member | CEO, Ruhanyu Health Care
Investment Company (Pty)
Ltd
19 June 1998 |

THE MUNICIPAL INFRASTRUCTURE INVESTMENT UNIT COMPANY
(Association incorporated under Section 21 of the Companies Act 61 of 1973)

REPORT OF THE DIRECTORS (Continued)

- | | | |
|-----|--|--|
| 12. | Dr Crispian Olver | Deputy Director General,
Department of Provincial and
Local Government
19 June 1998
1 May 2000 |
| | Appointed MIIU Board Member
Resigned as MIIU Board Member | |
| 13. | Ms Gugu Moloji | Chief Director
Department of Provincial and
Local Government
15 May 2000
14 August 2000 |
| | Appointed MIIU Board Member
Resigned as MIIU Board Member | |
| 14. | Mr Elroy Africa | Acting Chief Director
Department of Provincial and
Local Government
14 August 2000 |
| | Appointed MIIU Board Member | |
| 15. | Mr Roland White | Senior Manager, Department
of Finance
19 June 1998
8 May 2000 |
| | Appointed MIIU Board Member
Resigned as MIIU Board Member | |
| 16. | Mr. David Savage | Director : Municipal Finance
Policy (Infrastructure) –
Department of Finance
5 June 2000 |
| | Appointed MIIU Board Member | |
| 17. | Mr. Brian Whittaker | Executive Director, National
Business Initiative
19 June 1998 |
| | Appointed MIIU Board Member | |

POST BALANCE SHEET EVENTS

No significant events have arisen since the balance sheet date.

**THE MUNICIPAL INFRASTRUCTURE INVESTMENT UNIT COMPANY
(Association incorporated under Section 21 of the Companies Act 61 of 1973)**

REPORT OF THE DIRECTORS (Continued)

SHARE CAPITAL AND DIRECTORS' INTEREST

The company has no share capital and therefore no director has an equity interest in the company.

APPROVAL OF ANNUAL FINANCIAL STATEMENTS

The annual financial statements set out on pages 5 to 9 are approved by the Board of Directors and are signed on its behalf by :

Ms Marlene Hesketh, Chairperson of Board of Directors:

MIDRAND
18 August 2000

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 29 February 2000

	NOTES	FEB'2000 R'000	FEB'1999 R'000
FUNDS EMPLOYED			
FUNDS ACCOUNT	4	<u>23,435</u>	<u>15,717</u>
EMPLOYMENT OF FUNDS			
CURRENT ASSETS		24 440	17 480
Cash, deposits and tradable securities	5	<u>23 761</u>	<u>17 167</u>
Accounts receivable	6	<u>679</u>	<u>313</u>
LESS: CURRENT LIABILITIES		1 005	1 763
Accounts payable	7	<u>1 005</u>	<u>1 763</u>
		<u>23 435</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 year ended 29 February 2000

	NOTES	FEB'2000 R'000	FEB'1999 R'000
INCOME			
Interest Received		2 744	3 119
Recoverable Expenses	9	150	
		<u>2 894</u>	<u>3 119</u>
 OPERATING EXPENDITURE			
Auditors' Remuneration	10	207	48
Bank Charges		2	1
Board of Directors Costs (Subsistence and Travel)		26	13
Consulting Fees		-	21
Copiers		1	8
Courier Services		3	2
Entertainment		4	-
Folders, Brochures and Publications		46	42
Legal Expenses		-	8
Public Relations Activities		-	21
Portfolio Management Fees		61	73
Remuneration	11	896	1 290
Rental		81	87
Stationery		18	26
Subsistence and Travelling		185	88
Telephone		19	25
Training Services		5	8
		<u>1 554</u>	<u>1 761</u>
Excess of Income over Expenditure transferred to Funds Account	4	<u>1 340</u>	<u>1 358</u>

FUND ADMINISTERED BY THE MUNICIPAL INFRASTRUCTURE INVESTMENT UNIT COMPANYCash flow statement for the year ended 29 February 2000

	NOTES	FEB'2000 R'000	FEB'1999 R'000
NET CASH FLOW FROM OPERATING ACTIVITIES		216	2 808
Excess of income over expenditure		1 340	1 358
Net working capital movement	8	(1 124)	1 450
NET CASH FLOW FROM FINANCING ACTIVITIES		6 378	14 359
Grants received		13 400	22 690
Grants disbursed	4	(7 022)	(8 331)
Increase in Cash and Cash Equivalents		<u>6 594</u>	<u>17 167</u>
Cash and Cash Equivalents at beginning of period		17 167	-
CASH AND CASH EQUIVALENTS AT END OF PERIOD		<u><u>23 761</u></u>	<u><u>17 167</u></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 year ended 29 February 2000**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.

2 CAPITAL

The company does not have share capital.

	FEB'2000 R'000	FEB'1999 R'000
3 GRANT COMMITMENTS		
Grants approved but not yet disbursed	<u>6 862</u>	<u>5 968</u>

These commitments are to be financed from funds available in the Project Preparation Fund.

4 FUNDS ACCOUNT

Funds consist of funds administered on behalf of the Department of Provincial and Local Government and Donor Agencies, for no consideration.

Funds brought forward from previous year	15 717	-
Funds received from Department of Provincial and Local Government for	8 000	12 000
Funds received from Donor : US Aid S.A.	5 400	-
Funds received from Department of Provincial and Local Governments for completion of existing projects	-	10 690
	<u>29 117</u>	<u>22 690</u>
Plus: Excess of Income over Expenditure transferred from Income Statement	1 340	1 358
Less: Grants Disbursed	7 022	8 331
Municipal Public Private Partnerships- New projects	5 887	1 620
Municipal Public Private Partnerships- Existing projects	1 135	6 711
	<u>23 435</u>	<u>15 717</u>

5 CASH, DEPOSITS AND INVESTMENTS

Current Account	15	14
Call Account	13 689	7 299
Investments - Negotiable Certificates of deposits	10 057	9 854
	<u>23 761</u>	<u>17 167</u>

6 ACCOUNTS RECEIVABLE

Debtors: PADCO	150	-
Recoverable Taxes	309	-
Accrued interest on deposits and securities	220	313
	<u>679</u>	<u>313</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)

Notes to the financial statements for the year ended 29 February 2000

	FEB'2000 R'000	FEB'1999 R'000
7 ACCOUNTS PAYABLE		
Creditors	47	1 463
Accrued Expenses	958	300
	<u>1 005</u>	<u>1 763</u>
8 NET WORKING CAPITAL MOVEMENTS		
Decrease in accounts payable	(758)	1 763
Increase in accounts receivable	(366)	(313)
	<u>(1 124)</u>	<u>1 450</u>
9 RECOVERABLE EXPENSES		
Sundry	3	-
Subsistence & travelling	86	-
Telephone	13	-
Rental: IT Equipment	48	-
	<u>150</u>	<u>-</u>
10 AUDITORS' REMUNERATION		
Audit - current year	45	48
Audit - previous year	6	-
Other services - current year	156	-
	<u>207</u>	<u>48</u>

Other services in relation to the election of the chairperson to the Board of the Municipal Infrastructure Investment Unit Company.

11 REMUNERATION	<u>896</u>	<u>1 290</u>
This relates to Development Bank of Southern Africa staff contracted to MIIU.		
It excludes the USAID contribution in terms of the staff compliment.		
This is estimated at R7.4 m for this financial year, but does not form part of MIIU's statements.		

**THE MUNICIPAL INFRASTRUCTURE INVESTMENT UNIT COMPANY
(Association incorporated under Section 21 of the Companies Act 61 of 1973)**

CORPORATE PROFILE

The Municipal Infrastructure Investment Unit (MIIU) is an association incorporated under Section 21 of the Companies Act (61 of 1973). The company is conceived as a five-year intervention to develop a market for technical assistance for project preparation in the sphere of municipal infrastructure and services.

The MIIU was established on 20 March 1998, pursuant to Cabinet Memorandum Number 14 of 1997, which approved the National Department of Provincial and Local Government's recommendation to establish a unit for the following objectives :

- Encourage and optimise private sector investment in core local authority services, on a basis that is sustainable for both local authorities and at a national level.
- Assist the development of an established market containing informed local authority clients, private sector advisers, and private sector investors and service providers.

These activities are being undertaken with local authorities that are developing project proposals involving private sector investment. The investments can take any of a broad range of forms, including, but not exclusively :

- Private sector financing of municipal debt.
- Contracting out of the management of ongoing services.
- Concessions to operate the local authority's assets over a defined period.
- Contracts requiring the private sector to design, build, finance and operate assets to deliver services for the local authority.
- Privatisation of assets and services.

The MIIU's scope of activities include :

- Providing grant funding to local authorities on a cost-sharing basis to contract in expertise for project preparation assistance from the private sector (up to the Request for Proposals, evaluation, negotiation, or initial implementation stages).
- Assisting local authorities in the process of contracting in private sector consultants.
- Assisting local authorities to manage contracts with the private sector.
- Marketing and publicising of the MIIU's services.

THE MUNICIPAL INFRASTRUCTURE INVESTMENT UNIT COMPANY
(Association incorporated under Section 21 of the Companies Act 61 of 1973)

DIRECTORS' RESPONSIBILITY

The preparation and presentation of the annual financial statements of The Municipal Infrastructure Investment Unit Company and all other information included in this annual report, which must be accurate and consistent with the financial statements, are the responsibility of the directors. The financial statements set out in this report have been prepared in accordance with Generally Accepted Accounting Practice (GAAP) and include amounts based on judgements and estimates made by management.

In discharging their responsibilities, both for the integrity and fairness of these statements, the directors rely on systems of internal control procedures applied by management.

The Sub-Committee of the Board of Directors has met with management and the external auditors to review the financial statements and accounting policies, and the effectiveness of management information and systems of internal control. Nothing has come to the attention of the directors to indicate that any material breakdown in the systems of internal control has occurred during the period under review.

The going-concern basis has been adopted in preparing the financial statements. Based on forecasts and available cash resources, the directors have no reason to believe that the company will not be a going concern in the foreseeable future.

The company's external auditors, Ernst & Young, who were provided unrestricted access to all financial records and related data, have audited the financial statements. The directors believe that all representations made to Ernst & Young during their audit were valid and appropriate.

Ms Marlene Hesketh : Chairperson of the Board of Directors

Ms Gugu Moloi
Chief Executive Officer

MIDRAND
18 August 2000

MSP STUDY TOUR TO SOUTH AMERICA AND AUSTRALIA – May/June 2000

Executive Summary of Forthcoming Report Ver1.1

Over a two week period, twelve South African municipal councillors and officials, plus one central government official and a member of the MIU, visited three South American countries and Australia. The study tour was sponsored by USAID and organised by a US-based company named PADCO, under contract to USAID for this purpose. The tour was designed to expose South African officials to various institutional arrangements for rendering municipal services, and the related regulatory requirements.

In **Sao Paulo**, Brazil, the team visited two state-owned utilities that function throughout the state of Sao Paulo, serving over 300 municipalities. The first company (CETESB) manages water and air pollution on behalf of the state government, and helps municipalities improve their solid waste management. The second (SABESP) is the largest water utility in the world. It was restructured from a very inefficient, debt-ridden para-statal into a corporation containing 16 business units. SABESP is regarded as a solid enterprise which can borrow funds on better conditions than the state government. 11% of its shareholding is privately held in the stock market. The private shareholding helps SABESP obtain approval for tariff increases without undue political interference.

In **Buenos Aires**, Argentina, we met with the management of the concession company (Aguas Argentinas) responsible for water services in greater Buenos Aires, and with the regulator (ETOSS), the former regulator, and a representative of users groups. This concession contract has been running for six years and those involved have many lessons to share. All agreed that the private sector had achieved significant improvements and cost reductions, but there were some mistakes along the way. For example, consumers were never consulted in project design, and this might have avoided one or two big problems. Likewise, service standards in un-served areas were set without due regard for the affordability of consumers. There were many lessons on relations between the regulator and the concessionaire – getting the balance between being a policeman and a coach, avoiding micro-management and building trust.

In **Mendoza**, Argentina, we met a private sector water services company serving the whole province, the provincial regulator and members of the users committee. This arrangement arose from the sale of shares in a state-owned utility to the private sector, with a controlling interest held by an experienced operator/investor. The 25 year concession contract (extendable to 95 years) is governed by output targets in the contract. These include goals for service coverage, efficiency, quality improvement, human resources and training. There is a problem with defining efficiency (similar to Buenos Aires) and both parties felt that such definitions should have been agreed when the contract was being negotiated. The users group complained of not being consulted, but this has been redressed by the regulator, who consults them regularly. Active users groups are new in Argentina, since the private sector participated in service delivery. "When the function was handled by government there was nothing we users could do - but with a private sector company, we can influence things."

In **Santiago**, Chile, we met with a professional association of sanitary engineers who have studied the path of privatisation in Chile. We also met a state agency that is a holding company for the regional water utilities, and prepares them for sale to the private sector. Government retains 35% of the shareholding, and 10% is set aside for

workers. Today in Chile, if there is a real need to set up a state-owned enterprise, it would need a special act of parliament. In Chile water services are organised as indefinite concessions for each region. These concessions can be sold or transferred. 62% of the market is now in private hands, with a further 20% by the end of 2001. Concessions are overseen by a powerful state regulator. As one engineer put it: "An uncontrolled private monopoly will probably lead to high prices, whereas an uncontrolled public monopoly will probably lead to a lack of service. So monopoly services are an issue of regulation and control, not of ownership." The Chilean government provides a direct subsidy to consumers for a portion of their water and sewerage bill, sufficient for public health needs.

In **Sydney**, Australia, we visited a solid waste transfer and recovery facility, a landfill site and the Sydney Water Board. We also were briefed on the history of the water industry in Australia by a firm of consultants who are active in Southern Africa. They explained how the industry has moved from state departments through corporatised entities to various forms of commercialization and varying degrees of private sector management. Both solid waste facilities are owned by a state agency but managed by the private sector. The materials recovery facility shows what can be done once the general population is motivated to take environmental issues seriously. Environmental issues also dominate the water industry. Sydney Water has been told that they may not build any more dams, and that water demand must come down to provide more water for riverine ecology. Demand management is very much in evidence. Most of their treatment works are managed by the private sector.

In **Noosa**, Queensland, we visited the town's both the water and wastewater treatment works. They have been contracted out to two private sector firms on a design-build-operate basis, with the town council raising the finance. Both works are run very efficiently to very high standards. The DBO arrangement enables the operator to guarantee the quality of water supplied or effluent discharged. With a consultant-designed plant the council always had to take the risk of not achieving the standard required. Both council engineers are very happy with the results, which were less expensive than their own estimates. We learnt at first hand many of the issues concerning preparation of such contracts, pricing strategies, specifications and monitoring. For example, before bidding documents were drawn up, the project team held a Risk Analysis Workshop in which they asked: What can go wrong? Who should manage that risk and how? And what should be in the contract?

In **Melbourne**, we met with Yarra Valley Water, a retail company, and Melbourne Water, a wholesaler, and members of various regulatory bodies in the State of Victoria. Melbourne was served by one large, unresponsive, technology-driven state owned company. In 1995 this was unbundled into three commercialized retailers and a wholesaler. YVW showed us how a well-run, customer-focussed utility should look; as did the water wholesaler. They, together with people from the Office of the Regulator General, the Department of Natural Resources & Environment, and the Environmental Protection Agency, showed us the various layers of regulation needed to ensure that services, standards, prices etc are properly regulated for the greater benefit.

In **summary**, the participants in the study tour all benefited greatly from the exposure. They could see that South Africa's approaches were in some instances comparable with the best in the world, and others where we have much to learn. They gained many insights which can be put to use in South Africa, and they were encouraged to proceed

with MSPs in their particular municipality. Participants agreed that we must produce a comprehensive report on our findings and be prepared to share them with colleagues throughout South Africa. An outline plan for this has already been prepared, which includes a national workshop with key stakeholders.

IGazethi YesiFundazwe saKwaZulu-Natali

7 Julayi 2000

- (xii) and (xiii) Local Government Portfolio Committee: Two members representing other political parties
- (xiv) Provincial Electoral Officer: Electoral Commission
- (xv) Kwanaloga: Chairperson
- (xvi) Kwanaloga: Deputy Chairperson
- (xvii) Kwanaloga: Chief Executive Officer
- (xviii) Kwanaloga: Labour Relations Manager
- (xix) Kwanaloga: Chairperson: Labour Relations Committee
- (xx) Provincial Education Officer: SAMWU
- (xxi) Provincial Secretary: IMATU

Urgent!!

- (3) The Committee may co-opt such other members to serve on the Committee as it may deem necessary from time to time in order to assist it in the performance of its functions and duties.
- 2. The main purpose of the Committee is to supervise and monitor the various Municipal Facilitation Committees and Administrative and Technical Committees established by me in terms of section 14(5) of the Local Government Municipal Structures Act, 1998 and to advise me on the facilitation of the disestablishment of existing municipalities and the establishment of new municipalities
- 3. Any Committee or other body of persons which was appointed or came into being in anticipation of but prior to the publication of this Notice, is for all purposes deemed to have been the Committee and to have performed any functions contemplated herein including the holding of meetings as if it had been established in terms of this Notice.

No. 230, 2000

7 July 2000

NOTICE IN TERMS OF SECTION 14(5) OF THE LOCAL GOVERNMENT: MUNICIPAL STRUCTURES ACT, 1998

I NKOSI NYANGA JAMES NGUBANE, the Member of the Executive Council responsible for Local Government in the province of KwaZulu-Natal do hereby acting in terms of and as contemplated in section 14(5) of the Local Government Municipal Structures Act, 1998 (Act 117 of 1998) make provision for the transitional measures set out in the Schedule hereto to facilitate the disestablishment of existing municipalities and the establishment of new municipalities.

MINISTER OF TRADITIONAL AFFAIRS, SAFETY AND SECURITY AND OF LOCAL GOVERNMENT

SCHEDULE

- 1. Subject to paragraph 2 hereof, an existing municipality as defined in the Local Government: Municipal Structures Act, 1998, is prohibited until that municipality has been disestablished as contemplated in the said Act, from doing anything, taking any steps or conducting its affairs in such a manner which may result in, have the effect of or require as regards that municipality —
 - (a) alterations to the staff establishment;
 - (b) the appointment of staff or the filling of vacancies;
 - (c) the upgrading of posts or promotions;
 - (d) increases in salaries or wages;
 - (e) the disposal or acquisition of assets;
 - (f) the conclusion of contracts with a duration of longer than one year or the renewal of such contracts; or
 - (g) the use of reserve capital.
- 2. (1) An application by an existing municipality for any relaxation of, exemption from or a modification of the prohibitions referred to in paragraph 1 hereof, must be made to the Municipal Facilitation Committee established for that area in terms of section 14(5) of the aforesaid Act and must set out the relevant reasons.
- (2) The said Municipal Facilitation Committee must forward its comments on the application to the Municipal Establishment Steering Committee established in terms of section 14(5) of the aforesaid Act for its recommendations.
- (3) The Member of the Executive Council responsible for Local Government, after consideration of the recommendations of the Municipal Establishment Steering Committee, may approve the said relaxation, exemption or modification as the case may be and in the absence of such approval, the restrictions referred to in paragraph 1 hereof continue to apply.

← NB!!

Copies to all Heads and Sub Heads of Dept. Bymel Note: Jogi will do the necessary. 18/7/2000

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**THIRTEENTH MEETING OF THE BOARD OF DIRECTORS OF THE
MUNICIPAL INFRASTRUCTURE INVESTMENT UNIT (MIIU)
TO BE HELD ON FRIDAY, 18 AUGUST 2000
IN CR20, DBSA BUILDING,
LEVER ROAD, MIDRAND
TIME : 10:00- 13:00**

CHAIRPERSON : MS MARLENE HESKETH

A G E N D A

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|------|--|---------------|---|
| 1. | INTRODUCTION AND WELCOME | Chair | |
| 2. | APOLOGIES | Chair | |
| 3. | WELCOME TO THE MINISTER | Chair | |
| 4. | ADOPTION OF PREVIOUS MINUTES | | 1 |
| 5. | MATTERS ARISING | | |
| 5.1. | CEO Interviews and appointment | Sub-Committee | |
| 5.2. | Signing of DBSA/MIIU Management Contract | Chair | |
| 5.3. | DBSA and USAID S & T Policies | Acting CEO | |
| 6. | PROGRESS REPORT
APRIL 2000 TO JUNE 2000 | | 2 |
| 7. | SUMMARY AND CONCLUSIONS | Chair | |
| 8. | DATE OF NEXT MEETING
17 November 2000 | Chair | |
| 9. | CLOSURE | | |