

**Seventh MIIU Board of Directors Meeting
No. 07/1998**

**MIIU Progress Report
April 1998 - September 1998**

and

Semi-Annual Report

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

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

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PROJECT OFFICE: USAID/SOUTH AFRICA

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MIIU

Municipal Infrastructure
Investment Unit

BOARD OF DIRECTORS
MEETING

MEETING No: 07/1998

MIIU

Municipal Infrastructure
Investment Unit

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Municipal Development Specialist

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**SEVENTH MEETING OF THE BOARD OF DIRECTORS OF THE
MUNICIPAL INFRASTRUCTURE INVESTMENT UNIT (MIIU)
TO BE HELD ON THURSDAY, 15 OCTOBER 1998
IN THE BOARDROOM
DBSA BUILDING,
LEVER ROAD, MIDRAND
TIME : 09:30 – 13:00**

CHAIRPERSON : MR ENOS BANDA

A G E N D A

- | | | | |
|------|--|-----------|---|
| 1. | INTRODUCTION AND WELCOME | Chair | |
| 2. | ADMINISTRATION | Chair | |
| 2.1. | Apologies | | |
| 2.2. | Adoption of agenda | | |
| 2.3. | Minutes previous meeting
No. 06/98 (for approval) | | A |
| 2.4. | Matters Arising | | |
| 3. | DOCUMENTATION FOR APPROVAL | | |
| 3.1 | Revised Business Plan | J. Aiello | B |
| 3.2 | Progress Report | A. Still | C |
| 3.3 | Cost Sharing Guidelines | A. Still | D |
| 3.4. | Procurement Policies & Procedures | A. Still | E |
| 4. | DOCUMENTATION FOR DISCUSSION | | |
| 4.1 | Strategic Direction and Subsequent Exit
Strategy | M. Hlahla | F |
| 5. | SUMMARY AND CONCLUSIONS | Chair | |
| 6. | DATE OF NEXT MEETING | Chair | |
| 7. | CLOSURE | Chair | |

DOCUMENTS FOR NOTIFICATION

- Marketing Strategy
- Application and Approval Procedures
- Application Questionnaire
- Project Proposal Report (PPR)
- Model Grant Agreements
- Model Terms of Reference (TOR)
- Model Request for Proposals (RFP)
- Suggested Newspaper Announcement
- Model Contract for Consulting Services

G

DOCUMENTS FOR BOD MEMBERS' SIGNATURE

- Compensation Policy
- Code of Conduct

H

→ We need an instruction to change Articles of Association.

Defer the discussion of ~~the~~ Recovery.

**Minutes of the Meeting of the
Board of Directors
Of the Municipal Infrastructure Investment Unit (MIIU)
25 July 1998
DBSA Building, 1258 Lever Road, Midrand**

Present

Directors

Enos Banda (Chair)
Roland White
Nozabelo Ruth Bhengu
David Ferreira
Fanyana M Madlala
Neil Mcleod
Nomagugu Mgijima
Noma-India Mfekto
John Barton-Bridges
Brian Whittaker
Marlene Hesketh ✓
Sisa Njikelana ✓
Dr. Crispian Olver
Gugu Moloi ✓

Functionaries

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

Apologies

Directors

Mzimkulu Msiwa
Johannes Rantete

1. Introduction and Welcome

The meeting convened at 09h00. Chair Enos Banda welcomed all attendees to the sixth meeting of the Board of Directors of the Municipal Infrastructure Investment Unit (MIIU).

2. Administration

After acknowledging the apologies, Chair Banda introduced Gugu Moloi who will replace Dr Crispian Olver on the Board of Directors. Dr Olver will continue to monitor the progress of the MIIU.

some unclarity as to the parameters of USAID's views on recoupment. While there appeared to be a consensus that municipalities should be encouraged to recoup any funds it had advanced, the position of the Minister of Finance against the MIU recouping such funds was made clear and advanced as a reason to end discussion on the matter.

The Board discussed the formation of a sub-committee of the Board to meet with the Ministers of Finance and the Department of Constitutional Development to assess the potential for a modified position of the parties, but ultimately resolved to direct the PPU to prepare a report on the way forward regarding this matter, taking into consideration not only the views of the two Departments, but the recoupment demands of current and future donors to the Project Preparation Fund.

With regard to the overall Business Plan it was suggested that the PPU prepare a revised business plan and budget that will serve as a monitoring tool to the Board. Included should be the number of deals concluded, the allocation of PPU resources, the marketing strategies to be employed, and performance measurements.

By consensus, the interim arrangements were adopted as amended by the various actions taken, subject to the receipt of further written comment by the Board. The PPU was instructed to highlight proposed changes reflected therein for subsequent Board approval. The PPU was further instructed to include a line item in its budget to reflect administrative and operating costs.

At this juncture a general discussion occurred regarding compensation for Members of the Board of Directors. It was noted the Articles of Association provide that no compensation be paid, and that a change would require amendment thereof. The PPU was instructed to recommend a compensation policy at the next meeting.

4. Unsolicited Proposals

Noting that a PPU-prepared unsolicited proposal policy had been removed from the Interim Procurement Processes pending seating of the full Board, the same was presented for consideration and adoption. After a discussion which noted the cost implications for such proposals, the unsolicited proposal policy was adopted as presented.

5. Code of Conduct for Board of Directors

A draft Code of Conduct for Members of the Board of Directors had previously been provided each Member of the Board. A discussion was held concerning its adoption, including the necessity of each Member individually signing the document. The PPU was instructed to distribute a revised version of the Code of Conduct with a signature page that each Member can sign.

Subsequent to the foregoing, a discussion was held concerning the PPU and MIU decision-making processes. Issues addressed included how many persons can sign cheques, the standards for payment, and the effect of these processes on empowerment. It was also noted that since the Project Preparation Fund will contain a substantial sum of money, proposals should be sought from at least three money managers to perform the treasury function.

**DOCUMENTATION FOR
APPROVAL**

MUNICIPAL INFRASTRUCTURE INVESTMENT UNIT COMPANY (MIIU)
FIRST AMENDED BUSINESS PLAN
FOR THE OPERATIONAL YEAR
April 1998 - March 1999
Amended 15 October 1999

1. MISSION STATEMENT

To encourage and optimise private sector investment in local authority services, on a basis that is sustainable for both local authorities and at a national level.

To assist the development of an established market containing informed local authority clients, private sector advisers, and private sector investors and service providers, so that the MIIU can be wound up no later than five years after the date of its original establishment.

2. MANDATE AND SCOPE OF ACTIVITIES

The MIIU 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. Its scope of activities will include:

- Provision of grant funding to local authorities to hire expertise for project preparation assistance from the private sector (up to the Request For Proposals, evaluation, negotiation, or initial implementation stages).
- Assistance to local authorities in the process of hiring private sector consultants, where necessary.
- Assistance to local authorities with the management of contracts with the private sector, where necessary.
- Marketing and publicity of the MIIU's services.

These activities will be 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.

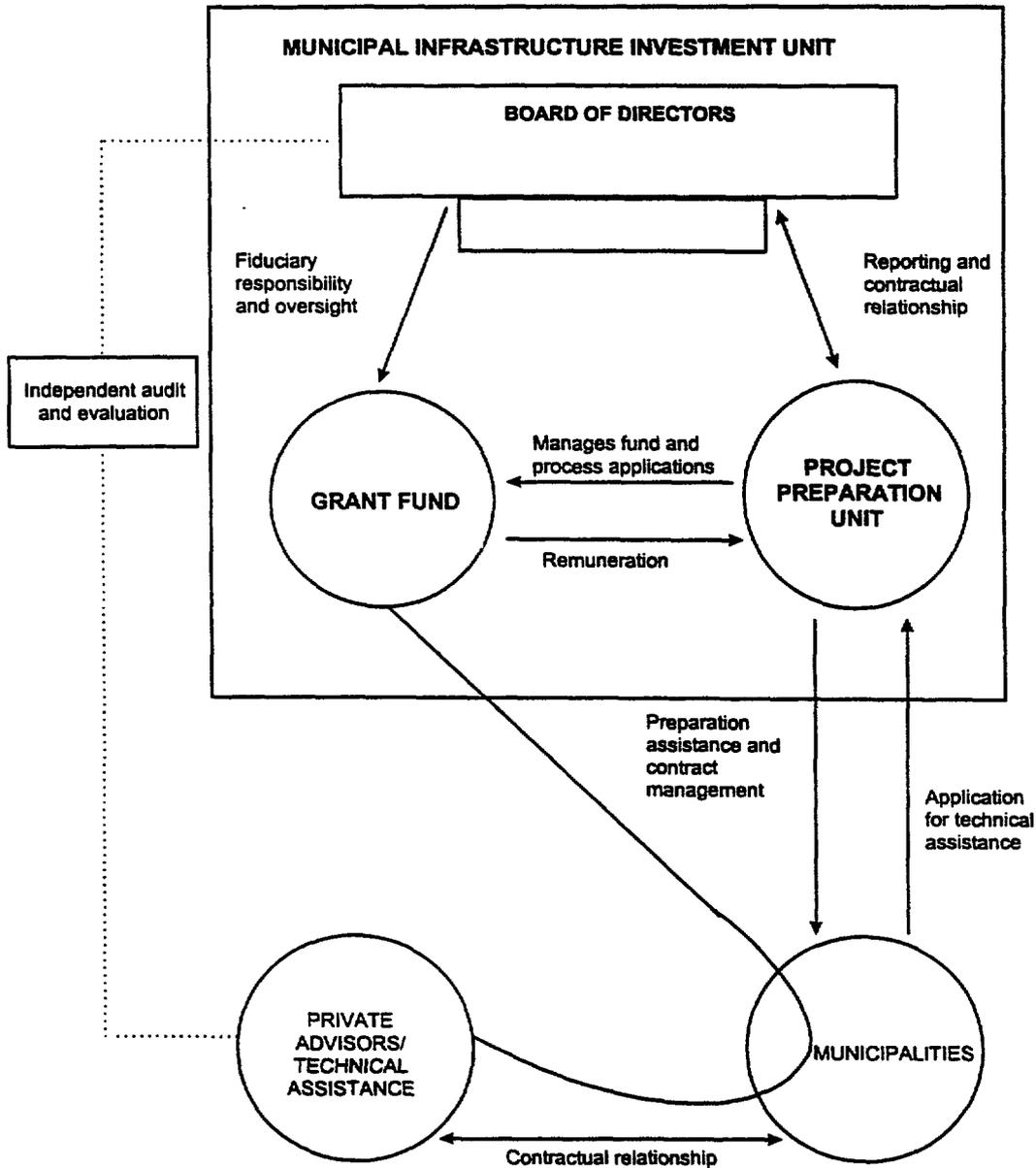
As part of its remit, the MIIU will take responsibility for the management of pilot projects of the Municipal Public Private Partnership (MPPP) programme of the National Department of Constitutional Development (DCD).

3. KEY OBJECTIVES

- 3.1 To fully operationalise the MIU by no later than 30 April 1998. This will involve:
- Establishment of the Project Preparation Unit (PPU) at the Development Bank of Southern Africa (DBSA) offices in Midrand, with appropriate financial and management information systems as well as operational guidelines.
 - Creation of an appropriate staff complement for the PPU with professionals and administrative staff seconded by the DBSA.
 - Integration of donor financed international expertise into the PPU.
 - Establishment of the Grant Fund with seed money from the Government.
- 3.2 To make local authorities and the private sector aware of the opportunities and support available through the MIU.
- 3.3 To design and distribute a brochure to local authorities and private sector companies. The brochure will set out the role and purpose of the MIU, and how applications and enquiries can be made.
- 3.4 To create an Internet Website for the MIU, and to use it as a medium for improving access to case studies and best practice guidance.
- 3.5 To establish application, project approval procedures for local authorities, together with a project management system.
- 3.6 To begin assessment of all proposals put forward by local authorities, and identify schemes to receive financial support for pre-feasibility studies or further project preparation.
- 3.7 To develop databases of consulting firms, operators, and financing institutions which form part of the MIU's stakeholder community.
- 3.8 To develop a cost-sharing policy for the MIU and Local Authorities.
- 3.9 To develop a basic procurement policy for consultancy services on projects involving the MIU while maximising local authority discretion.
- 3.10 To develop standard approaches and contracts on an ongoing basis.
- 3.11 To disseminate best practice and lessons of experience from South Africa and the rest of the world on PPPs to municipalities and other stakeholders.
- 3.12 Develop 'Partnerships' into an MIU Publication.

- 3.13 To establish co-operating arrangements with other sources of technical assistance (e.g. DCD, INCA, DBSA) to ensure optimum use of resources and avoid duplication.
- 3.14 To raise additional financial support from donors as specified in the management agreement between the MIU and the DBSA.
- 3.15 To take over the management and associated funding of projects from DCD's MPPP Programme, and to establish clear terms of reference to be agreed to by DCD and the MIU.
- 3.16 To have identified the principal statutory, regulatory and financial obstacles to progressing with private investment in local authorities, and to have set out their impact for consideration by appropriate institutions and fora.
- 3.17 To develop an exit strategy for discussion and approval by the Board of Directors by the end of the first operational year.

4. RESOURCES
4.1 Human Resources
4.1.1 Organisational Structure



4.1.2 Board of Directors

The MIIU is a Section 21 company governed by a non-executive Board of Directors. The Board of Directors will comprise representatives from the Departments of Constitutional Development and Finance, as well as individuals appointed by the Minister of Constitutional Development from the private sector, civil society, local government and the DBSA.

4.1.3 Project Preparation Unit (PPU)

The PPU will be staffed by six professionals as follows:

4.1.3.1 Three full time staff equivalent from the DBSA:

- One full time DBSA staff member who will be the Chief Executive Officer of the MIU.
- One full time DBSA staff member with project management experience with investing into, or creating public private partnerships with South African local authorities.
- One full time staff equivalent from the DBSA to be shared between two individuals.
 - * A senior policy analyst with skills related to partnerships in municipal infrastructure delivery and related regulatory environments.
 - * A senior administrator with skills in project/programme management systems and procurement processes relevant to local government PPPs.
- Two secretaries.

4.1.3.2 Four full time equivalent donor financed staff members with international experience of public private partnerships (PPP contracts), municipal financing and regulation.

This staff composition should be reviewed annually by the Board of Directors to ensure effective use of resources as well as optimal use of private sector skills. The MIU may use staff from the DBSA in relation to specific local authority projects. Annexure A sets forth a protocol on how the MIU will avoid any perceived or actual conflicts of interest in relation to the activities of the DBSA.

4.2 Financial Resources

A multi-year budget is attached as Annexure C.

5. APPLICATION OF RESOURCES

The MIIU will report to the Board of Directors on at least a quarterly basis, setting out its performance against the objectives contained in this Business Plan.

As a general guideline for the first operational year, 85% of overall resource allocation should be targeted at Public-Public, Public- Private Partnerships (PPPs), and 15% to diagnostic, marketing and training initiatives as set out in Annexure B and the attached budget for provisional allocations of overall resources.

5.1 MPPP Projects

The MPPP programme will be managed as a separate programme by the MIIU. This programme has pre-agreed financial allocations and activities to which local authorities can use the funds. The terms of reference for the MIIU will be clearly articulated in a memorandum of understanding to be formalised between DCD and the MIIU.

The following is the MPPP's project list to be managed by the MIIU:

- * Cape Town City Council, Water and Sanitation
- * Nelspruit City Council, Water and Sanitation
- * Lekoa/Vaal Metro Council, Water and Sanitation
- * Dolphin Coast City Council, Water and Sanitation
- * Kyalami Metropolitan Council, Industrial water and water treatment complex
- * Stanger Town Council, Solid waste construction complex
- * Richards Bay City Council, Solid waste construction complex
- * Kimberley City Council, Support to investigate better management of recreation/pleasure resorts
- * Port Elizabeth City Council, Water and Sanitation
- * Durban Metropolitan Council, Energy from Waste Plant
- * Tzaneen - Duiwelskloof, Regional waste site
- * Bloemfontein TLC, Passenger Transport
- * Nkadimeng Dam, Rural Water reticulation scheme
- * Johannesburg Metropolitan Council, Inner City Management Cleaning Services and Water
- * Plettenberg Bay, Water and Waste

5.2 MIIU Projects

5.2.1 Project work will include:

- I. Receipt and assessment of new proposals from local government.
- II. Provision of financial support to local authorities to hire consultants to:
 - Undertake feasibility work to assess project viability, and to
 - Assist in project preparation.

- III. Where necessary, provision of advisory support to local authorities to hire and manage consultants throughout the contract.
- IV. Development of standardised approaches and formats on selection of appropriate projects, selection of consultants, request for proposals etc., based on international best practice and local experiences.

The following cumulative project targets entail envisaged commitment of funds from the MIU to municipalities, are:

Envisaged Cumulative Project Targets					
Project Type	1998-99	1999-2000	2000-2001	2001-2002	2002-2003
Partnerships	20	42	65	85	110
Municipal Debt	0	3	5	8	10
Total/year	20	45	70	93	120

6. MARKETING AND PUBLICITY

The MIU will wish to make all local authorities aware of its services, and to encourage both the local authorities and the private sector to consider using private investment to improve delivery of public services.

6.1 The publicity will also have to make clear that:

- 6.1.1 The MIU's principal role is to provide financial support towards the cost of external advisers - not to provide the advice itself.
- 6.1.2 The MIU will maximise cost-sharing opportunities with local authorities for project preparation. Full financing of project preparation from MIU grant funds will be under exceptional circumstances.
- 6.1.3 The development of private sector investment in local authority services is seen as a long term initiative, and that the intention will be to make the lessons and experience derived from the pilot schemes available to the whole local authority community.

6.2 The key marketing and publicity initiatives will therefore include:

- 6.2.1 A brochure, to be distributed to local authorities setting out the role and purpose of the MIU, and the support available.
- 6.2.2 Attendance at important conferences of local authorities or their representatives, to increase awareness of the existence of the MIU and the support available.
- 6.2.3 A programme of visits to local authorities, and co-ordinated workshops for local authorities to meet together.
- 6.2.4 Creation of an Internet site for the MIU.

- 6.2.5 By demonstrating the opportunities, and steps taken to deliver successful agreements, to attract additional funding or other assistance from donor organisations, amounting to at least R45million (in 1997 Rand) over the 5 year life of the MIIU.
- 6.2.6 Through the publication 'Partnerships' which will be issued periodically to key stakeholders. The publication should be an information source on partnerships in local government.

7. **CAPACITY BUILDING**

Capacity Building for Local Authorities

The MIIU will not provide any training courses on municipal infrastructure partnerships. It will contribute to the design and delivery of appropriate courses offered by relevant training institutions to local authorities and private sector firms.

Through actual projects however, key personnel from within local authorities will access hands on experience on how to prepare, implement, monitor and regulate emerging partnerships. The MIIU will encourage local authorities to maximise practical learning from their working relationships with consulting firms and the PPU, and vice versa.

The principal way in which the MIIU will contribute to training and capacity building is through dissemination of lessons of experience from the South African pilot projects and best practice from other countries. These will be done through conferences, workshops and publication through the Partnership newsletter, the Internet and other communication media.

MIIU capacity building needs

The PPU shall, on a continual basis, access evolving best international practices through available means, and keep itself apprised of all relevant PPP practices worldwide.

It is expected that the Board of Directors may require some capacity building activities for purposes of expanding their knowledge base and team building. To this end, the PPU will receive guidance from the Board, and will provide all necessary support.

As part of these broad training investigations, the PPU will explore possible visits to municipalities (worldwide) which provide best practice for South African municipal infrastructure delivery. The PPU will also maximise its relationship with international training institutions and donor agencies to source cheaper training opportunities and other support for to meet all training needs.

8. **OBSTACLES AND POLICY ISSUES**

In order to influence policy, the MIIU plan by the end of its first year of operation to have identified the principal constraints to the implementation of PPPs and to other forms of private investment in local authorities, and envisage to prepare a statement setting out their impact,

for submission to relevant institutions. The areas where obstacles may arise include the following:

- 8.1 Resistance to the idea of private sector involvement in the operation of services.
- 8.2 The legal standing of local authorities and their ability to undertake PPPs.
- 8.3 The financial standing and structure of local authorities, and whether schemes to be entered into will be affordable.
- 8.4 The impact of PPPs on the job security of public sector employees.
- 8.5 Poor performance in cost recovery, credit control, metering and billing.
- 8.6 The pending demarcation of new local authority boundaries.
- 8.7 *uncertainty over the engagement of*
The reluctance of public employee unions to ~~participate~~ engage in consultative processes regarding PPPs. *about*
- 8.8 The consequences, intended or unintended, of sector-specific national legislation such as the Water Services Act of 1997.

9. EXIT STRATEGY

The PPU will prepare and present to the Board before the end of the first operational year, an exit strategy.

10. MONITORING AND EVALUATION

The key performance indicators for the MIU will include:

- 10.1 Number of local authorities assisted by providing feasibility and project preparation grants.
- 10.2 Extent of involvement of South African private sector consulting companies in projects.
- 10.3 Value of grant funding raised.
- 10.4 Amount (actual and expected) of private sector funding leveraged for provision of infrastructure.

The Board of Directors will appoint an independent performance evaluator.

ANNEXURE A

1. MANAGING POTENTIAL CONFLICT OF INTEREST

1.1 The MIIU will not act as consultants to local authorities.

1.2 The MIIU will screen applications, and assist in the appointment and management of project advisors.

1.3 To supplement core capacity, the MIIU may contract DBSA staff.

1.4 DBSA investment finance is not available to projects where any DBSA staff is involved as an advisor to a municipality.

RESOURCE ALLOCATION PROPOSAL

OPERATIONAL YEAR APRIL 1998 – MARCH 1999

TASKS	PRIVATE SECTOR (%)	PPU (%)	TOTAL (%)
PPPs	78	15	93
MUNICIPAL DEBT	0	1	1
MARKETING AND TRAINING	2	4	6
TOTAL	80	20	100

MUNICIPAL INFRASTRUCTURE INVESTMENT UNIT (MIIU)
REVISED BUDGET 1997/98 TO 2002/03

	1997/98	1998/99	1999/2000	2000/01	2001/02	2002/03	TOTAL
	R'000						
Sources of Funds							
DCD Seed Capital Grant	12000	8000					20000
MPPP Transfer from DCD	10690						10690
DCD Capital Grant Request as per MTEF process			9950	6540	3510		20000
Expected donor contribution		2125	1598	2098			5821
Required donor funds			5050	18460	21490		45000
Anticipated PADCO recovery	0	122	134	148	0	0	404
Anticipated interest on investments	0	2750	1000	750	500	0	5000
TOTAL ANTICIPATED INFLOW OF FUNDS	22690	12997	17732	27996	25500	0	106915
ANTICIPATED APPLICATION of FUNDS							
Staff & Admin:							
Board of Directors	0	21	23	25	28	31	128
DBSA (as per management agreement)	0	1578	1736	1910	2101	2310	9635
Costs related to general admin activities	0	295	257	283	311	342	1487
MPPP admin related costs	0	44	19	0	0	0	62
New pipeline admin related costs	0	34	39	46	56	67	241
TOTAL STAFF & ADMIN COSTS pa #	0	1971	2073	2264	2496	2749	11554
Net funds available for projects pa	22690	11026	15659	25731	23004	-2749	
ANTICIPATED DISBURSEMENTS ON PROJECTS:							
Public Private Partnerships	0	13350	24920	21360	16020	9222	84872
Municipal Debt	0	750	1400	1200	900	518	4768
Marketing and Training	0	900	1680	1440	1080	622	5722
ANNUAL TOTAL	0	15000	28000	24000	18000	10361	95361
CUMULATIVE TOTAL	0	15000	43000	67000	85000	95361	

#-The USAID amount allocated for the international staff complement has not been included in these totals.

MIIU PROGRESS REPORT FOR THE PERIOD
1 APRIL 1998 TO 30 SEPTEMBER 1998

Introduction

This report reflects the MIIU's activities and progress with the first business plan which is currently being amended. The report focuses on the period starting with the incorporation of the MIIU as a Section 21 Company, on March 1998, and ending on 31 August 1998.

The report covers the following aspects:

1. Administrative Matters
 - Operationalisation of the MIIU (establishment of Board of Directors, PPU and Grant Fund, Development of an Agreement with the DBSA)
 - Development of standard and model documents
2. Project Status (MPPP and MIIU)
3. Financial and budget issues
4. Strategic and Policy (internal)
5. Strategic and Policy (external)

Mr. Michael Jamiolkowsky III was replaced by Mr. James Dorhman at the end of September 1998.

➤ From the Development Bank of Southern Africa (DBSA)

Full time secondments

Monhla Hlahla	Chief Executive Officer
Anthony Still	Project Manager
Bongi Mashaba	Secretary
Beverley Parsonson	Secretary

The following individuals share one full time staff equivalent

Barry Jackson	Policy Co-ordinator
Chris Strydom	Programme Coordinator

(iv) *Physical Location of the MIU*

The Interim Board entered into an office lease agreement with the DBSA as part of the Management Agreement. The lease agreement includes provision of support with information technology, other office supplies and related systems. The MIU is located on the second floor of the DBSA building in Midrand.

(v) *Public launch of the MIU*

A successful public launch of the MIU took place at the Volkswagen Conference Centre in Midrand on the evening of 25 July. About 220 individuals from the private and public sectors, donor agencies and consulting firms attended the launch. Addresses were delivered by Minister Valli Moosa of the Department of Constitutional Development, the Chairperson of the Board of Directors and the CEO of the MIU.

The launch received wide coverage in several national newspapers, radio stations and local government journals.

(vi) *Interim Board of Directors*

An interim Board of Directors was established in February 1998 to ensure leadership in the structuring of the Company. The Interim Board comprised representatives of the Departments of Constitutional Development and Finance. Staff members of Development Bank of Southern Africa acted as a secretariat for technical support to the Interim Board.

(b) Development of Standard and Model Documents

During the reporting period, MIU staff members have drafted and refined a number of standard procedures and model documents that are now being used on a daily basis in MIU operations. These procedures and documents include the following:

1. Application and Approval:

Procedures: these procedures govern the process by which municipalities apply and are approved for MIU grant funding. The procedures provide a step-by-step overview of how the process should proceed, what documents should be submitted and reviewed, what decisions should be made regarding applications, how these

proposal they must prepare, how it must be submitted, how it will be evaluated, how and when final selections of contractors will be made.

- *Newspaper Advertisement:* this is a short advertisement format that municipalities can adapt to their needs when opening competition for consulting services.
- *Consulting Contract:* this is a simple model agreement to be signed by the municipality and the consultant selected to perform PPP-related preparation work, such as feasibility studies or project packaging. The document contains standard contract language and has been revised several times in response to suggestions from local officials.

(c) Launch of the full Board of Directors

A sixteen member Board of Directors (BOD) was approved by the South African Cabinet on 27 February. The Directors are individuals with relevant experience to ensure fulfillment of the mission and mandate of the Company.

An inaugural BOD meeting and workshop was held on 20 May at Turnberry Conference Centre in Midrand. The meeting dissolved the Interim Board with Dr. Crispian Olver handing over to Mr Enos Banda and Ms Marlene Hesketh as Chairperson and Deputy Chairperson, respectively. The workshop focused on the mission, objectives and institutional structure of the MIIU, as well as general and legal interpretations of duties of Directors.

The Board members are;

- | | | |
|-----|----------------------------|--|
| 1. | Mr Enos Banda | Chairman & Executive Director, Zader Financial Services |
| 2. | Mr John Barton-Bridges | Manager, Private Sector Investments Business Unit, DBSA |
| 3. | Ms Nozabelo Ruth Bhengu | Consultant, Ubuntu Development Consultants |
| 4. | Mr David Ferreira | Partner, Praxis Capital |
| 5. | Ms Marlene Hesketh | Senior Manager, Rand Merchant Bank |
| 6. | Mr Fanyana M Madlala | Chairperson, Gauteng Association of Local Authorities (GALA) |
| 7. | Mr Neil Macleod | Executive Director, Durban Metro |
| 8. | Ms Noma-India Mfeketo | Chairperson, Executive Committee, City of Cape Town |
| 9. | Ms Nomagugu Mjijima | Town and Regional Planning Consultant |
| 10. | Ms Nonhlanhla Mjoli-Mncube | Executive Director, National Urban Reconstruction and Housing Agency |

(f) Revised Business Plan

The original Business Plan for the First Operational Year April 1998 – March 1999, was adopted by the Interim Board of Directors in March of 1998, prior to the full implementation of the PPU staffing and the launch of the full Board of Directors. At the 25 July 1998 meeting of the newly inaugurated Board of Directors, the PPU was tasked with revising the existing interim business plan in a manner that should serve as a monitoring tool to the Board. A First Amended Business Plan is to be presented at the 15 October 1998 meeting of the Board of Directors.

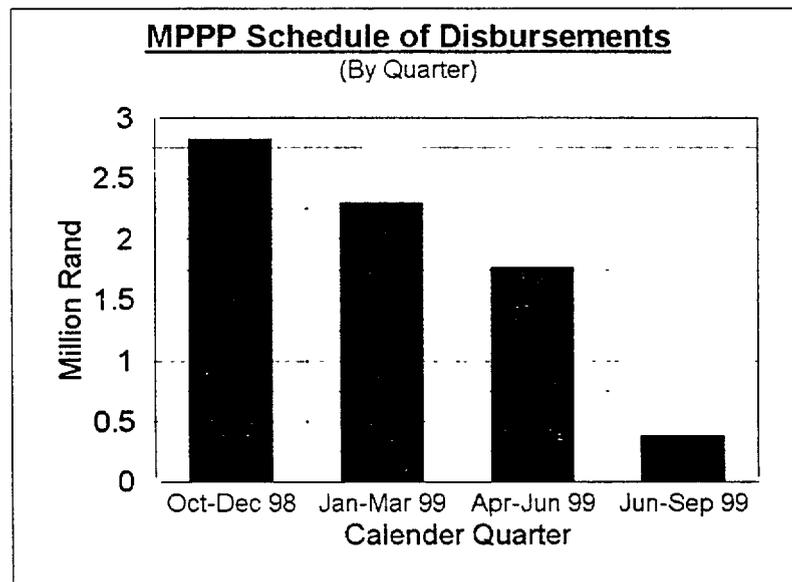
2. CURRENT PROJECT STATUS

(a) MPPP Projects

Annexure C1 shows the status of the 15 projects inherited from the DCD under the MPPP programme. Since taking over the pipeline the MIU has disbursed R 2 952 779. Considerable progress has been made on most of the projects, as reflected in the annexed summary.

MIU has secured agreement from DCD to absorb unused MPPP project funds, as in the case of Cape Town, into the MIU general fund, and to give a deadline to those clients whose projects are dormant (e.g. Kimberley and Khayalami) to activate these projects or lose the allocations. The deadline will be the end of this financial year.

A summary of MPPP projects expected disbursements is presented in the following graph :



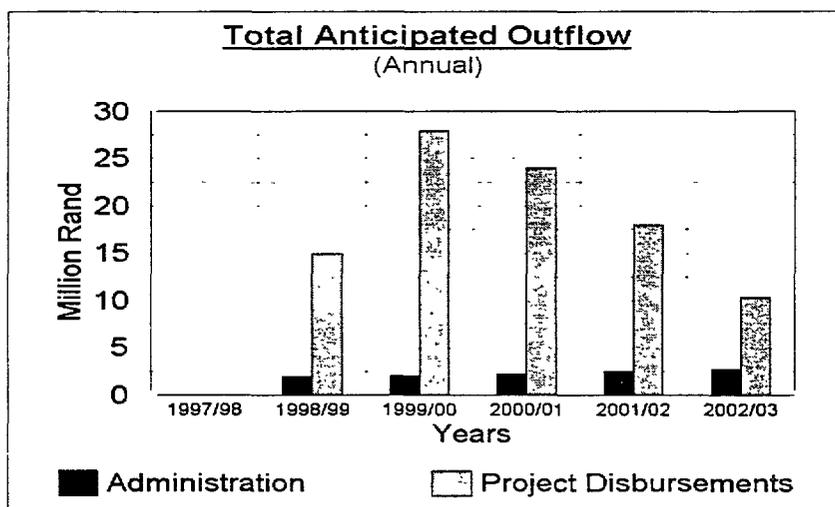
MPPP PROJECT COSTS SUMMARY	
GRANTS TOTAL	R 16 605 275
Committed to F.S. or P.P.	R 253 000
Disbursed by DCD	R5 915 389
Disbursed by MIU	R2 952 779
Balance Remaining	R 7 737 107

(2)

3. FINANCIAL AND BUDGET MATTERS

The revised multi-year budget is attached to the revised business plan serving as an separate agenda item.(B). The multi-year budget is structured to firstly reflect the anticipated sources of funds per category per year followed with the anticipated application of funds. The outflow of funds occurs in two basic categories, Administration /Staff costs and anticipated disbursements on projects. A breakdown of all anticipated project outflow is also presented.

The total anticipated outflow is reflected in the following graph. This graph and the budget details found in revised multi-year budget are based on long term projections and must obviously be updated on a periodic basis. Actual inflow and outflow of funds will be effected by many variables and will be monitored on a continual basis.



(a) Fund-Raising Activities

Funding Requirements

According to the Budget, the MIU would need R119 690 to fulfill its mission and mandate within five operational years. Of this amount, 46% (R54,690m) of this amount has already been secured, with 54% (R65m) still to be raised.

Sources of Funding

	1998/99	1999/2000	2000/01	2001/02	2002/03	Total
DCD	12000	8000				20000
MPPP	10690					10690
USAID	8000	9000	7000			24000
Required			15000	25000	25000	65000
Total	30690	17000	22000	25000	25000	119690

MTEF process. This amount would be spread over the last three operational years as follows:

Year 3 : R9.95 m

Year 4 : R6.54 m

Year 5 : R3.51 m

In Summary, the MIU has made requests totalling R32m.

Required Funding

If the above mentioned proposals are successful, the MIU would still require an additional R33m to fulfil its mandate.

Potential Sources of Funds

- Other Donors

The following are donor countries/regions with established local government support programmes with the Department of Constitutional Development (DCD). The Department of Finance has identified these countries and institutions as potential contributors to the MIU's Project Preparation Fund, if approached within the existing programmes with the DCD.

- Sweden
- Norway
- DFID
- European Union
- Germany (GTZ)

✓ Revolving Fund

The issue of a Revolving Fund within or outside the MIU is still under discussion within the Board of Directors, and may expand existing MIU funding. This issue is being explored and will be discussed with the Board of Directors.

4. STRATEGIC AND POLICY MATTERS – INTERNAL

A number of documents have been developed in the period under review and activities undertaken in support of the business objectives. In summary these are :-

- (a) Procurement – Changes have been made as per previous Board discussion and there are new additions to the document. These are tabled for approval.
- (b) Revolving Fund - A discussion document has been developed. This will be tabled once certain consultations have taken place.
- (c) Cost-Sharing – Tabled as a separate agenda item for approval.
- (d) Strategic Direction and Subsequent Exit Strategy – Tabled as a separate agenda item for discussion.

Municipal Service Partnerships Regulatory Framework. Another USAID/Government of South Africa initiative involves an investigation into a municipal service partnership regulatory framework. "Municipal service partnership" is a euphemism for a public-private partnership (PPP). This initiative has many facets, including an examination of the current legal and regulatory framework affecting PPPs and recommendations regarding the development and implementation of a new legal and regulatory framework with regard thereto. The PPU has participated in the Steering Committee for this undertaking, and will be making detailed comments with regard to the first draft policy paper which issued in late August 1998.

Municipal Services Act. Legislation is pending in Parliament that seeks to implement the recommendations contained in the White Paper on Local Government issued by the Department of Constitutional Development. This legislation is quite comprehensive, and must be studied carefully to assure that it does not unduly hinder the development of PPPs in South Africa. The potential interaction between this legislation and the Municipal Services Partnerships Regulatory Framework merits an extensive examination by the PPU, which is currently ongoing.

Water Services Act. In December 1997, the Water Services Act was enacted into law. The Act addresses the requirements for water services authorities including municipalities and private sector companies providing water and sanitation services. Two of the pioneering PPPs in South Africa, the Nelspruit and Dolphin Coast projects involve water and sanitation services. These projects were well underway before the Act was adopted, and it is unclear what the precise effect of the bill is on them.

Article 19 of the Act requires a municipality contemplating a PPP for water and sanitation, to first determine whether a public entity, such as a water board, is "willing and able" to provide the services, before awarding a contract to a private sector provider. It is unclear what this "determination" must be. Another section in the Act gives the Minister the authority to review tariffs adopted by a contract between a municipality and a private sector provider. It is unclear what the scope of this review is. If it were determined that the Minister has unfettered powers to unilaterally and arbitrarily change tariffs adopted pursuant to a concession contract, then the future of PPPs in South Africa would be dramatically affected.

The PPU is working with DWAF and other stakeholders to craft regulations and other interpretative documents that will meet the goals of this legislation without unduly restricting or prohibiting PPPs from going forward. These efforts are continuing.

Formulation of a Regulation Framework for Municipal Borrowing. This is a World Bank-funded initiative which has concluded its report on the current status of municipal debt issuance in South Africa, and the way forward to implement a municipal finance market which features appropriate use of general obligation bonds, revenue bonds, and similar debt instruments. Since a part of the Mission Statement of the MIU is to support the development of a municipal finance market in South Africa, the PPU worked very closely with the Municipal Debt Framework Consulting Team. There is likely to be follow-on work to this initiative, and the PPU is positioned to re-commence support for such activity.

National PPP Partnership Programme. The Department of Finance is currently contemplating the necessity for a PPP framework applicable to central government PPP activity. The PPU has been in consultation with Department of Finance officials in this regard, providing input and recommendations with regard to this initiative.

Legislative and regulatory affairs activities have consumed, and are expected to continue to consume, a significant amount of PPU staff time, because of the importance of these

Notes on services that are contracted out:

1. As can be seen from the chart and the table, the most frequently contracted out services are meter reading and refuse collection.

Generally both services are contracted out on the basis of service contracts. Often these contracts are for short duration – two to five years. However, at the end of the contract they are often renewed, either with the same company or with a different company.

2. Many municipalities have been contracting out these and similar functions for many years – even before the 1994 elections.

3. Meter reading contracts:

These contracts are either for water and electricity meter reading, or for just one of these. It might also include responsibility for billing and disconnections in the case of non-payment.

4. Refuse collection:

There is an increasing trend for municipalities to contract out refuse removal services only in the old black local authority areas under their jurisdiction. Often these are entrepreneurial schemes, also known as community sub-contracting. This trend started before the 1994 elections, and is continuing today.

With this scheme a different service is provided in the traditionally black areas from the service that is provided in the traditionally white areas. There is generally no attempt built into the contract to work towards providing an equitable service.

5. Road development and maintenance:

Many municipalities contract out these services. Often these contracts are entered into when necessary, and do not run continuously.

6. Water:

Queenstown, Fort Beaufort and Stutterheim in the Eastern Cape are the three municipalities that have contracted out the operation and management of their water and sanitation services. Where water has been contracted out in other areas, it is generally a contract covering a specific treatment plant, pump station or sewerage disposal plant.

- Newcastle, Kwazulu Natal - refuse removal in the black township, while the historically white town is serviced by the LA.

Government's role:

- Despite the increase in the number of people that need services after the democratic elections in 1994, government funding to LAs have declined drastically. According to the Department of Constitutional Development, in 1994 the Intergovernmental grant (IGG) was R800million, it remains the same in 1998 not withstanding inflation increase and the fall of the rand currency.
- The lack of funding from central government has resulted in budget cuts and reduced service delivery. This has also been a pressure on LA's to privatise services.
- Government is encouraging privatisation even at the expense of its own legislation. In Nelspruit and the Dolphin Coast communities and labour were not consulted nor were Integrated Development Plans drawn up with stake-holders, as per the Local Government Transitional Act 1993. Not even the Department of Constitutional Development's guidelines for PPPs were implemented.

The Water Services Act (1997) (see Annex 12) was also contravened in that public water providers were not utilised before multinational companies were chosen as the preferred bidders. In the case of the Dolphin Coast, the Umgeni Waterboard also tendered for the contract without success. In both Nelspruit and Dolphin Coast the DCD were involved.

- Collective bargaining agreements are also undermined. On 30 June 1997 the SA Local Government Bargaining Council (SALGBC) (see Annex 11) agreed to improve and extend service delivery within the public sector before privatisation is even considered. The Tygerberg LA unilaterally privatised refuse removal which led to a dispute. The CCMA award upheld the SALGBC agreement as bona fide and further stated that privatisation would lead to a unilateral change in workers' conditions of employment. Tygerberg has still not implemented but is taking the CCMA decision to review, with the support of the DCD.



COSATU



COSATU

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MEMORANDUM TO NEDLAC

Introduction

Historically COSATU has never determined workers interests as those narrowly affecting organised labour. We have struggled for the interests of the working masses in SA as a whole. Once again we are called upon to champion the cause of working people – the unemployed, the youth, the aged, the disabled and our children – and our right to basic services. In this regard submit the following arguments in support of our notice made in terms of Section 77 of the Labour Relations Act, 1995.

COSATU POSITION:

- COSATU and its affiliates are mobilising its members and the broad working class against the privatisation of basic services (municipal), including the provision of water.
- As Cosatu, we are not opposed to forms of partnerships with private sector that are aimed at leveraging resources, human and material, for the purposes of achieving improved and greater levels of service delivery. Such partnerships should be subjected to strict regulations and be for limited period aimed at achieving above objectives. We are however opposed to the current approach by both Salga and DCD to use PPPs for privatising basic services.
- In June the COSATU Central Committee committed itself to fighting against continued job losses, rising poverty, equality, unemployment and privatisation of municipal basic services.
- COSATU is opposed to privatisation of basic services as it will lead to increased tariffs and poor quality services. Privatisation only benefits amongst others, the banks, shareholders and consultants.

International experiences of privatisation verify this unambiguously. (see appendix 10)
An overview of services in Local Authorities (LAs), though limited, will indicate that privatisation is rife in SA.

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Wits Region
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Fax (0431) 436 334

TOTAL POTENTIAL FUTURE FUNDS FLOW									
PROJECT & SECTOR	BALANCE REMAINING (Refer to Schedule V)	SCHEDULE OF DISBURSEMENTS Commitments in BOLD Potential Applications in Normal Type					TOTAL EXPECTED PROJECT COSTS		
		Current Q (Jul-Sept 98)	Q+1 (Oct-Dec 98)	Q+2 (Jan-Mar 99)	Q+3 (Apr-June 99)	Subsequent	Actual Commitment	Potential Applications	TOTAL
Margate Airport FS				90,000			90,000		90,000
Margate Airport PP						150,000		150,000	150,000
Lowveld RSC FS			45,000				45,000		45,000
Lowveld RSC PP				50,000				50,000	50,000
Plettenburg Bay PP				150,000	150,000			300,000	300,000
TOTAL ACTUAL			1,875,000	880,000	0	0	2,755,000		
TOTAL POTENTIAL			745,000	2,985,000	2,400,000	2,120,000		8,250,000	
TOTAL FUNDS			2,620,000	3,865,000	2,400,000	2,120,000			11,005,000

6.4 m (MPPP) 8.5
 8. m = (MIIU) 6.5
 3. m already disbursed. 4
 14.5 ± 15

TOTAL POTENTIAL FUTURE FUNDS FLOW									
PROJECT & SECTOR	BALANCE REMAINING (Refer to Schedule VI)	SCHEDULE OF DISBURSEMENTS Commitments in BOLD Potential Applications in Normal Type					TOTAL EXPECTED PROJECT COSTS		
		Current Q (Jul-Sept 98)	Q+1 (Oct-Dec 98)	Q+2 (Jan-Mar 99)	Q+3 (Apr-June 99)	Subsequent	Actual Commitment	Potential Applications	TOTAL
Stanger Woodwaste	100,000	0	75,000	25,000	Nil	Nil		100,000	100,000
Brits	tbid	0	100,000	400,000	200,000	Nil		700,000	700,000
GJMC EMS	688,888	0	70,000	500,000	100,000	Nil		670,000	670,000
GJMC IT	1,120,000	0	200,000	400,000	400,000	120,000		1,120,000	1,120,000
West Coast Regional Council SMLC - Waste PP	tbid 50,000	0	tbid 50,000	-	-	-		50,000	50,000
Umtata Water and Sanitation FS				180,000				180,000	180,000
Umtata Water and Sanitation PP					150,000	250,000		400,000	400,000
Bochum/My Darling FS				150,000				150,000	150,000
Bochum/My Darling PP					100,000	50,000		150,000	150,000
GJMC Market FS			100,000	80,000				180,000	180,000
GJMC Market PP				100,000	200,000			300,000	300,000
GJMC Fleet FS			100,000	80,000				180,000	180,000
GJMC Fleet PP				150,000	150,000			300,000	300,000
GJMC Bus FS			100,000	110,000				210,000	210,000
GJMC Bus PP				100,000	200,000			300,000	300,000

MIIU PIPELINE

Schedule III

PROJECTS IN CONCEPTUAL PHASE										
LOCAL AUTHORITY AND SECTOR	PROJECT NO.	PROJECT MANAGER	QUESTIONNAIRE RETURNED	PPR APPROVED	BUDGET ESTIMATE		CONTRACT WITH CLIENT		FS OR PP	COMMENTS
			Date		MIIU Portion	Client Portion	Client Signature	MIIU Signature		
GJMC Gas	JME1873	JL	03/06/98	17/06/98	750 000	750 000			PP	
Lowveld RSC Collection	LOW2923	JL	31/08/98	-	50 000	50 000			PP	
Nkwazi and Sanitation Water	NKW0312	JL	17/08/98	31/08/98	210 000	210 000			FS	
Nelspruit	NEL0355	JL	15/09/98	-	800 000	2 847 269			PP	MIIU follow on to MPPP
Dolphin Coast	DOL0355	JL	23/09/98	-	884 337	1 000 000			PP	MIIU follow on to MPPP
Harrismith and Sanitation Water		JL	12/06/98	18/06/98			04/08/98	18/08/98	FS	
Margate Airport		JL	30/06/98	08/07/98			30/09/98		FS	
Margate Sanitation		JL	30/06/98	16/07/98			30/09/98		FS	
Richards Bay Airport		JL	17/06/98	22/06/98			03/07/98	07/08/98	FS	
Richards Bay Water		JL	18/08/98	31/08/98			09/09/98	17/09/98	FS	
Richards Bay Waste Water		JL	18/08/98	31/08/98			09/09/98	17/09/98	FS	
Umtata IT		JL	15/06/98	17/06/98			28/08/98	04/09/98	FS	
Stanger Woodwaste	STA1011	JA	14/07/98	12/08/98	100 000	25 000			FS	1/10/98 Meeting
Brits	BRI0311	JA/JD	21/08/98	tbd	tbd	tbd			FS	28/09/98
GJMC EMS	GJM2512	JA	26/08/98	27/08/98	688 888	172 222			FS	GJMC
GJMC IT	JMB2711	JA	10/09/98	15/09/98	1 120 000	200 000			Phase I FS	GJMC
West Coast Regional City Council	WCR1211	JA	28/07/98	NA	tbd	tbd			Phase II FS	10/9/98 Meeting

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MIIU PIPELINE

Schedule I

LOCAL AUTHORITIES WHERE THERE IS POTENTIAL INTEREST					
LOCAL AUTHORITY AND CONTACT	DATE OF FIRST CONTACT	CONTACT PERSON	INTERVIEW/QUESTIONNAIRE/BOI REFERENCE (DURING WHICH CONTACT)	MIIU FOLLOW UP ACTION	BY WHOM
GJMC IT	01-Jun-98	R Weeks	Questionnaire sent 9/6/1998	Questionnaire returned, TOR drafted, Agreement	JA
GJMC Produce Market	01-Jun-98	T Thompson	Questionnaire sent 1/6/1998	Questionnaire returned, TOR drafted, Agreement	JA, AS
Vredendal	02-Jun-98	D G Ras	Questionnaire sent 24/6/98	Questionnaire returned 9/9/98	JA - Questions remain
Aliwal North TLC Spa Resorts	25/07/98	G Venter - CEO A. Theron- S. Scott	Questionnaire faxed 25/7/98	Await application	AS
Newcastle TLC Solid Waste	22/07/98	A Hoosen	Questionnaire faxed 23/7/98. Met in Durban 17/9/98	Await application	AS
Zululand R C Various	25/08/98	G Gohrs - CEO F. Olivier - V3	Meeting at MIIU 16/9/98 - Questionnaire taken	Await application	AS
Grahamstown TLC Water/Various	20/05/98	S Cridland - CEO	Questionnaire forwarded/draft contract forwarded/telephone calls	Await application	AS
Rustenburg Tourism Resort/Abattoir	24/08/98	H v.d Walt - CEO N v.d. Walt - PWC	Workshop on 8/9/98 - Presentation and discussion - questionnaire taken.	Await application	AS
GJMC Water and Sanitation	11/09/98	W Mayne	Met on 11/9/98 and 17/9/98 to extend SMLC study to metro.	Ongoing negotiation Rand Water/ Metro/MIIU	AS
Uthukela (Ladysmith) RC - various	14/08/98	Kassie - CEO R. Savage - BKS	Meeting @ MIIU on 21/8/98 CEO/Ninham Shand etc. questionnaire taken.	Await application Letter received 1/9/98	AS
Lamberts Bay (Tourism Infrastructure)	05/06/98	D G Pols	Questionnaire previously sent. Attended workshop on 30/7/98.	Application imminent. Delays from council.	AS
Bushbuckridge Water Board Water and Sanitation	26/07/98	G Nkuna - CEO	Questionnaire faxed 29/7/98	Await application.	AS
Hoedspruit/Mailutswi TLC Water	23/03/98	F Mohlala - Clr R.Ndhambi - DWAF	Attended meeting 14/5/98 Questionnaire faxed 29/7/98	Await Application. Call	AS
Fish River SDI (King Williams Town and Bathurst) - Local Tourism and Business Development					
South Peninsula Muni -					

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MPPP PROGRAMME

Projected disbursements

1	Bloemfontein Transport	JA	TBD	Buscon Consortium	300,000			28,246	271,754	100,000	171,754			To determine way forward with Bloemfontein
2	Cape Town Water/sanit	JL	TBD	Gibb Africa	672,155		217,155	-	455,000				no more disbursements	City considering next step
3	Dolphin Coast Water/sanit	JL	Concession	DBSA	1,000,000			974,274	25,726	25,726				In final stages of contract negotiation
4	Durban Waste-to-energy	JL JD	Concession	IFC	1,000,000			-	1,000,000	340,000		660,000		FS completed - city considering next step
5	JNB Metro 1) Informal trading	JL	TBD	Urban Solutions	500,000			126,500	373,500	100,000		173,500	100,000	Feasibility study continuing
		JA	FS	Bohlweki Env Consort	500,000	253,000		168,296	331,704	253,000			78,704	Feasibility study continuing
6	Khayalami Waste water	JD	Concession	Booz-Allen (1st phase)	400,000			-	400,000			400,000		Next step 2nd phase feasibility
7	Kimberley Resort mngr	JD	TBD	Not yet done	250,000			-	250,000			250,000		MIIU & city to assess next steps
8	Lekoa/Vaal Water/sanit	JA	Sect 21	Booz-Allen	600,000			600,000	-					no more disbursements Sect 21 formed,
9	Nelspruit 1) Water/sanit (PPP) 2) Water/sanit (Capex)	JL	Concession	DBSA	2,947,269		2,047,816	899,453	-					no more disbursements Negotiations entering final stages with Bi-Water, et al.
			Capex only	N/A	5,374,851		3,594,852	-	2,079,999	1,000,000	1,079,999			Tekwane development activities underway
10	Nkadimeng Water supply	AS	TBD	ENRO Water Co 1	250,000			-	250,000	100,000		150,000		Pre-negotiation principles agreed
11	Plettenberg Bay Water/sanit/s waste	AS	TBD	Stewart Scott, Inc	280,000			-	280,000	280,000				FS completed Council considering options
12	Port Elizabeth Water/sanit	AS	TBD	BKS Consortium	1,000,000		55,566	-	944,434	300,000	200,000	300,000	144,434	FS presented to officials in Sep 1998
13	Richards Bay Solid waste	JA	TBD	Cathy Lee	451,000			-	451,000	112,750	112,750	112,750	112,750	FS underway
14	Stanger Solid waste	JA	TBD	Lombard & Ass/DBSA	505,000			-	505,000	139,682	121,773	121,773	121,772	FS of regional solid waste mgmt underway
15	Tzaneen Solid waste	JD	TBD	V3 Engineers	275,000			156,009	118,991	77,782		41,209		Report being evaluated

TBD = To be determined

TOTAL 16,605,275 253,000 5,915,389 2,952,779 7,737,107 2,828,940 2,300,985 1,773,227 378,956 -

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COST SHARING GUIDELINES

1. Background and rationale

Cost sharing is a principle adopted by the MIIU to buy in commitment from clients. Whilst this cannot ensure that projects will not be abandoned midstream by clients, cost sharing will at least mitigate this risk. The MIIU only regards "third party" expenses as valid in terms of cost sharing. These may have been expended prior to MIIU involvement but must relate directly to the project in question

For clarity a few points of departure are spelled out. These are: *reimbursable to clients*

- There will normally be two contracts with a client – one for Project Preparation (FS) and one for Project Preparation (PP). This allows for different cost sharing arrangements to be negotiated.
- At present there are three stages in the MIIU model terms of reference. These are: Phase 1 – being an analysis of the status quo and financial model, in sufficient detail to test future scenarios and make an informed decision regarding a suitable partnership option; Phase 2 – being the detailed analysis and scoping of the chosen option (with a possible standby option) to reach agreement on acceptable tariffs, service standards required, legal and regulatory constraints – in other words to reach agreement on the "meat" of the future RFP, plus a much deeper level of stakeholder communication; and Phase 3 – which involves the bid process from RFP to contract signature and monitoring arrangements.
- At this stage project managers have some discretion as to how to split the Phase 1 and 2 work between the FS and PP.

2. Guiding principles

The recommendations that follow are based on these guiding principles:

- If clients renege on a deal it will not be practical to claw back penalty fees to reimburse MIIU. The MIIU must ensure that the client is committed in an appropriate manner up-front. For this reason the disbursement clause in the contract agreement must be specific per contract. The MIIU must ensure that the client disburses their share in parallel to that of the MIIU, and does not wait for the MIIU to disburse its full share before commencing
- The commitment required from a client will always be subject to a negotiation.
- Factors to take note of in the negotiation include:
 - 1) the wealth or otherwise of the client
 - 2) the level of commitment that can be expected from the client at the different stages. At the FS stage this will be lower than at the PP stage. The higher the expected commitment the higher must be the clients level of contribution. In most cases, the work required for TOR Phase 2 as defined above will be quite complex and expensive. The client should be committed to completing the project at this stage and should feel the consequences of a whimsical decision to withdraw. For this reason a higher level of cost sharing should be negotiated for Phases 2 and 3 than for phase 1 and this must be reflected in the agreements.
 - 3) An estimate of the amount that could be recovered through a success fee from the project in question. This will usually be possible after the FS stage, at which point one will have an idea of the type and dimensions of the future contract. This success fee can be used in the first instance to re-imburse the client, hence aiding the ability of the client to commit to these expenses. Where a success fee is required this should be included in the RFP so that bidders can price inclusive of this fee.
 - 4) Where the amount that will be needed to be set aside to establish a regulatory capacity is large this may place a competing demand on the use of the success fee.

- 5) The strategic (pathfinder projects etc.) importance to the MIIU of doing the deal in question. The higher this is the larger the share that the MIIU should accept
- 6) The absolute size of the commitment. The larger this is the more necessary to secure adequate cost sharing.
- 7) The use of cost sharing as an aid to the exit strategy. The level of cost sharing required from a client could increase where the client has already been through the learning curve of an MIIU supported project.

3. Recommendations

The following is recommended:

- In an ideal situation the MIIU and the client will share expenses on a 50:50 basis. However, given the uncertainties surrounding PPPs, and the need to create success in the market, the MIIU should negotiate between 10% and 50% cost sharing from the client per contract.
- The percentage should increase through the different phases of the project cycle as described above.
- The project manager must justify the amount recommended in the light of the above guidelines.

MIIU PROCUREMENT POLICIES AND PROCEDURES

INTRODUCTION

MIIU's mandate requires that grant funds be provided subject to various conditions being met by the municipality receiving assistance. Among these conditions are internationally accepted procurement and contracting policies and procedures. These guidelines are not designed to replace existing local authority procurement procedures, but to serve as a model where these are absent, and to add value to current practices. Councils must be advised that they must always be in a position to justify their decisions, as these may be challenged in court. They are designed for use in connection with the full range of consulting contracts that may be supported with MIIU funds. MIIU's Project Preparation Unit (PPU) will assist MIIU's local government clients in the application of these policies and procedures. These guidelines are divided into two sections, namely: (A) for procurement of consulting services to local authority clients supported by MIIU grant funds, and (B) for procurement of contractors for local government service delivery.

Tables 1 to 5 attached illustrate the procedures. Tables 1 and 2 illustrate procurement for consultancy services, part A, whilst tables 3, 4 and 5, illustrate the procurement of contractor partners for delivery of services part B. On occasion it may be necessary to draw from the procedures for pre-qualification and unsolicited proposals for the procurement for consultancy services.

GUIDING PRINCIPLES AND PROCEDURES

1. Client-led procurement.
MIIU's approach to the provision of assistance is designed to encourage municipalities to deal as directly as possible with the market of service providers. Accordingly, these procurement procedures call on municipalities to take the lead in most procurement activities supported by MIIU grant funding. In most cases, municipalities will be expected to prepare Terms of Reference, budgets, implementation schedules, etc., with assistance from MIIU's PPU. The process of interacting with the PPU begins with the application process (see **MIIU Client Application Procedures**).
2. Competition.
The procurement of services paid for with MIIU grant funding must be competitive, except in specific situations, outlined below. Each distinct service must be procured and contracted for separately, using transparent and competitive procedures. Consultants may be procured to undertake a feasibility study only, on the explicit assumption that this will often lead on to project preparation work. This next stage will be separately negotiated but need not require a new round of competitive procurement. The client is not, however, required to appoint the same consultant/s. Consultants who undertake work for the local government client, be it at the feasibility or project preparation stages or both, will not be eligible to act for service delivery contractors on the same deal.
3. Other Procedures/Prior Commitments
Before approaching MIIU, some municipalities may have started procurement processes or made commitments to service providers using principles or procedures different from those outlined in this document. If the PPU determines that assistance in such cases is still warranted, the PPU will record, in the initial agreement letter, the process used to date.

DOCUMENTATION FOR DISCUSSION

11. Unsolicited proposals.
In the normal course of events, unsolicited proposals and ideas will be subjected to normal procurement procedures. However, unsolicited proposals may be accepted under the following conditions (a) the service to be procured involves a new concept or technology (the interpretation of what is new here requires some case precedents); (b) the municipality introduces competition by inviting comparative technical and price proposals, and no other offer is deemed more cost-effective than the original, unsolicited proposal. The unsolicited bidder will finance the feasibility study and some of the appraisal costs. Where issuing a RFP for the market test care must be taken to not compromise the intellectual capital of the unsolicited bidder. These procedures are described in **Table 5**.

12. Direct negotiation.
Negotiation with a single offeror, without reviewing proposals from alternative offerors, is allowable only under any one of the following conditions:

- 12.1 If the procurement is urgently needed in response to an emergency situation. (to be clarified in negotiations between the municipality and PPU.) On a case-by-case basis it may be desirable to undertake a market test as outlined in the procedures for unsolicited proposals.
- 12.2 If only one qualifying offeror submits a proposal.
- 12.3 If more than one offeror submits proposals, but only one is found to be complying.

13. Employee buyouts
In some circumstances it may be desirable to support a process whereby the employees (being management and workers) are able to bid without open competition for the first contractual period. As a matter of principle the service should be opened up to competition in the next round – i.e. at the expiry of the first contract.

The circumstances that could warrant this include: less resistance from Unions; a desire to effect empowerment of existing staff or communities; and increased probability of a deal being concluded. The Council may choose, as a matter of policy, to absorb an acceptable price premium (compared to third party offers) in favour of the employee bid - when a price check is conducted. Where a price check is not conducted the Council must compare the bid offer to existing internal costs. The size of the envisaged deal will guide procurement procedures:

- 13.1. Where the deal is small (e.g. under R10 million in capex or contractual revenue stream) Council could negotiate on a direct basis. The "bidder" will still have to satisfy the required technical and financial robustness criteria (this is to mitigate the risk of operator failure). The Council must be able to justify the conditions of the contract by reference to existing costs of the service - as well as outside benchmarks, when applicable.
- 13.2 Where the deal is larger the process for an unsolicited bid should be followed. This requires a "price test" procedure to be conducted as in Table 5, block 7.

In practice this would imply the following process

- i) Receive request from Council to assist in a EBO process
- ii) Carry out MIU application processes
- iii) MIU and Council to be satisfied with rationale for a EBO procedure to be embarked on, and that the contract proposed makes sense from first principles Set some pre-negotiation requirements for EBO team to meet. These must give a degree of comfort to the Council on a technical and financial level that the EBO team is potentially a credible operator, is able to secure financial backing, and so on. This should be done before too much effort has been expended as in many instances the EBO teams will not pass this hurdle.

- iv) Procure consultants for Council project team, to undertake the ff;
- An adapted "feasibility study" that will encompass a ringfencing and benchmarking exercise and confirmation of choice of contract form, plus specification of output standards, contract template, etc.
 - Enter into direct negotiation. The EBO team will need to satisfy technical as well as the financial evaluations.
 - Proceed from Phase 7 in the case of a large contract where a "price test" is desired
 - Preparation of draft contract documentation
 - Negotiation to contract award

MIIU will naturally support the Council to negotiate and conclude a deal, as outlined above. This will include dealing with some of the transfer of staff complications that will form part of the contract. The MIIU may, in addition, also be approached by the EBO team for support. On a case by case basis the MIIU may choose, through separate consultants, to support the EBO team for specific aspects of their bid preparation. This will need to be tested by precedent.

14. Public/Public Procurement.

Some legislation implies that a public sector provider be "considered" first. This is also the option currently preferred by the Unions. In these instances the MIIU will draw from the procedures outlined above. Councils will have some leeway in interpretation - MIIU will advise - and, depending on the circumstances, will be able to choose to proceed with a normal solicitation (8. above), an unsolicited bid process (10. above), an EBO procurement (12 above) or direct negotiation (11. above). Direct negotiation may be chosen where the law allows, but does not require, a local government client to choose a single public sector provider (e.g. a Water Board) with whom to structure a deal.

A. FOR PROCUREMENT OF CONSULTANCY SERVICES

TABLE 1

PROCUREMENT PROCEDURES FOR CONSULTANTS

(Guide = procurements over R 50 000)

	PHASE	RESPONSIBILITY	COMMENTS
1.	Carry out MIU application process (see MIU Application and Procedures).	Municipality with advice from PPU.	Identify project; designate official Project Manager/Project Committee; complete MIU "Application Questionnaire"; submit official letter of transmittal.
2.	Prepare TOR and publish RFP for consultants procurement.	Project Committee with advice from PPU.	Statement and scope of work; budget; work schedule; reporting requirements, adjudication criteria.
3.	Preparation and submission of proposals.	Private Sector	Time \pm 21 days from last advert until bid closure.
4.	Answer issues of clarification.	Project Committee with advice from PPU.	Final questions 5 days before deadline. Written questions and responses circulated to all.
5.	Evaluation of technical and financial proposals.	Project Committee with advice from PPU.	Selection on the basis of technical skills first, with cost negotiated.
6.	Contract award.	Project Committee with advice from PPU.	Contract to specify outputs, reporting requirements, payment arrangements, etc.

TABLE 2

SIMPLIFIED PROCUREMENT PROCEDURES FOR SMALL CONSULTANCY CONTRACTS

(Guide = procurements under R 50 000)

	PHASE	RESPONSIBILITY	COMMENTS
1.	Carry out MIU application process (see MIU Application and Procedures).	Municipality with advice from PPU.	Identify project; designate official Project Manager/Project Committee; complete MIU "Application Questionnaire"; submit official letter of transmittal.
2.	Prepare TOR	Project Committee with advice from PPU.	Statement and scope of work; budget; work schedule; reporting requirements; adjudication criteria.
3.	Review short list of three firms/consultants.	Project Committee with advice from PPU.	Final short-list with assistance. Final short list agreed.
4.	Select firm/consultant.	Project Committee with advice from PPU.	Selection on the basis of technical skills first, with cost negotiated.
5.	Contract award.	Project Committee with advice from PPU.	Contract to specify outputs, reporting requirements, payment arrangements, etc.

B. FOR PROCUREMENT OF CONTRACTORS FOR SERVICE DELIVERY

TABLE 3
SOLICITED PROPOSAL PROCEDURES

	PHASE	RESPONSIBILITY	COMMENTS
1.	Assumed that feasibility work is adequate to proceed to project preparation stage.	Municipality with advice from PPU. Consultants team to report to Project Committee.	Conclude negotiations with MIIU to move project from feasibility Study to Project Preparation..
2.	Prepare TOR and publish RFP for procurement of operators.	Project Committee with advice from PPU.	RFP contents include :- Instructions to bidders; minimum design and performance standards; economic parameters; draft contract; bid form; performance securities, others.
3.	Preparation and submission of proposals.	Private Sector	Recommended time: \pm 90 days from last advertisement until bid closing.
4.	Release of supplementary materials and/or pre-bid conference.	Project Committee with advice from PPU.	Pre-bid conferences, when necessary, to be held \pm 60 days within the first water of bid time allocated.
5.	Evaluation of technical and financial proposals.	Project Committee with advice from PPU, conducts evaluation, submits report to municipal executive.	Two-stage evaluation :- i. Technical proposal – engineering design; operational feasibility; environmental standards; positive financing; enhancements. ii. Financial proposal (opened only after technical ranking) bids analysed on basis of best returns, lowest cost to municipality, robustness, etc.
6.	Contract negotiation and award.	Project Committee with municipal executive and advice from PPU.	Notice to award or not award within 30 days of completed evaluation by Project Committee; notification of selection of preferred bidder by executive within 7 days of decision by Project Committee. Contract negotiations start as soon as possible.
7.	Feedback to unsuccessful bidders.	Project Committee with municipal executive and advice from PPU.	Case-by-case as indicated in RFP.

B. FOR PROCUREMENT OF CONTRACTORS FOR SERVICE DELIVERY

TABLE 4
PRE-QUALIFICATION PROCEDURES FOR LARGE PROJECTS

	PHASE	RESPONSIBILITY	COMMENTS
1.	Prepare RFQ and issue request for qualifications.	Project Committee with advice from PPU.	Advertise in newspaper once a week for two to three weeks. Qualifications should cover organisational size and structure, specific experience, technical abilities, human and financial resource capabilities.
2.	Submission of pre-qualification documents.	Private Sector	± 21 days depending on contract size.
3.	Evaluation of pre-qualification documents.	Project Committee with advice from PPU.	No time limit required: ± 10 days recommended.
4.	Appeals by disqualified proponents.	Project Committee considers appeal of disqualification.	If objections are filed (within a defined period e.g. ± 10 days), the pre-qualification process is extended to allow resolution.
5.	Notify bidders.	Project Committee	Continue process as in Table 3 from Section 2 onwards.

B. FOR PROCUREMENT OF CONTRACTORS FOR SERVICE DELIVERY

**TABLE 5
UNSOLICITED PROPOSAL PROCEDURES**

	PHASE	RESPONSIBILITY	COMMENTS
1.	Receive expression of interest or unsolicited proposal.	Municipality	An unsolicited PPP proposal may also include a feasibility study.
2.	Carry out MIU application process (see MIU Application and Procedures).	Municipality with advice from PPU.	Identify project; designate official Project Manager/Project Committee; complete MIU "Application Questionnaire"; submit official letter of transmittal.
3.	Preliminary review of basic qualifications.	Municipality with advice from PPU.	To establish basic competence and allow the process to proceed.
4.	Satisfaction of "unsolicited proposal" requirements. [See 8. of text].	Project Committee with advice from PPU.	Refer to text.
5.	Evaluation of project technical terms and financial proposal.	Project Committee with advice from PPU.	Two-stage evaluation as per "solicited" proposal process, see Table 3 .
6.	"Direct" negotiation.	Project Committee with advice from PPU.	Technical terms and costs clarified through negotiation.
7.	Advertisement for "Price Test" competition after negotiations completed.	Project Committee with advice from PPU.	Notices for up to 3 consecutive weeks announcing project opportunity; no competing offers allowed up to 60 days of last notice.
8.	Receive/review competing offers.	Project Committee with advice from PPU.	If cost proposed is equal to or better than original offer, review technical proposal. If this is comparable or better than original, then allow the original offeror up to 30 days to match the new terms. If this is not achieved, then competing proposal becomes the new original unsolicited offer. Complete steps 6 and 9 as required.
9.	Contract award	Project Committee with PPU assistance, reports to municipal executive.	Notice to award or not award within 30 days of evaluation completion by Project Committee; notification of award by executive within 7 days of Project Committee decision; executive officially endorses that project is consistent with development programmes of the municipality.

**DOCUMENTATION FOR
DISCUSSION**

Strategic Direction and Subsequent Exit Strategy

Introduction

To propose an exit strategy for the MIIU really requires an agreed understanding of the strategic direction and priorities of the MIIU. Only then can we measure success in achieving particular objectives and so justify withdrawing from one or more of those particular activities.

The strategic direction can be described in terms of our mission, our main goals, and specific objectives which can be formulated as key performance indicators (KPIs). The exit strategy should aim to measure the achievement of objectives (or KPIs), and describe the mechanisms to be used in order to effect an exit from each activity as and when the related KPI has been achieved.

This discussion note proposes strategic priorities for our current work and broad principles of a future exit strategy.

Strategic direction

Mission of MIIU: *"To encourage and optimise private sector investment in local authority services, on a basis that is sustainable for both the local authority and at a national level.*

To assist the development of an established market containing informed local authority clients, private sector advisors, and private sector investors and service providers, so that the MIIU can be wound up no later than five years after the date of its original establishment.

Goal 1: By what should we measure the MIIU's success in **encouraging and optimising private sector investment** in local authority services? And if some of these criteria are mutually exclusive or need to be traded-off against each other, which are most important?

Which of the following Key Performance Indicators do we maximise:

1. number of projects?
2. number of deals / financial closures?
3. the value of projects (i.t.o. private sector investment) in the project pipeline?
4. the value of MIIU funds disbursed?
5. number of people affected?
6. number of poor people affected?
7. the geographical spread of projects?

Goal 2: By what should we measure the MIIU's success in **establishing a market**?

Which of the following KPIs do we maximise:

1. the number of municipalities empowered to deal directly with the market?
2. the number of municipalities rescued from financial difficulties?
3. the number of demonstration or pathfinder projects?
4. the range of projects e.g. from small through to large?
5. the range of infrastructure sectors?

6. the range of standard contract documents produced by MIIU?
7. the number of consultants who become qualified to advise clients without MIIU oversight?
8. the number of new private sector service providers established in SA?
9. the number of projects that are carried out **without** MIIU assistance?
10. the quality or success (eg ongoing financial viability) of projects?
11. the successful performance of consultants and service providers?

While it may be tempting to say that all of these **objectives** (ie maximising KPIs) are desirable, they cannot all be achieved simultaneously. For example, the best way to maximise project value (and perhaps people served – though not necessarily the poorest) might be to concentrate on doing all the (big) projects in one or two metropolises. On the other hand, if we want to reach the maximum number of municipalities (and geographical spread?) we should refuse to do more than one or two projects in any one municipality.

For the MIIU to be serious about a five year life, then the second goal, or set of objectives, (establishing a market) is far more important than the first, which is thus subordinate – a means to an end. However, it must be acknowledged that some providers of MIIU funds may have their own objectives which must be taken into account (eg changing the lives of the poor, and improving the urban environment, in the case of USAID funds).

Therefore the second set of objectives must provide the basis for an exit strategy while the first set of objectives will inform the way in which we measure our level of activity. The measurement of activity will need to be carefully handled in order to avoid creating incentives which may be inimical to our main goal – a fully functioning market within five years.

Elements of an exit strategy

The primary controls of an exit strategy are objectives (as per above) and related performance criteria, or KPIs.

The mechanisms of the exit strategy can include:

1. refusals based on exclusionary criteria (still to be developed) which change over time, as certain KPIs are achieved;
2. declining MIIU financial contributions toward the costs of feasibility studies and project preparation;
3. reduced offers on subsequent projects in the same municipality, or sector, or geographical area;
4. use of best practice manuals, templates, standard TORs and contracts etc;
5. sending templates, standard TORs and contracts etc, to clients, instead of MIIU staff paying personal visits;
6. sending experienced private sector consultants, at MIIU expense, to do initial advisory work and diagnostics;
7. advising enquirers to engage private sector consultants, without MIIU inputs, to do initial advisory work and diagnostics;
8. dissemination of lists of qualified consultants;
9. increased use of the web-site and SALGA as sources of information (eg referring clients to them).

Identifying short term priorities

There appears to be some consensus on four major thrusts of our immediate strategy:

1. Let's pick the "low hanging fruit" first; eg projects that are well-advanced, relatively straightforward, clearly supported politically and therefore have a significant chance of success in the near future.
2. Let's concentrate on projects in a sector where there are likely to be many, for which we can quickly develop a standardised approach (the most frequent sector right now is water supply and sanitation).
3. Let's prioritise some easy projects in order to demonstrate that some types of PPPs can be quickly and easily carried out (eg solid waste).
4. Let's help Johannesburg (and maybe Cape Town) become fairly competent and self-sufficient as soon as possible.

It appears that our in-house project leader capacity is nearly at full stretch. Therefore, in order to concentrate in some areas, namely the four thrusts mentioned above, we may need to neglect or discourage others. In the first instance we may need to keep some prospective clients "at arms length" by only communicating with them in writing. (We can point out that it is part of our approach that they must always make the running.) In the second instance, we may declare "priority areas" (these could be in terms of sectors, size or geography), and significantly reduce the percentage grant offer on non-priority areas until we have achieved particular objectives such as mentioned in the four "thrusts" above.

Still dealing with the four thrusts above, **the development of standard documents is a high priority**: to write up good experience, and to enable us to send written advice etc when we are too busy to visit. Another priority is to make sure that the Johannesburg approach is successful. We should, however, be indicating to them that we shall not support all of their projects equally and that we may reduce the level of MIIU support on subsequent projects. This will be a difficult judgement call – which will be more important to Johannesburg, our money or our quality control? Could we buy quality control from somewhere else?

Broad principles of an Exit Strategy

1. Certain sectors will be identified as priority sectors. Efforts will be made to develop flexible but robust standardised approaches as soon as possible, based on a range of project types, sizes and locations. After a certain number of projects in a sector (eg between five and ten, depending on the complexity of the sector) We start reducing the proportion of the MIIU contribution in the cost-sharing arrangement. Eventually we stop making grants available and merely give ad hoc advice and standard documentation.
2. During the period in which the MIIU grant offers are being reduced, exceptions will be made (ie preference given) for "different" projects eg in size, complexity or geographical spread, to ensure that the standard or template approach can cope with them.

3. The main or primary KPIs, to be used to move from one phase to another, would be:
 - adequate sector experience, standardised documentation, experienced consultants and service providers, and quality of projects. The secondary KPIs, to measure activity, are: – number of projects, value of MIU funds disbursed, number of people affected, especially the poor.
4. [The most likely priority sectors are solid waste management and water supply and sanitation services.]
5. Certain cities or metro areas will be identified as priority geographical areas. Here the aim is to create capacity as quickly as possible to enable municipal personnel to pursue extensive MSP work with declining inputs from the MIU. After a certain number of projects, the MIU share of costs will be reduced. After a further number of projects MIU support will be reduced to ad hoc technical advice as necessary.
6. The main or primary KPIs, to be used to move from one phase to another, would be:
 - an empowered municipality and related consultants, and quality of projects. The secondary KPIs, to measure activity, are: –value of MIU funds disbursed, large value projects, number of people affected.

**DOCUMENTS FOR
NOTIFICATION**

**Figure 2
Municipal Bonds vs Long-term Concessions**

Key areas of comparison:	Municipal Bonds	Concessions (or BOTs)	Comments
Cost of Capital	Market rate for government long-term direct borrowing	Market rate of equity and commercial debt	Return-on-equity usually makes this blended rate higher -- in developed countries with robust muni debt markets, the commercial rate may also be higher than that for direct government borrowing.
Project Technical & Management Requirements	Met with public sector expertise	Met with private sector expertise	In projects involving technical or management challenges, PPP may be more appropriate (espec., IT, power, telecom); where public sector wants/needs (and is able) to maintain control, bonds may be more appropriate.
Debt Capacity of Public Entity	Debt service coverage of 1.3 or better usually required by marketplace (or government regulation)	Not always a relevant consideration	DSC is the ratio of ann. net revenues to debt service requirements (interest & principle); heavily indebted entities cannot borrow more at acceptable rates; this is sometimes a reason to opt for PPP.
Project Risks	Borne by government	Shared with private sector	In PPP, commercial risk shifted to private sector, but public/private risk sharing arrangements often the most difficult aspect of PPP negotiations.
Project Life	5-15 years (no real minimum; max. roughly determined by longest maturity of blue-chip debt in the marketplace)	15-25 years (this is a minimum, to allow private party a chance to recoup investment)	In developing countries, debt maturities usually 10 years max., in developed countries, debt maturities may extend past 25 yrs.
Transaction Costs	Moderately high, because of extensive disclosure requirements; preparation of covenants to satisfy investors	High because of lengthy, expensive, high visibility negotiations	Both kinds of deals typically facilitated by financial advisors (and/or underwriters in the case of bonds) whose cost can be capitalised from the proceeds of an eventual deal.
Risk of an expensive preparation/negotiation process falling to close	Moderate because basic numbers indicating reasonable chances of successful issuance should be apparent in early stages of analysis	High Negotiations often are politically sensitive and can be derailed at a variety of different points in the process, up to deal closure	In both cases, early deals set precedents that markets pay close attention to.
Key Institutional Pre-requisites	An active debt market (with reasonably informed investors and some semblance of a secondary trading market) and entrepreneurial banks willing to underwrite municipal bonds	The presence of capable, entrepreneurial private sector service providers	Debt issuance requires relatively sophisticated underwriters and investors (both of whom tend to be risk-averse); PPPs require only willing and able public and private partners. (Both kinds of deal require legal/regulatory frameworks that promote transparency and competition, and the high-level political will to proceed)

MARKETING STRATEGY - outline

Target	Message	Media	Timing	Who
SALGA	Potential for MIIU/SALGA co-operation	Meeting	Urgent	MH +
SALGA & Provincial LGAs	Potential for MSP/PPP	Direct visits & presentations & brochure	On demand	MH + ?
	Awareness of MIIU Services	Ditto		
	Rationale behind MIIU approach	ditto		
All municipalities	As above three points	Conferences which councillors or officials attend	Ongoing	Team
	As above (first three points)	NBI training courses	Ongoing	Team
	As above (first three points)	Visits to key munis.	Ongoing, as strategic agenda emerges	Team
Private sector consultants, service providers, banks etc	MIIU approach, MIIU TORs, procurement procedures	Typical docs	ongoing	team
	Best practice	Case studies & reviews	ASAP start now, phase further inputs	Local team & consultants, & PADCO consultants
All the above	All the above, plus project pipeline info	Web-site	ASAP	Chris & Bev + team
	Gen awareness	Partnerships newsletter	Ongoing	Bev? (NBI?)
	Breaking news to keep issues alive	Relationships with specific media: Business Day, Star Bus. Report, Eng.	Ongoing – quick response to events	Bev?

		News, Local Govt journals, BusinessMap		
DBSA	Scope for co-operation; empowering Project Leaders	Meetings & training sessions	Ongoing	MH; BMJ;AS
DWAF, Transport, Energy (&NER), Telecomms; Tourism	Who we are; what we do; what are our limits; scope for co-operation & info sharing	Meetings	Ongoing	MH + Team

SS²

INTERIM MIIU APPLICATION AND APPROVAL PROCEDURES

INTRODUCTION

The following shall be the procedures to be followed by the MIIU in order to process applications for funding by municipalities in South Africa. **Figure 1** provides an overview of the MIIU Project Development Process, and indicates the actors and actions necessary for the process to proceed. All applications are subject to the availability of funds to the MIIU for grant assistance purposes. **Applications shall be processed on a first-come, first-served basis; however the MIIU reserves the right to apportion grant assistance so that the greatest number of eligible applicants may receive at least some assistance.**

I. PROJECT CONCEPTUALISATION PHASE

1. Receipt of initial expression of interest by municipality.
Municipalities may communicate their interest in receiving grant funding from MIIU via phone, fax, letter, or Email.
2. Discussions with municipality regarding conceptualisation of a "project."
After an expression of interest received from a municipality, MIIU staff will meet with the municipality to assist, if necessary, in preparing a preliminary conceptualisation of the sort of PPP project, or projects, that are likely to meet the municipality's perceived needs. The outcome of this process is a project concept for which the municipality may formally apply for MIIU development assistance, and which the MIIU can begin to evaluate using the decision making criteria outlined below. The project concept is expected to evolve considerably throughout the development process as described in Figure 1, but at this early stage it is a necessary starting point for further consideration by, and assistance from, MIIU.

II. FORMAL APPLICATION PROCESS

1. Issuance of MIIU applications package.
MIIU will provide applications packages to each municipality that has expressed interest in MIIU assistance in connection with a project, conceptualized as described above under I.2. One application package must be filled out for each project. Each package will include the following requests for information along with instructions for preparing the required documentation:
 - 1.1 The application must document that the municipality has designated a "project manager" who will be delegated responsibility for interacting on a day-to-day basis with MIIU regarding its provision of grant funding. MIIU recommends the creation of a "project committee" of in-house experts to support the project manager.
 - 1.2 The application must include a completed "application questionnaire," supplied by MIIU, which will help the municipality identify the assistance needed, as clearly and concisely as possible, in terms of the following information:
 - 1.2.1 The MIIU assistance needed, and to the extent possible the ultimate PPP project, must be defined and justified, using the step-by-step forms provided.
 - 1.2.2 The ultimate project must be included in the municipality's prioritised list of planned projects, or its urgency assessed with the forms provided.

1.2.3 The municipal service operation targeted for a possible PPP must be subjected to a "notional ring-fencing" exercise that attempts, using already available information and best estimates, to account for all current revenues and expenditures associated specifically with that service. The application questionnaire will include forms to aid in the collection of data necessary for this exercise.

1.3 The application must include a formal letter of transmittal from the municipality; the letter should have the following characteristics:

1.3.1 It must be signed by the highest municipal official (or his/her designee);

1.3.2 It must demonstrate council agreement with the decision to apply for MIIU assistance.

2. Receipt of application.

Upon receipt of an application from a municipality, the MIIU shall carry out the following procedures:

2.1 The application shall be numbered next in accordance with MIIU's project indexing protocol;

2.2 The application shall be entered into the MIIU Project Log;

2.3 The project file shall then be forwarded to the Executive Director for assignment to appropriate MIIU staff.

III. INITIAL APPLICATION APPROVAL PROCESS FOR FEASIBILITY STUDY (FS) FUNDING

1. Application review.

The application shall be reviewed for the following:

1.1 Compliance with the MIIU Application Procedures;

1.2 Whether the proposed project involves a core municipal service.

2. Referral in instances of insufficiency

In those instances where the application is deemed insufficient regarding any of the foregoing, the municipality shall immediately be contacted, and advised on the means by which the insufficiency may be rectified.

3. Procedures subsequent to a determination of sufficiency

3.1 Eligibility Assessment for FS Funding. Utilizing resources internal to the MIIU and the information provided by the municipality in the application, the MIIU shall assess the eligibility of the potential project for grant funding. The focus of the assessment shall be on the potential to conclude a successful, sustainable project.

3.1.1 This assessment shall include:

3.1.1.1 An examination of the financial sustainability of the potential project, whereby the potential apparent revenues from all sources including cost recovery mechanisms are measured against all known costs, over the likely time period of the potential project;

3.1.1.2 An examination of the technical sustainability of the potential project whereby the apparent technology alternatives are measured for the suitability to provide the municipal services sought over the likely time period of the potential project;

3.1.1.3 A finding that the amount of assistance requested bears a reasonable ratio to the total potential project cost, applying a general guideline that the amount of grant assistance requested should be no more than three to five percent of the estimated total cost of the project contemplated;

3.1.2 To the extent requested by the municipality, the MIU may suggest alternatives in order to demonstrate the eligibility of the potential project with regard to the foregoing assessment criteria.

3.1.3 The MIU may, with concurrence of the Board of Directors, approve an application, notwithstanding the absence of one or more of the above-listed criteria, where the project presents an opportunity for learning regarding a potential private sector participation scheme which has not been widely applied in South Africa.

3.2 Exclusionary Criteria. An application may be denied where:

3.2.1 The criteria set forth in Subsection 3.1 are not met;

3.2.2 Pre-existing contracts or obligations to a private firm or firms exist which would prevent a transparent procurement;

3.2.3 The specific project proposed would violate existing environmental standards;

3.2.4 The specific project proposed is illegal;

3.2.5 There are insufficient funds to provide the grant assistance required.

4. Decision on the Application; negotiation of Funding Agreement.

4.1. Upon completion of the foregoing, the MIU shall meet with officials of the municipality and review the information so gathered and the eligibility assessment of the application. If this review indicates support for FS funding, the MIU shall prepare a report to the Chief Executive Officer so indicating. If the review results in qualified support for the application, the MIU and staff of the municipality shall attempt to resolve remaining concerns. Where the MIU intends to deny the application, a written statement of the reasons for such denial shall be provided the municipality.

4.2. Upon approval by the Chief Executive Officer, if the potential project involves a core service, and the amount of assistance sought is within the delegated authority to the Chief Executive Officer, the MIU shall commence negotiations with officials of the municipality for a Funding Agreement containing the terms and conditions attendant to the FS grant, including a cost-sharing agreement and the Terms of Reference (TOR) for procuring the services of a consultant to prepare the FS.

4.3 If the potential project does not involve a core service, or the amount of assistance sought exceeds the delegated authority of the Chief Executive Officer, the Chief Executive Officer shall prepare a report to the Board of Directors seeking approval to proceed with the negotiations with municipal officials described in subsection 4.2, above.

IV. APPLICATIONS FOR APPROVAL OF PROJECT PREPARATION FUNDING

1. Receipt of the approved FS and request for Approval of Project Preparation Funding.
Upon receipt of a FS approved by a municipality, prepared under the provisions of Section III, above, together with a request for approval of Project Preparation Funding (PPF), the request shall be numbered next in order in accordance with the MIU's PPF indexing protocol, and entered into the MIU FS Project Log. The project shall then be forwarded to the Chief Executive Officer for assignment to staff.
2. PPF Request Eligibility Review.
The PPF request and the underlying FS shall be reviewed for the following:
 - 2.1 FS compliance with the TOR;
 - 2.1.1 An examination of the proposed project's financial sustainability by reviewing the financial model utilized to assure that the key economic and financial factors were included and that the sensitivity analyses conducted reflect foreseeable circumstances as disclosed by the information generated in the FS;
 - 2.1.2 An examination of the proposed project's chosen technology, to assess whether the desired outputs will be achieved;
 - 2.1.3 An examination of the tariff structure proposed to assure compliance with existing South African law;
 - 2.1.4 A finding that the proposed project is consistent with all applicable local, provincial and national government laws;
 - 2.1.5 A determination that implementation of the proposed project will not seriously affect the municipality's existing agreements with other public agencies;
 - 2.1.6 A finding that appropriate project implementation staff have been proposed for the municipality and that adequate oversight provisions have been set forth to be included in a terms of reference;
 - 2.1.7 A determination that implementation of the proposed project will not deleteriously affect the financial condition of the municipality over the life of the proposed project;
 - 2.1.8 A finding that the risk sharing, dispute resolution, and private-sector performance standards are appropriate and reflective of similar provisions currently in effect in South Africa.
 - 2.2 Adequacy, from a legal and practical perspective, of the proposed project procurement process;
 - 2.3 Adequacy of the proposed PPF budget.
 - 2.3.1 Budgeted activities to be examined shall include:
 - 2.3.1.1 Bid preparation assistance;
 - 2.3.1.2 Adjudication;
 - 2.3.1.3 Negotiation;

2.3.1.4 Establishing contract compliance provisions.

2.3.2 At the conclusion of the foregoing, the budget shall be amended to reflect the findings and recommendations of the MIIU.

2.4 The degree of MIIU monitoring of the project preparation activities.

3. Actions in instances of deficiency.

In those instances where the Request is deemed deficient regarding any of the foregoing determinations, the MIIU shall immediately contact the municipality and undertake to remedy the same. Where, after collaboration and consultation with the municipality, the deficiency cannot be rectified in the opinion of the MIIU, a written statement so stating will be provided the municipality.

4. Approval after Request is deemed sufficient.

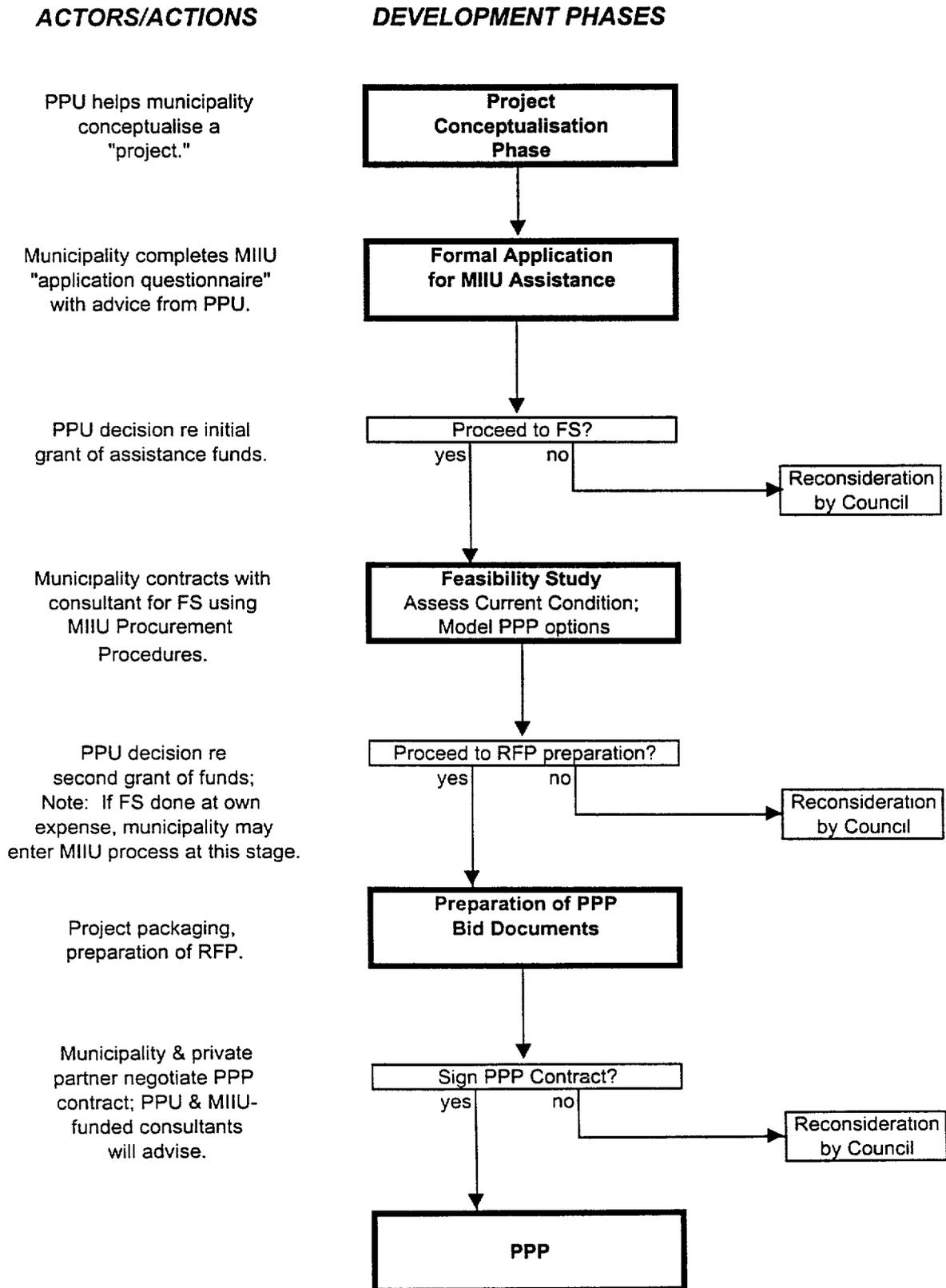
4.1 Subsequent to a determination of the sufficiency of the request for PPF, a report shall issue to the Chief Executive Officer so noting, and requesting approval of the project preparation funding as stated in the final budget.

4.2 Upon approval thereof, if the project involves a core service, and if the amount of assistance sought is within the delegated authority to the Chief Executive Officer, the MIIU shall commence negotiations with the municipality for a Funding Agreement containing the terms and conditions attendant to the PPF grant, including cost sharing and the preparation, by the Consultant, of the project Terms of Reference.

4.3. If the project involved a non-core service, or exceeds the delegated authority of the Chief Executive Officer, the Chief Executive Officer shall prepare a report recommending approval of the request for assistance. Upon approval by the board of directors, the MIIU shall commence the negotiations described in subsection 4.2, above.

4.4 The Funding Agreement shall also include provisions setting forth the contract monitoring activities of the MIIU.

**Figure 1
Overview of MIU Project Development Process**



MIIU

Municipal Infrastructure Investment Unit

2nd Floor DBSA Building
1258 Lever Road
Headway Hill
Midrand
1685

P O Box 8151
Midrand
1685
Tel: (011) 313 3413
Fax: (011) 313 3358

Grant Funding Application Questionnaire

MIIU

Municipal Infrastructure Investment Unit Company

We are pleased to consider your proposed project (however preliminary in concept) for grant-funded assistance. In order to evaluate your proposal, we request that you complete this Application Questionnaire, which calls for background information as well as confirmation of your council's support for the application. The completed questionnaire, with a cover letter indicating Council's approval to file it with the MIIU, should be addressed to Ms. Monhla Hlahla, MIIU's Chief Executive Officer. (See the last page of the questionnaire for MIIU's mailing address.)

We apologise if the questionnaire asks for some of the same information already provided by you using other formats. In order to ensure even-handed consideration of applications, we are obliged to proceed with all pending requests for funding in an identical manner. Every municipality applying for MIIU support will be requested to complete this questionnaire. We also request that a separate Application Questionnaire be completed for each discrete project (however preliminary in concept) envisaged by your municipality.

Instructions:

We ask that information included in this questionnaire be as accurate as possible, however we also recommend that data come from existing, internal documents to the extent feasible and appropriate. Where information is not available, please include your best estimates. MIIU does not expect each municipality to conduct burdensome research in order to complete this questionnaire. Further clarification of the proposed project will occur as the project development process proceeds.

Please note that there are no correct answers to the questions posed in this questionnaire. The requested information will not, by itself, qualify or disqualify a municipality from receiving MIIU assistance. By determining where each municipality is in the process of developing its project, this questionnaire will help the MIIU staff to structure the most appropriate assistance package to meet its clients needs.

MIIU staff will be available to provide assistance either electronically or in person in filling out the Application Questionnaire or in considering other aspects of the project development process.

Questionnaire Outline

The questionnaire includes the following sections:

Section A: Project Information:	<u>Page</u>
• Basic Contact Information	3
• Project Identification	5
• Project Justification	7
• Project Preparation	9
Section B: Notional Ring-Fencing Exercise:	
• Cost Information	12
• Debt Information	13
• Revenue Information	14
• Tariff Information	15
• Service Coverage Information	16
• Information on Future Investment Needs	17
• Summary	18
MIIU Address Page	19

Section A: Project Information

Basic Contact Information, Part I

Please complete the following:

Name of Municipality: _____

Province: _____

Service Area of Proposed Project: _____

Name of Chief Executive and/or Town Clerk: _____

Mailing Address: _____

Telephone: _____

Fax: _____

Email: _____

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Basic Contact Information, Part II

Municipality designation of a Project Committee and a Project Manager:

In order to facilitate the fastest possible development of your project, MIIU application procedures require that municipalities must designate a **Project Manager** who will be delegated responsibility and authority for interacting with MIIU on a day-to-day basis regarding further development of the proposed project.

Accordingly, please identify the Project Manager designated to work specifically on the project indicated in this application, and (if desired) the members of the Project Committee:

Project Manager:

Title:

Mailing address:

Phone/fax numbers:

Email address (if available):

Alternate Project Manager:

Phone/fax numbers:

Project Identification, Part I

Please check the sector below that best represents your project:

MIU Core Sectors:

- Water and sanitation
- Industrial wastewater treatment
- Solid waste management
- Transportation facilities
- Fire and emergency services
- Energy reticulation and possible generation

Other services (please specify):

67

Project Identification, Part II

Please check the type of service delivery mechanism below that best represents your preliminary concept of the proposed project (please review the entire list before making a selection):

Public-Public Partnership: A municipality enters into an agreement with another public entity for municipal service provision. A variety of contracting forms and compensation schemes are possible.

Corporatisation: A municipality forms a separate legal corporate entity to manage municipal service provision. The municipality continues to own the enterprise, but it operates with more of the freedom and flexibility generally associated with a private sector business. A "Section 21 Company" is one of a variety of possible forms of corporatisation.

Service Contract: A municipality pays a fee to a private firm to provide specific operational services such as meter reading, billing and collection, and operating facilities. Typical duration: 1-3 years.

Management Contract: A municipality pays a fee to a private firm to assume overall responsibility for operation and maintenance of a service delivery system, with the freedom to make day-to-day management decisions. Typical duration: 5 years.

Lease Contract: A private firm rents facilities from a municipality and assumes responsibility for operation and maintenance. The lessee finances working capital and replacement of capital components with limited economic life, but not fixed assets, which remain the responsibility of the municipality. Typical duration: 10 years.

Concession: A private firm handles operations and maintenance and finances investments (fixed assets) in addition to working capital. Assets can be owned by the firm or the municipality for the period of the concession and where owned by the firm are transferred back to the municipality at the end of this period. The project is designed to generate sufficient revenues to cover the private firm's investment and operating costs, plus an acceptable rate of return. The municipality exercises a regulatory and oversight role and receives a concession fee for this arrangement, which typically focuses on operating and financing the expansion of existing system components. Typical duration: 15+ years.

Build-Operate-Transfer: A form of concession, with an emphasis on construction of new, stand-alone systems. The municipality may or may not receive a fee or share of profits. Typical duration: 15+ years.

Municipal Debt Issuance: The municipality issues bonds to raise capital directly from private investors to finance the capital costs of building or expanding an infrastructure system. The municipality maintains total control of the project, and bears all associated risks. The issuance process is usually facilitated by underwriting firms (usually public or private banks) and may also involve financial advisory service providers. Typical maturity of debt: 10-20 years.

Other mechanisms for service improvement:

Too early to specify project form

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Project Justification, Part I

Please list the top five capital projects, ranked in order of importance, that your municipality expects to begin over the next two years; please indicate where your proposed MIU-assisted project ranks in this list:

1.

2.

3.

4.

5.

Project Justification, Part II

Please include a short paragraph describing the urgency of your proposed project:

.....

.....

.....

.....

.....

.....

.....

Project Preparation, Part I

Please check the following statement(s) that most accurately reflect(s) the current stage of project implementation:

- Conceptual only (preliminary discussions involving in-house staff).
- Consultation with outside engineers/consultants.
Please identify engineers/consultants:
- Initial planning completed.
Please describe:
- Feasibility study underway.
Please identify author:
- Feasibility study completed/approved.
Please identify author:
- Financial modelling underway or completed.
Please identify author:
- Environmental impact analysis completed.
Please identify author:
- Design of tender process completed.
Please identify author:
- Request for Proposals issued.
Please identify advisor:
- Proposals evaluated.
Please identify advisor:
- Contract negotiations underway.
Please identify advisor:

FINANCIAL CONTRIBUTION:

- Funds already have been spent on some aspect of project preparation.
Please identify amounts & sources:
- Funds for some aspect of project preparation have been budgeted by the Council in support of this project.
Please identify amounts & sources:

Project Preparation, Part II

Please check "yes" or "no" to each of the following questions:

Y N

Do you think that potential users are **able** to pay the full costs associated with the services to be provided? If yes, has this been established via formal survey? Please describe briefly:

.....

Y N

Do you think that potential users are **willing** to pay the full costs associated with the services to be provided? If yes, has this been established via formal survey? Please describe briefly:

.....

Y N

Is there a competing facility that would significantly impact upon demand for the services delivered by this project? If yes, please describe briefly:

.....

Y N

Have potential private partners expressed interest in participating in the project? If yes, please describe briefly:

.....

Y N

Are you aware of environmental issues that may affect the implementation of the project? If yes, please describe briefly:

.....

Y N

Does the municipality own (or is it able to purchase) a suitable site for the project (if necessary for your project)?

Y N

Is there significant opposition to the project, either in the community, in the Council, from labour unions, or from other government officials? If yes, please describe briefly:

.....

Y N

Will approvals be required for this project from government entities other than the municipality (e.g., national or provincial)? If yes, please explain briefly:

.....

Section B: Notional Ring-Fencing Exercise

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Instructions:

The purpose of this exercise is to obtain a preliminary picture of the **current** revenues and expenditures associated specifically with the public service to be covered by the proposed project. The service should be pictured as a "stand-alone" business unit, responsible for all costs, and receiving all income generated.

Therefore, numbers of employees, amounts of debt or revenues, or any other financial data requested, which is normally collected in a shared fashion or as municipal-wide totals, must be disaggregated so that numbers relevant only for the service in question can be included in this questionnaire.

MIU does not expect prospective client municipalities to conduct burdensome research in order to complete this "ring-fencing exercise." Please rely to the extent feasible and appropriate on already available data. In cases where disaggregated data is not available, please estimate using your best judgement.

Where cost items may be provided "free" by the municipality (e.g., office space, use of plant, etc.) and are difficult to estimate, reference should be made to private sector rental equivalents, while trying to avoid double-counting (e.g., office rent may include utilities).

The completion of this questionnaire may require co-ordinated inputs from the Treasurer's Department and affected Technical Departments.

MIU staff are available to answer questions (via phone, fax, or email) about this section of the

Notional Ring-Fencing:

I. Cost Information*

		For Last Fiscal Year
Direct labor costs	=	<input type="text"/>
Indirect labor costs (leave, medical aid, insurance, pension, etc.)	=	<input type="text"/>
Admin. staff costs (direct & indirect)	=	<input type="text"/>
All shared staff costs	=	<input type="text"/>
Overhead expenses (rental of office space, heating, lighting, water)	=	<input type="text"/>
Vehicle costs	=	<input type="text"/>
Operating and maintenance costs (excluding labor & indirect costs)	=	<input type="text"/>
Consumable items costs (chemicals, fuels, supplies, etc.)	=	<input type="text"/>
Existing supplier and service contracts	=	<input type="text"/>
Total Service Delivery Costs	=	<input type="text"/>

*NOTE: Unless otherwise indicated, these questions seek information that relates only to the current services associated with the proposed project. Numbers for shared employees, commingled revenues, shared debt, etc., should be disaggregated, by best estimate if necessary, in order to obtain a picture of the financial and managerial operations of the service in question.

Notional Ring-Fencing:

II. Debt Information*

External Loans : <i>All external municipal loans outstanding at the end of the last Fiscal Year, with some component attributable to the service under consideration for a PPP</i>					
	Amount	Maturity Date	Annual Debt Service (last year)	Est. Amount of Loan Attributable to the service	Est. Amt. of Debt Service Attributable to the service
Loan A					
Loan B					
Loan C					
Loan D					
Loan E					
Total Debt Service				=	

#1

Internal Loans: <i>Attributable to the service under consideration for a PPP</i>	
Number	=
Total value	=
Last year's debt service	=
Total	=

#2

Bank Overdrafts: <i>Attributable to the service under consideration for a PPP--unless included earlier</i>	
Amount at close of last FY	=
Last Year's Total	=
Interest on Overdraft	=

#3

Total Debt Service Costs (last year)	=
(1+2+3)	

*NOTE: Unless otherwise indicated, these questions seek information that relates only to the current services associated with the proposed project. Numbers for shared employees, commingled revenues, shared debt, etc., should be disaggregated, by best estimate if necessary, in order to obtain a picture of the financial and managerial operations of the service in question

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Notional Ring-Fencing:

III. Revenue Information*

For Last
Fiscal Year

Total amt. billed for
service provision
(if applicable) =

Residential Customers	Non-residential Customers

Total amt. collected
for service provision =

Residential Customers	Non-residential Customers

What Percentage of amt.
uncollected would you
regard as "bad debt" =

Residential Customers	Non-residential Customers

**Other Sources of
Operating Funds:
(if applicable)**

Intergovernmental
Transfers for
Operating Expenses =

Supplements to the
General Fund
from Service Accounts =

Supplements to the
General Fund
from Rates Account =

Total Amount of Such Funding Received by the Municipality	Estimated Amount of Total Funds Attributable to the service

*NOTE: Unless otherwise indicated, these questions seek information that relates only to the current service associated with the proposed project. Numbers for shared employees, commingled revenues, shared debt, etc., should be disaggregated, by best estimate if necessary, in order to obtain a picture of the financial and managerial operations of the service in question.

Notional Ring-Fencing:

IV. Tariff Information*

**For Last
Fiscal Year**

Tariffs: (please describe customer categories & consumption blocks)

**Please give date of
last tariff change
and extent of change**

Date:	Extent:
--------------	----------------

**Please give date of next
expected tariff change,
and extent, if known**

Date:	Extent and other details:
--------------	----------------------------------

***NOTE:** Unless otherwise indicated, these questions seek information that relates only to the current services associated with the proposed project. Numbers for shared employees, commingled revenues, shared debt, etc., should be disaggregated, by best estimate if necessary, in order to obtain a picture of the financial and managerial operations of the service in question

Notional Ring-Fencing:

V. Service Coverage Information*

At the end of last
 Fiscal Year

Total population in municipal area =

Total households in municipal area =

Estimated income distribution of population =	< R800 pm	R800 - R1500 pm	R1501 - R3500 pm	> R3500
	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>

By Service Levels (please describe)

Total number of HOUSEHOLDS receiving or accessing service =	Full service:	No Service
	
	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>

By Service Levels (please describe)

Total number of COMMERCIAL/INDUSTRIAL Customers receiving or accessing service =	Full service:	No Service
	
	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>

By Service Levels (please describe)

Total number of GOVERNMENT/INSTITUTIONAL Customers receiving or accessing service =	Full service:	No Service
	
	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>

*NOTE Unless otherwise indicated, these questions seek information that relates only to the current services associated with the proposed project. Numbers for shared employees, commingled revenues, shared debt, etc, should be disaggregated, by best estimate if necessary, in order to obtain a picture of the financial and managerial operations of the service in question

Notional Ring-Fencing:

VI. Future Investment Needs*

For Next
Five Years

Estimate of capital investment needed to redress current backlogs =

Brief assessment of condition of existing infrastructure

Estimate of rehabilitation costs =

Estimate of amt. of grant funding expected =

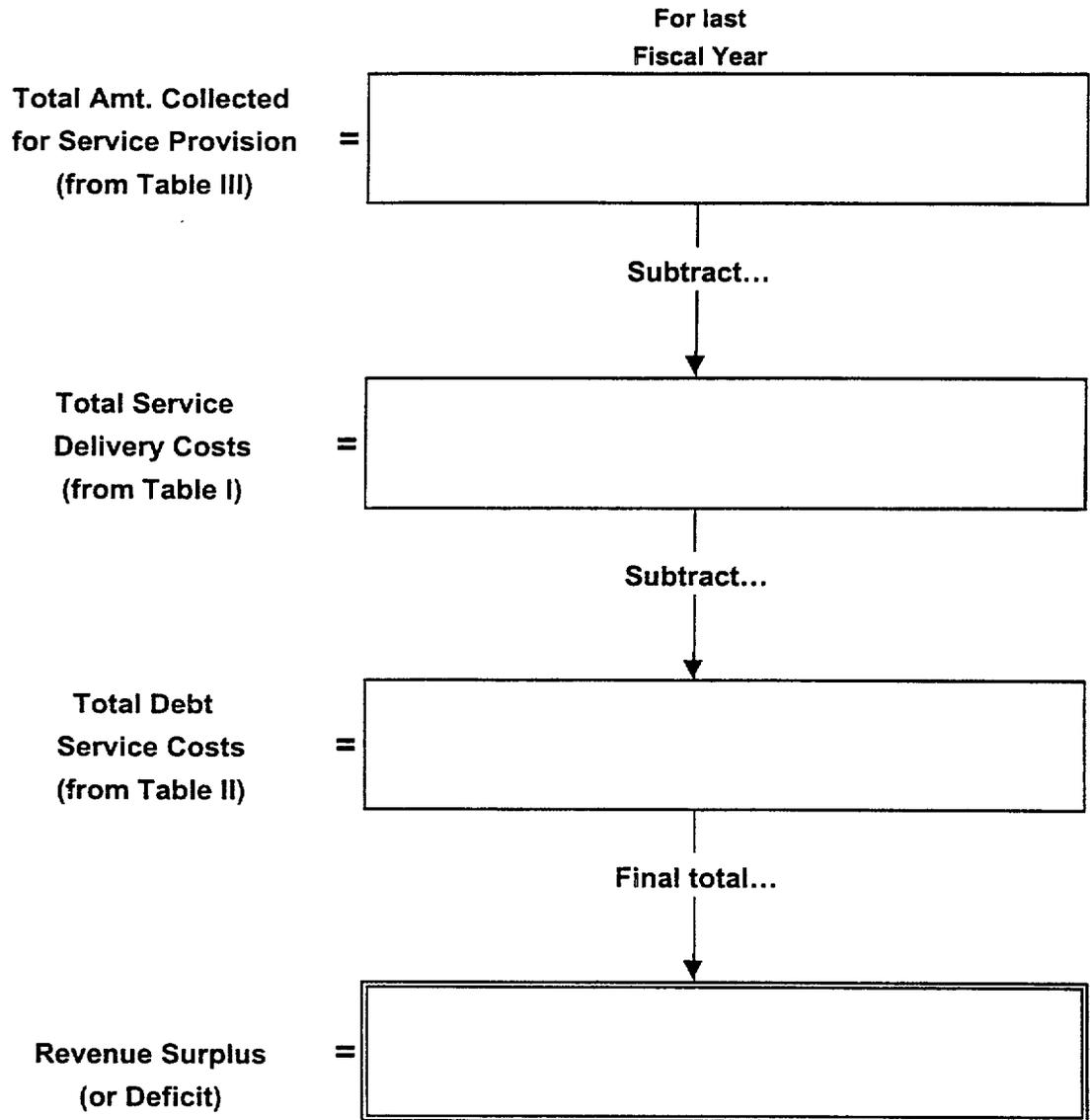
Future capital grants/loans already secured =

Estimate of borrowing requirements for capital expenditure =

*NOTE: Unless otherwise indicated, these questions seek information that relates only to the current services associated with the proposed project. Numbers for shared employees, commingled revenues, shared debt, etc., should be disaggregated, by best estimate if necessary, in order to obtain a picture of the financial and managerial operations of the service in question.

Notional Ring-Fencing:

VII. Summary



***Please mail or fax completed Application
Questionnaires to the following address:***

**Ms. Monhla Hlahla
Chief Executive Officer
Municipal Infrastructure Investment Unit (MIIU)**

**DBSA Building, 2nd Floor
1258 Lever Road
Headway Hill
Midrand 1685**

**P.O. Box 8151
Midrand 1685**

**Tel: (011) 313 3413
Fax: (011) 313 3358**

Email: monhlah@miiu.org.za

MIIU

Municipal Infrastructure
Investment Unit

Project Proposal Report

Date:
Project Title:
Project Number:
Province:
MIIU Project Manager:

1. **PROJECT OBJECTIVE:**
2. **PROJECT DESCRIPTION:**
3. **PROPOSED MIIU TECHNICAL ASSISTANCE:**
4. **PROJECT PERSPECTIVE:**
 - 4.1 **Technical Sustainability**
 - 4.2 **Financial Sustainability**
 - 4.3 **Institutional Sustainability**
 - 4.4 **Social Dimension**
 - 4.5 **Legal and Contractual Dimension**

5. **RECOMMENDATION**

I recommend that:

- 5.1 The project be considered (not be considered) for technical assistance funding.
- 5.2 That an amount of _____ (which is less than 5% of the total expected cost of the project) be made available to ***** for technical assistance as outlined in Section 3, above.

PREPARED BY:

Project Manager: _____ Date: _____

Projects Co-ordinator: _____ Date: _____

APPROVAL:

MIIU Chief Executive Officer: _____ Date: _____

MODEL AGREEMENT

**between the Municipal Infrastructure Investment Unit (MIIU)
of the Government of South Africa
and
The ***** Transitional Local Council
for the provision of MIIU grant funding
in support of Technical Assistance**

Whereas, the ***** TLC applied for, and was awarded, a grant in the amount of R2 847 269 by the Department of Constitutional Development (DCD), during its MPPP program which pre-dated establishment of the MIIU; and

Whereas, effective 1 May 1998, responsibility for MPPP projects was transferred from the DCD to the MIIU; and

Whereas, the grant funds provided by the DCD have been exhausted by the ***** TLC in developing and implementing a procurement process for a water and sanitation concession, the current status of which is that a preferred bidder has been selected and negotiations are underway for the concession contract; and

Whereas, the ***** TLC has applied to the MIIU for grant funding to complete the negotiation process so that the concession may be implemented; and

Whereas, the MIIU has determined that such application should be approved on the terms and conditions set forth below:

NOW THEREFORE, the parties do agree as follows:

1. DEFINITIONS AND HEADINGS

- 1.1 In this agreement, unless the contrary appears from the context, the following words have the meanings as stated:
- | | | |
|-------|------------------------|---|
| 1.1.1 | "Recipient" | ***** TLC |
| 1.1.2 | "MIIU" | The Municipal Infrastructure Investment Unit of the Government of South Africa (Registration No. 98/05340/08) |
| 1.1.3 | "Parties" | The Recipient and the MIIU |
| 1.1.4 | "Project" | The ***** Project as described in more detail in Annexure A attached hereto. |
| 1.1.5 | "Funds" | The financing granted in Clause 3 |
| 1.1.6 | "Project Manager" | A person nominated in writing by the Recipient to act on its behalf in respect of the Project. |
| 1.1.7 | "Technical Assistance" | Assistance in carrying out the Project, provided by consultants paid with the Funds. |

1.2 Headings to the clauses of this agreement are for reference purposes only and do not form a part of this Agreement.

2. ROLES AND RESPONSIBILITIES OF THE PARTIES

2.1 To ensure that the purposes of the grant of Funds are accomplished, the parties shall:

2.1.1 Periodically and at the request of either Party:

2.1.1.1 Exchange views with regard to the progress of the Project, and the performance of their respective obligations under this Agreement as well as other matters relating to the purposes of the grant of Funds; and

2.1.1.2 Furnish each other with all such information as may be reasonably requested with regard to the progress of the Project and the general status of the Funds;

2.1.2 Promptly inform each other of any fact which interferes with, or threatens to interfere with, the progress of the Project, the accomplishment of the purposes of the Funds, any related matter, and in particular the performance by either Party of its obligations under this Agreement;

2.1.3 Jointly determine the criteria to be taken into consideration, including development of the Terms of Reference (TOR), for awarding any consultant contracts to be financed by the Funds;

2.1.4 Jointly determine the technical, financial, and organisational requirements in respect of managing the implementation of the consulting contract, in order to ensure that the Technical Assistance be undertaken in an efficient and timely manner.

2.2 The Recipient shall:

2.2.1 Grant representatives of the MIIU the opportunities reasonably necessary to monitor the progress of the contract's implementation, for purposes relevant to the proper use of the Funds;

2.2.2 In addition to the amount made available by this Agreement, be responsible for the provision of the co-financing necessary for the successful execution of the Project, as set out in Annexure B, including Funds to be supplied by third parties as reflected in that Annexure.

2.2.3 Be responsible for the management and maintenance of work carried out within the context of the Project, provided that the MIIU shall be consulted in this regard when reasonably necessary;

2.2.4 With regard to any new procurement of consultant services using this grant of Funds, invite participation on equal terms from natural persons and bodies corporate respectively resident and registered in

South Africa, possessing relevant expertise, and, unless otherwise agreed to by the Parties, conduct such procurement in accordance with the following procedures:

- 2.2.4.1 Tender documents shall be drawn up in consultation with the MIIU, using the model TOR provided by the MIIU, which tender documents shall be ratified by MIIU prior to publication;
 - 2.2.4.2 Strict tender procedures shall be adhered to; where deemed necessary, advice and support will be forthcoming from MIIU;
 - 2.2.4.3 The tender shall be open to all interested parties falling within the description contained in clause 2.2.4, and it shall not necessarily be a pre-requisite that the tenderer be a member of any particular association;
 - 2.2.4.4 The Recipient's Tender Board or other responsible body shall adjudicate the tenders received, with the consultation and formal ratification by the MIIU.
 - 2.2.5 Ensure that the consultant to whom the contract is awarded carries insurance appropriate to the activities to be conducted, and remains so insured throughout the duration of the contract;
 - 2.2.6 Maintains records adequate to identify the activities carried out by means of the Funds granted, and furnish MIIU with all such information, such as progress reports, concerning implementation of the Project;
 - 2.2.7 Submit a statement reasonably acceptable to MIIU, certified on behalf of the Recipient, reflecting the expenditure incurred under the consultant contract within 6 (six) months after the end of each financial year of the Recipient during which a drawing is made on the Funds;
 - 2.2.8 Apply the Funds in accordance with Annexure B;
 - 2.2.9 Preserve all documents and accounting records pertaining to the Project up to the expiry of a period of 3 (three) years after completion of the Project, and allow the MIIU, at MIIU's cost, to have such documents and records audited by a person or persons nominated by MIIU;
 - 2.2.10 Make available for review by MIIU all reports produced as a result of regular required government auditing requirements.
- 2.3 MIIU shall use its best endeavours to make technical assistance available to the Recipient within the limits of its resources and upon such terms and conditions as agreed to by the Parties when and if the need for such assistance is identified by the Parties in terms of the provisions of clauses 2.1.3 and 2.1.4, supra.

3. MIIU GRANT FUNDS

- 3.1 MIIU shall make available to the Recipient on the terms and conditions set forth in this Agreement, an amount not exceeding, in the aggregate, _____ (_____ Rand). This amount is expected to cover ___% (_____ percent) of the total costs of the Project, estimated at R _____. The Recipient will be responsible for the balance of funds, or R _____, which has already been spent in connection with project preparation and contract negotiations.
- 3.2 The Funds shall be utilised exclusively for the purpose of the Technical Assistance as set out in Annexure A, and the Recipient shall ensure that any provisions contained in Annexure A are complied with.
- 3.3 MIIU shall pay the proceeds of the Funds to and on the order of the Recipient in such disbursements, at such times, and on such terms and conditions as set forth in Annexure B attached hereto.
- 3.4 The Recipient shall furnish MIIU with particulars regarding officials authorised to apply for withdrawals on its behalf.
- 3.5 The Recipient may by notice to MIIU cancel any undrawn portion(s) of the Funds provided that such cancellation shall not jeopardise the proper completion of the Technical Assistance.
- 3.6 If MIIU reasonably concludes, after consultation with the Recipient, that any portion(s) of the Funds will not be required to finance the Technical Assistance, MIIU may by notice to the Recipient, terminate the right of the Recipient to make drawings in respect of such undrawn portion(s).

4. PAYMENTS

- 4.1 All payments to or by the Parties under this Agreement shall be effected in South African Rand.
- 4.2 All payments under this Agreement to Recipient shall be effected to the credit of such banking account(s) of the Recipient as the Recipient may from time to time direct, in writing.
- 4.3 Payments in terms of the Agreement shall be effected without deduction for and free from any taxes, charges, fees, or other costs whatsoever.

5. SUSPENSION AND TERMINATION

MIIU shall be entitled to suspend withdrawals from the Funds or to terminate this Agreement, in the event, and for so long as, the Recipient fails to comply with any provision of this Agreement after having given the Recipient 30 (thirty) days written notice to comply, and the Recipient thereafter continuing to remain in default, in which latter event the full amount previously withdrawn by Recipient shall be due, owing, and payable to MIIU.

6. GENERAL

6.1 Any notice or request to be given or made in terms of this Agreement shall be in writing, and shall be deemed to have been duly given or made when in the case of MIIU, addressed to the Chief Executive Officer, and received at:

Physical address: 2nd Floor, DBSA Building
1258 Lever Road
Headway Hill
Midrand 1685

Postal Address P.O. Box 1234
Halfway House
1685; or

Telefax Number (011) 313 3358

And in the case of the Recipient, when addressed to the Recipient and received at the offices of the Recipient at the following address:

Physical address:

Postal address:

Telefax Number.

Either of the Parties may change the above-mentioned addresses by giving written notice to such effect.

6.2 No amendment of, or addition to this Agreement shall be valid unless the same has been reduced to writing and signed by or on behalf of the Parties.

6.3 The non-enforcement of any provision of this Agreement or any indulgence which either Party may grant to the other shall be without prejudice to the rights of such first-mentioned Party to insist upon strict compliance by such other Party with all the provisions of this Agreement or to enforce its right in respect of which such indulgence was granted.

6.4 This contains the entire agreement between the Parties, and no representations, warranties, undertakings, or promises of whatever nature which may have been made by any of the Parties, their agents or employees, other than those herein contained, shall be binding or enforceable against them.

THUS DONE AND SIGNED AT _____ ON THE _____
DAY OF _____ 199_

AS WITNESSES

1. _____

2. _____

FOR AND ON BEHALF OF THE
RECIPIENT, DULY
AUTHORISED THERETO IN
TERMS OF ANNEXURE C
ATTACHED HERETO.

THUS DONE AND SIGNED AT _____ ON THE _____
DAY OF _____, 199_

AS WITNESSES

1. _____

2. _____

FOR AND ON BEHALF OF
THE MIU, DULY AUTHORISED
THERETO

MODEL AGREEMENT

**between the Municipal Infrastructure Investment Unit (MIIU)
of the Government of South Africa
and
The ***** Transitional Local Council
for the provision of MIIU grant funding
in support of Technical Assistance**

This is an agreement between the Municipal Infrastructure Investment Unit (MIIU) of the Government of South Africa, and the ***** Transitional Local Council (***** TLC), a "local government" under South African law, in furtherance of the role of the MIIU to encourage and optimise private sector investment in local government services by providing grant funding to local authorities to hire technical assistance expertise from the private sector for project preparation assistance, and in furtherance of the role and responsibility of the ***** TLC to provide such core services to its constituents.

It is hereby agreed as follows:

1. DEFINITIONS AND HEADINGS

- 1.1 In this agreement, unless the contrary appears from the context, the following words have the meanings as stated:
- | | | |
|-------|------------------------|---|
| 1.1.1 | "Recipient" | ***** TLC |
| 1.1.2 | "MIIU" | The Municipal Infrastructure Investment Unit of the Government of South Africa (Registration No. 98/05340/08) |
| 1.1.3 | "Parties" | The Recipient and the MIIU |
| 1.1.4 | "Project" | The ***** project as described in more detail in Annexure A attached hereto. |
| 1.1.5 | "Funds" | The financing granted in Clause 3 |
| 1.1.6 | "Project Manager" | A person nominated in writing by the Recipient to act on its behalf in respect of the Project. |
| 1.1.7 | "Technical Assistance" | Assistance in carrying out the Project, provided by consultants paid with the Funds. |
- 1.2 Headings to the clauses of this agreement are for reference purposes only and do not form a part of this Agreement.

2. ROLES AND RESPONSIBILITIES OF THE PARTIES

- 2.1 To ensure that the purposes of the grant of Funds are accomplished, the parties shall:
- 2.1.1 Periodically and at the request of either Party:
 - 2.1.1.1 Exchange views with regard to the progress of the Project, and the performance of their respective obligations under this Agreement as well as other matters relating to the purposes of the grant of Funds; and
 - 2.1.1.2 Furnish each other with all such information as may be reasonably requested with regard to the progress of the Project and the general status of the Funds;
 - 2.1.2 Promptly inform each other of any fact which interferes with, or threatens to interfere with, the progress of the Project, the accomplishment of the purposes of the Funds, any related matter, and in particular the performance by either Party of its obligations under this Agreement;
 - 2.1.3 Jointly determine the criteria to be taken into consideration, including development of the Terms of Reference (TOR), for awarding the consultant contract to be financed by the Funds;
 - 2.1.4 Jointly determine the technical, financial, and organisational requirements in respect of managing the implementation of the consulting contract, in order to ensure that the Technical Assistance be undertaken in an efficient and timely manner.
- 2.2 The Recipient shall:
- 2.2.1 Grant representatives of the MIU the opportunities reasonably necessary to monitor the progress of the contract's implementation, for purposes relevant to the proper use of the Funds;
 - 2.2.2 In addition to the amount made available by this Agreement, be responsible for the provision of the co-financing necessary for the successful execution of the Project, as set out in Annexure B, including Funds to be supplied by third parties as reflected in that Annexure.
 - 2.2.3 Be responsible for the management and maintenance of work carried out within the context of the Project, provided that the MIU shall be consulted in this regard when reasonably necessary;
 - 2.2.4 With regard to the procurement of the consultant services contemplated by this grant of Funds, invite participation on equal terms from natural persons and bodies corporate respectively resident and registered in South Africa, possessing relevant expertise, and, unless otherwise agreed to by the Parties, conduct such procurement in accordance with the following procedures:

- 2.2.4.1 Tender documents shall be drawn up in consultation with the MIIU, using the model TOR provided by the MIIU, which tender documents shall be ratified by MIIU prior to publication;
- 2.2.4.2 Strict tender procedures shall be adhered to; where deemed necessary, advice and support will be forthcoming from MIIU;
- 2.2.4.3 The tender shall be open to all interested parties falling within the description contained in clause 2.2.4, and it shall not necessarily be a pre-requisite that the tenderer be a member of any particular association;
- 2.2.4.4 The Recipient's Tender Board or other responsible body shall adjudicate the tenders received, with the consultation and formal ratification by the MIIU.
- 2.2.5 Ensure that the consultant to whom the contract is awarded carries insurance appropriate to the activities to be conducted, and remains so insured throughout the duration of the contract;
- 2.2.6 Maintains records adequate to identify the activities carried out by means of the Funds granted, and furnish MIIU with all such information, such as progress reports, concerning implementation of the Project;
- 2.2.7 Submit a statement reasonably acceptable to MIIU, certified on behalf of the Recipient, reflecting the expenditure incurred under the consultant contract within 6 (six) months after the end of each financial year of the Recipient during which a drawing is made on the Funds;
- 2.2.8 Apply the Funds in accordance with Annexure B;
- 2.2.9 Preserve all documents and accounting records pertaining to the Project up to the expiry of a period of 3 (three) years after completion of the Project, and allow the MIIU, at MIIU's cost, to have such documents and records audited by a person or persons nominated by MIIU;
- 2.2.10 Make available for review by MIIU all reports produced as a result of regular required government auditing requirements.
- 2.3 MIIU shall use its best endeavours to make technical assistance available to the Recipient within the limits of its resources and upon such terms and conditions as agreed to by the Parties when and if the need for such assistance is identified by the Parties in terms of the provisions of clauses 2.1.3 and 2.1.4, supra.

3. MIIU GRANT FUNDS

- 3.1 MIIU shall make available to the Recipient on the terms and conditions set forth in this Agreement, an amount not exceeding, in the aggregate, R _____ (_____ Rand). This amount is expected to cover ___% (_____ percent) of the total costs of the Project, with the balance to be contributed by the Recipient.
- 3.2 The Funds shall be utilised exclusively for the purpose of the Technical Assistance as set out in Annexure A, and the Recipient shall ensure that any provisions contained in Annexure A are complied with.
- 3.3 MIIU shall pay the proceeds of the Funds to and on the order of the Recipient in such disbursements, at such times, and on such terms and conditions as set forth in Annexure B attached hereto.
- 3.4 The Recipient shall furnish MIIU with particulars regarding officials authorised to apply for withdrawals on its behalf.
- 3.5 The Recipient may by notice to MIIU cancel any undrawn portion(s) of the Funds provided that such cancellation shall not jeopardise the proper completion of the Technical Assistance.
- 3.6 If MIIU reasonably concludes, after consultation with the Recipient, that any portion(s) of the Funds will not be required to finance the Technical Assistance, MIIU may by notice to the Recipient, terminate the right of the Recipient to make drawings in respect of such undrawn portion(s).

4. PAYMENTS

- 4.1 All payments to or by the Parties under this Agreement shall be effected in South African Rand.
- 4.2 All payments under this Agreement to Recipient shall be effected to the credit of such banking account(s) of the Recipient as the Recipient may from time to time direct, in writing.
- 4.3 Payments in terms of the Agreement shall be effected without deduction for and free from any taxes, charges, fees, or other costs whatsoever.

5. SUSPENSION AND TERMINATION

MIIU shall be entitled to suspend withdrawals from the Funds or to terminate this Agreement, in the event, and for so long as, the Recipient fails to comply with any provision of this Agreement after having given the Recipient 30 (thirty) days written notice to comply, and the Recipient thereafter continuing to remain in default, in which latter event the full amount previously withdrawn by Recipient shall be due, owing, and payable to MIIU.

6. GENERAL

6.1 Any notice or request to be given or made in terms of this Agreement shall be in writing, and shall be deemed to have been duly given or made when in the case of MIU, addressed to the Chief Executive Officer, and received at:

Physical address: 2nd Floor, DBSA Building
1258 Lever Road
Headway Hill
Midrand 1685

Postal Address P.O. Box 1234
Halfway House
1685; or

Telefax Number (011) 313 3358

And in the case of the Recipient, when addressed to the Recipient and received at the offices of the Recipient at the following address:

Physical address:

Postal address:

Telefax Number.

Either of the Parties may change the above-mentioned addresses by giving written notice to such effect.

6.2 No amendment of, or addition to this Agreement shall be valid unless the same has been reduced to writing and signed by or on behalf of the Parties.

6.3 The non-enforcement of any provision of this Agreement or any indulgence which either Party may grant to the other shall be without prejudice to the rights of such first-mentioned Party to insist upon strict compliance by such other Party with all the provisions of this Agreement or to enforce its right in respect of which such indulgence was granted.

6.4 This contains the entire agreement between the Parties, and no representations, warranties, undertakings, or promises of whatever nature which may have been made by any of the Parties, their agents or employees, other than those herein contained, shall be binding or enforceable against them.

THUS DONE AND SIGNED AT _____ ON THE _____
DAY OF _____ 199_

AS WITNESSES

1. _____

2. _____

FOR AND ON BEHALF OF THE
RECIPIENT, DULY
AUTHORISED THERETO IN
TERMS OF ANNEXURE C
ATTACHED HERETO.

THUS DONE AND SIGNED AT _____ ON THE _____
DAY OF _____, 199_

AS WITNESSES

1. _____

2. _____

FOR AND ON BEHALF OF
THE MIU, DULY AUTHORISED
THERETO

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PROJECT DESCRIPTION

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APPLICATION AND SOURCE OF FUNDS STATEMENTTerms and Conditions of Disbursement:

Disbursement is subject to submission to the MIIU of a written statement approved by the Recipient or its authorised representative. The written statement shall be submitted using a voucher format approved by MIIU. Submission of vouchers to MIIU shall be done in a way that is reasonably consistent with the schedule of deliverables and corresponding payments called for in the consulting contract between the Recipient and the consultant hired to carry out the Technical Assistance. Accordingly, the voucher format shall include the following information:

- Description of the completed deliverable (e.g., a report);
- Cost of the deliverable, as agreed to in the original consulting contract;
- Start/finish dates of the work involved in producing the deliverable;
- Identification of consultants involved;
- Schedule of remaining deliverables and costs.

Terms and Conditions of Cost-Sharing:

MIIU and the Recipient agree to share the total costs of this Project, which are expected to be R _____. Cost-sharing will proceed in the following manner: MIIU will provide the Funds as indicated in Clause 3, up to a total maximum amount of R _____ (or ____% of total project costs). MIIU will pay all costs associated with the participation of its employees in the Project.

In accordance with standard MIIU cost-sharing guidelines, the Recipient will contribute a total of R _____ toward the total Technical Assistance costs of the Project (____% of total costs of the Project). The Recipient will also supply and compensate all of its employees who participate in the Project on its behalf, as well as contribute funds necessary to cover all costs associated with the efforts of its employees to ensure that all the terms and conditions of this agreement are met, including appropriate costs for necessary office space and equipment, transportation, secretarial services, legal advisory services, and other specialist services required by the Recipient.

Should the Project described in this agreement be completed successfully, and MIIU and the Recipient agree on the need to move on to the next phase of work, as described above in Annexure A, the share of total project costs to be paid by the

Recipient will be negotiated, according to MIU cost-sharing guidelines. The total cost of this final stage of work will depend on the outcome of the Technical Assistance activities described in this agreement. However the total cost of this last stage of work, as estimated in the DBSA "pre-feasibility" study, is expected to be approximately

R _____.

AUTHORISATION – RECIPIENT

“By resolution of the Council of _____ taken
on _____, 199_, Mr/Ms _____
has been duly authorised to perform all acts and sign all documents that may be
necessary in connection with the Application by _____
for grant funding for technical assistance to the Municipal Infrastructure Investment
Unit (MIU).

SIGNED ON BEHALF OF THE _____

IN HIS/HER CAPACITY AS _____

DATE:

SIGNATURE OF SIGNATORY _____

MODEL TERMS OF REFERENCE

Introduction

On _____, the ***** TLC resolved that Water, Sewerage, and Wastewater Treatment Services be investigated for possible private sector participation in accordance with the precepts announced in the Government's Growth, Employment and Redistribution (GEAR) policy," the Department of Constitutional Development's "Guidelines for Private Sector Participation in Municipal Service Delivery," and in fulfilment of Council's Constitutional duties to ensure provision of such services to its constituents in a sustainable manner.

This resolution of Council was based upon an initial investigation conducted at Council expense by the Palmer Development Group, which concluded that such further investigation into the possibility of private sector participation in water supply and sanitation services was warranted.

On the aforementioned date Council also authorised an agreement with the Municipal Infrastructure Investment Unit (MIIU) established by Government to provide financial assistance to local authorities, for this further investigation. The agreement commits a certain amount of MIIU grant funding in support of this investigation.

This procurement is being conducted in accordance with the terms and conditions contained in the Agreement between the MIIU and ***** TLC, the ordinances, regulations and policy of ***** TLC, and the laws of the Government of South Africa.

Terms of Reference

The work to be performed under these Terms of Reference will be divided into two phases, Phase I and Phase II. At the conclusion of Phase I, Council will determine whether to proceed with Phase II. **Note: that should the Council decide not to proceed with Phase II, the Feasibility Study will be ended at that point, and the contract will be terminated without advance notice.**

Phase I

The purpose of Phase I is to perform an assessment of the current condition of the water supply and sanitation assets, the current status of service delivery, and to perform an analysis of the possible alternatives in the delivery of these services. Phase I concludes with a general public hearing where the general public and key stakeholders, including the Council, will provide input and comment on the applicable alternatives. Based on the results of Phase I and stakeholder input, the consultant will recommend one or more options for Council consideration. Phase II will include a more detailed financial analysis of the preferred option or options and related implementation issues. The Phase II evaluations should be sufficient for Council to make a decision to proceed with a Request for Tenders for the procurement of the selected service delivery option.

Technical Assessment

1. Current Conditions

1.1 Stakeholder Identification

The Consultant shall identify all stakeholders who will be impacted by the PPP evaluation and implementation of alternate service delivery options. These shall include but not necessarily limited to the following:

- a) The Council
- b) All Water Authorities and Water Boards Having jurisdiction
- c) DWAF
- d) Local and National NGO's
- e) Labour Unions
- f) The general public
- g) Others

1.2 Current Condition of Assets

A list of assets will be provided by the Council. The Consultant shall assess these assets by the following.

- a) Present day value.
- b) Estimated remaining life.
- c) Condition and need for rehabilitation.
- d) Estimated cost of rehabilitation.

Assets to be assessed shall include:

- a) Water supply facilities.
- b) Water and wastewater treatment facilities.
- c) Water distribution systems, including storage facilities
- d) Sewerage collection systems including pump stations
- e) Administration and maintenance facilities
- f) Repair and maintenance vehicles and equipment
- g) Associated real estate, aquifer protection areas, etc.
- h) Other assets related to the above.

1.3 Water Balance

For the water supply and sanitation system, perform a water balance, to include the following:

- a) Water supplied
- b) Water distributed and metered
- c) Water used for fire protection
- d) Unaccounted for water
- e) Wastewater collected and treated
- f) Wastewater reused (if applicable)
- g) Wastewater discharged

To the extent that data exists, the determination of current water balance shall be compared to historical records to assess any deterioration of service provision where applicable.

1.4 Compliance with Standards

Assess compliance of the water supply and sanitation systems with existing and proposed standards, including:

- a) Quality of supply
- b) Chemical and bacteriological standards
- c) Laboratory services.
- d) System maintenance.
- e) Safety standards
- f) Environmental compliance
- g) System future planning.

1.5 Depth of Investigation

The consultant shall conduct the forgoing assessments to the extent necessary for general planning and decision making purposes, using existing drawings, maps, service records, meter records or other pre-existing data. Detailed assessments are not required at this time.

2. Organisational Structure

2.1 Structure

Review the organisational structure of the ***** water supply, sewerage, and wastewater treatment service delivery organisation(s), including identification of non-organisational support staff provided by *****.

2.2 Employees

Assess the number of employees, including managers, administrators, and part time employees for each service.

2.3 Personal Service Contracts

Determine all outstanding personal service contracts directly related to the delivery of water supply and sanitation services.

2.4 Union Issues

Identify all union organisations having bargaining agreements with ***** , and determine the expiration date of the current bargaining agreement.

3. Service Coverage and Demographic Assessment

3.1 Coverage Assessment

Perform a service coverage assessment for both water supply and sanitation services, including:

- a) The number of households currently receiving water supply

- b) services, noting the percentage receiving metered services. An estimation of households in the service delivery area not currently receiving water supply.
- c) The current number of commercial, industrial, and publicly-owned water service recipients, noting the percentage receiving metered services.
- d) An estimation of the commercial, industrial, and publicly-owned establishments, if any, not currently receiving water supply.
- e) The number of households currently receiving sewerage services.
- f) An estimation of the number of households in the service delivery area not currently receiving sewerage services.
- g) The current number of commercial, industrial, and publicly-owned sewerage service recipients.
- h) An estimation of the current number of commercial, industrial, and publicly owned establishments not receiving sewerage services.
- i) Income distribution of households receiving and not receiving water and sanitation services.

3.2. Systems Coverage Map

Perform a demographic assessment of the household recipients of water supply and sanitation services, and prepare a systems coverage Map to include the following:

- a) Geographic distribution within ***** of residential areas receiving and not receiving water and sanitation services
- b) Income distribution, or other household economic indicators to the extent readily known.

4. Cost of Services Assessment

4.1 Operating Costs of Services

Review and update as necessary the last full cost of services assessment prepared by ***** , for both water service and sanitation, including:

- a) Direct labour costs.
- b) Indirect labour costs
- c) Direct and indirect administrative staff costs.
- d) All shared staff costs.
- e) Overhead expenses related to the enterprise.
- f) Vehicles
- g) Plant, facility, and system maintenance and operating costs, excluding labour and indirects.
- h) Chemicals, supplies, fuels, and other consumable items.
- i) Existing supplier and service contracts.

4.2 Debt Service

Review and update as necessary, the latest debt service assessment prepared by ***** relating to previous capital expenditures for these services, including:

- a) Current debt service requirements.
- b) Estimated debt retirement date(s) for each capital expenditure loan.

4.3 Tariffs

Review and update as necessary, the total costs computation from the above, including:

- a) Tariffs in place for each service, per unit.
- b) Tariff subsidies or cross subsidies where applicable.
- c) Discontinuation policies.
- c) The total amount billed in the last fiscal year for each service.
- d) The total amount actually collected in the last fiscal year for each service.
- e) The source(s), if any, to cover any differences between amounts billed and amounts collected.

4.4 Cost Summary

The Consultant shall summarise the above costs for services in a summary table, showing total costs per unit of service (litres of water delivered or treated) per service recipient.

5. Future Investment Needs

5.1. Future Needs

Review and update, as necessary the estimated future capital investment needs to redress current backlogs.

5.2. Priorities

Review and comment upon the approved priorities for such capital investments over the next five (5) years.

5.3 Capital Resources

Review and comment upon all sources of capital identified by ***** as sources by which the capital requirements will be met, including grants, loans from all sources, transfer payments from any source, and subsidies received from other ***** activities.

5.4 Public Borrowing Capacity

Assess the borrowing capacity of ***** , in light of the foregoing, to obtain needed capital investment loans for the prioritised investments within the five (5) year time frame.

6. Comments

The Consultant shall provide its best professional comment on the following, regarding the current situation:

- a) The technical quality of service delivery.

- b) Adequacy of maintenance programmes.
- c) Capacity of staff.
- d) Adequacy of facilities and equipment.
- e) Constraints on the foregoing.
- f) Sustainability of service delivery under existing tariffs.
- g) Appropriateness of service delivery levels.
- h) Other suggestions regarding technical matters.

Alternatives Assessment

1. Pro Forma Financial Model

Prepare a *pro forma* financial model, using the existing cost and revenue information, as well as the five (5) year capital investment requirements, obtained during the Technical Assessment which will reflect the results of the Alternatives Assessment. The model shall be utilised in the assessment of potential service options listed in Section 2 below.

2. Service Delivery Alternatives to be Assessed

2.1 Alternatives

The consultant shall assess all potential alternatives for future service delivery including PPP options as listed below.

- a) Preserving the status quo.
- b) "Worker turnaround."
- c) Public-public partnership.
- d) Corporatisation.
- e) Contracts Operations.
- f) Concessions, including BOT, BOOT, and DBO.
- g) Full privatisation.
- h) Management/employee buyout or concession.
- i) Joint venture.
- j) Private sector financing of municipal debt.

2.2 Assessment Criteria

The purpose of the assessment will be to determine those service delivery alternatives which will enable ***** to meet its capital expenditure priorities, reduce or eliminate its service backlogs, and ensure sustainable delivery of water and sanitation services to all constituents. Among the factors to be determined with each assessment are:

- a) The ability of the ***** to obtain the capital required for investment given its current obligations and anticipated sources of revenues.
- b) The ability of potential private sector participants to economically provide the required capital, effect service delivery within standards to all eligible recipients and receive a reasonable return on its investment, within the range of potential tariff(s) which may be levied.
- c) The effect on the technical quality of the service delivery.
- d) The likely response from all stakeholders, including unions.

- e) The potential effectiveness of cost-recovery initiatives to an expanded universe of service recipients.
- f) The service delivery efficiency of each alternative.
- g) Risk sharing between public and private sectors
- h) Cost recovery efficiency.

3. Phase I Report

3.1 Preliminary Phase I Report

At the conclusion of the alternatives assessment, the Contractor shall prepare a Preliminary Phase I Report to Council Summarising the current conditions and all applicable service alternatives as set forth in Section 2.1 above, which may provide cost-efficient, sustainable means of delivering water supply and sanitation services.

3.2 Preliminary Phase I Report Contents

The Preliminary Phase I report shall consist of the following:

- a) Executive summary.
- b) Technical Assessment Summary.
- c) Alternatives assessments of each applicable service delivery option.

3.3 Phase I Public Hearing

The Preliminary Phase I report shall be copied and distributed to the major stakeholders identified in Section 1.1 of the Technical Assessment. The Consultant and the Council shall hold a public hearing to present the Preliminary Phase I report and obtain comments from the major stakeholders and the general public. Copies of the Preliminary Phase I report shall be made available to the general public for review at the Council offices at least 15 days prior to the date of the public hearing. The date, time and place of the public hearing shall be advertised at least 15 days prior to the hearing date.

3.4 Final Phase I Report

The consultant shall summarise the comments received during the Phase I public hearing and address all comments relative to specific service provision alternatives. After consideration of the assessments and evaluations of the Phase I tasks, and input from the major stakeholders and general public, the consultant shall finalise the Phase I report by "Shortlisting" the three service provision alternatives which best meet the assessment criteria listed in Section 2.2 above. Five copies of the Final Phase I report shall be filed with the Council for their review and consideration.

3.5 Time For Completion

The forgoing Phase I investigation shall be accomplished within sixty (60) days of the receipt of a notice to proceed from the Council.

Council Review of Phase I

The Council shall review the Phase I report and consider the three service delivery recommendations made by the Consultant. The Council shall select one preferred

service delivery option to proceed to Phase II assessment and may also select an alternate option. Upon reaching a decision regarding the preferred option and an alternate option, the Council shall send a notice to proceed to the Consultant authorising him to begin the Phase II work. The Council may also decide, after reviewing the Phase I report, to maintain the Status Quo and not proceed with a PPP option. In that case the work will not proceed to Phase II and the Consultant's contract will terminate.

Phase II

The Phase II evaluation will consist of a more detailed financial assessment of the selected service provision option and an alternate option if directed to do so by the Council in the Phase II notice to proceed. The Phase II evaluation will also include other implementation issues that the Council will have to address in proceeding with an alternate service provision. The overall goal of Phase II is to prepare the project for the RFP Phase, and provide the Council with the appropriate tools to evaluate proposals and proceed to implementation.

For the purposes of preparing a financial proposal for Phase II, the Feasibility Study consultant shall assume that only one primary option is recommended for Phase II evaluation. If the council decides to proceed with Phase II with an alternate option as well as a primary option, the budget to prepare Phase II will be negotiated.

1. Detailed Financial Modelling.

1.1 Notice to Proceed

Upon receipt of a Notice to Proceed With Phase II, Contractor shall develop a financial model with economic, legal, and technical inputs to assess the financial viability of the preferred, and any alternative service delivery options set forth in the Notice to Proceed With Phase II.

1.2 Model Contents

The 5-year financial model shall include the following:

- a) Estimated Growth in water demand of + ___% per annum.
- b) Existing and proposed tariff structure(s).
- c) Capital structure; debt and equity; sources of funds.
- d) Potential Government support.
- e) Potential donor or other funding which may be provided.
- f) Tax consequences and tax avoidance options.
- g) Financial basis of contract award, future cost of each service, and rate of return to the service provider.
- h) Sensitivity analyses: change of demand, drought, interest rate fluctuations.
- i) Existing facility debt.

2. Tariff Structure Review

- 2.1 Review the current tariff structure and government policies including rate setting, and cross subsidies as they relate to the PPP options.

2.2 Recommend contractual provisions relating to tariff-setting, including tariff escalation formulae, as appropriate.

3. Capital Expenditure update.

3.1 Review the future investments needs analysis in Section 5 of Phase I to reflect current information.

3.2 Reassess the funding ability of the ***** including its ability to provide guarantees or other forms of credit enhancement.

4. Revenue Collection

4.1 Assess the revenue collection performance for each service, including any policy of discontinuation of service, and suggest any new or modified processes which may be adopted by a private service provider, under the selected options.

Suggest cost recovery mechanisms and innovative programs for revenue collection in expanded or newly-included disadvantaged communities within *****.

5. Confidentiality

Some aspects of the above financial modelling and evaluation may contain information regarding estimated PPP costs, to be used during the RFP process for evaluating the appropriateness of proposals. Therefore, the general release of this information may compromise the proposal process. The Consultant shall meet with the Council and discuss confidentiality issues and establish a procedure for keeping this data confidential. It is suggested that all confidential financial information be included in a separate sealed appendix, for distribution only to select individuals.

6. Stakeholder Participation and Information

6.1 Stakeholder Input on Selected Options

Within four weeks of the notice to proceed, the Consultants shall meet with representatives of key stakeholder groups to obtain specific input and comments regarding the selected options. The main goal of this task is to identify specific issues and concerns that should be considered in the RFP process and implementation of the alternate service delivery. As a minimum, the following groups shall be included.

- a) Union Labour Representatives.
- b) Non-Union Labour Representatives.
- c) NGO, Environmental, and Civic Groups.

At the conclusion of the above stakeholder meetings, the Consultant shall meet with the ***** Council and discuss any issues or concerns raised, and make recommendations for addressing these issues in the implementation stage of the project.

6.2 Phase II Public Hearing

After meeting with the Council and addressing all significant stakeholder issues, the Consultant and the Council shall hold the Phase II public hearing to present the selection of the primary service delivery option and obtain final comments from all stakeholders and the general public.

7. Implementation Issues

7.1 Legal

Consultant will review existing National, Provincial, and Local laws and policies affecting implementation of the preferred option and any alternative being investigated, including affect on existing ***** staff, and will recommend any necessary actions consistent with the best interests of project implementation and existing staff rights and benefits.

Consultant will identify the effect of implementation on existing liabilities, and suggest appropriate actions.

7.2 Regulatory and Institutional

Contractor will review existing agreements with other local authorities and governmental entities which may be impacted by project implementation, and will suggest appropriate actions in regard thereto.

Contractor will recommend the appropriate ***** staffing structure to implement the preferred option or alternative, including establishing any regulatory processes deemed necessary. Contractor will estimate the cost thereof.

7.3 Financial Impacts

Contractor will approximate the future financial effect on ***** if the preferred option or alternative is implemented.

7.4 Risk Allocation

Contractor shall recommend the apportionment of risk between ***** and the private-sector service provider, reflecting international best practices for similar

activities.

8. Phase II Report

Five copies of the Phase II report shall be filed with Council, which shall review the report and set a public hearing of adopting the recommendations thereof within fifteen (15) working days of receipt thereof.

The Phase II Report shall be filed no later than sixty (60) days from receiving the Notice to Proceed with Phase II.

Council Review

Council shall review the report and if the report recommends proceeding to the procurement of the preferred service delivery option, set a public hearing for a determination on whether to so proceed with the implementation stage of the project which begins with the preparation of the RFP documentation and selection process.

Council may (1) approve the recommendation to proceed with the preferred option; (2) determine not to proceed.

MODEL REQUEST FOR PROPOSALS

to Supply Consulting services for:

******* Sanitation
Feasibility Study**

_____, 1998

SECTION 1. LETTER OF INVITATION1. LETTER OF INVITATION

***** , _____, 1998

1. ***** TLC has received a Feasibility Study Grant from the Municipal Infrastructure Investment Unit (MIIU), and intends to apply this grant to eligible payments under this Contract.
2. ***** TLC now invites Proposals to provide the following consulting services: an investigation into the feasibility of private sector participation in the provision of sanitation services in the ***** area. More details on the services are provided in the attached Terms of Reference.
3. A firm will be selected using the procedures described in this RFP.
4. This RFP includes the following documents:
 - Section 1 - Letter of Invitation
 - Section 2 - General Information to Consultants
 - Section 3 - Terms of Reference
 - Section 4 - Proposed Contract Form.

Yours sincerely,

Chief Executive/Town Clerk
***** TLC

SECTION 2. INFORMATION TO CONSULTANTS2. INFORMATION TO CONSULTANTS

1. INTRODUCTION

- 1.1 ***** TLC invites consultants to submit a technical proposal and a financial proposal for consulting services required for the Feasibility Study described in the Terms of Reference included as Section 4, below. The Proposal will be the basis for contract negotiations and ultimately a contract with the selected firm.
- 1.2 The Feasibility Study shall begin no later than _____.
- 1.3 You must familiarise yourself with local conditions and take them into account in preparing your Proposal.
- 1.4 Please note that (i) the costs of preparing the proposal and of negotiating the contract are not reimbursable as a direct cost of the Feasibility Study; (ii) ***** TLC is not bound to accept any of the Proposals submitted; (iii) this is a "fixed budget" procurement--a budget ceiling is provided in this RFP, the decision to award a contract is then based primarily on technical grounds rather than lowest bid.
- 1.5 Note that a firm which has been engaged by ***** TLC to provide consulting services for this Feasibility Study, and any of its affiliates, shall be disqualified from providing goods or works or services related to any eventual project that may result, directly or indirectly, from these consulting services.
- 1.6 As the entity providing funds to pay for this study, it is the MIIU's policy to require that local government Councils benefiting from MIIU grants, as well as consultants under MIIU-financed contracts, observe the highest standard of ethics during the selection and execution of such contracts. Accordingly, MIIU reserves the right to withdraw its funding from any local government procurement, at any stage, if MIIU staff determine that those standards have been or likely will be compromised.

2. CLARIFICATION OF THE RFP

- 2.1 Consultants may request a clarification of any of the RFP documents up to close of business on _____. Any request for clarification must be sent in writing by mail, facsimile, or electronic mail to ***** TLC, at the addresses set forth below under Section 4.1. ***** TLC will respond by facsimile or electronic mail to such requests and will send copies of all responses to all consultants who registered to obtain copies of this RFP.
- 2.2 At any time before the submission of Proposals, ***** TLC may, for any reason, whether at its own initiative or in response to a clarification requested by an invited firm, modify the RFP documents by amendment. The amendment will be sent in writing by facsimile or electronic mail to all registered consultants and will be binding on them. ***** TLC may at its discretion extend the deadline for the submission of Proposals.

3. PREPARATION OF PROPOSAL

- 3.1 Consultants are requested to submit separate Technical and Cost Proposals in separate envelopes as described below.

Technical Proposal

- 3.2 In preparing the technical proposal, consultants are expected to examine the documents comprising this RFP in detail, particularly Section 4: The Terms of Reference. Material deficiencies in providing the information requested may result in rejection of a Proposal.

- 3.3 While preparing the technical proposal, consultants must give particular attention to the following:

- (i) If a firm considers that it does not have all the expertise for the Feasibility Study, it may obtain a full range of expertise by associating with individual consultant(s) and/or other firms or entities in a consortium, joint venture relationship, or subconsultancy, as appropriate.
- (ii) The available budget for the Feasibility Study is _____. The financial proposal shall not exceed the available budget.

- 3.4 The technical proposal should provide the following:

- (i) A brief description of the firm's approach to performing the tasks set forth in the Terms of Reference, including a proposed work plan.
- (ii) A brief description of the firm's organisation and an outline of recent experience on assignments of a similar nature. For each assignment, the outline should indicate, inter alia, the profiles and names of the staff provided, duration of the assignment, contract amount, and firm's involvement.
- (iii) Any comments or suggestions on the Terms of Reference and on the data, services, and facilities to be provided by ***** TLC.
- (iv) CVs of the proposed professional staff and the authorised representative submitting the proposal. Key information should include number of years working for the firm/entity, and degree of responsibility held in various assignments during the last ten (10) years.

- 3.5 The technical proposal shall not include any financial information.

Financial Proposal

- 3.6 In preparing the financial proposal, consultants are expected to take into account the requirements and conditions of the Terms of Reference and all other RFP documents. The financial proposal should list all costs associated with the Feasibility Study, including (a) remuneration for staff, and (b)

reimbursables such as subsistence (per diem, housing), services and equipment (vehicles, office equipment, furniture, and supplies), office rent, insurance, printing of documents, etc. The proposal shall include all taxes.

- 3.7 Proposals must remain valid for ___ days after the submission date. During this period, you are expected to keep available the professional staff proposed for the Feasibility Study. ***** TLC will make its best effort to complete negotiations within this period. If the Proposal validity period is extended, the consultants have the right not to maintain their Proposals.

4. SUBMISSION, RECEIPT, AND OPENING OF PROPOSALS

- 4.1 The original and three copies of the technical proposal shall be placed in a sealed envelope clearly marked "Technical Proposal," and the original and three copies of the financial proposal in a sealed envelope clearly marked "Financial Proposal." Both envelopes shall be placed into an outer sealed envelope and addressed to:

- 4.2 The completed technical and financial proposal must be delivered at the submission address on or before the following date:

Note that any proposal received after the closing time for submission of proposals shall be returned unopened.

- 4.3 The technical proposal shall be opened immediately by an evaluation committee appointed by ***** TLC, after the closing time for submission of proposals. The financial proposal shall remain sealed until they are opened by the committee.

5. PROPOSAL EVALUATION

General

- 5.1 Consultants shall not contact ***** TLC on any matter relating to their Proposal from the time of the opening of the technical proposal to the time the contract is awarded. If a firm wishes to bring additional information to the notice of ***** TLC, it should do so in writing at the address indicated above, under 4.1. Any effort by the firm to influence ***** TLC in the Proposal evaluation, Proposal comparison or contract award decisions may result in the rejection of the consultant's Proposal
- 5.2 Evaluators of technical proposals shall have no access to the financial proposals until the technical evaluation is concluded.

Evaluation of Technical Proposals

- 5.3 The evaluation of technical proposals will be on the basis of their

responsiveness to the Terms of Reference, applying the evaluation criteria and point system indicated below. Each responsive proposal will be given a technical score. A proposal considered to be unsuitable shall be rejected at this stage if it does not respond to important aspects of the Terms of Reference or if it fails to achieve the minimum technical score indicated below. ***** TLC shall notify consultants of the rejection of their technical proposal indicating that their financial proposals if any, will be returned unopened after completing the selection process.

5.4 Technical Proposal evaluation criteria and point system:

	Maximum Points (As indicated)
Quality of Proposal Extent of understanding the TOR, completeness of proposal, and level of detail provided.	30 Points 5 Points 5 Points 40 Points
Relevant Experience History of consultants' experience in the preparation of feasibility studies for sanitation projects.	20 Points
Key Personnel Relevant qualifications of key personnel, and composition of proposed consultant team.	20 Points 20 Points 40 Points
TOTALS	100 Points

5.5 Minimum acceptable technical score: 50 points.

Opening and Evaluation of Financial Proposals

- 5.6 The evaluation committee will determine whether the financial proposals are complete, (i.e., whether they have costed all items of the corresponding technical proposals). If not, the proposal may be rejected as non-responsive.
- 5.7 The evaluation committee will select the firm which submitted the highest ranked technical proposal within the budget. Proposals that exceed the indicated budget will be rejected. If two or more firms are equally ranked technically, the firm with the lowest budget proposal will be selected. The selected firm will be invited for negotiations.

6. NEGOTIATIONS

6.1 Negotiations to reach agreement on all points and sign a contract will be held at the following address:

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- 6.2 Negotiations will include a discussion of the technical proposal, the proposed work plan, staffing and any suggestions made by the firm to improve the Terms of Reference. ***** TLC and the firm will then work out agreed final Terms of Reference and staffing. The agreed work plan and final Terms of Reference will then be incorporated into the "Description of Services" and form part of the contract. Special attention will be paid to optimising the required outputs from the firm within the available budget and to clearly defining the inputs required from ***** TLC to ensure satisfactory implementation of the Feasibility Study.
- 6.3 The financial negotiations will reflect the agreed technical modifications in the cost of the services. Unless there are exceptional reasons, the financial negotiations will involve neither the remuneration rates for staff (no breakdown of fees) nor other proposed unit rates. In no event will the final cost of services exceed _____.
- 6.4 Having selected the firm on the basis of, among other things, an evaluation of proposed key professional staff, ***** TLC expects to negotiate a contract on the basis that the experts named in the Proposal will actually provide services. In their Proposal firms should provide assurances that the experts named will be available. ***** TLC will not consider substitutions during contract negotiations. If it is established that key staff were offered in the proposal without confirming their availability, the firm may be disqualified.
- 6.5 The negotiations will conclude with a review of the draft form of the contract. To complete negotiations, ***** TLC and the firm will initial the agreed contract. If negotiations fail, the Council will invite the firm that received the second highest score to contract negotiations.

7. AWARD OF CONTRACT

- 7.1 The contract will be awarded following negotiations with the successful firm. After negotiations are successfully completed, ***** TLC will promptly notify other firms submitting proposals that they were unsuccessful and return the financial proposals of those consultants who did not pass the technical evaluation. These firms will be provided short, written explanations of why their proposals were unsuccessful. There will be no additional "debriefings" of the unsuccessful firms.

SECTION 3. TERMS OF REFERENCE
SECTION 4. TERMS OF REFERENCE

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SECTION 4. SAMPLE CONTRACT FOR CONSULTING SERVICES

[This is a suggested advertisement to announce the competition to do the study; your city may already have regulations about procurement, advertising like this, etc. If not, this ad could be published twice (a week apart) in a national circulation newspaper, and the same in a local/regional newspaper (i.e. on two successive Sundays in each).]

Suggested Newspaper Announcement

**Request for Proposals
for a Feasibility Study of
***** TLC Sanitation
Service Delivery Options**

***** TLC seeks proposals from South African consulting firms to carry out a feasibility study of service delivery options for the city's sanitation services. One among many options to be explored is a public-private partnership for the delivery of these services.

Firms need apply only if they have a proven track record of successful work on extensive feasibility studies in connection with urban infrastructure service provision, including sanitation services.

Please note that proposals to do this work must follow a standard format explained in a Request for Proposal (RFP), which also includes information about the total budget available for this study, the terms of reference for the work, the process of selecting a winning consultant, and the type of contract anticipated with the winning consultant.

The RFP is available from the date of this advertisement until _____ *[two weeks]*. Interested parties must request an RFP in writing from the following address:

The Office of the Town Engineer
***** TLC
P.O. Box 11
***** 4275
Telefax No.: 03931 76236

Proposals must be clearly labelled "***** Feasibility Study Proposal," and submitted to reach the above address by close of business on _____ *[3-4 weeks]*.

For any further information, please contact _____ at _____.
[Should be a secretary or assistant who gives out only basic information on the procurement process, not the sanitation system itself--need to avoid giving out special information to anyone]

MODEL CONTRACT FOR CONSULTING SERVICES

THIS CONTRACT ("Contract") is entered into this _____ day
_____ 1998 by and between the ***** TLC ("the Council") and
_____ ("the Consultant") having its principal office located at
_____.

WHEREAS, the Council wishes to have the Consultant perform the services hereinafter referred to, and

WHEREAS, the Consultant is willing to perform these services,

NOW THEREFORE THE PARTIES hereby agree as follows:

1. Services

- (i) The Consultant shall perform the services and submit the reports specified in Annex A, "Terms of Reference and Scope of Services," which is made an integral part of this Contract ("the Services").
- (ii) The Consultant shall provide the personnel listed in Annex B, "Consultant's Personnel," to perform the Services.

2. Term

The Consultant shall perform the Services during the period commencing _____ and continuing through _____, or any other period as may be subsequently agreed by the parties in writing.

3. Payment

A. Ceiling

For Services rendered pursuant to Annex A, the Council shall pay the Consultant an amount not to exceed _____. This amount has been established based on the understanding that it includes all of the Consultant's costs and profits as well as any tax obligation that may be imposed on the Consultant.

B. Schedule of Payments

The schedule of payments is specified below:

Amount

_____ Upon the Council's receipt of a report and briefing on interim findings (end of Phase 1) acceptable to the Council; and

_____ Upon the Council's receipt of report and briefing (end of Phase 2), acceptable to the Council.

_____ Total

C. **Payment Conditions**

Payment shall be made no later than 30 days following submission by the Consultant of invoices in duplicate to the Co-ordinator designated in paragraph 4, subject to review and approval of the work.

4. **Project Administration**

- A. Co-ordinator. The Council designates _____ or his nominee as Council's Co-ordinator; the Co-ordinator will be responsible for the co-ordination of activities under this Contract, for acceptance and approval of the reports and of other deliverables by the Council and for receiving and approving invoices for the payment.
- B. Reports. The reports listed in Annex A: Terms of Reference, shall be submitted in the course of the assignment, and will constitute the basis for the payments to be made under paragraph 3.

5. **The MIIU**

Your attention is specifically drawn to the fact that payment to you in terms of this contract is dependent upon receipt of funds from the Municipal Infrastructure Investment Unit (MIIU). Your appointment is being made in reliance upon, and pursuant to, the approval of grant funds by MIIU to ***** TLC. By signing this contract, you understand that the funding therefore is coming from the approved grant and not from ***** TLC.

6. **Performance Standards**

The Consultant undertakes to perform the Services with the highest standards of professional and ethical competence and integrity. The Consultant shall promptly replace any employees assigned under this Contract that the Council considers unsatisfactory.

7. **Termination**

Your appointment may be terminated if there is a failure to diligently pursue the work plan, or if you fail to perform the tasks specified therein. ***** TLC will provide thirty (30) days written notice of intent to terminate in such instances, and if the failure has not been rectified in that period of time, the appointment will be terminated. In such case you will be compensated for all work satisfactorily performed to the date of termination.

8. **Confidentiality**

The Consultants shall not, during the term of this Contract and within two years after its expiration, disclose any proprietary or confidential information relating to the Services, this Contract or the Council's business or operations without the prior written consent of the Council.

9. **Ownership of Material**

Any studies, reports or other material, graphic, software or otherwise, prepared by the Consultant for the Council under the Contract shall belong to and remain the property of the Council. The Consultant may retain a copy of such documents and software. The consultant may use the work and results

generated from the assignment on submission of an explanation as to the proposed use to the Council and once written approval from them has been obtained.

10. Consultant not to be engaged in certain activities

The Consultant agrees that, during the term of this Contract and after its termination, the Consultant and any entity affiliated with the Consultant, shall be disqualified from providing goods, works or services (other than the Services and any continuation thereof) for any project resulting from the Services.

11. Insurance

The Consultant will be responsible for taking out any appropriate automobile and professional liability insurance coverage. Written proof-of-insurance shall be submitted at contract signing.

12. Assignment

The Consultant shall not assign this Contract or sub-contract or any portion of it without the Council's prior written consent.

13. Law Governing Contract and Language

The Contract shall be governed by the laws of the Republic of South Africa, and the language of the Contract shall be English.

14. Indemnification

The Consultant shall defend, indemnify, and hold the ***** TLC and MIU harmless from any and all claims, losses, or damages to the extent caused or contributed to by any errors, omissions or negligent acts associated with or arising out of the services performed by the Consultant, its agents, employees, or subcontractors.

FOR THE COUNCIL

FOR THE CONSULTANT

Signed by _____

Signed by _____

Title: _____

Title: _____

LIST OF CONTRACT ANNEXES

Annex A: Terms of Reference and Scope of Services

Annex B: Consultant's Personnel

**DOCUMENTS FOR
MEMBERS'
SIGNATURE**

MIIU

Municipal Infrastructure
Investment Unit

CONFIDENTIAL

COMPENSATION POLICY FOR THE BOARD OF DIRECTORS

The Project Preparation Unit (PPU) of the Municipal Infrastructure Investment Unit (MIIU) was tasked by the Board of Directors at its 25 July 1998 meeting to present a proposed compensation policy for the board members. The following is submitted :

At the outset, it must be noted that the Articles of Incorporation of the MIIU state that board members "shall not receive any remuneration". [§10 of the Articles]. Therefore, before any compensation policy may be implemented, the Articles of Incorporation must be amended. An amendment might read :

"Members of the Board of Directors shall receive such compensation as provided in a Compensation Policy adopted by a quorum of board members at a regularly-held board meeting wherein the notice of said meeting stated that adoption of such policy was an agenda item."

Subsequent to the adoption of such amendment to the Articles of Incorporation, we suggest the adoption of the following Compensation Policy:

"Compensation Policy

Board Members are eligible to be compensated at a rate to be determined at a regular or special meeting. A Board Member may waive compensation.

In addition, Board Members shall be reimbursed for necessary out-of-pocket expenses incurred whilst attending meetings, including mileage, economy-class air fare, car rental, meals and hotel accommodation.

Please indicate whether you accept or waive compensation.

Accept

Waive

Signature : _____ (To be submitted to the CEO)"

**CODE OF CONDUCT
BOARD OF DIRECTORS
MUNICIPAL INFRASTRUCTURE INVESTMENT UNIT**

I

**DIRECTORS' DISCLOSURE OF INTEREST
(STATUTORY AND POLICY FRAMEWORK)**

PREAMBLE

- 1 NOTING THAT the Municipal Infrastructure Investment Unit (MIIU) is a financial and technical assistance unit established to assist municipalities in preparing projects concerning public/private partnerships for infrastructure development and delivery and engaging private sector investments in these projects;
- 2 WHEREAS, although the MIIU is a private company, its ultimate beneficiaries are organs of state;
- 3 WHEREAS, in its Articles of Association, the MIIU makes provision to appoint directors to its board who may have a stake in providing advisory services to municipalities on project preparation, or in the projects which may result from the provision of such advice;
- 4 AND WHEREAS, the MIIU needs to develop a framework to regulate potential conflicts of interests amongst its directors and in doing so must have regard to considerations and organisational values that apply to both private and public entities;
- 5 NOW THEREFORE the MIIU adopts the framework set out below:

THE FRAMEWORK

6 DUTY TO DISCLOSE AN INTEREST

- 6.1 The Companies Act, 1973 ("the Act") requires a director to declare his or her interest in a contract if he or she is in any way materially interested in a contract or proposed contract or who becomes materially interested after the contract is concluded.¹
- 6.2 The duty to disclose is a statutory duty and a failure to discharge this duty constitutes a criminal offence.²
- 6.3 A director has a disclosable interest where his/her company may provide advisory services to a municipality where payment for said advisory services will be, in whole or in part, by an MIIU financial grant.
- 6.4 A director has a disclosable interest where such director is an elected or appointed official of a municipality which has applied for MIIU financial assistance.
- 6.5 A director has no disclosable interest with regard to an application by a municipality for advisory services where his/her company will not provide advisory services to the municipality, but whose company may compete to provide services for any infrastructure project approved by the municipality as the result of the advisory services provided by others. Said director may

¹ §234(1)

² §234(4) and §237(5). In terms of §441(1)(e), this offence is punishable by a fine not exceeding R4000 or imprisonment for a period not exceeding one year, or both the fine and the imprisonment.

have a disclosable interest in any subsequent application by the municipality for a project preparation grant.

7 WHEN MUST THE DISCLOSURE BE MADE

The Act requires the disclosure be made at or before the first directors meeting after the interest arises at which the contract is being considered. The Act further provides that if this is not possible, the disclosure³ must be made at the first directors meeting thereafter and the director, in that event, must state the reasons for not being able to make the disclosure in the previous meeting.⁴

8 HOW MUST THE DISCLOSURE BE MADE – CONTRACT SPECIFIC INTERESTS

8.1 Although the Act contemplates various forms of disclosure, the following procedure for disclosure applies:

- (a) notification of the disclosure must be in writing;
- (b) the notice must specify the contract in respect of which the interest arises;
- (c) the notice must specify the full particulars of the interest;
- (d) a fresh disclosure must be made at the commencement of each financial year after the initial disclosure; and
- (e) the particulars of the interest may be amended at any time and the amendment must be made in writing.

8.2 This procedure does not apply to directors who have made disclosure in terms of paragraph 9.

9 HOW MUST THE DISCLOSURE BE MADE – GENERAL INTERESTS

9.1 The Board of Directors of the MIU will in all likelihood be composed of directors who may have an on-going interest in the projects and activities of the MIU by virtue of being able to provide municipalities with either:

- (a) services, inter alia, in the form of expertise in developing project proposals; or
- (b) facilities, inter alia, in the form of funding for, or undertaking of, projects which may be procured by a municipality as the result of advisory services such as those mentioned in (a).

9.2 In respect of directors having these interests, the following procedure for disclosure applies:

- (a) notification of the disclosure must be in writing,
- (b) the notice must state that interest pertains to potentially all such contracts;
- (c) the notice must specify the full particulars of the interest;
- (d) a fresh disclosure must be made at the commencement of each financial year after the initial disclosure; and

³ §235(1)

⁴ §235(2)

- (e) the particulars of the interest may be amended at any time and the amendment must be made in writing.

10 INVALIDATION OF DISCLOSURE NOTICE

If at any time it appears to the Board of Directors that a director's actual interest exceeds what has in fact been disclosed, the original disclosure will be deemed not to have been made for purposes of Article 12(e) of MIU's Articles of Association.

11 VOTING RIGHTS OF DIRECTORS WHO HAVE DISCLOSED AN INTEREST – RECUSAL

Although the Act and MIU's Articles of Association do not prohibit a director from voting and deciding on contracts or issues in respect of which they have an interest, the following procedure regarding voting rights will apply:

11.1 directors must recuse themselves from all discussion concerning:

- (a) determining the specifications of any of these contracts;
- (b) the processing of tender applicants for these contracts;
- (c) the awarding of these contracts; and
- (d) the monitoring and evaluation of these contracts;

11.2 however, the provisions of paragraph 11.1 do not preclude a director from:

- (a) deliberating on the specifications of a contract if these specifications are the subject matter of a prior appropriate public consultation process;
- (b) deliberating on reports concerning the monitoring and evaluation of these contracts, if these reports pertain to contracts that are part of a cluster of similar or related contracts; and
- (c) deliberating and deciding on general procedural issues that are applicable to all contracts and these procedural issues have been the subject matter of a prior appropriate public consultation process.

ADMINISTRATIVE OBLIGATIONS OF THE MIU

12 PARTICULARS OF DISCLOSURE IN MEETING NOTICES

12.1 A notice convening a directors meeting to confirm or authorise a contract or proposed contract in which a director has an interest must state the full particulars of the director's interest in such contract.

12.2 Failure to comply with this provision by the MIU and any director who is party to such failure, constitutes a criminal offence.⁵

13 MINUTING DISCLOSURES OF INTEREST

⁵ In terms of §441(1)(e), this offence is punishable by a fine not exceeding R4000 or imprisonment for a period not exceeding one year, or both the fine and the imprisonment.

13.1 Every disclosure of interest by a director must be recorded in the minutes of the meeting of the board of directors at which the declaration was made.

13.2 Failure to comply with this provision by the MIIU constitutes a criminal offence. However, a failure to record a disclosure that has, in fact, been made, does not preclude proof that the disclosure was made and that the disclosing director complied with the statutory provisions.

14 REGISTER OF INTEREST IN CONTRACTS

14.1 The MIIU will keep a register of interests in contracts.

14.2 The register of interest in contracts must be kept at the MIIU's registered office or at the office where the register is compiled.⁶

14.3 The register of interests in contracts must be kept open for inspection by any member of the public at the office referred to in paragraph 14.2.⁷

15 DUTIES OF AUDITORS IN RELATION TO THE REGISTER OF INTEREST

The MIIU auditors must satisfy themselves that the register of interest in contracts has been kept as required and that every declaration of interest recorded in it has been minuted as required.

⁶ §240

⁷ §113. Note the Act specifies a maximum inspection fee of twenty-five cents per page for members of the public, although this fee need not be charged.

- (e) the particulars of the interest may be amended at any time and the amendment must be made in writing.

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- (a) determining the specifications of any of these contracts;
- (b) the processing of tender applicants for these contracts;
- (c) the awarding of these contracts; and
- (d) the monitoring and evaluation of these contracts;

11.2 however, the provisions of paragraph 11.1 do not preclude a director from:

- (a) deliberating on the specifications of a contract if these specifications are the subject matter of a prior appropriate public consultation process;
- (b) deliberating on reports concerning the monitoring and evaluation of these contracts, if these reports pertain to contracts that are part of a cluster of similar or related contracts; and
- (c) deliberating and deciding on general procedural issues that are applicable to all contracts and these procedural issues have been the subject matter of a prior appropriate public consultation process.

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⁶ §240

⁷ §113. Note the Act specifies a maximum inspection fee of twenty-five cents per page for members of the public, although this fee need not be charged.

DISCLOSURE OF INTEREST BY A DIRECTOR

1 DIRECTOR'S DETAILS

1.1 Name _____

1.2 I hold the interest:

- In a personal capacity
- As a representative for a body, organisation, or corporate being, to-wit: _____

2. DISCLOSURE DETAILS:

2.1 I have an interest:

- In a specific contract; or
- which is of a general nature and therefore potentially applies to all contracts or a particular category of contracts.

2.2 The details of the interest in respect of a specific contract are as follows:

(a) reference number of the contract: _____

(b) title of the contract: _____

(c) the extent of my interest is: _____

(d) the nature of the conflict I foresee is: _____

2.3 The details of the general interest are as follows:

(a) my interest relates to:

- potentially all contracts
- potentially a particular category of contracts being or relating to: _____

(b) the extent of my interest is: _____

(c) the nature of the conflict I foresee is: _____

3. DECLARATION

I understand that:

- (1) the duty to disclose is a statutory duty and a failure to do so constitutes a criminal offence;
- (2) I must disclose the interest at or before the first directors meeting after the interest arises;
- (3) in respect of my disclosed interest, I must make a fresh disclosure at the start of each financial year;

- (4) I may amend my disclosure of interest at any time and that this amendment must be made in writing;
- (5) if my interest exceeds that which I have disclosed, this disclosure will be deemed not to have been made;
- (6) in certain circumstances, I will have to recuse myself from certain processes of the MIU.

Signature: _____

Date: _____

Witness: _____

II

**COMMERCIAL USE OF MEMBERSHIP ON THE
MIU BOARD OF DIRECTORS**

1. The fact of a director's membership on the MIU Board of Directors shall not be used for the commercial advantage of either the director or the director's employer.
2. Nothing in the foregoing shall prohibit a director from listing membership on the MIU Board of Directors in a Curriculum Vitae, employment application, or other response to a request for such information from academic, community service, and governmental organisations.

III

BUSINESS RELATIONSHIPS BETWEEN AND AMONG DIRECTORS

1. Recognising the potential for directors to engage in business relationships which do not otherwise come within the provisions of Sections I and II of this Code of Conduct, the following guidelines are provided:
2. A director shall not engage in a business relationship with and among other directors that may compromise the ability of such director to cast an impartial vote on any matter that may come before the Board.
3. A director shall not take note of the fact of the existence of a business relationship with and among other directors in an attempt to influence of vote of such directors with regard to any matter that may come before the Board.

CERTIFICATE AS TO CODE OF CONDUCT

This is to certify that the undersigned has reviewed the above-written Code of Conduct, fully understands the contents thereof, and agrees to be bound thereby.

Signed: _____

Date: _____

**SEVENTH MEETING OF THE BOARD OF DIRECTORS OF THE
MUNICIPAL INFRASTRUCTURE INVESTMENT UNIT (MIIU)
TO BE HELD ON THURSDAY, 15 OCTOBER 1998
IN THE BOARDROOM
DBSA BUILDING,
LEVER ROAD, MIDRAND
TIME : 09:30 – 13:00**

CHAIRPERSON : MR ENOS BANDA

A G E N D A

- | | | | |
|------|--|-----------|---|
| 1. | INTRODUCTION AND WELCOME | Chair | |
| 2. | ADMINISTRATION | Chair | |
| 2.1. | Apologies | | |
| 2.2. | Adoption of agenda | | |
| 2.3. | Minutes previous meeting
No. 06/98 (for approval) | | A |
| 2.4. | Matters Arising | | |
| 3. | DOCUMENTATION FOR APPROVAL | | |
| 3.1 | Revised Business Plan | J. Aiello | B |
| 3.2 | Progress Report | A. Still | C |
| 3.3 | Cost Sharing Guidelines | A. Still | D |
| 3.4. | Procurement Policies & Procedures | A. Still | E |
| 4. | DOCUMENTATION FOR DISCUSSION | | |
| 4.1 | Strategic Direction and Subsequent Exit
Strategy | M. Hlahla | F |
| 5. | SUMMARY AND CONCLUSIONS | Chair | |
| 6. | DATE OF NEXT MEETING | Chair | |
| 7. | CLOSURE | Chair | |

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| | DOCUMENTS FOR NOTIFICATION | | G |
| | > Marketing Strategy | | |
| | > Application and Approval Procedures | | |
| | > Application Questionnaire | | |
| | > Project Proposal Report (PPR) | | |
| | > Model Grant Agreements | | |
| | > Model Terms of Reference (TOR) | | |
| | > Model Request for Proposals (RFP) | | |
| | > Suggested Newspaper Announcement | | |
| | > Model Contract for Consulting Services | | |

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| | DOCUMENTS FOR BOD MEMBERS' SIGNATURE | | H |
| | > Compensation Policy | | |
| | > Code of Conduct | | |