Two initiatives to make municipal service delivery more effective were outlined during the 21st Infrastructure Dialogue.

A representative from the Presidency said new and innovative service delivery management structures are being developed. They will be expected to prepare within a clear timeframe a pipeline of costed projects to address household service backlogs as well as an account of capital and maintenance backlogs in municipalities, and to coordinate the necessary funding to implement the projects.

The Development Bank of Southern Africa (DBSA) is developing a model to support South Africa’s 23 least resourced districts to undertake more effective service delivery. The model will set out a detailed and systematic approach to planning and implementation of programmes, and all parties involved in rolling out programmes will be required to commit themselves to undertaking the processes.

The expression “squaring the circle” is sometimes used as a metaphor for trying to do the impossible, or to find a good solution to a problem when that seems impossible, especially because the people involved have very different needs or opinions about it.
The Infrastructure Dialogues are convened by the DBSA, the South African Cities' Network, the Performance Management and Evaluation Department in the Presidency, and the National Business Initiative.

Focused on improving the quality and quantity of municipal service delivery, the 21st Infrastructure Dialogue featured:

- A keynote presentation by Hassen Mohamed, Deputy Director General, Department of Performance Monitoring and Evaluation in the Presidency. Mr Mohamed is responsible for Outcome 9, one of 12 key focus areas which underpin government’s delivery and implementation plans for its foremost priorities up to 2014. Outcome 9 focuses on development of a responsive, accountable, effective and efficient local government system. Outcomes include a differentiated approach to municipal financing, planning and support, improving access to basic services, and improving municipal administration and management performance.

- Perspectives from organised local government, the private sector, and a development finance institution were provided by:
  - Mthobeli Kolisa, Executive Director, Municipal Infrastructure Services, South African Local Government Association;
  - Karin Ireton, Head of Group Sustainability Management, Standard Bank Group; and
  - Bethuel Netshiswinzhe, Divisional Executive (SIP 6 coordinator), Development Bank of Southern Africa (DBSA).

The DBSA is government’s lead agency in development and implementation of Strategic Infrastructure Project 6 (SIP6), one of 18 SIPs that form government’s National Infrastructure Plan, which envisages initial investment of R800 billion in new infrastructure over three years. President Jacob Zuma has indicated this could rise to as much as R4 trillion over the next 15 years.

**Summary of key points**

Outlining new government approaches to develop more effective service delivery, Mr Mohammed used experience in delivering water and sanitation services as an example of challenges that need to be met. Significant progress has been made in reducing sanitation backlogs, but these are in danger of being reversed because of lack of maintenance of infrastructure and burgeoning informal settlements which require new infrastructure.

He said government’s target of universal access to sanitation by 2014 is unlikely to be met, and estimated investment of R50 billion is required to eliminate backlogs.

Mr Mohamed and Mr Netshiswinzhe emphasised that provision for and funding of operations and maintenance are priorities in new infrastructure development.

In addition to new municipal service delivery models being developed by government and the DBSA, a number of ideas were proposed by Dialogue participants, including:
• Greater involvement of the private sector in planning of infrastructure, and easing of regulations to enable municipalities more effectively to contract business services.

• The national human settlement upgrading programme provides for what is called negotiated outcomes. Instead of national government laying down priorities and standards, this provision should be used to enable communities to set their own priorities and the standards of the services they need.

• Restoration of site and service schemes in which households are allocated a plot with basic services, such as water and sanitation, and are then able to build their own homes in their own time.

• Municipalities should take greater advantage of legislation enabling them to look at alternative ways of funding services and their delivery. As an example, harnessing renewable energy by turning waste into electricity in partnership with private developers could enable municipalities to provide services and generate additional income. A national government representative noted that the CSIR is developing a franchise-based pilot scheme for the Eastern Cape to enable companies to be contracted to undertake municipal services such as operations and maintenance.

**SUMMARY OF PRESENTATIONS AND ISSUES**

**Setting the Scene**

**Sanitation services as an example of municipal service delivery challenges**

Water and sanitation services are a core municipal function and at the centre of service delivery protests.

**Status of sanitation services**

Following the un-enclosed toilets incidents in Free State and Western Cape, the South African Human Rights Commission recommended that the Department of Performance Monitoring and Evaluation in the Presidency should undertake a country-wide survey of the quality of sanitation services delivered by municipalities. Quality sanitation has significant benefits in terms of community well-being, reduced health care costs and improved household productivity.

The survey showed that:

• The sanitation backlog had been reduced from 52% in 1994 to 21% in 2010.

• The sanitation Millennium Development Goal to halve the proportion of people in 2002 without a basic service by 2015 was achieved in 2008. However, South Africa’s is at risk of reversing these gains, and is unlikely to achieve its target of universal access to sanitation by 2014. Among the reasons are:

• The status of bulk sanitation infrastructure is deteriorating and is in very dire straits due to a lack of adequate maintenance, refurbishment and upgrading.

• The number of informal settlements has continued to grow despite the construction of housing units for the poor.
As a result:

- Approximately 11%, or 1.4 million, of households in formal and informal settlements still have to be provided with sanitation services.
- In addition, at least 26%, or 3.2 million, of households within formal areas disturbingly have sanitation services which do not meet standards due to the deterioration of infrastructure caused by a lack of technical capacity to ensure effective operation, timely maintenance, refurbishment and/or upgrading, pit emptying services and/or insufficient water resources.

Status of Wastewater Treatment Works (WWTWs)

Of the 826 municipal WWTWs, 317 require urgent attention; 143 have a high risk of failure; and 90% are non-compliant on more than three effluent determinants.

Funding requirements to meet minimum sanitation service delivery

This is in the order of R50 billion.

Key findings

Sanitation service delivery challenges include:

- Inadequate attention to social and health issues.
- Negative environmental impacts due the way in which services are being delivered.
- Inadequate governance of programmes leading to bad contract management and corruption.
- Institutional fragmentation of roles, further complicated by the transfer in 2009 of the National Sanitation Programme from the Department of Water Affairs to the Department of Human Settlements, with resultant increases in fragmentation of the sanitation function.
- Inappropriate technology choices.
- Poor attention to effective operation and maintenance.
- Inadequate financial and human resources.

Reasons for lack of success

- Fragmentation of responsibilities for sanitation at national, provincial and local levels.
- Lack of institutional coordination and alignment.
- Lack of regulatory compliance monitoring.
- Unclear performance standards.
- Lack of technical capacity at local government level.
- Poor planning, such as new sewer networks being connected without increasing the capacity of bulk infrastructure.
- High turn-over of staff, with a lack of focus on training and retention of staff.
- Inadequate budget allocations for maintenance by municipalities.
- Ineffective support programmes to municipalities from provincial and national government.
- Inappropriate use of allocated funds, such as channelling of funds to road construction at the end of the financial year to facilitate quick expenditure.
- Low levels of revenue collection.

The twin challenges

- To accelerate access to sanitation – the pace is too slow to meet the 2014 target of universal access.
- To sustain current access to infrastructure and avoid the collapse of existing services.
Solutions

Two initiatives were outlined to support more effective infrastructure development and municipal service delivery.

New service delivery management structures

The Department of Monitoring and Evaluation (DME) in the Presidency has noted that the archetypal developmental states had a clear vision of what they wanted to achieve and of the institutional frameworks required to achieve this. South Africa has been trying to do different things within prevailing institutional frameworks without interrogating whether the frameworks are appropriate.

The DME has therefore identified the need for new and innovative service delivery management structures that bring together key role players in each sector. A programmatic approach to infrastructure development is required and the kinds of institutional frameworks required to facilitate this need to be established.

These new structures should prepare within a clear timeframe a pipeline of costed projects to address household service backlogs as well as account for capital and maintenance backlogs per municipality, and coordinate the necessary funding to implement the projects. In particular they must do the following in each municipality:

• Confirm the backlogs and the infrastructure projects required to address the backlogs;
• Determine the cost of the projects? What projects are already funded and ready to be implemented and what is the shortfall?;
• Establish how additional funding can be leveraged. Municipalities will be receiving R90 billion over the next three years. If R70 billion of this is directed towards water and sanitation, the backlog could be wiped out, but that would mean less for refuse, electricity and roads;
• Draw up an implementation plan for the delivery of the projects; and
• Establish a focused information and programme management and monitoring system to track implementation.

Planning and implementing SIP6

The Development Bank of Southern Africa (DBSA) is developing a municipal service delivery model in its role as government’s lead agent in implementation of Strategic Infrastructure Project 6 (SIP6), one of 18 SIPs that form the National Infrastructure Plan.

SIP6 focuses on establishing a national capability to support the 23 district and 111 local municipalities that have the least resources. Some 17 million people in 4 million households live in these areas, where unemployment averages 27% and basic services backlogs are estimated at 46%. Investment of some R163 billion over 10 years is required to deal with infrastructure backlogs in these areas.

SIP6 aims to eradicate services delivery backlogs; capacitate municipalities; deliver sustainable and affordable services to their communities; stimulate economic growth; and enhance opportunities for job creation, with the ultimate goal of creating sustainable human settlements.

The DBSA intervention aims to achieve effective local implementation of national programmes, an alternative development paradigm, and innovative delivery mechanisms.
The DBSA has to coordinate the implementation of national infrastructure programmes as they affect the 23 district municipalities, and ensure proper alignment between what is being planned nationally and what should happen locally. For example, if the Department of Education plans to build a school, the municipality should be planning to provide services, such as water.

The model being developed by the DBSA is based on integrating national and local plans and planning, aligning funding, and building the necessary capacity to undertake programmes.

Municipal Integrated Development Plans (IDPs) are based on needs analysis in terms of sectors, such as water. The emphasis should rather be on analysing what is needed to create sustainable livelihoods. The DBSA is proposing integrated needs analysis in which priorities are identified and projects are packaged.

A lot of current planning focuses on the capital costs of infrastructure and not on operations and maintenance, which municipalities have difficulty in funding. The DBSA is therefore looking at how to fund projects in their totality.

The DBSA has developed a highly structured approach, from planning to implementation of projects. The DBSA will seek a development mandate for its role as project coordinator. All parties involved will be asked to agree on the programme to be rolled out.

This will be followed by a strategic planning process which takes a long-term view. This will in turn inform all issues involved in the project, such as levels of service, affordability and cost recovery mechanisms. This will be followed by integrated project scoping which will look at institutional issues, the integration of projects across sectors, funding options and operations and maintenance.

The implementation process will be based on an implementation protocol in which all stakeholders will commit themselves to the programme to be rolled out.

**Issues and Challenges**

Numerous issues were raised by panelists and in protracted discussion among participants. They included:

The relationship between public and private sectors

This recurring theme in many Infrastructure Dialogue sessions emerged again, with a number of participants raising the perception that the private sector is being sidelined in infrastructure development and service delivery planning.

One participant described the private sector as “the missing dimension”. Government draws up plans without involving the private sector, holds public participation meetings, and then proceeds with its original plans without taking into account other inputs, he complained.

Another participant said regulations governing public-private contractual relationships on infrastructure were too complex, resulting in business often walking away. Contracting with the public sector is “the single most difficult thing,” said another participant.

Yet, said another participant, there are many opportunities to build mutually beneficial relationships between business and especially under-resourced municipalities.
She cited as an example that water quality in certain municipalities has recently improved unexpectedly. The reason is that businesses in these areas need better quality water and have therefore worked with municipalities to achieve this.

Another example of cooperation cited by a participant is a Johannesburg business forum which has been resuscitated and in which the municipality is now fully involved on the basis that improvements in the business climate will also benefit the municipality. The two sectors are now working together to improve transportation of goods, the way in which rates are levied, and tourism.

The private sector can also play a role in determining priorities, noted another participant. She cited as an example a company, for which she had previously worked, which became the first to say “no, but” to Mr Mandela. He had asked the company to build a heart ward in a municipal hospital but it had declined to do so because of a shortage of medical specialists. Instead, the company built a maternity ward, for which there was great need. The company also declined to build a school in a particular district because the national department of education was not prepared to deploy teachers there. The company then developed another project.

An example of a wasted opportunity, added a participant, is the fact that higher income ratepayers in some municipalities have been withholding rates in protest against poor service delivery, and have been providing their own services. Municipalities should rather seek their assistance to improve services.

“We need to pull together rather than pull apart,” she said. “We need to change mindsets and depoliticise relationships in the interests of the common good. Government will not be able to do everything on its own, and the private sector will not be able to flourish if they don’t work together.”

Contrary to perceptions, many businesses, said another participant, are not motivated purely by return on investment. They recognise the importance of the triple bottom line, in which the interests of communities and the environment must also be served to secure sustainable returns on investment.

**Affordability**

Investment in infrastructure and pricing of new services is becoming “a huge policy issue”, said an official representing a local government association. He warned that services such as water and electricity are becoming unaffordable. Even middle income households and small businesses, once regarded as “cash cows”, are increasingly defaulting in payments.

The problem is particularly acute in rural municipalities. Unlike urban municipalities which supplement revenues through rates and service charges, rural local governments serve largely poor communities with limited ability to pay for services. They are unable to extend infrastructure and to maintain existing infrastructure, which in many cases is collapsing.
On another level, a city council official said the rate of increases in municipal allocations from the National Treasury does not meet municipalities’ needs to develop new infrastructure and maintain existing infrastructure. This is the making of a “perfect storm”, he said.

**Need for more local solutions**

The national human settlement upgrading programme provides for what is called negotiated outcomes, noted a representative of a development finance institution. Instead of national government laying down priorities and standards, communities can set their own priorities and the standards of the services they need. This enables trade-offs. They can, for example, opt to have communal ablution facilities instead of roads.

Communities therefore need to be educated to make choices in the types of infrastructure to be developed in their areas and the standards of the services to be provided.

**Site and service**

Site and service schemes, in which households are allocated a plot with basic services, such as water and sanitation, and are then able to build their own homes in their own time, have been discarded in favour of formal housing programmes but should be revived as an affordable option for the state and communities.

Noting that the Minister of Human Settlements has raised the issue, a participant said the issue of site and service schemes “should be taken forward with more enthusiasm”. Affordable, basic designs for homes are available, as well as bulk outlets where householders are able to buy building materials at discount prices. Basic training in construction could also be provided.

Land title through site and service schemes can instil pride of ownership and enable households to build assets “which will release an enormous amount of finance over the years”, said a participant.

**Enabling municipal innovation**

Legislation gives local governments the option to look at alternative ways of funding services and their delivery, noted an official in a local government association. However, municipalities have largely failed to “explore sustainable ways of managing service delivery”. An example of success in this area is Johannesburg’s decision to establish Joburg Water in partnership with a private sector manager and operator.

Harnessing renewable energy by, for example, turning waste into energy, in partnership with private developers provides another opportunity for municipalities to provide services and generate additional income, said another participant. However, this will require changes to the current “strict regulatory framework” for renewal energy procurement, which was controlled by central government. Regulations should be relaxed to enable municipalities to develop small-scale renewable energy projects with private developers.

A national government representative said the CSIR is developing a franchise-based pilot scheme for the Eastern Cape to enable companies to be contracted to undertake municipal services such as operations and maintenance. He said government regarded as a priority the development of area-based solutions tailored to specific conditions.

**Learning from past experience**

Noting that a “huge amount of information” is available on past project development successes and failures, a
A participant wanted to know whether this will be used in future planning and implementation. Will there also be some form of oversight to ensure that past mistakes are not repeated, he asked.

Another participant said information should be integrated and made available to project planners and implementers.

**Public funding of infrastructure**
A participant suggested the launching of a listed public bond through which citizens can invest money for infrastructure development. Another participant added that the bond should be structured in such a way that investors could win prizes in a regular draw.

A participant noted that a local government association has raised with government the possibility of developing a funding mechanism to enable municipalities to borrow without current constraints but that the financial standing of many municipalities makes this problematic.

While funding is an important issue, added another participant, an issue of greater importance is to improve the institutional and human capacity of municipalities to undertake projects.

**Municipal structural issues**
Numerous issues raised included:

- National government provides funding for bulk infrastructure but allocations are being constantly under-spent. On another level, the amounts allocated are often insufficient to undertake major projects and the terms attached to allocations are often inappropriate to local conditions and needs.
- Local municipalities are appropriate in urban areas but not in rural areas with small, poor populations, which can be better serviced by larger district municipalities.
- Provinces are generally failing to monitor municipal infrastructure conditions and developments, which makes it difficult to determine backlogs and problems in delivery.
- National and provincial governments do not contribute to development of municipal integrated development plans, which is one of the reasons why they fail.

**Funding for feasibility studies**

There is a lack of funding available for undertaking feasibility studies of projects. A participant asked whether this should become a function of the DBSA. A DBSA representative responded that it did this on a small scale, but the issue of larger scale funding was being considered.