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Municipal Infrastructure Investment Unit Technical Assistance Project Final Evaluation

FINAL REPORT

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Abstract

This is the final evaluation of the Municipal Infrastructure Investment Unit (MIIU) Technical Assistance Project implemented by Planning and Development Collaborative (PADCO), which provided services to the MIIU over a period of eight years, under two contracts. The evaluation reviews the overall results, successes, shortfalls, and impact.

The policy of supporting public private partnerships was under active development in 1997, and the decision to establish the MIIU, with substantial USAID support, in the form of a technical assistance contract, was taken that year.

The MIIU was established as a demand-driven agency and supported a total of 234 projects. Its impact was affected by the political climate, including the negative publicity surrounding the Nelspruit and Dolphin Coast concessions. Nevertheless, the case studies show that it supported the creation of very effective MSPs.

The legacy of the MIIU will be a very important one. It has made a substantial contribution to the understanding of the how PPPs work, and has contributed to the skilling of a wide variety of consultants, municipal officials and its own staff, although there were reservations about the lack of black consultants in the field.

The report also covers the reporting system, and notes that the contractor provided narratives and the data required to a high standard, even though the reporting system required data that was difficult to quantify.

The report recommends that when its functions are transferred to National Treasury, as seems to be the case, it should be established in an environment in which risk-taking is recognized as a means to achieve higher standards of service delivery and accelerate provision. It should provide a service which is responsive to the needs of local government and should recognize the difficult conditions in which local government works.

The report also notes that the present regulatory environment imposes substantial costs and time constraints on any municipality wishing to enter into a MSP, and proposes simplifications.

The MIIU constituted an effective hands-on form of technical assistance which had produced partnerships of lasting value and leaves a legacy of well trained staff and well informed consultants and municipalities. There is a much work to be done, but as an international donor USAID has made a durable and effective contribution by supporting this initiative.

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Acronyms

ANC	African National Congress
CEO	Chief Executive Officer
COP	Chief of Party
COSATU	Congress of South African Trade Unions
DBSA	Development Bank of Southern Africa
DCD	Department of Constitutional Development
DFID	Department for International Development
DPLG	Department of Provincial and Local Government
MEC	Member of the Executive Council
MIIU	Municipal Infrastructure Investment Unit
MSP	Municipal Services Partnership
O & M	Operation and Maintenance
PADCO	Planning and Development Collaborative International Inc
PPP	Public Private Partnership
TLC	Transitional Local Council
USAID	United States Agency for International Development

EXECUTIVE SUMMARY

1. Purpose and methodology of the evaluation

The purpose of the final evaluation of the Municipal Infrastructure Investment Unit (MIIU) Technical Assistance Project implemented by Planning and Development Collaborative International (PADCO) is to review its overall results, successes, shortfalls, and impact.

2. MIIU: the Concept

Public private partnerships were proposed as part of a package developed in the period 1995 – 1997, under the guidance of the Department of Constitutional Development, and featured in the Local Government White Paper, of 1997. The aim was to break away from the old mould of a centralized bureaucratic local government system into a new developmental system which would be characterized by a leaner and meaner administration, concentrating on core business only.

Against this background it was decided to establish a politically neutral technical advisory body which would give support and assistance to local government in its dealings with the private sector. It was hoped that its legacy would be a body of knowledge and expertise (in both the consultant community and municipalities) on the one hand, and a market in which financial institutions and service providers would be increasingly active participants in the market, and would thereby result in increased competition and improved standards of service delivery.

USAID funded this technical assistance – the PADCO contract – and the Development Bank of Southern Africa (DBSA) provided the administrative home. The National Department of Finance provided funds (the “Project Development Fund”) for the cost of advisory consultancies, which were to be partly borne by the participating municipality, thus achieving a level of buy-in by them.

3. Political and Regulatory Environment

When the MIIU was established, local government legislation was undergoing many changes which affected all aspects of local government practice and procedures. This affected the ability of local government to operate while the changes were being implemented, and delayed the MIIU’s work. While in some respects the new legislation was supportive in that it prescribed a framework for the use of public/private or public/public partnerships, it also contained language empowering the national Minister responsible for local government to control tariffs.

4. The Risk Environment

Anti-privatization

An anti-privatization lobby managed to establish an atmosphere in which many municipalities were, we believe, inhibited from taking the decision that they would otherwise have taken, namely to use Municipal Services Partnerships (MSPs) to improve service delivery.

The market

One of the objectives of the MIIU was to establish a “market” in MSPs, and this was an aspect to which the mid-term evaluation of the MIIU paid much attention. Due to the small scale of the projects in South Africa that there is insufficient interest by international service providers who might have the expertise, and access to capital to create a real market in these matters.

Legislation and political support

In the rapidly evolving patterns of governance of South Africa, the legislative climate is an important factor as far as the private sector is concerned. Progress on many projects was hampered as new regulations were brought into force, or legislative changes required a new start. There were also many moments in the life of the MIIU when the political support for the MIIU appeared to waver.

5. Impact

The MIIU was established as a demand-driven agency, and measured by the volume of demands it must be considered a success: they supported a total of 234 projects.

We selected a number of case studies to illustrate typical successes and challenges faced by the MIIU.

The case studies selected were, briefly:

The uMhlathuze Water and Sanitation Project

The MIIU funded studies in uMhlathuze found that the municipality had the capacity to operate their water reticulation and cost recovery systems, but that water and sewerage treatment works would be better managed by a private sector company. The total cost of the contract is about R14 million per year which produces an annual saving for the municipality of about R2 million.

The municipality is highly satisfied with the service it has received from the private sector provider, and it is likely that the contract will be extended beyond its present life of five years (ending May 2006). The contract was noted for its successful labor relations, and the fact that the role of the contractor was well defined and monitored.

Cape Town: Divestiture of Epping Market

Epping market is the third largest market in South Africa, and was identified as a non-core asset by the City of Cape Town in 2001. The bid was won by a consortium run by the existing management. The contract resulted in substantial increases in income by the City, and although certain aspects of the contract did not go according to plan in general the project remains on track.

Cape Town: Solid Waste Transfer Stations

We also looked at the two solid waste transfer facilities in Cape Town which were developed with MIIU support. These are state-of-the-art material recovery facilities, which include compaction and deodorization systems whereby the material is containerized and railed out to land-fill sites.

Cape Town: Community-based Solid Waste Removal Scheme, and Neighborhood Drop-off Points

Cape Town also decided to introduce a solid waste collection system in all informal housing areas, in which the contractors would be residents. Under an evaluation of all community-based contracting in South Africa this was evaluated as the best.

Concerning the drop-off centers, the project had already been conceptualized but MIIU provided very valuable suggestions for improvement which allowed them to fine-tune the systems. The centers are now working profitably for all concerned.

Chris Hani District Municipality: Water and Sanitation

MIIU funded a study of the ability of the municipality to provide water services following which it was agreed that a PPP should be investigated. After the completion of the study, the Council decided that it did not wish to proceed with a public/private partnership, against the recommendations of the section 78 study. The process of undertaking the study forced the municipality to scrutinize the management of their services and provided a good basis for any future review of service delivery. Therefore while the investment may be considered to have been wasted in some respects, there were residual benefits which have been of value.

uThukela Water

This document-based case study illustrates the lack of power that an agency such as the MIIU ultimately holds. The case is a public/public partnership and concerns the establishment of a multi-jurisdictional entity. The arrangement has been widely considered to have been a failure, as one of the partners withdrew shortly after its formation. The case study highlights the need for the process by which municipal entities are developed to be thorough and consultative.

Thulamela Waste: Landfill Operation and Maintenance Contract

The existing solid waste dump was among the Greater Thohoyandou Local Municipality's biggest problems and greatest challenges. The site was uncontrolled, surrounded by low-income housing and was a potential source of disease. Due to its poor operation, it also threatened underground water supplies.

The contract was a three-year Operation and Maintenance Contract (O&M).

The following lessons were learnt:

- Good communication between the municipality, consultant and regulatory agencies must be maintained throughout the project.
- Projects must be driven by the municipality, not the consultant.
- Municipalities must develop good management capacity to carry these projects forward and become the link between the project and the Council.
- Time spent on public participation is well worth the effort.

Mbombela Revenue Enhancement Project

This was a pilot scheme to enhance the revenue collection in a specific area of the municipality. It required an assessment of the number of indigent households in the pilot area, an analysis of the municipal debtors and an assessment of the benefits of undertaking a data cleansing exercise in a selected pilot area, and water demand management.

The pilot project was intended to run over three years with an option to review outcomes at the end of each year. At the end of the first year in November 2005 an

assessment was made and the project was terminated in February 2006. The municipality considers that the firm did very little field work and thus did not fulfil the terms of the contract: the firm maintains that the municipality did not understand how they worked.

6. Capacity Building and Legacy

Staff

Initially the input of local staff was limited, but over the years it increased dramatically, and towards the end of the life of the MIIU they were running most projects single-handedly.

Study Tours and Conferences

The MIIU conducted very successful and influential study tours in June 2000, to Brazil, Argentina, Chile and Australia; one to Mexico, and later one to the Great Britain. The MIIU was active in terms of getting its voice heard in conferences, and hosted a national conference on MSPs in May 2002.

Municipal Level

The municipal staff we spoke to volunteered their appreciation of how much they had learned from the MIIU staff directly.

Consultants, Standard Contracts etc

During the life of the MIIU there has been a dramatic growth in the number and quality of consultants equipped to deal with the whole MSP process, and that much of the improvements in terms of quality can be laid at the door of the MIIU, and, in the final analysis, of the consultants employed by PADCO.

Publications

The MIIU has prepared guidelines on a number of technical issues, and has also commissioned a consultant to prepare a guideline document on preparing MSPs (not yet completed). The MIIU has also prepared eight leaflets for use by Councilors.

Black Empowerment

The only area where criticism was expressed was in the field of black empowerment. However, by 2000 additional staff with appropriate qualifications had been hired, and today the MIIU has left behind a legacy of highly competent personnel.

It was felt that not enough was done to bring black consultants into the field. Even where such firms lacked the experience of their white counterparts, mechanisms such as joint ventures, sub-contracting etc could have been used to give the black firms the experience that they could not otherwise acquire.

7. Reporting

USAID Annual Report

There are questions regarding the technical validity of the data which the MIIU was required to generate, particularly with regard to the Rands leveraged by each project

(which are, in effect, an estimate of future activity) and to some extent the number of households served. Within these limitations the MIIU did the best job it could, and any weaknesses are systems issues which neither USAID nor the contractor had the power to affect.

Clean Energy Initiative Report

This requires data for issues which, by their nature, are difficult to quantify; but the contractor fulfilled its obligations in a professional manner.

8. Recommendations

The Future – National Treasury

It is to be welcomed that the role of the MIIU will, to some extent, be continued through the municipal desk of the PPP unit in Treasury. We consider that the PPP unit should have the following characteristics for success:

- It should be established in an environment in which risk-taking is recognized as a means to achieve higher standards of service delivery and accelerate provision.
- It should provide a service. This service should be responsive to the needs of local government and should recognize the difficult conditions in which local government works.

Regulations

The present regulatory environment imposes substantial costs and time constraints on any municipality wishing to enter into a MSP.

Two simplifications have been proposed by many of the municipalities we talked to.

- The first is that section 78 should be amended to permit the objective comparison between costs and benefits of providing a service by public sector and private sector as a first stage.
- The second is that procedures should be tailored to the scale of the enterprise or deal entered into.

We also recommend that the powers of national government to control tariffs should be passed to local government.

Anti-privatization lobby

There are palliative measures which might be used to address the influence of the anti-privatization lobby. The first is to engage the press in a positive way and present the matter objectively. The second is to engage unions at the local level, and take them to municipalities where union/municipal collaboration has been good, for example uMhlathuze, so as to defuse typical fears. Ultimately, however, the most important factor would be stronger political leadership on the subject.

International Donors

There is sensitivity in the international donor community about undertaking line functions. It is considered that to do so may either undermine the existing systems,

or result in dependency. The MIIU experience has proved that such concerns are not always justified. In part this is true because the MIIU was a special purpose vehicle, with a limited life. Thus it was, in many ways, ideal that the USAID funded operations should be of an executive nature rather than an advisory one. It enabled the PADCO staff to take responsibility for their actions, and work within the system rather than acting as advisors from outside.

From the developmental point of view, and the view of the municipal clients of the MIIU, the consensus is that the MIIU should have been retained as an arm's length, non-profit company supported by annual grants from the government. If so, this would have been a real tribute to the quality of the staff and their work.

The fact remains that a hands-on form of technical assistance has proved to be effective in terms of both producing partnerships of lasting value which will assist local government in South Africa to perform better, and leaving a legacy of well trained staff and well informed consultants and municipalities. There is a much work to be done, but as an international donor USAID has made a durable and effective contribution by supporting this initiative.

Municipal Infrastructure Investment Unit Technical Assistance Project

Final Evaluation: Draft Report

1. Purpose and Methodology of the Evaluation

The purpose of the final evaluation of the MIU Technical Assistance Project, implemented by PADCO, is to review its overall results, successes, shortfalls, and impact.

The evaluation required a review of core documents, pertinent to the USAID-sponsored project specifically and MIU generally, which included the MIU strategy, business plans, key performance indicators, quarterly reports, model agreements, MIU board meeting reports, and other project management and evaluation documentation.

We then undertook interviews with key project stakeholders to discuss their views of the impact of the technical assistance provided to MIU and participating municipalities to date. These interviews included officials from the MIU and its Board, National Treasury, the Department of Provincial and Local Government, the Development Bank of Southern Africa (DBSA), and a sample of five municipalities that had received assistance under the project.

This Report reviews the project's overall results, successes, shortfalls, and impact, as well as identifying lessons learned through the project and providing specific recommendations for USAID to consider in future related programming. The evaluation included a general review of: (i) the quality of assistance provided to municipalities in identifying the most appropriate mechanisms for financing municipal infrastructure, (ii) the impact of technical assistance packages provided for municipalities to secure local expertise, (iii) the impact of the technical assistance in terms of meeting performance targets established for the project, and (iv) the adequacy of reporting data submitted to MIU and USAID in terms of contract provisions.

2. MIU: the Concept

Public private partnerships were proposed as part of a package developed in the period 1995 – 1997, under the guidance of the Department of Constitutional Development, and featured in the Local Government White Paper, of 1997. The aim was to break away from the old mould of a centralized bureaucratic local government system into a new developmental system which would be characterized by a leaner and meaner administration, concentrating on core business only.

Under such a system, those services in which the private sector could perform better would be run through a public/private partnership. Where municipalities lacked the skills they could also link up with other public sector bodies and form public/public partnerships. Whatever the arrangements there was to be one outcome: more efficient and cost effective service delivery. By increasing the role of the private sector it was hoped that political interference – long a threat to efficient operations in politically sensitive matters such as tariff setting, and enforcement of debt collection – could be minimized. By the same token, the scope for corruption would also be limited.

At the same time there was a move towards a more effective system of political management, which was shortly afterwards legislated under the Municipal Structures Act 1998. This provided municipalities with options in regard to how they should be managed, included the concept – for the first time – of an executive mayoral system, whereby the mayor would personally become actively involved in government of the municipality, with a small executive committee. There were obvious parallels here with the system used in many parts of the United States; and with private enterprise – with the Mayor playing the part of a Managing Director.

While these ideas were broadly welcomed, there was nervousness on two fronts.

The proponents of the system were unsure about how to structure such deals, and were aware of the pitfalls of such arrangements. These pitfalls typically included the risk of the private sector being over-paid, not taking a suitable share of the risk, and not performing in accordance with the contract.

Those opposed to the concept cited examples of massive job losses, uncontrolled tariff increases and a lack of accountability to the political will of the electorate.

Against this background it was decided to establish a politically neutral body which would give support and assistance to local government in its dealings with the private sector. It was hoped that its legacy would, on the one hand, be a body of knowledge and expertise (in both the consultant community and municipalities); on the other hand it would develop a market in which financial institutions and service providers would be increasingly active participants, which would result in increased competition and improved standards of service delivery.

USAID offered to fund this technical assistance – the PADCO contract – and Development Bank of Southern Africa (DBSA) offered to provide the administrative home. The National Department of Finance provided funds (the “Project Development Fund”) for the cost of advisory consultancies, of which the participating municipality would pay a share, thus achieving a level of buy-in by them. The institution was established as a Section 21 (non-profit) company, reporting to a Board which represented a wide range of stakeholders.

Since the DBSA was a stakeholder in the MIU, a physical home and support services were readily available when the PADCO team arrived. However that was all: the procedures to be followed and the criteria to be used in assessing applications had to be developed alongside identification of skills locally that might be available in deal making.

This was a major role, in which the experience of the new Chief of Party in deal-making and public private partnerships was welded to the South African dimension in the form of the two leading players from the South African Government: Crispian Olver from the Department of Constitutional Development and Roland White from the Department of Finance. This team effectively determined the operating procedures for the MIU, and set the course for the subsequent eight years.

3. Political and Regulatory Environment

Throughout this evaluation we shall return to the impact of the political and regulatory environment on the concept and practice of PPPs and MSPs. By way of introduction we therefore outline the main influences on this environment.

3.1 The Transitional Period

When the MIIU was established, local government was governed by the Transitional Local Government Act. Under this, until the provisions of the new constitution were adopted, local government operated under transitional arrangements whereby the old “white” and “black” local government entities in the urban areas were amalgamated, but the status quo in respect service provision largely prevailed.

Two difficulties in relation to MSPs were identified at that stage. The first was that the legislation was silent on the powers of local authorities in respect of public/private partnerships. While this was not seen as an impediment by some, it caused nervousness in many quarters. The second difficulty was that, under the Water Services Act, the Minister responsible for water had to power to limit the profit or surplus that could be made in the provision of water¹. And while there were criteria for the construction of tariffs, there was no guidance regarding what a fair or unfair profit margin might be.

The new local government legislation, which was due to come into effect with the new elections to be held in 2000, was being drafted when the MIIU was established. The MIIU was requested to advise on this legislation and spent a considerable amount of time on the matter. In the end, however, it felt that most of what it recommended was ignored.

3.2 The Introduction of Wall-to-Wall Local Government

After the local government elections on 5th December 2000 the provisions of the Constitution of 1996, and subsequent legislation to give effect to them, came into effect². The legislation changed everything about local government: the boundaries, the system of government and decision-making, and the systems by which services would be delivered. Among other things, it introduced the executive mayoral system, the need for the community to be consulted in many aspects of government, and performance management contracts for staff.

Of importance for the MIIU was the fact that the Municipal Systems Act prescribed a process and framework (sections 78-80) within which the decision regarding service provision, and the use of public/private or public/public partnerships, could be taken. The Act also contained provisions regarding tariffs, which, to the disappointment of the MIIU (and against its advice) contained language empowering the Minister responsible for local government to control tariffs.

Under this legislation the powers and functions of local government were allocated between district and local municipalities. Of particular importance, from the MIIU's point of view, was the question of whether district or local municipalities would be the Water Services Authorities. Decisions were taken in this regard by the Provincial

¹ Water Services Act, s 10.2.d

² The Municipal Demarcation Act 1998, The Municipal Structures Act, 1998, and the Municipal Systems Act 2000.

Members of the Executive Council (MECs)³, but in many cases these were changed three years later, under gazette notices published in January and June 2003.

3.3 The Public Finance Management Act, and the Municipal Finance Management Act

The former legislation imposed onerous procedures and compliance requirements on all entities receiving public funds – one of which was the MIIU. The Annual Reports reflect the complexities of the requirements, and the extent to which energies of the MIIU's management had to be diverted to address those procedures.

The latter similarly controlled the local government sector, and while very praiseworthy in intent, imposed a heavy burden on local government administration.

3.4 The Municipal Systems Amendment Act

The amendments of most relevance to the MIIU concerned the changes to section 78-80. They drastically changed the procedural requirements to be followed, adding substantial time and cost to the process.

A measure of the burden of the regulatory process is that the cost of compliance amounted, on average, to up to 20% of the value of the deal. It is considered that 2.5% - 5% is the industry norm elsewhere.⁴

3.5 Orders under Section 12 of the Municipal Structures Act

Under sections 12 and 13 of the Municipal Structures Act, the MEC responsible for local government in each Province, in accordance with guidelines to be issued by the Minister, had to designate the division of responsibilities of each district and local municipality in terms of the list included in section 83 of the Act. Immediately after the coming into effect of the Act – on 6th December 2000, there was much confusion on this matter, and it was several months before an interim decision was taken and a gazette notice published. In some provinces, it was not until mid-2003 that final decisions on these matters were taken.

The significance of this is most clear in the water sector: municipalities which were designated water services authorities had very different powers and duties than those which were not. This confusion had a major impact, for example, on the uThukela Water MSP, which is discussed briefly under our case studies below.

3.6 Municipal Finance Management Act: Municipal Public-Private Partnership Regulations, R309, April 1, 2005

These regulations spell out the systems which municipalities must follow in implementing PPPs. They further detail the criteria to be met before a PPP can be entered into. These regulations have been criticized for imposing further administrative burdens on municipalities, and requiring procedures which will delay decision-making (for example in respect of five separate stages the municipality must solicit the views of Treasury – which can take time to respond.).

³ An irony of the situation was that Provinces have no powers in respect of water provision, but do have powers regarding the role of local government in water management.

⁴ MIIU interview

4. The Risk environment

4.1 Anti-Privatization

Neither the mid-term review, nor the final MIIU publication “A Journey of Partnership”, give prominence to one of the major risks which faced the MIIU: a virulent anti-privatization lobby.

To simplify, it consisted of three camps:

- A left wing, largely academic, group who opposed the involvement of big business, and the Bretton Woods institutions (especially the World Bank) in South African national and local government. They can be characterized as part of the anti-globalization lobby, with a strong pro-poor and anti-capitalistic stance.
- The Congress of South African Trade Unions (COSATU) and the South African Communist Party; who mainly objected due to fears that privatization would result in job losses.
- Township activists who objected to strict cost recovery policies, and fought for free or very subsidized services for the poor.

The lobby used two main techniques to present its arguments. They focused on three projects in their campaign: the Nelspruit and Dolphin Coast concessions, and campaigns in, among other townships, Soweto by Johannesburg City Council and Eskom to get people to pay for their services in Soweto. There were articles, letters and interviews by the leaders of the movement which painted a picture of exploitation of the poor by private enterprise, either by massive price increases or by cutting off the services of non-payers; or by job losses at the hands of the new employers. They also cited international examples, such as Buenos Aires, as warnings of what could happen in South Africa.

We are satisfied that the scare stories about the behavior of private enterprise in the two water concessions referred to above were factually wrong. It is also uncontested that the cost recovery initiatives in Soweto (and other townships) were necessary and, indeed, required by law under the Municipal Systems Act.

In this connection we should note that public/private partnerships and other MSPs were officially recognized as a government supported policy option, for which provision was made in Acts of Parliament. The MIIU was, of course, established under a Cabinet Memorandum, and funded by the then Department of Constitutional Development and later the Department of Provincial and Local Government.

The obvious conflict between official policy (as expressed in the White Paper and the legislation) and the position being taken by the anti-privatization movement in its various guises did not go unnoticed by the ANC tripartite coalition. Some of those who were party members were expelled from their party. For example, Dale McKinley, one of the anti-privatization lobby's most vociferous spokesmen, was warned by the South African Communist Party on several occasions about his anti-government tone, and in August 2000 was expelled. Similarly, Trevor Ngwane was suspended by the ANC and removed from office as an ANC Councilor.

However, the seeds of doubt were very firmly sown by the movement and it cannot be denied that it made the work of the MIIU much more difficult. It managed to establish an atmosphere in which it was safer to stick to the public sector, and many municipalities were, we believe, inhibited from taking the decision that they would otherwise have taken, namely to use MSPs to improve service delivery.

As we shall note below, the movement concentrated on water as a sector. It claimed that the involvement of the private sector in this sector was particularly undesirable. This may explain why the appetite for water concessions, on the Nelspruit model, seemed to fade away.

The MIIU was especially vulnerable to this type of campaign due to its US connections. The US had been suspect by many activists in the apartheid period due to its collaboration with the SA government, and its hostility to friends of the anti-apartheid movement such as the USSR and Cuba. Add to this the bogey of the CIA, and conspiracy with the World Bank and other manifestations of international capitalism, and it is easy to see how those who chose to could paint USAID as a latter day neo-colonialist. In that light, the MIIU was seen as evidence of how the US was infiltrating the SA Government and introducing capitalistic methods that were out of keeping with the aims and objectives of the ANC-led alliance, and its Reconstruction and Development Program. The fact that the MIIU was, to all intents and purposes run by Americans simply proved the point.

PADCO decided to address the major issues in the debate by the preparation of a study based on international experience, with the particular aim of presenting the full facts concerning PPPs which had been criticized by the anti-privatization lobbies. It is a measured and very objective document: acknowledging bad PPPs and correcting misperceptions about a number of internationally cited cases. It elaborates on three case studies, Buenos Aires, Cote D'Ivoire and Guinea.

However, it appears that the paper did little to convince the skeptics, though it was a useful source for those needing facts for use in discussions with municipalities and others.

4.2 Lack of Skills

Clearly the purpose of the MIIU was supply expertise and experience in a market where such deals had only been done on a small scale, and where there was no long-term experience.

A risk in the establishment of the MIIU was that there would not be enough consultants with the experience – even with MIIU guidance – to manage the transactions, and thereby the MIIU would have to perform the work with its own staff. This was clearly not the intention.

In the event it was found that there was a body of consultants with sufficient competence to undertake soundly based evaluations of the potential for MSPs, and to generate the required data. However, in the early days, the consultants needed support and advice, which was provided by the MIIU.

4.3 Lack of Interest of Private Sector

One of the objectives of the MIIU was to establish a “market” in MSPs, and this was an aspect to which the mid-term evaluation of the MIIU paid much attention.

The experience has shown that the number of deals in most sectors has been so small that the term market, which implies regular trading on a scale that fosters the skills required for deal-making (whether by consultants, service providers or financiers), is somewhat of an exaggeration. The charts below show the number of completed projects undertaken with MIIU support.

It is possible that, due to the small scale of the market in South Africa that there was insufficient interest by international service providers who might have had the expertise, and access to capital, that was required for larger projects, such as rehabilitation and operation of power stations.⁵

Interestingly enough, there has been a substantial change in the financial climate for municipal investment since the formation of the MIIU. It will be recalled that Johannesburg was technically bankrupt, no investors would even consider lending to local government, and government grants for infrastructure development were stringently controlled.

Three factors have altered this position, so that the lack of funds is no longer the issue that it used to be. The first is that the standard of financial management has improved, and the provisions of the Municipal Finance Management Act are such that local government finances are more transparent and better regulated. The second is that the quantum of grants to local government has increased, and the project based control system has been abolished in favor of a sectoral grant system. The third is that the capacity to plan and generate projects is lagging behind the available funds: we therefore now have a position where there is more than enough money for municipal infrastructure, given the other capacity constraints in the system⁶.

Thus although the MIIU worked closely with USAID Pretoria to establish a Local Government Loan Facility, and negotiated a commitment agreement with USAID's Development Credit Authority, there have been no requests to access the facility.

4.4 Legislative and Regulatory Framework

In the rapidly evolving patterns of governance of South Africa, the legislative climate is an important factor as far as the private sector is concerned.

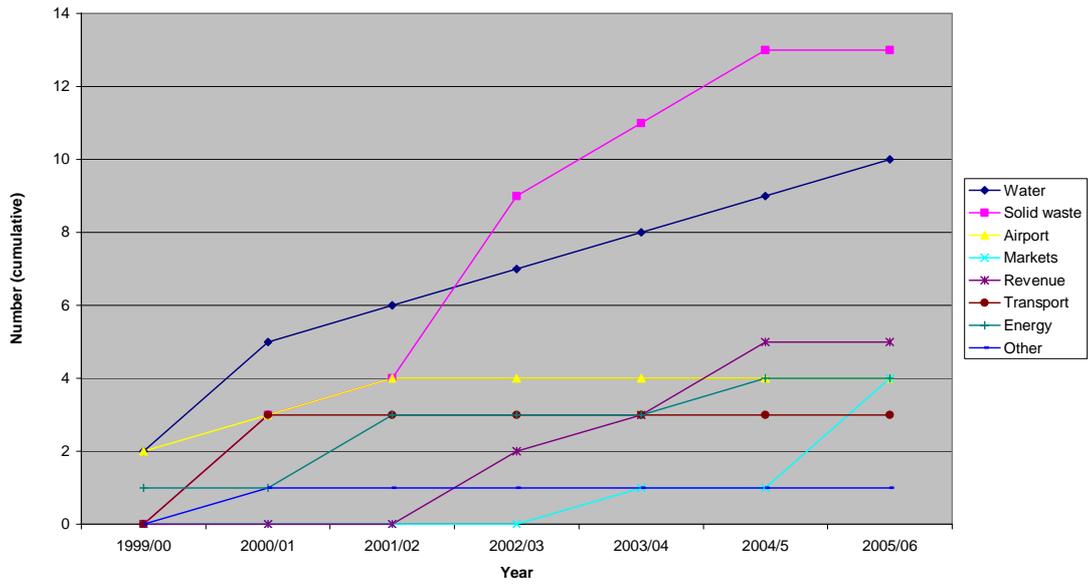
Two examples of how the regulatory framework affects investor confidence will illustrate the point:

- **Control of Tariffs:** as noted above, the Water Services Act and the Municipal Systems Act allow central government to control tariffs: such controls would override any contract entered into between a service provider and a municipality.
- **Uncertainty in electrical sector:** in the field of electricity generation and supply there have been many announcements since 2000 about the government's intention to break up Eskom's current monopoly, and establish regional electricity distribution companies, but no decision has yet been taken on their final form.

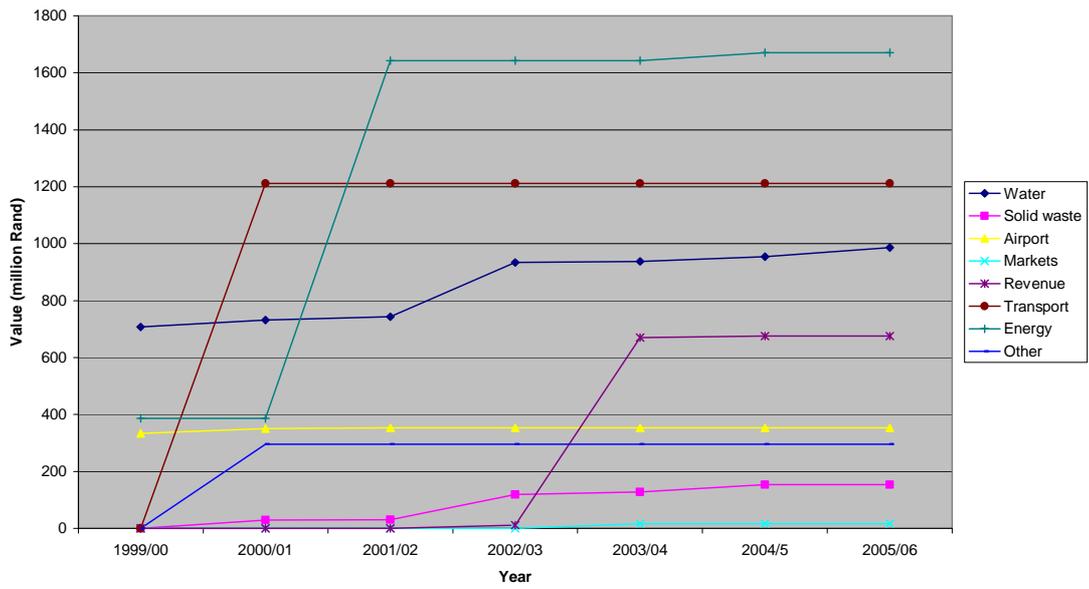
⁵ A case in point was a project to rehabilitate and operate the Athlone Power Station, in Cape Town, for which there were no bidders with the necessary expertise.

⁶ This is not to say that there are not cases where capacity is not the issue and additional funding is required. The most notable one is Johannesburg in which the MIIU played an important role in assisting to raise funds through two very successful municipal bond issues.

Project numbers and sectors



Projects by value (cumulative)



4.5 Lack of Support

There were many moments in the life of the MIIU when the political support for the MIIU appeared to waver.

To summarize the situation:

The MIIU was formed under the auspices of the Department for Constitutional Development (DCD). Its Minister, Valli Musa, was an enthusiastic supporter of PPPs, and made no secret of it.

However, in 1999 a new cabinet was formed, and with it new departmental responsibilities were established. The constitutional development functions were allocated to the Department of Justice, while the provincial and local government aspects were allocated to the new Department of Provincial and Local Government, with Sidney Mufamadi as its Minister.

Between 1997 and 2000 the anti-privatization movement had become very vociferous, and had used the Nelspruit and Dolphin Coast water concessions as examples of the so-called dangers of privatization.

While there was never any suggestion from the DPLG that government policy had changed towards PPPs, neither the Minister nor his staff came out strongly in favor, and there was a lack of specific endorsement of the principle of using PPPs/MSPs as a means of enhancing service delivery.

Similarly, the MIIU's first two CEOs appear to have been reluctant to enter the fray, and while being wholly supportive of the principles that the MIIU stood for, were perhaps too shy of taking a public stand. The third was less reclusive, and taking the mandate that the MIIU had been given by the Cabinet as authority she debated the issues with vigor.

The Department of Finance, and its successor, the National Treasury was similarly reluctant to enter into the public debate. This may be explained by the fact that it had its own battles in relationship to the privatization of national state owned assets, which was being vigorously opposed by the unions.

Thus throughout its life, the MIIU had to tread a difficult path in terms of the perceptions, and it, and the PPPs, were subject to critical articles in the press⁷. As a matter of policy they chose not to respond, which was probably tactically sensible. However, in our view, they could have done more to educate the editors and senior journalists in the issues at stake, and possibly to feed them the true facts.

⁷ Two writers were quite prolific: Dale McKinley and Ebrahim Harvey (the latter on the subject of Johannesburg Water). Patrick Bond was also a regular contributor. Meanwhile the activities of the Soweto Electricity Forum, headed by Trevor Ngwane received much coverage.

5. Impact

5.1 General

It is interesting to speculate on how the founders of the MIIU in 1998 would perceive its impact. From the documentation which speaks of a life of five years, it can be inferred that they expected quicker progress. But speed is not everything, and it is well known that the major factor in delays was the re-organization of local government, which we have discussed above.

It is probably also true to say that the founders would have expected more large scale projects. After the dramatic turn-around of Johannesburg under which it put all its major services under private sector management, and divested itself of those which it could, they might have expected other municipalities to follow suit, especially the metros.

Furthermore, they might have expected many more large-scale water concessions being used to improve the standard of management of water services, and extend services to the previously disadvantaged.

If there have been disappointments in these respects, how much responsibility should the MIIU take?

In answering this we must be aware of three factors:

5.1.1 MIIU was Established as a Demand-driven Agency

Because the MIIU was acting as an advisory and support service it could not be held responsible for a lack of interest in MSPs by the local government sector. Also, although the MIIU was a centrally supported agency, it required municipalities to fund at least 20% of the cost of the services which it provided. Thus, in theory, if no local government asked for MIIU support, it could not be blamed for a lack of projects.

In practice, of course, this did not occur, and the MIIU coped with a vast number of enquiries: indeed they supported a total of 234 projects.

5.1.2 The Political Climate

The negative publicity surrounding the Nelspruit and Dolphin Coast concessions was undoubtedly a factor in making municipalities cautious about taking on unions and public opinion in high-profile cases.

In this connection it is interesting to reflect on the role played by Johannesburg in the early days of the MIIU. The unique combination of strong ANC support, business acumen and determination that resided in the management and council of Greater Johannesburg Transitional Metropolitan Council was not found in any other metro, let alone the smaller municipalities. It showed what a potent factor political will can be.

5.1.3 The Relationship of the MIIU to Government

From the perspective of municipalities, the positioning of the MIIU was correct – as a virtually independent body which could give impartial advice and technical support.

The officials in the National Treasury also felt that using the institutional model of the MIIU was a good one as it resulted in a focused approach to public-private-

partnerships. PPPs that existed at that time were often in the form of management contracts, and had been poorly prepared. For example in Queenstown, the municipality largely carried the risks associated with water provision to consumers, and very little risk has been transferred to the private partner. The MIIU, with the technical assistance of PADCO, was assisting municipalities to prepare better deals and to enter into contracts that assign specific risks to each partner. This capacity would not have been built had it not been for the technical assistance MIIU made available to the municipalities.

For municipalities, one of the values of PPPs was that they were more effective in cost recovery. This fact was used by the opponents of the PPP concept to generate opposition to PPPs.

Municipal labor unions also resisted in order to protect their membership; because once a worker had been transferred to the private sector under a PPP he or she would join a different union.

However, National Treasury considers that the institutional form of the MIIU was too remote from the political decision-makers, reporting only to a Board of Directors. With the promulgation of the Municipal Finance Management Act the MIIU lost its independence and had to adhere to the requirements of the Act in terms of reporting and approvals.

The PPP Unit in National Treasury is of the opinion that the MIIU could have been incorporated into the Unit as the PPP Unit, which is operating in exactly the same way as the MIIU, receiving technical assistance grants from donors and making them available to municipalities to build capacity in the establishment of PPPs. With the closure of MIIU the PPP Unit of National Treasury has taken over four projects and two staff members of the MIIU.

5.1.4 Quality of the Deals

Members of the Treasury's PPP Unit who were involved with MIIU while working for other organizations were of the opinion that the MIIU could have taken a greater interest in the monitoring of the operations of PPPs established with their support. That would have prevented emergency measures having to be taken by the MIIU to resolve problems that suddenly threatened the existence of the established PPPs.

Officials of the PPP Unit that were involved in their previous capacities with the establishment of concession contracts hold the view that the different role-players should not rely on the information and forecasts provided by the municipalities without scrutinizing it and verifying it. They are also of the opinion that a concession contract should not be awarded to a single company but that it should consist of share-holding by a number of role-players.

The opinion was also expressed that the PPPs tried to resolve problem areas at the project level which should have been addressed at a program level or even nationally. An example of this would be the non-payment of municipal services by the consumers.

Our assessment of the deals, as gained from our case studies, is less negative: indeed we found that the majority of the deals were conducted very professionally. We were given several examples of the contrast between deals that had been entered into before the MIIU's involvement, and those afterwards, or of the way in which draft contracts that were on the table were strengthened greatly through MIIU

advice. In brief, the quality of advice provided by the MIU and the consultants appointed with their support assisted both sides to arrive at win/win deals that are standing the test of time.

5.2 Case Studies

5.2.1 uMhlathuze Water and Sanitation Project

The funding for the section 78 study was provided by the MIU, with a portion being paid by the Municipality. This study found that the municipality had the capacity to operate the water reticulation and cost recovery systems, but that water and sewerage treatment works would be better managed by a private sector company. The same company would also be required to undertake a detailed evaluation of water services previously being provided by DWAF in the rural areas, so that a second assessment could be undertaken at a future date of the challenges affecting them. The total cost of the contract was about R14 million per year which produced an annual saving for the municipality of about R2 million.

The municipality is highly satisfied with the service it has received from the private sector provider, and it is likely that the contract will be extended beyond its present life of five years (ending May 2006).

Three important lessons can be learned from this case.

- Great care was taken to involve labor from the start of the discussions. The consultants (Werner Zybrands Consultus) went to some lengths to involve all stakeholders and to avoid the semblance of any secrecy. Thus all affected trade unions were invited to all meetings, and community stakeholders of all persuasions were free to scrutinize the minutes of all meetings, to participate, and to contribute to the discussions. Before the tendering process, agreements had been drawn up with the trade unions concerned which would protect the interests of all employees, whether in terms of transfer of their services to a new company, secondment, or any other possible arrangement. Thus the new company could select the arrangement that it preferred, in the knowledge that the unions had accepted all of the options.⁸
- The activities targeted for private sector management were very clearly defined, and the responsibilities of the private sector operator were clearly understood by all parties.
- Monitoring the performance of the private sector operator was managed by the consultants. This is quite a specialized activity, and use of a third party to monitor has reduced the likelihood of a perception of bias arising in the enforcement of the contract provisions.

⁸ By contrast to this collaborative arrangement with the unions the same company had a bruising relationship with them in Hermanus, in the Western Cape. In that case, the provincial union forbade the local unionists to attend any meetings, but failed to attend them either. Then when a decision was required which affected the welfare of their members, they refused to even discuss the matter and rejected any change out of hand. Other studies (Jackson 2000) have shown that under private sector management, workers are often better paid; so if job security is guaranteed, such unions appear to be intent on sabotaging such arrangements rather than protecting the welfare of their members. However, the real cause of concern could be that the membership of some unions is restricted to the public sector: if they agree to their members being employed by the private sector they will thereby lose membership.

5.2.2 Cape Town: Divestiture of Epping Market

Epping market is the third largest market in South Africa, and was identified as a non-core asset by the City of Cape Town in 2001. The costs of a transaction advisor were jointly shared with the MIIU. The process had three phases:

- Identifying the options, and selecting the most appropriate
- Preparing tender documents and evaluating the proposals
- Negotiating and closing the contract

Four options were identified:

- Corporatization
- Sale of the business operation with a lease of the land and buildings
- Sale of the business and sale of the land and buildings as two distinct deals
- Sale of the business and the land and buildings

It was agreed to go ahead with the second choice, and the bid was won by a consortium run by the existing management. An important condition was that no jobs were to be lost, but some employees were moved to other departments in the city and an additional 100 jobs were created. The new management recovered and paid R22 million in debts that had been owing to the City by the traders, and entered into a 20 year lease of an index-linked R6 million per year (as compared to R3.5 million previously) for the premises, thus increasing the income substantially. In addition the new owners paid R10 million to purchase the business. Certain aspects of the contract have not gone according to plan in that payments of the R22 million debt was delayed, but in general the project remains on track.

The process leading up to the transfer was quite complex, and took longer than expected (about two years from the selection of the option concerned). There were a large number of different stakeholders to be consulted, such as agricultural agents, government agencies, farmers and a variety of buyers from hawkers to large wholesalers.

Nevertheless the project provides a very useful model for the divestiture of non-core assets, which many municipalities in South Africa are applying to their own situation.

The Cape Town staff were highly impressed by the professionalism and objectivity of the advice that they received from the MIIU and the consultants, and the fact that the MIIU staff were always available and willing to advise.

Cape Town: Solid Waste Transfer Stations

We also looked at the two solid waste transfer facilities in Cape Town which were developed with MIIU support. These are state-of-the-art material recovery facilities, which include compaction and deodorization systems whereby the material is containerized and railed out to land-fill sites.

Another project which was not developed with MIIU financial assistance, but on which the MIIU (in the person of their solid waste specialist, Jim Dohrman) gave extremely useful advice was their landfill site at Bellville, which has the potential to yield substantial returns from the sale of methane gas to a nearby factory, and by the sale of carbon credits to industries in Europe. Jim Dohrman provided peer review of the plans and technical support and advice; he also helped all municipalities who were working on similar projects – Durban, Pietermaritzburg, Kimberley and others – to share experiences.

Cape Town: Community-based solid waste removal scheme, and neighborhood drop-off points

These are smaller-scale projects on which the MIU also provided advice.

It was decided to introduce a solid waste collection system in all informal housing areas, in which the contractors would be residents. The systems would require a minimum of capital, and could be operated without special tools or training.

The contracts were negotiated separately with each community. Tender clinics were held with all interested parties to help them understand the issues, and there was a very high level of community interaction. The community-based work was not an area on which Jim Dohrman pretended to have much experience, but his advice was very sound, and allowed them to structure appropriate contracts for each community. Under an evaluation of all community-based contracting by the Palmer Development Group, this was evaluated as the best in South Africa. Indeed, the model has worked so well that the cleansing department wanted to introduce it to the formal low cost housing areas as well, but the council preferred to standardize on the 240 liter wheeled bin throughout the formal city, so the idea had to be shelved.

Concerning the drop-off centers, the project had already been conceptualized when Jim Dohrman was invited to assist. He made many very useful suggestions, which illustrated the shortcomings of the previous way of doing things. He had many very useful ideas which allowed them to fine-tune the systems. The centers are now working profitably for all concerned.

The City of Cape Town has substantial resources, but until the first inputs of the MIU had no experience in dealing with public private partnership deals. While some were comparatively small, and could possibly have been managed by an in-house team, the majority were not.

The inputs from MIU have left the capacity within the City to prepare and manage the deals with professionalism. While they would not necessarily undertake the work in-house, they now know what skills to buy in and how to manage them; moreover, they have experience of working with several consultants in such projects, and can manage them effectively.

5.2.3 Chris Hani District Municipality: Water and Sanitation

When Chris Hani District Municipality was formed in 2000, it inherited two small scale public-private water services partnerships. One, a 30 year management contract for water supply and treatment in Queenstown (Lukhanji), was considered technically successful, but the contractor was taking no risk, and the Council felt that they were being overcharged for the service. The other was considered a failure. In addition there are many private support service agents operating within the District. These are firms which provide limited services, such as maintenance of pipework and pumps, mainly in the rural areas.

At the conclusion of the first section 78 study, it was agreed that a PPP should be investigated. The process took a very long time, and the consultants found it difficult to get decisions. Another factor which seemed to cause difficulty was that the capacity in the local municipalities differed widely, so some parts of the District were well served and had good cost recovery etc, while others were very badly served.

In the meantime they were substantially helped by the MIIU in terms of meeting others who were engaged in similar work, sharing standard contracts, and on-the-spot advice from MIIU staff. The staff member assigned to the project, Asha Singhania, was very helpful, supplying the consultants with case studies and documents.

After the completion of the section 78 study, the Council decided that it did not wish to proceed with a public/private partnership. This was against the recommendations of the section 78 study. Instead it decided to appoint the more capacitated local municipalities as Water Services Providers, and the District Municipality would act as WSP for the remainder.

There may have been several reasons for this. One was a sense of caution by the Council that they did not wish to commit themselves to long-term contracts until they had given the in-house system another try. Secondly, the district council wanted to strengthen the role of the local municipalities, especially the weaker ones, in service provision. Lastly, they may have felt that the costs would have been too high, though the process was never taken to the stage where such assumptions could be tested.

For the consultants and the MIIU the situation was rather unsatisfactory in that the reasons were never communicated to them. However, the knowledge that the consultants gained through application of the section 78 process is still of value, as they assist in preparing business plans for the WSP appointed local municipalities to take up their role.

The question is therefore whether the input of the MIIU was of value.

Our review of the case demonstrated two facts. The first was that the process of undertaking a section 78 study forces municipalities to scrutinize the management of their services which assists them materially in rationalizing their management structure, and determining performance standards. The second is that the work provides a good basis for any future review of service delivery. Therefore while the investment may be considered wasted in some respects, there were residual benefits which are of value.

5.2.4 uThukela Water

This case study was undertaken from documents, and illustrates the lack of power that an agency such as the MIIU ultimately holds. It is widely considered to be a disaster story, and is of interest in that it highlights the need for the process by which municipal entities are developed to be thorough and consultative.

uThukela Water (Pty) Ltd was the first multi-jurisdictional municipal entity in South Africa. The entity initially comprised Uthukela, Umzinyathi and Amajuba District Municipalities, and Newcastle Local Municipality.

In the period leading to the establishment of the entity, there were significant changes with regard to institutional and water services legislation, jurisdictional boundaries, and administration (institutional roles), all of which had impacted on the process, structure and formation of the partnership.

Over the period 2001 to 2004, the formation of the entity went through many different phases, and the initial idea of forming a partnership was replaced by the formation of a jointly owned company. The MIIU assisted in the preparation of the section 78 studies. Some of the major weaknesses of the partnership arrangements were that

there was a lack of clarity regarding the roles of each party, lack of experience, lack of proper financial reporting, and short cuts taken due to delays in the establishment process. The data used to justify the creation of the partnership/company were misleading, and could have contributed partially to the dispute. The payment procedure for municipalities was unclear, and there was a lack of communication between the company and the municipalities. On the whole, the decision to use a company instead of a partnership as the appropriate vehicle for the entity is still subject to question. Uthukela District Municipality withdrew from the entity, less than six months after its establishment, citing a lack of clarity regarding the quantum of its obligation to subsidize the company as the main objection.

The main lessons learned are that there must be adequate communication between company and shareholders and between contracting parties, there must be clarity regarding roles of all parties, water services provision contracts must follow prescribed (DWAF) formats, performance criteria for the entity and its staff must be established and measured, senior staff must have appropriate experience, politicians should not interfere with daily operations, and that contracts should have clear dispute resolution procedures. Above all, intensive investigations should precede the establishment of a new entity of this complexity and stature.

Such cases act as a warning regarding the difficulties that can arise if arrangements are not fully thought through, and the project preparation process is rushed and the stakeholders are not fully engaged in the process.

5.2.5 Thulamela Waste: Landfill Operation and Maintenance Contract

The existing solid waste dump was among the biggest problems facing the Greater Thohoyandou Transitional Local Council (TLC). The site was surrounded by low-income housing, but was uncontrolled and was a potential source of disease. Due to its poor operation, it also threatened underground water supplies.

In 1999 the Council applied to the MIU for funds to perform a feasibility study to evaluate its technical and service delivery options for improving the landfill operations. Under an 80:20 deal, MIU committed R130 000 to the TLC towards the study, and the municipality provided the remaining 20%. Although the initial feasibility study was completed in November 1999, pending legislation and demarcation indicated that a broader municipal services status quo report was needed, encompassing all aspects of solid waste as well as water and sanitation. These additional components were completed in 2000. At the end of this two-year transition period, Greater Thohoyandou Transitional Local Council became Thulamela Municipality.

On 28 March 2000, the Municipality passed a resolution to proceed with an interim management contract for landfill operations, and with landfill permitting and environmental scoping. A decision was taken by the Municipality to proceed with a management contract before the Section 78 provisions of the Municipal Systems Act took effect, thereby saving considerable time and resources. However, the uncertainties of demarcation, and municipal powers and functions brought the project to a virtual stand-still in 2001, but major progress resumed in 2002. The permitting, environmental scoping and design of the landfill were completed in 2002 and the contract operation was finally tendered in November 2003 and awarded to Kuta Waste Management Services

Since the site was an existing uncontrolled dump, the scope of the project mainly entailed bringing the site under control, and in compliance with current national

regulations. Tenders were received on 28 November 2003, construction started in February 2004 and landfill operations began in June 2004. The consultants established a program that included site access control, establishment of buffer zones, site improvement and clean-up, and construction of a new waste disposal cell. The public participation program was especially well organized and implemented, including the formation of an active landfill monitoring committee which worked alongside the contractor and municipality in transforming the site.

The contract is a three-year Operation and Maintenance Contract (O & M). In addition to the O & M contract, the contractor was required to complete remedial site work and construct the new disposal cell which was paid for upon completion, rather than factored into the O & M fee which would have made this a concession contract. The decision to go with an O & M contract, rather than a concession, was based on the availability of funding to pay for the capital improvements. Thus, an uncontrolled, environmentally dangerous non-permitted site was transformed into a properly permitted and operated sanitary landfill.

The following lessons were learnt:

- Good communication between the municipality, consultant and regulatory agencies must be maintained throughout the project.
- Projects must be driven by the municipality, not the consultant.
- Municipalities must develop good management capacity to carry these projects forward and become the link between the project and the Council.
- Time spent on public participation is well worth the effort.

In the interviews on the contribution of the MIIU towards this project the high level of expertise of the PADCO staff was praised but the contribution of the existing CEO of the MIIU was emphasized as the most outstanding. A view expressed was that the PADCO staff were not prepared to travel long distances by car. They preferred to travel by air. If it was not possible to fly to a site these PADCO officials were not available for a site visit or official launching of the project. This diminished the exposure of the MIIU thereby sacrificing on marketing the services of the MIIU. The question can be asked if the fact that PADCO officials were reluctant to travel by car had a material impact on the distribution of the projects of MIIU across the country.

5.2.6 Mbombela Revenue

Mbombela Revenue Enhancement Project

The Council of Mbombela Local Municipality had taken a decision to embark on a pilot scheme to enhance the revenue collection in a specific area of the municipality. With the help of a MIIU technical assistance grant it appointed a specialist firm to assist them with the pilot project. MIIU agreed to commit an amount of R150 000 in grant funding to serve as bridging finance over a specific period to reimburse the specialist firm to cover losses incurred before it broke even.

The scheme entailed three activities:

- An assessment of the number of indigent households in the pilot area.
- A complete analysis of the municipal debtors and a study of the benefits of undertaking a data cleansing exercise in a selected pilot area.
- Water demand management

The municipality would pay the firm commission on the improved collection of debtors. Where a household was classified as indigent the focus of the firm would be

on decreasing the demand of such a household to fit its status as an indigent. The municipality would pay the firm a fixed amount per indigent household for this. The technical assistance grant from MIIU would be used by the municipality to make good any losses the firm encountered during a predetermined period until it became a viable operation.

Accurate databases allow the Municipality to bill correctly and to provide the necessary support to identified indigent families, thus reducing some reasons for non-payment. It also ensures that the debtor information is a correct reflection of unpaid accounts. Such databases must, however, be maintained on a monthly basis.

The pilot project would have run over three years with the option to review outcomes at the end of each year. In November 2005, at the end of the first year's operations, an assessment was made and the Council resolved to project terminate the project in February 2006.

During interviews with the officials of the municipality and thereafter officials of the firm it became clear that there are different views on the reasons for the termination of the project.

The municipality acknowledged the role MIIU had played in getting the project off the ground and the fact that it was in support of the water concession in the municipality. The view was expressed that the firm hardly did any field work to identify indigent households but relied on dated census figures to quantify the number of indigent households. The municipality did also not know what expenses of the firm they were paying came from the technical assistance grant of MIIU. Their view was that nobody is benefiting from the contract except the project manager who had been appointed by the firm. No surveys were done and hardly any community participation took place.

The specialist firm was of the opinion that the officials of the municipality did not understand the technical detail of the project and would therefore also not understand the outcomes of the report. The pilot project was deemed to be non-viable.

An important lesson learnt is that special attention should be paid to the role of traditional leaders in PPP contracts. The issue of property rights on traditional land must also be taken into consideration. This was not done with this revenue enhancement project and, according to the views of the officials of the municipality, not with the water concession either.

6. Capacity building and legacy

6.1 Staff

Initially, all MIIU's technical staff were PADCO employees. It took several years before locally hired South Africans had the capacity to undertake the same work as their expatriate colleagues. From 2000 onwards there was a marked increase in their level of participation, and towards the end of the life of the MIIU they were running many projects single-handedly.

It is a tribute to the experience and skills that they gained at the MIIU that one of the staff, Asha Singhania, has been offered a post doing similar work in Eastern Europe.

6.2 Study tours and conferences

Study tours have always been an effective way of stimulating interest in, and support for, concepts that may not be familiar to countries or administrations. The MIIU conducted such tours in June 2000, to Brazil, Argentina, Chile and Australia; one to Mexico, and later one to the Great Britain, which was selected because its Private Finance Initiative was considered a good model.

Study tours have two limitations: numbers and costs. Because of the cost numbers have to be limited, and there is a risk that, even though the individuals participating may be fully conversant with, and enthusiastic supporters of, ideas learned during the tour, they may not represent a sufficient critical mass to generate change. And equally, they may not feel sufficiently well informed to adapt the ideas which seem to work so well in another setting to South African conditions.

However, these tours were considered a great success: whether this was the most effective way of spending such funds is probably a matter of opinion, but it is well known that this techniques can be an effective way of winning the hearts of doubters, and, for the giving technical people new ideas.

Conferences are another way of sharing ideas and experience, and the MIIU was very active in this respect. The most important was a national conference on MSPs held in May 2002, opened by the Minister of provincial and Local Government, Sidney Mufamadi. Most of the delegates were mayors and municipal managers.

MIIU staff shared their experiences and advice at very many conferences and thereby spread the word on the value of MSPs.

6.3 Municipal level

In conducting our case studies we were impressed by how often the municipal staff we spoke to volunteered their appreciation of what they had learned from the MIIU staff. Subjects on which they gained experience and knowledge included:

- Structuring contracts for MSPs
- Handling consultants on s. 78 studies
- Handling transaction advisors
- Relationships with stakeholders, such as unions
- Technical issues, especially in the field of solid waste
- Financial issues related to MSPs
- Contract monitoring

They said that even when the MIIU's role was over in relation to a specific project, and MIIU project managers had theoretically finished their work, they were always willing to discuss issues and spend time to help both the municipal staff and their consultants. The hackneyed phrase of "going the extra mile" seemed to fit very well with the conduct of the MIIU's staff – both the PADCO and the DBSA (local) staff.

6.4 Consultants

The comments made above concerning the information sharing and support provided to municipal officials applied equally well to consultants. It must be noted here that consultants and transaction advisors who were paid using Project Preparation Unit funds (with, usually, 20% cost-sharing contribution from the municipality) were engaged by the municipality, not the MIIU. The MIIU was in a position to advise on the track record of consultants, but not to control the appointment.

There can be no doubt that there has been a dramatic growth in the number and quality of consultants equipped to deal with the whole MSP process, and that much of the improvement in terms of quality can be laid at the door of the MIIU, and, in the final analysis, of the PADCO staff. In a sense the success of this "learning by doing" process has been one of the most important contributions of the MIIU and the USAID technical assistance contract.

Even the consultants who are now rated among the best in the country in this field readily admit that they learned a huge amount from the advice and support that the MIIU provided.

6.5 Publications

An important part of the MIIU exit strategy was to document the procedures and systems that it had developed so as to give consultants and municipalities the tools to work unaided.

There were three areas to which publications could contribute.

- Guidelines on project procedures
- Standard contracts
- Information for councilors and the public.

The national Treasury has published guidelines on Public Private Partnerships which is a useful resource for the MIIU and its consultants, even though it is not directly applicable to local government projects. The MIIU has also prepared two guidelines on solid waste PPPs, and enhancing municipal revenue. As part of its legacy, the MIIU has also commissioned a consultant to prepare such a document. At the time of writing this had not been completed.

One area where the MIIU has made an important contribution has been in the field of contract monitoring. With DFID support, their publication "Contract management Guidelines" was published in March 2006. It fills a large gap in the field, responding to a need that had been identified quite early on, in that expertise in identifying projects and making deals was developing much faster than an ability to manage to contracts once they were signed. The guidelines are primarily aimed at the Project Officer – a post that each municipality engaging in a MSP is required to establish under regulation 309 of the Municipal Finance Management Act. They assist the Officer to prepare and implement the Contract Management Plan, a document also required under the Regulations.

Concerning standard contracts, these have not been published as such, but have been made available to consultants when required. As legislation and regulations develop, so has the language of the contracts, and as such they evolve continuously.

As far as information for councilors and the public are concerned, the MIU has prepared eight leaflets, as follows:

- Getting value out of a section 78 process
- Optimizing the use of the private sector
- Revenue enhancement strategies
- Contract management
- Options for the improved delivery of water services
- Solid waste management
- Community based waste collection
- Community relations

They are prepared in a lively way, with cartoon-type illustrations and diagrams, and limited to a single piece of paper, folded to provide six A4 size pages (4 pages in the cases of waste disposal and revenue enhancement).

Their primary target is councilors, because the doubts and fears at the political level, which often impede progress towards MSPs, are often created by a lack of understanding of the issues involved.

The publications are generally very well done, though we are not sure regarding the level at which they are pitched. Our view is that they are somewhat too technical, and that more time should have been spent on editing and using language which is less obscure – the documents tend to make commonsense subjects into obscure specialties⁹.

However, the objective is worthy, and with feedback from users a new generation of such material might be produced by the DPLG or other successor to the MIU.

6.6 Black empowerment

The only area where criticism was expressed was in the field of black empowerment. Two specific cases were mentioned:

6.6.1 Staff

Initially, most of the local staff from the DBSA were not technical people, and did not have the skills or experience to play a big part in project management. Even so, it was felt that more might have been done to bring the CEO and junior staff into the daily operations of the unit, and that to some extent they were left out.

However, by 2002 local staff were getting much more responsibility, and by 2003 (year 6 in the chart below) they were handling over 70% of the work. The

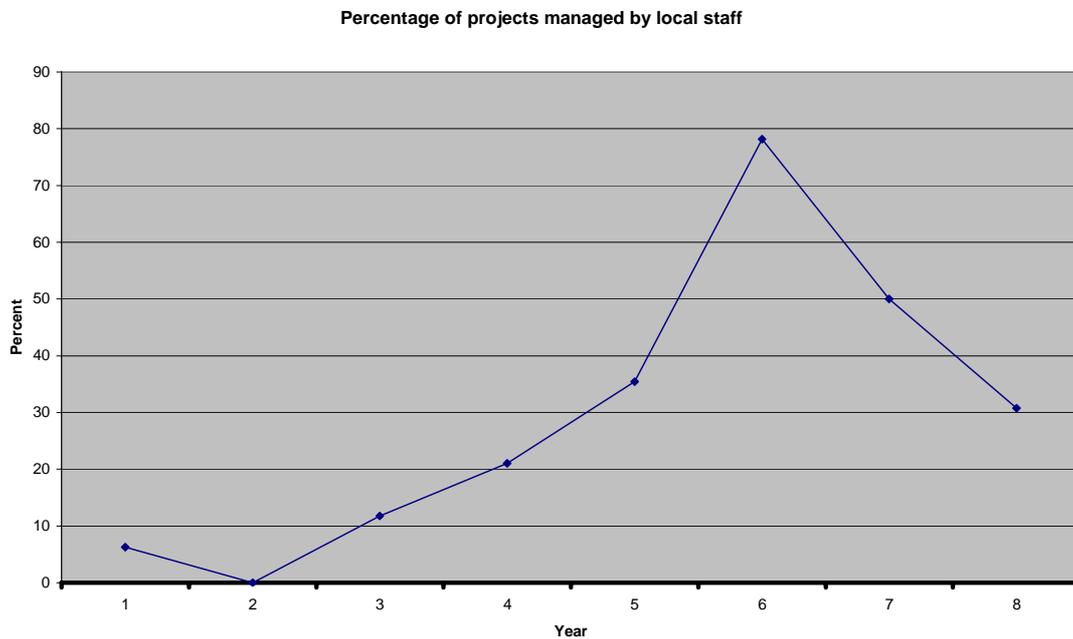
⁹ As an example, here is an excerpt from the leaflet “Community Based Waste Collection”

Definitions

- **Community Based Organisation (CBO) Cleansing Operations** are waste operations or services with the service provision mechanism being community based organisations (groups, small businesses, individuals) who have been legally constituted by a municipality, with the objective of empowerment and job creation for disadvantaged bodies who would otherwise not have had such an opportunity.

- **Contractual muscle** refers to terms and penalties included in the contract to put pressure on a contractor to force improved performance or removal from a contract.

competency developed as a result of working in the MIIU is unquestioned, and this must be an important legacy.



6.6.2 Consultants

Even though the municipalities appointed consultants, they took advice from the MIIU regarding the track record of firms that might be considered. In this was the MIIU in effect established a panel of recommended consultants.

In retrospect, the current CEO felt that not enough was done to bring black consultants into the field. Even where such firms lacked the experience of their white counterparts, mechanisms such as joint ventures, sub-contracting etc could have been used to give the black firms the experience that they could not otherwise acquire.

7. Reporting

7.1 General Reporting

The MIIU submitted detailed project-based and financial reports to USAID in the form of quarterly and annual reports. These reports provided a very useful account of the work of the MIIU, and illustrated the projects being undertaken very clearly. In many cases the project descriptions were such as to go beyond the typical requirements of a technical report and described the work being undertaken in terms that laymen can easily understand.

7.2 USAID Annual Report

USAID required a biannual report which was in two parts: a short narrative summary, and a data report. The former was sufficiently detailed to allow a sense of the achievements of the period in question, and in our view captured the essential achievements of the period, and included tables showing the projects completed, their value etc.

The latter was undertaken within a reporting framework in which objectively verifiable achievements were used: these are basically the number of households served and the number of Rands leveraged through USAID assistance.

The MIIU's output, however, fitted neither of these criteria. Its work was, in most senses of the word, finished when a MSP was agreed by the parties concerned. At that stage, no households had benefited; and while there was a promise that Rands might be leveraged, it was the nature of such contracts that such funds would only be utilized over the period of the contract, which in some cases might be many years. Even the number of households to be served would often vary in time, as a contractor expanded the coverage of its services.

Thus by asking the MIIU to state how many Rands had been leveraged and how many low income households had benefited, within the calendar year in question, there had to be an element of speculation in the results. Since there is clearly a temptation for both USAID contractors and USAID staff themselves to make the figures look good, data quality auditors will always scrutinize such situations carefully.

The MIIU addressed this issue by engaging the services of third parties who could make estimations based on their own appraisal of the situation. These were then used as the most reliable available estimates of the impact of the work of the MIIU.

To place this into perspective, the MIIU generated a substantial portion of USAID's annually reported results, and thus any errors in its data assessment would have had a major impact. In a Data Quality Analysis undertaken in mid 2003, the MIIU was (somewhat reluctantly) rated as a generally reliable source of data, but there had to be a major qualification that some of its results were, by their very nature, only best guesses¹⁰.

To explain the difficulty, we can examine the tests which must be applied to data in accordance with USAID guidelines. The data are assessed in terms of:

¹⁰ Khuliswa Management Services (Richard Martin, Penelope Richards and Jacqueline van Graan: Data Quality Assessment of USAID/South Africa's Strategic Objective 6 Performance Monitoring Plan, September 2003.

- Validity
- Reliability
- Timeliness
- Precision, and
- Integrity

Each element is supposed to be scored in a scale of 1 – 3. If the data meet the criterion in its stated form it received a score of three, if a minor non-conformity was identified it received a score of two, and if a major non-conformity was identified it received a score of 1. Clearly the concepts of validity and precision do not fit well within the MIU's way of operating, but this is not the fault of the contractor.

Within these limitations we can only comment that the MIU did the best job it could, and any weaknesses are systems issues which neither USAID nor the contractor had the power to affect.

In this connection it is noted that the MIU's reports simply use the word yes or no in relation to these criteria, instead of a score which might reflect any non-conformity more accurately. Nevertheless the results do appear to be reported correctly.

7.3 Clean Energy Initiative Report

This overlaps with the USAID reporting to a substantial degree, but asks other questions to which the answers may not be as easy to verify, and which are, by their nature, difficult to quantify. For example:

- Does your program address fragility? If yes, discuss how your responses to the indicators above explain your achievement in addressing fragility?
 - Response: *Lack of basic services are increasingly resulting in unrest and riots, sometimes involving violence which is South Africa's major issue with regard to fragility. By improving delivery of basic services, the SO reduces unrest and fragility. Also, South Africa has limited water resources which is further threatened by climate change. Both water scarcity and climate change are addressed by this program.*
- Does your pollution mitigation program support job/employment creation to increase livelihoods? If yes how many full time jobs in excess of two weeks created in 05; targets 06-08 (This indicator is primarily for addressing the war on terrorism and youth bulge)
 - Response: *12,271 total jobs and 7,512 projected for 2006. Municipal infrastructure Investment Unit reported 10,712 jobs created through the construction of infrastructure projects that resulted from Public Private Partnership deals and projected another 370 jobs would be created in 2006. Alliance to save energy reported 1,559 full-time jobs created in 2005 and projected 1,100 for 2006 in plumbing work related to pipe-laying and the repair of plumbing fixtures. Sustainable Rural development projected 12 jobs to be created in the manufacture of solar water heaters in 2006.*

Our point here is that while most project reports include an estimate of the number of jobs to be created, it is not always valid to claim them as job "created" per se, as that implies a level of permanence. For example, if we are building a small house, it will require a team of five men to work for one month: but this is often claimed to be creating five jobs. In the construction industry the only really valid indicator is to take the total employment in the sector, as laborers typically move between several jobs each year. The indicator appears to recognize this fact by referring to all jobs lasting more than two weeks. But this is its very weakness: using this definition of any job

lasting more than two weeks would allow a creative person the chance to claim 26 jobs created in one year simply by employing a single person for one year in 26 cycles of two weeks.

We therefore find these indicators unsatisfactory from the data quality point of view, but repeat that this is not the fault of the contractor.

8. Recommendations

8.1 The future – National Treasury

It is to be welcomed that the role of the MIIU will, to some extent, be continued through the municipal desk of the PPP unit in National Treasury. There is one caveat however. An important role for Treasury is to monitor compliance with financial legislation, in particular the Public Finance Management Act and the Municipal Finance Management Act. National Treasury therefore has an important role in the prevention of financial mismanagement and abuse of powers. This is an extremely important role that cannot be compromised.

However, this enforcement role is very different from that which the MIIU played, which was primarily a supportive and advisory.

Moreover, central government departments such as National Treasury have a natural risk aversion which is closely linked to their culture of enforcement. We consider that the PPP unit should have the following characteristics for success:

- It should be established in an environment in which risk-taking is recognized as a means to achieve higher standards of service delivery and accelerate provision. Change inevitably implies taking risk and if new ideas and arrangements are not encouraged, improved performance may not result¹¹.
- It should provide a service. This service should be responsive to the needs of local government and should recognize the difficult conditions in which local government works. While it will have a duty to select projects for support using objective criteria, so as to avoid time-wasting due to municipalities not being serious or not defining the project with sufficient care, it should engage with them to assist in formulating projects where the capacity does not exist. This would be done before the formal application stage.

On the other hand, the PPP Unit in the National Treasury maintains that role-players should not be disturbed by the closure of the MIIU, even though it did excellent work. They claim that the same processes and procedures will be followed by the Unit in making the same kind of assistance available to municipalities for the establishment of PPPs.

8.2 Regulations

The present regulatory environment imposes substantial costs and time constraints on any municipality wishing to enter into a MSP.

Two simplifications have been proposed by many of the municipalities we talked to.

¹¹ In making these comments we are aware of the caution in many circles of using untried solutions. As an example, we can consider the use of small-scale black enterprises and community groups. It is always possible to point to examples of failure – where the contractor has “run away with the money” or has simply failed to deliver, or has been unable to cope with the paperwork requirements etc etc. But while such cases exist, we are also conscious of the outstanding performance of many such arrangements, if they are correctly structured. It must be recognised that South Africa’s governance is still evolving, and we cannot expect a problem-free solution. Once more we extol the example of learning by doing.

- The first is that section 78 should be amended to permit the objective comparison between costs and benefits of providing a service by public sector and private sector as a first stage, as opposed to the present requirement which is that the viability of the public sector option be explored first. This is a slow and expensive exercise, and it is difficult to undertake such an assessment effectively without any basis for comparison.
- The second is that procedures should be tailored to the scale of the enterprise or deal entered into. Currently the same procedure has to be followed no matter how small or large the enterprise¹². This is not appropriate, and the rules in the UK, which provided a model on which some of the SA regulations are based, exempt smaller projects from the complex regulations.

In evaluating the regulatory environment we should be aware of the overriding need to make effective use of the limited skilled manpower at the municipal level. The present regulatory framework is so demanding that there is a tendency for more time to be spent on compliance issues than on service delivery. This is particularly true in the smaller, less capacitated municipalities. Attention should therefore be drawn to targeting regulation at the points where it will really be required.

- The other matter on which concern has been expressed by many is the power of the Ministers responsible for water and local government to impose controls on tariffs, as provided for under the Water Services Act and the Municipal Systems Act. We consider that such powers should be exercised at the local level and in terms of contracts between the municipalities and service providers.

8.3 International donors

There is sensitivity in the international donor community about undertaking line functions. It is feared that to do so either undermines the existing systems, or results in dependency.

The MIIU experience has proved that such fears are not always justified. In part this is true because the MIIU was a special purpose vehicle, with a limited life. Thus it was, in many ways, ideal that the USAID funded operations should be of an executive nature rather than an advisory one. It enabled the PADCO staff to take responsibility for their actions, and work within the system rather than acting as advisors from outside.

In this they were helped by three factors. The MIIU management was, from the start, very supportive and gave them the power to manage the process and engage fully with all parties with whom they interacted. Secondly, the MIIU had funds which were provided by government to enable it to perform, and which they, the consultants, could access (through the requests of the municipalities). The third was that the USAID contract mechanism gave them the adequate funds to travel and undertake whatever was necessary for them to accomplish their tasks.

¹² One consultant gave us the example of a refuse truck serving a township in a rural area breaking down. It is beyond economic repair. There are no funds in the budget to buy a new one. The municipal manager organises a system whereby four residents in the township who have donkey carts are employed to collect the rubbish. After the first two weeks of operation it is clear that not only is the system working well, but that it offers a cheaper, more labour intensive and efficient system than the old one.

The sensitive issue in international development is always whether the normal “five year maximum” is appropriate. Even though, in the case of the MIIU the period was extended to eight years, there are many who would like the transition to have been handled differently. The favored scenario would have been to retain the MIIU in its present form – as it works extremely well – and hand over to local staff over a period of 2 – 3 years. Thus while most people appreciate the level of support that USAID gave to the MIIU, it would have been preferable if the withdrawal had been done more gradually.

It is not clear, of course, whether the DPLG and Treasury would have wanted this, but the indications we have received is that, if the case had been argued at the right time, and with the promise of additional, if reducing support, the MIIU might have survived in that form. This argument may be academic, but we consider that the very success of the MIIU should demand a re-think of traditional norms in development aid.

8.4 The anti-privatization lobby

It is undeniable that the anti-privatization movement and the unions have had a profound impact on the perception of MSP by Councilors and many others in central and local government. Even if many people accept the arguments in favor of PPPs and feel sure that the logic is inescapable, they are nevertheless very reluctant to embark on them because they are reluctant to cause conflict. This is true at national government level as well as local government.

There can be little doubt that this is a matter which has split South Africa and will not be resolved until there is stronger leadership on the matter at national government level.

There are palliative measures which might be used. The first is to engage the press in a positive way and present the matter objectively. The value of journalistic and editorial education cannot be underestimated.

The second is to engage unions at the local level, and take them to municipalities where union/municipal collaboration has been good, for example uMhlathuze, so as to defuse typical fears.

8.5 General Recommendations

The conditions prevailing in South Africa in 1997 and 1998 were very unusual: a new government, with highly specific goals, requiring expertise of a specific and quite technical nature. For this reason it could be considered that the MIIU does not constitute a model that will be appropriate in many circumstances¹³.

There would appear to be openings in other countries for similar work, and there may be a need in other sectors, such as land management and regulation in countries where the prevailing system is unsatisfactory; or in the financial sector establishing an environment in which local government can borrow on the markets.

But, unusual though the circumstances may have been, we can safely claim that the MIIU was a very successful model, and it is one which might be repeated where the

¹³ However, the demand for special purpose vehicles of the MIIU type appears to be on the increase, and the World Bank and many other agencies are starting to support such initiatives – possibly this is the beginning of a new phase in international aid models.

circumstances are right. The difficulties experienced by the MIIU, mainly in terms of somewhat non-supportive legislation and a political climate that was implicitly less supportive than the official position, are such that they could occur anywhere. It would be unusual indeed if such innovative ideas as the MIIU was supposed to implement met with universal approval.

From its early days the MIIU spoke of its exit strategy. This was to include leaving behind manuals and other tools to assist its successors. As time went by, and the MIIU's coverage and achievements grew, the exit strategy became less certain as the South African government hesitated. This is, we feel, one aspect which was not satisfactorily resolved. The DPLG's Final Evaluation talks somewhat disapprovingly of the decision by the MIIU Board to close the MIIU down, while not recognizing that whatever decision was taken should have been resolved by the Government one or more year before the official closing date. It appears that five options were considered. It could go to:

- DPLG
- Treasury
- DBSA, or
- Remain as it was, but without USAID support, or
- Close down

From the developmental point of view, many consider that the MIIU should have been retained as an arm's length, non-profit company supported by annual grants from the government. If so, this would have been a real tribute to the quality of the staff and their work.

The fact remains that a hands-on form of technical assistance has proved to be effective in terms of both producing partnerships of lasting value which will assist local government in South Africa to perform better, and leaving a legacy of well trained staff and well informed consultants and municipalities. There is a much work to be done, but as an international donor USAID has made a durable and effective contribution by supporting this initiative.

Appendix 1

People Interviewed

Central government

National Treasury

William Dachs

Karen Breytenbach

Department of Provincial and Local Government

Vespa Mabitsi

Development Agencies

Development Bank of Southern Africa

Barry Jackson

MIIU

Laila Horton

Stewart Gibson

Danai Magugumela

Asha Singhania

Alwyn Naidoo

Marlene Hesketh

James Aiello (First COP)

Karin Mathebula

Municipalities

Chris Hani District Municipality

Makhaya Dungu

Cape Town City Council

Stephan Morkel

Colin Hall

Mbombela Local Municipality

Mntuwani Shongwe

Norah Mthembu

Lulu Mabuza

Thulamela Municipality

Dorris Malubula

uMhlathuze

Richard Madden

Consultants

Arcus Gibb

Andrew Macdonnell

Golder Associates

Peter Legg

Jan Palm

Jan Palm

PSU International

Paul Smith

(Advisor to Mbombela, appointed by
National Treasury)

WZC consultants

Werner Zybrands

Appendix 2

Documents consulted

Arcus Gibb: Chris Hani District Municipality, Section 78 Reports

Ashira Consulting: A Case study by the MIU and Emfuleni Local Municipality of government policy in the proposed partnership between Emfuleni and Metsi a Lekoa (Pty) Ltd, October 2003.

Ashira Consulting: s 78 Study: uThukela Water – A regional Services Delivery Mechanism, June 2005.

De Angelis, Michael and Tomlinson, Richard: Mid-Term Review of the Municipal Infrastructure Investment Unit, February, 2000.

Enhance Strategies cc: Case Study of the breach of contract between uThukela Water (Pty) Ltd and uThukela District Municipality – Draft Report Review Comments; January 2006.

Erasibo (Pty) Ltd: Evaluation on the Impact of the Municipal Infrastructure Investment Unit, February 2006

Jackson, Barry: Workers are benefiting from MSPs in South Africa; in IMIESA, Volume 25, No 11, Nov/Dec, 2000.

MIIU: A journey of Partnership, March, 2006

MIIU: Draft Completion Report, April 2006

MIIU: Contract Management Guidelines, March 2006

MIIU: Annual Reports, 1998 – 2005

MIIU: advisory leaflets, March 2006

- Getting value out of a section 78 process
- Optimizing the use of the private sector
- Revenue enhancement strategies
- Contract management
- Options for the improved delivery of water services
- Solid waste management
- Community based waste collection
- Community relations

MIIU: 2006 Semi-Annual Reporting

MIIU: Board Meeting minutes/information packs (various)

PADCO: A review of Reports by Private-Sector-Participation Sceptics, December 2002

MIIU: Toolkit for Community Participation in public and private partnership projects. March 2006

MIIU: A Guide to enhancing Municipal Revenue, undated

MIIU; A practical guide to Municipal Solid Waste Management: some lessons learned from feasibility studies for public-private partnerships, no date.

A practical guideline for Water Services Authorities on the:

- Legal and policy environment of water services provision
- Division of WSA-WSP functions
- Establishment, structuring and staffing of the WSA
- Establishment, regulation and management of WSA-WSP relationships,

March 2006.

Potgieter, Gert: Lessons learned with the establishment of a municipal entity through the formation of uThukela Water (Pty) Ltd, March 2006(?).

Severn Trent Environmental Leadership: DWAF as Regulator of Water Services Authorities and Providers: A case study of the breach of contract between uThukela Water (Pty) Ltd and uThukela District Municipality, February 2006.

KwaZulu-Natal Provincial Government: Department of Traditional and local Government Affairs: Investigation in terms of Section 106 of the Municipal Systems

Act, 2000, relating to the provision of water by uThukela Water (Pty) Ltd in the uThukela, uMzinyathi, Amajuba and Newcastle Municipal areas; 31 July 2005.

Appendix 3

Survey instruments

The chart on the following pages gives the framework that the consultants used to focus the interviews with the persons concerned.

The framework was generally sent to the person concerned in advance to help them prepare for the interview.

Following that is the matrix which was used to identify a mix of case studies which would be representative.

MIIU Final Evaluation

Interview framework

Main theme	Sub-theme	Central Govt	MIIU/ DBSA	USAID	Municipalities	Consultants	Service providers	Banks
Institutional model	Concept							
	Legislation: impact and need for reform							
	Impact of TA on MIIU systems and national situation							
	Experience							
	The future							
Political climate	Impact of Anti-privatisation movement							
	Responses of MIIU							
Impact	Projects: easy and difficult sectors							
	Speed							
	Impact on municipal service provision							
	Collateral benefits							
	Ability of municipalities to manage concessions							
	Ability of municipalities to prepare deals/deal with consultants							

Deals	Parties satisfied with deal?							
	Preparation process well handled?							
	Selection of consultants							
	Impact of policy changes							
	Attractiveness for banks							
	Attractiveness for service providers							

Key

Main topic to be discussed in interview

Topic to be included as subsidiary



Criteria for selection of case studies

Relationships	Results	Sector	Size of Municipality	Scale	Geographical	Location
Public private	PPP concluded	Energy	Metro	Small	Limpopo	Urban
Multi-jurisdictional service district	No PPP	Water	District	Large	North West	Rural
Asset Divestiture		Sanitation	Local Large		Gauteng	
		Transport	Local Small		Mpumalanga	
		Waste			KwaZulu Natal	
		Non-core activities			Free State	
		Revenue enhancement			Eastern Cape	
					Northern Cape	
					Western Cape	

Studied from field visits

Key	Municipality	Project	Geographical location
●	Cape Town	Transfer Station	Cape Town, Western Cape
		Market	
		Waste Collection	
●	Mbombela	Revenue Enhancement	Nelspruit, Mpumalanga
●	uMhlathuze Water	Water and sanitation	Richard's Bay, KwaZulu Natal
●	Thulamela	Solid Waste	Thoyandou, Limpopo
●	Chris Hani	Water	Queenstown, Eastern Cape

Studied from documents

●	Uthukela Water Partnership	Water	
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