



Masibambane

Water Services Sector Support

Let's work together to build a strong water services sector



Annual Report
2002/03

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Message from the Minister: Water Affairs and Forestry



In order for development to occur and to be meaningful, we must attack poverty and as we all know access to water and adequate sanitation is a basic requirement for eradicating poverty. This access is also a basic human right that safeguards health and human dignity. It is for this reason that the South African Government emphasises free basic water as the forerunner for free basic services.

We are proud of *Masibambane* as an internationally recognised trailblazer in implementing a sector wide

approach. Indeed this approach has been so successful in the three provinces where it was initiated that a policy decision to extend *Masibambane* to all provinces is being implemented and is bearing fruit.

During 2002 we celebrated the delivery of water to the 8 millionth person served by the Department of Water Affairs and Forestry (DWAF) programme, while Government as a whole has supplied millions more through housing and other programmes. This year saw an increase in the delivery of sanitation. The reoccurrence of cholera outbreaks reinforces the importance of extending and accelerating delivery of sanitation facilities and health and hygiene promotion. Greater resources have been made available for sanitation this year.

At our present rate of progress, all South Africans will have received clean water by 2008. We are proud to have already surpassed the millennium target agreed by Heads of State in 2000. We are moving forward on the field of sanitation and aim to ensure that all our people enjoy adequate sanitation by 2010.

When the DWAF hosted the African Sanitation and Hygiene Conference (Africasan) in Johannesburg in 2002, sanitation was accorded its place on the African development agenda. Africa's foremost decision makers and practitioners attended the conference. Following the Africasan conference, the African delegates to the World Summit on Sustainable Development (WSSD) then championed the inclusion of sanitation in the targets of the Millennium Development Goals (from which it was absent). DWAF also established the Water Dome at the WSSD, which was described as *'a global venue where motivated minds collectively worked towards ensuring that water & sanitation became key issues at the Summit'*. *Masibambane* was showcased as a lead programme at the Dome.

The success of *Masibambane* is in no small measure attributable to the fact that donors are funding government-led programmes and not conducting parallel projects. DWAF is grateful to the donors and all our sector partners, who have contributed to the success of *Masibambane*.

Ronnie Kasrils

Ronnie Kasrils, MP

Minister of Water Affairs and Forestry

REPORT OF THE INDEPENDENT AUDITORS TO THE DEPARTMENT OF WATER AFFAIRS AND FORESTRY ON THE COMMUNITY WATER SUPPLY AND SANITATION PROGRAMME (CWSS) FOR THE YEAR ENDED 31 MARCH 2003

In accordance with our term of reference, we further report as follows:

- ❑ The CWSS has materially complied with all aspects of section 21 of the Treasury Regulations issued in terms of the Public Finance Management Act, 1999 (Act No. 29 of 1999) (PFMA). All monies received from foreign donors were deposited in the Reconstruction and Development Programme (RDP) account with National Treasury and these funds were transferred to the Paymaster General (PMG) account when requested by the DWAF.
- ❑ The DWAF has materially adhered to all specific conditions as set forth in the respective financing agreements on the CWSS with due regard given to the legality, regulatory and conformity requirements.
- ❑ We could not completely verify the accuracy of quarterly reports submitted to donors. These reports are based on the most correct information available at the time the report is drafted, but a record of how these reports are prepared was not available for review. We were able to reconcile the total expenditure per financial management system (FMS) to the total of all quarterly reports submitted during the period. We were, however, not able to reconcile FMS expenditure per quarter per province to the information included in the quarterly reports for these criteria.
- ❑ Our detail selections did not identify instances where the 'value for money' of payments appears questionable.
- ❑ Our detail selections did not reveal any instances where invoices were submitted for payment twice. Except for those items reported in Addendum B, sufficient controls appear to be in place to ensure that payments are properly authorised and to mitigate the risk of invoices being double paid.
- ❑ Except for those items reported in Addendum B, expenses incurred appear to have been in terms of valid and approved business plans.
- ❑ Except for those items reported in Addendum B, expense amounts are supported by approved internal documentation and external documents that verify the amount was spent as noted above. Supporting documentation for expenditure totalling R2 557 698 could not be located and verified for audit purposes.
- ❑ The DWAF appears to have proper policies and procedures in place for all expenses incurred.

Deloitte & Touche

29 August 2003

Deloitte
& Touche

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Audit Report

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**Deloitte
& Touche**

REPORT OF THE INDEPENDENT AUDITORS TO THE DEPARTMENT OF WATER AFFAIRS AND FORESTRY ON THE COMMUNITY WATER SUPPLY AND SANITATION PROGRAMME (CWSS) FOR THE YEAR ENDED 31 MARCH 2003

We have audited the document and records maintained by the Department of Water Affairs and Forestry (DWAF) which relate to the Community Water Supply and Sanitation Programme (CWSS) with reference to the agreed-upon terms of reference.

Scope

We conducted our audit in accordance with statements of South African Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance that the statement of cash receipts and disbursements of the CWSS is free of material misstatement. An audit includes:

- examining, on a test basis, evidence supporting the amounts and disclosures in the statement of cash receipts and disbursement;
- assessing the accounting principles used and significant estimates made by management; and
- evaluating the overall statement of cash receipts and disbursement presentation.

We believe our audit provides a reasonable basis for our opinion.

The DWAF's policy is to prepare the accompanying statement on the case receipts and disbursements basis. On this basis, revenue is recognised when received rather than on the accrual basis, and expenses are recognised when paid rather than when incurred.

Audit opinion

In our opinion, the statement of cash receipts and disbursements (as provided in Addendum A) fairly present, in all material respects, the financial position of the CWSS at 31 March 2003 and its activities for the year then ended.

Emphasis of matter

Without qualifying our opinion above, we draw attention to the fact that significant uncertainty exists relating to the registration status of the CWSS project for Value Added Taxation (VAT) purposes. CWSS is not budgeted for under the operating account of DWAF. Expenses on the CWSS are therefore classified as capital expenditure as opposed to operational expenditure and, as such, may not qualify for deductible expenses as defined by Section 1 of the VAT Act 89, of 1991.

**Deloitte
Touche
Tohmatsu**








National Executive Partners: V Naidoo Chief Executive RMW Dunne Chief Operating Officer
TJ Brown GG Gelink IRM Law RK Store Chairman of the Board NT Mtoba Deputy Chairman of the Board
Regional Senior Partner: AE Swiegers
Resident Partners: U Böhmer X Botha DF Crowther BE Greyling BG Joubert CW Kruger E Lehapa S Strydom
L Taljaard AJ van den Berg

Celebrating our Successes



Junior Potloane, DWAF's Deputy Director-General for Regional Operations and Water Services receiving the prestigious international Globe Water Award 2002 for Community Water Supply and Sanitation in Linz, Austria.

Water Services Strategic Framework Targets

-  All people in South Africa have access to a functioning basic water supply facility by 2008.
-  All people in South Africa have access to a functioning basic sanitation facility by 2010.
-  All schools have adequate and safe water supply and sanitation services by 2005.
-  All clinics have adequate and safe water supply and sanitation services by 2007.
-  All bucket toilets are eradicated by 2006.
-  Hygiene education and the wise use of water are taught in all schools by 2005.
-  70% of households with access to at least a basic sanitation facility know how to practise safe sanitation by 2005 (and 100% by 2010).

Message from International Partners: The Ambassador and Head of Delegation of the European Commission to South Africa



Support to the South African Government to address the critical situation in the water and sanitation sector; through infrastructure delivery, capacity building and institutional development is a major focus of the European Commission's European Reconstruction and Development Programme.

Masibambane is the largest programme in this portfolio with a contribution from the European Commission of Euro 75 million. We commend the Department of Water Affairs and Forestry for its effective management of Masibambane, whose importance is reflected in the decision to support Masibambane II, from 2004 – 2007. We both thank and congratulate all our South African partners who have contributed to the Masibambane mission of creating a better life for all South Africans.

Michael Lake
Ambassador and Head of Delegation
Delegation of the European Commission to South Africa

Millennium Development Goals:
*Halve the number of people
without access to water and
sanitation by 2015.*

Summary of Donor Funds Received and Utilised in the 2002/2003 Year

	Government	European Commission	Netherlands	Ireland	Total R
Programme 7 – Professional and specialist fees ⁽²⁾	48 219 000	–	–	–	48 219 000
Funds utilised ⁽³⁾	(828 902 573)	(267 483 291)	(22 888 930)	(10 563 597)	(1 129 838 391)
Transfers to District Municipalities ⁽³⁾	(219 142 667)	–	–	–	(219 142 667)
Transfers to Capital expenditure overhead cost	(110 393 365)	–	–	–	(110 393 365)
Programme 7 – Professional and specialist fees ⁽²⁾	(38 040 234)	–	–	–	(38 040 234)
	(15 196 447)	(15 274 291)	1 713 727	9 436 403	(19 320 608)

⁽¹⁾Amount comprises R2 319 924 and R17 680 076

⁽²⁾Programme 7 expenditure comprises only Professional and Specialist Fees

⁽³⁾Transfer payments and Government funds were adjusted to exclude invalid transfer payments of R7 348 000 in the Limpopo region

Projected Disbursements

	Total R
Eastern Cape	217 033 767
KwaZulu-Natal	339 706 855
Limpopo ⁽³⁾	289 733 047
Head Office	48 251 306
Free State	30 021 193
Mpumalanga	59 425 295
Northern Cape	11 806 938
North West	130 800 948
Western Cape	3 059 042
	1 129 838 391
Transfers to District Municipalities ⁽³⁾	219 142 667
Transfers to Capital expenditure overhead cost	110 393 365
Programme 7 – Professional and specialist fees ⁽²⁾	38 040 234
Total disbursements per CWSS financial delegation	1 497 414 657
Net funds utilised from subsequent periods	(38 345 608)
Funds received in PMG account in April 2003	(23 339 353)
Net deficit	(15 006 255)

Development Cooperation Ireland



The Irish Government has been a proud partner of Masibambane since early 2002.

It recognises the unique nature of the sector support programme. It is clear that great strides have been accomplished in terms of water and sanitation provision in South Africa and that the programme can be commended for the strong leadership, commitment and response at the top level, for success in the delivery of water infrastructure and for positive progress on decentralisation.

A mid-term review of the whole Ireland / South Africa programme highlighted genuine concerns, particularly in relation to the softer issues. Development Cooperation Ireland values the transparent nature in which challenges have been laid out and we remain confident that sustainability, appropriate technology, involvement of the Non-Government Organisations and progress in demand led sanitation can be addressed through a continuing sector support programme.

The Irish Government is committed to supporting Masibambane to 2006. This is the only water sector programme with a sector wide approach that Ireland is involved in worldwide. The Irish Government recognises the advantage of being able to learn from this sector collaborative approach.

Nicole McHugh: Development Cooperation Ireland



Royal Netherlands Embassy



Masibambane is an innovative and exciting initiative, which has been able to drive a transformation agenda within the water services sector. South Africa is one of the few countries that have managed to set up a comprehensive water services sector, in a very challenging and difficult era. The Netherlands Government has found it rewarding and fascinating to be a partner in this sector wide approach.

During this period we have facilitated working relations with a number of Dutch institutions and South African counterparts, particularly in the areas of gender awareness and training, knowledge management and public-public partnerships for municipal service delivery. Even though our financial contribution to the local government and water sector will come to an end, we have every confidence that these strong ties will continue in the spirit of Masibambane.

Many thanks to the Department of Water Affairs and Forestry for their leadership and to all stakeholders, especially local government, who have contributed tremendously.

We hope that Masibambane will grow from strength to strength.

Yvette van Eeoud: Royal Netherlands Embassy

Climbing the Water Ladder

The bottom rung of the water services delivery ladder can be set at the year 1994 when it was estimated that of the 39.4million people living in the country, 14 million (35%) did not have access to basic water supply and 21 million (53%) did not have access to basic sanitation services.

Having provided the 8 millionth person with safe water during 2002, only 14% of the present 46.6m population still remain without basic water services.

Furthermore, with hygiene awareness programmes running in conjunction with the delivery of 135 411 additional toilets since 1994, the percentage of the present population with no access to basic sanitation services has decreased to 27%.

In line with international best practice, the Water Services Strategic Framework (formerly called the White Paper) sets a spending target of 0,75% of Gross Domestic Product for water services as a whole.

Job creation through public sector infrastructure development has been one pillar of the government's strategy to provide employment to the poorest South Africans living in rural areas. Although not permanent jobs, jobs created during the lifespan of the construction of water services infrastructure amounted to 380 846 jobs since 1994. Women benefit from 70% of these jobs.

Services are rolled out incrementally. The aim is for people to access higher levels of service, over time and where feasible.



Financial Report

Funds and Grants Received

	Total R
Total funds received for project	1 181 282 392
Programme 5	1 133 063 392
Programme 7 ⁽²⁾	48 219 000
Received in PMG account from foreign donors	260 106 581
European Commission	233 184 000
Kingdom of the Netherlands	24 602 657
Republic of Ireland	2 319 924
Received in RDP account from foreign donors not transferred to PMG	23 339 353
European Commission	19 025 000
Republic of Ireland	4 314 353
	1 464 728 326
Funds carried forward from previous periods (prior to 1 April 2002)	27 981 008
Transferred to PMG account: European Commission	10 300 932
Transferred to PMG account: Republic of Ireland	17 680 076
Interest accrued on current year funds	11 425 511
Net interest accrued on funds transferred from prior periods	10 225 025
	1 514 359 870
Less:	
Funds transferred for Programme 7 ⁽²⁾	–
Rollover funds allocated and spent in previous periods	(10 300 932)
Rollover funds allocated for use in future periods	(4 314 353)
Unallocated funds not transferred to PMG account	(19 025 000)
Interest accrued not used on project	(21 650 536)
Funds available per CWSS delegation	1 459 069 049

As programme manager, I would like to thank and congratulate all the sector organisations for their tireless effort which led to these remarkable achievements. Your achievements have led to international recognition of the Masibambane concept – demonstrated in no small measure by the fact that it is the largest beneficiary of the European Commission's Reconstruction and Development Programme.



A handwritten signature in black ink, appearing to read 'Kalinga Pelpola'.

Kalinga Pelpola
Manager: Water Sector Support Programme

Message from the Director-General: Department: Water Affairs and Forestry



The mid-term review identified *Masibambane* as being 'successful and exemplary in the region and beyond. In particular, it is unique in proactively setting up a sector wide programme.'

Since 1994 significant gains have been made in meeting the Government's priority of providing basic services for all its people. But this has also been accompanied by transformation that has impacted on the Water Services Sector. The Department of Water Affairs and Forestry will no longer be involved in maintaining and operating Water Services infrastructure. 334 Departmentally run schemes will be transferred to 84 Water Service Authorities (WSAs) by 2008. As custodian of water resources and overall leader of the water sector, the Department will oversee the activities of all Water Services institutions and will regulate both water resources and services. This means a changing role for the Department.

As sector leader, the Department has an obligation to support the sector. Therefore, *Masibambane* is very timely as a vehicle for decentralising the Water Services function to municipalities and ensuring their capacity to fulfill their constitutional role.

In January 2003 the division of the sanitation, water, health and electricity powers and functions between district and local municipalities was finalised. There are now 155 WSAs (excluding the WSAs operating in the district management areas) instead of the previous 53, which has serious implications for future support strategies. This brings to the fore the need for the Department to address the urban context and the challenges of providing higher levels of services.

The strategic nature of the *Masibambane* sector wide approach has spearheaded a new way of working that involved the mobilisation, co-ordination and empowering of all the key role players in the entire sector under the leadership of the Department.

A significant agreement, facilitated by the Department, was reached between the South African Local Government Association (SALGA) and the SA Association of Water Utilities (SAAWU) on the principles and approach to the institutional reform process to optimise the use of existing resources, realise economies of scale and create financially viable, sustainable and accountable Water Services Providers. This will have a far reaching long-term impact.

One of the Department's strategic objectives is to build a more organised sector and as a result the Department has also aligned all its Water Services activities and the *Masibambane* themes into six key focus areas that contribute to Cabinet's medium term strategic objectives. This gives shape and direction for the whole sector.

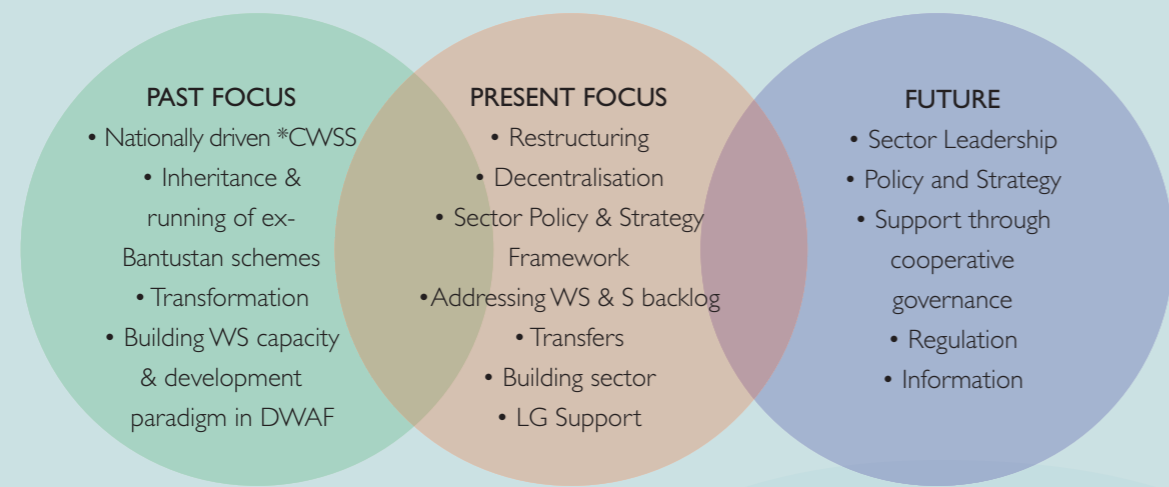
In terms of a more organised sector, a coherent policy framework is essential, and 2002-2003 has been important in building the policy framework. A Free Basic Water Policy, a Joint Transfer Policy and a Basic Household Sanitation Policy were developed, while the development of a Free Basic Sanitation Strategy has commenced. This is in keeping with the Government's goal to provide a basic level of essential services free of charge. The Water Services Strategic Framework was developed with the full participation of key sector partners. It will strategically guide the sector for the next 10 years.

The Department is proud to be at the helm of *Masibambane*.

A handwritten signature in black ink, appearing to read 'Mike Muller'.

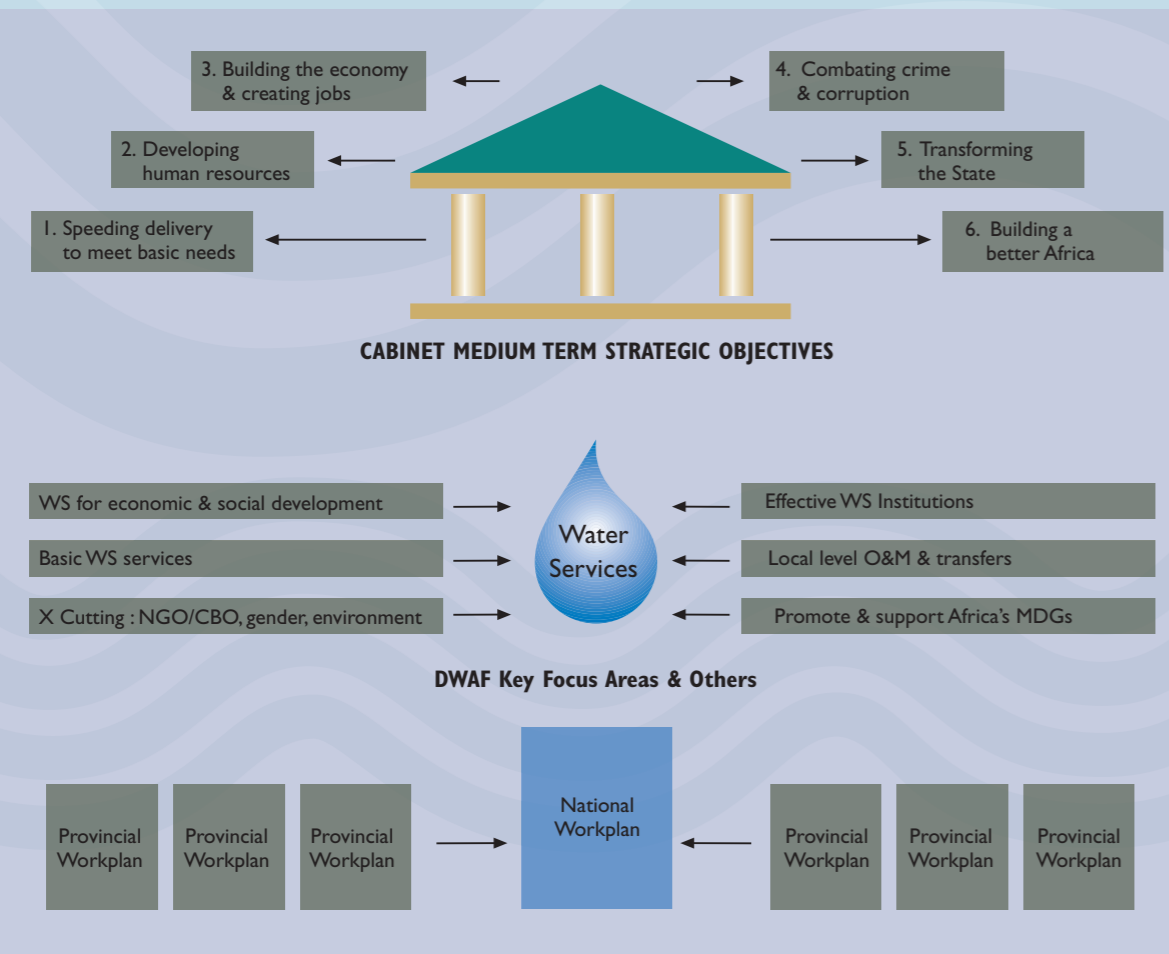
Mike Muller
Director-General: Department of Water Affairs and Forestry

DWAF Water Services in Transition



*CWSS - Community Water Supply and Sanitation Programme

Water Services Strategic Focus



3.3. Transfers (KFA 13)

- 3.3.1. Development of a joint transfer policy which was sector driven and owned
- 3.3.2. Transfer programme established – with implementation plan, allocation of budget and human resources
- 3.3.3. 84 Receiving municipalities identified, informed & consulted
- 3.3.4. Audit and evaluation of 334 schemes completed
- 3.3.5. Plans for transfer of schemes in each province prepared by Provincial Transfer Task Teams under the auspices of the provincial sector fora
- 3.3.6. Few Transfer Agreements are being signed due to concern over maintenance.

4. Mid Term Review

The Mid Term Review identified both strengths and weaknesses and resulted in the following initiatives

- 4.1. Restructuring the Masibambane Support Unit at national level
- 4.2. Increased focus on the incorporation of sustainability issues in all projects and consistent application of sustainability requirements
- 4.3. Acceleration of the transfer of schemes
- 4.4. A review of the monitoring and evaluation system was carried out together with a review of the key performance indicators to align these more appropriately with the programmatic objectives. The phased implementation of the changes was initiated during the year
- 4.5. Various initiatives were started during the year to address the slow delivery of the sanitation programme
- 4.6. Increased focus was placed on cross cutting issues (gender mainstreaming, environmental and appropriate technology, civil society participation) to address concerns regarding the integration of these into the sector.

5. Future Management Challenges

In the light of decentralisation of WS implementation to local government and DWAF taking up its regulatory role, the following will be critical activity areas for 2003-4.

- 5.1. Exit strategy for the capital programme to transfer to the Municipal Infrastructure Grant under DPLG and sector preparedness for its implementation, ensuring good management practices are incorporated and sustained
- 5.2. Developing a coherent and integrated support strategy, especially for local government, to meet their WS needs, ensuring alignment with the future Capacity Building Grant of DPLG
- 5.3. Building a sector M&E capacity to be able to monitor overall performance of sector against strategic objectives and targets
- 5.4. Supporting DWAF to develop & implement its regulatory function
- 5.5. Effectively extending Masibambane to all 9 provinces and ensuring a sector approach nationally
- 5.6. Resolution of procurement delays to delivery
- 5.7. Preparing for Masibambane 2.

Theme 3 Institutional Development

Greatest focus of Theme 3 has been on WSA support and to a limited extent on WSP support.

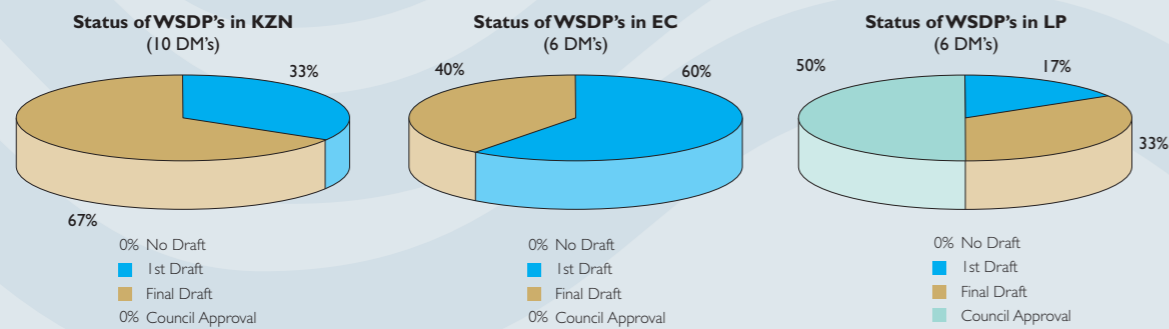
Powers and Functions brought about changes that make it difficult to uniformly measure WSA and WSP functionality - as most municipalities have taken on new areas of service delivery. Where DMs are the WSA they now include the urban core and where LMs are the WSA their service area has been extended. Service delivery continues through interim arrangements and contracts.

Support for reorientation within the Powers and Functions was given to municipalities through Masibambane. The focus is now on preparing Section 78s to determine water service provision arrangements.

A coordinated approach was taken centred on the needs of the institution rather than from a supply perspective. First order and/or WSA Capacity Development business plans are drawn up by the municipality on the basis of a capacity assessment and gap analysis.

The 3 year Log Frame KPIs of 50% of WSA's functioning and 80% of WSPs are extremely ambitious and it should be noted that in the WS Strategic Plan this has been revised to 30% and 50% respectively.

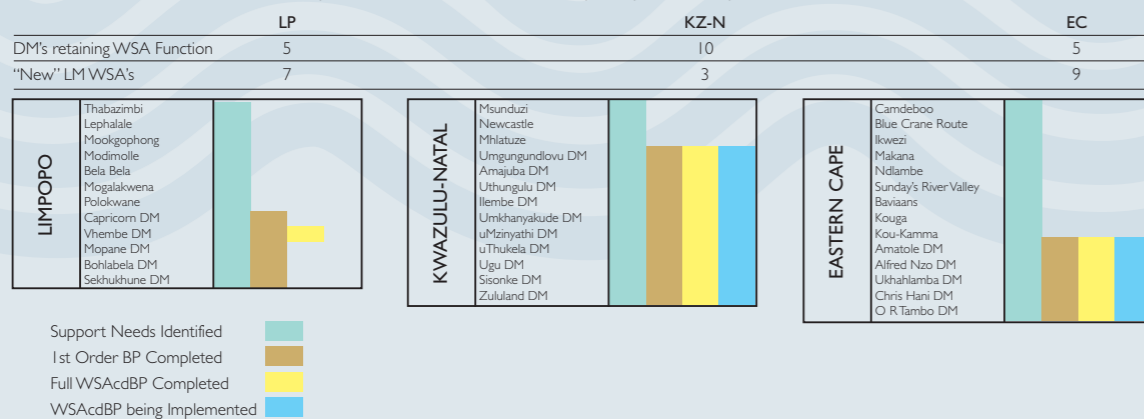
A tracking system has been established with KPIs for both the functioning of WSAs and WSPs. These include WS development plans, by-laws, tariff structure, free basic water and sanitation policies being in place; whilst those for WSP focus on % of households with RDP services and payment for such. The means to qualitatively measure performance will only evolve over time, which will be important as DWAF takes up its regulatory responsibilities.



2002-3 KPI: 100% of DM's in LP, EC, KZN have started developing WSDP's was reached

WSA CAPACITY DEVELOPMENT

Measured in Production and Implementation of WSA Capacity Development Business Plans



2002-3 KPI: LG has made substantial progress in meeting minimum requirements as WSA's in 50% of areas served

The Sector Working Together

The hallmark of Masibambane is sector collaboration. 2002-3 could be called the 'year of entrenchment' – when Masibambane was firmly entrenched as a concept of the sector working together rather than a stand-alone programme.

The Sector Wide Approach (SWAP) concept involves a quantum change in the way the sector operates & the relationship between government & its partners.

SWAP's two elements:

- Replacement of project-based approaches with comprehensive sector-wide programmes;
- Move to coordinated funding through the fiscus;
- SWAP requires strong leadership from government & high level of trust by its development partners.

SWAP is the current buzzword in the international development community and Masibambane is heralded as a lead proponent of this approach.

At national level the Water Services Sector Leadership Group (WSSLG) has galvanised strong sector membership, with committees to drive strategic priorities. Primary among these is the development of the Water Services Strategic Framework. A core group under the leadership of DWAF is collaborating on its development and consulting widely.

Other initiatives include:

- The Water Information Network (WIN) which focuses on knowledge management and lesson learning;
- Strengthening training and skill development to ensure long term human resource development in the sector that has around 70 000 personnel; and
- Gender mainstreaming.

At provincial level the sector forums and their task teams have played a critical role in giving strategic direction and driving implementation of water services programmes. These have taken different forms and different champions have emerged from amongst sector partners. In planning, debating and jointly deciding on matters there has been exchange, empowerment and an increasing sense of common purpose and ownership.

Importantly, through collaboration, the sector has positioned itself for the future Municipal Infrastructure and Capacity Building programmes, which are to be funded through consolidated grants direct to municipalities.

But sector collaboration is not just about structures – it is more about leadership (at different levels), developing a common identity and building ownership. It is about joint decision-making, sharing, organisation and coordination. Strategic facilitation is critical and process management requires time, energy and resources. The mid-term evaluation recommended that lessons be documented. It is important not only for other SWAP initiatives, but in particular for DWAF, which faces the challenge of fulfilling its leadership role in a changing terrain.



It was agreed that Masibambane will be extended to all provinces and encouragingly there was eagerness across the board. Sector forums have now been established in three provinces – Free State, Mpumalanga and the Western Cape, with others ready to follow. Interestingly a number of provinces have decided it should be extended beyond water services to include water resources as both impact upon local government.

Masibambane has been of great assistance to WSA's, especially in addressing soft issues such as capacity building, policy, strategies and tariff setting.

Charl Fouche: Uthukela District Municipality

Water Services Strategic Framework Targets

- A national institutional reform strategy is developed by June 2004.
- The institutional reform of regional water services providers is completed by 2013.
- Free basic water policy implemented in all water services authorities by 2008.
- Free basic sanitation policy implemented in all water services authorities by 2010.



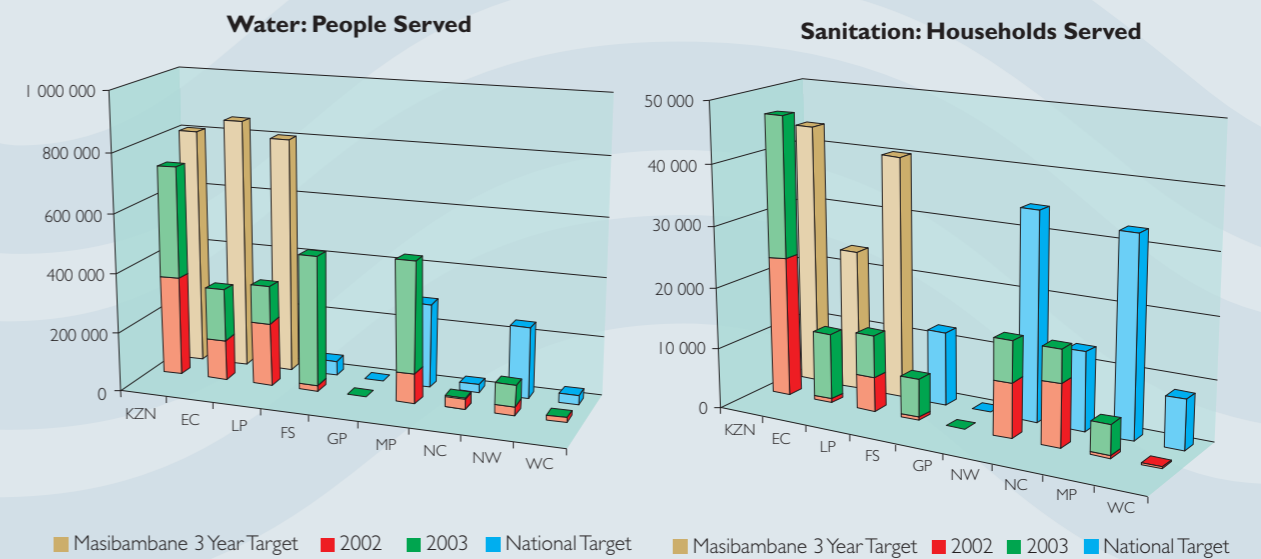
3.1.4. Communication and Information Dissemination

- Development of sector orientated communication strategies
- Hosting the Water Dome at the World Summit on Sustainable Development
- Hosting of the AFRICASAN conference
- National rollout of the WASH campaign
- WS Communications capacity placed in DWAF

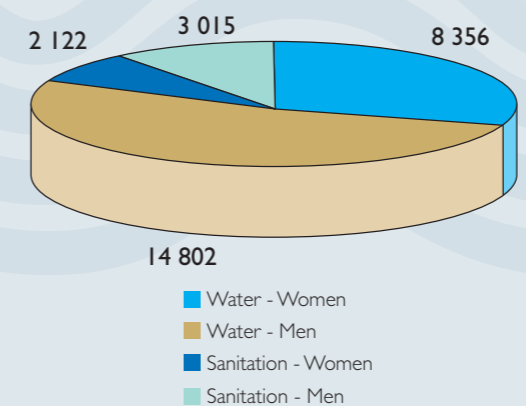
3.2. Theme 2 Service Delivery (KFA 10)

For the 3 Masibambane Provinces- Eastern Cape, KwaZulu-Natal and Limpopo Province, water delivery targets were only exceeded in KwaZulu-Natal.

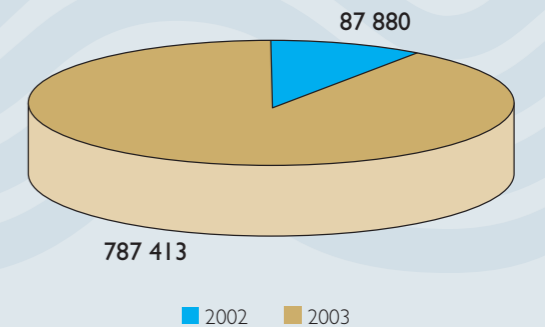
3.2.1. The delivery of household sanitation exceeded the targets in Eastern Cape and KwaZulu-Natal largely in response to cholera outbreaks, but not Limpopo Province. Acceleration and extension of the sanitation programme is essential if South Africa is to deliver on its target of provision of a basic sanitation facility for all by 2010.



Jobs Created: Water and Sanitation - 2003

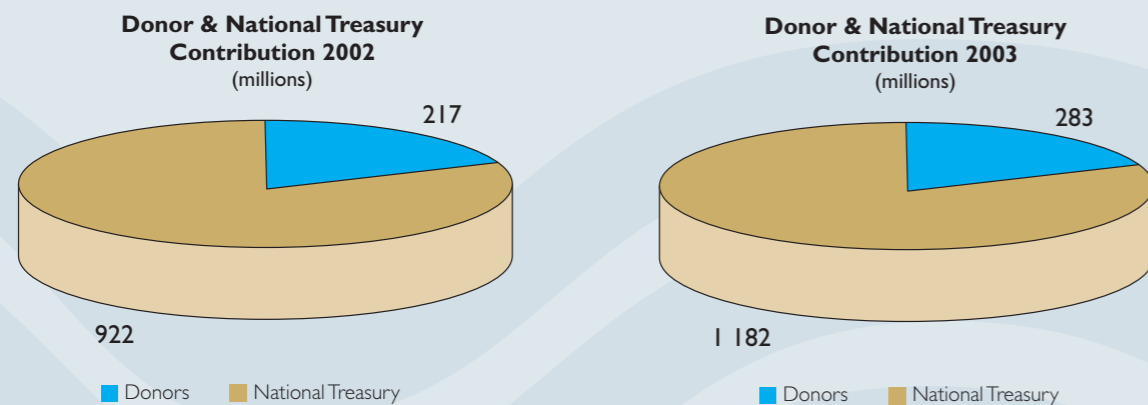


Health and Hygiene Education - Sanitation



- 2.2. Although now integrated into one strategic plan, *Theme* information was maintained to allow reporting against the Logical Framework per the Financing Agreement.
- 2.3. Quarterly reporting through the provincial sector fora and at national level has proven important in providing a more disciplined system for ensuring not only financial but performance accountability. The Masibambane Coordinating Committee meetings are useful to share and exchange experiences across provinces.
- 2.4. The M&E system is being reviewed with a view to covering broader sector performance.
- 2.5. The Department prepared for the rollout of a new financial management system which requires the budgeting process to be restructured according to the Department's key focus areas. This will ensure a strategically driven budget.
- 2.6. The extension of the full sector wide approach of Masibambane to all 9 provinces from the initial 3 provinces was initiated during the year.

3. Theme Deliverables for 2002-3



Key deliverables against the Masibambane Logical Framework and WS Strategic Plan are listed under themes.

3.1. Theme I Sector Orientation

3.1.1. Policy and Strategy Development

- Water Services White Paper (later known as Strategic Framework for WS) embarked upon with initial discussion document
- Joint Transfer Policy adopted by stakeholders
- White Paper on Basic Household Sanitation published

3.1.2. Sector Collaboration

- WSSLG and Provincial Sector Fora established and functioning
- Water Information Network for the sector initiated with all relevant sector players
- SALGA's WS capacity built and able to effectively give voice to local government at national level. Able to mobilise and organise municipal WS. Political and official WS Committees running and in-house Masibambane WS unit established, including Provincial WS Coordinators
- All major initiatives are sector driven – such as the Transfer programme, Free Basic Water and support for Powers and Functions implementation

3.1.3. Regulation

- Design of National Regulatory Framework completed

Supporting Local Government

Water Services Strategic Framework Targets

- By-laws are promulgated in every water services authority area by 2005.
- All external water services providers are rendering services in terms of a contract with the applicable water services authority by 2005.
- All water services providers are rendering services in terms of a business plan by 2005.

“Masibambane support for the SALGA has been of great strategic value. It has empowered municipal representatives to participate in policy making and implementation as equal partners to their provincial and national counterparts. Masibambane is our flagship programme, which we aim to replicate in other sectors such as electricity.”

Thabo Mokwena: SALGA CEO

This year has been important for the municipal institutional development component of Masibambane – recognising the long lead time required. In the three initial Masibambane supported provinces of KwaZulu-Natal, Eastern Cape and Limpopo, the majority of WSAs have completed their capacity development plans. This process has forced them to carefully assess and plan for their institutional requirements and enabled a better understanding of the authority functions. Masibambane support has included actual placement of staff for which the municipality takes over financial responsibility on a sliding scale over three years.

In fact the approach taken has been not only to place support in municipalities but also in key sector partners such as the Department of Provincial and Local

Government (DPLG) and SALGA. During this past year SALGA has built strong water services capacity and mobilised and organised municipal representation in all activities from policy development to implementation of collaborative programmes. Given the dispersal of their membership this could not have been achieved through normal consultation processes. Now municipalities have a strong voice and are influencing the national agenda.

A key achievement during the last year is that DWAF and DPLG, with SALGA, jointly drove a communications and support initiative for the implementation of the new powers and functions of municipalities. Masibambane sector structures and support played a decisive role in being able to manage the process, where they exist. Facilitation committees have been established in most districts nationwide.

There is now certainty as to which municipalities are responsible for water and sanitation services. Support will be provided jointly by DWAF, DPLG and SALGA, working with the sector provincial forums. Those municipalities that have high service backlogs and are receiving transfers of DWAF schemes have been prioritised.

“Masibambane has stepped in and provided services. It has helped to identify gaps in capacity of the Water Services Authority and capacity has been developed. Masibambane has also enabled us to get together in a forum, where we get together and discuss and share experiences.

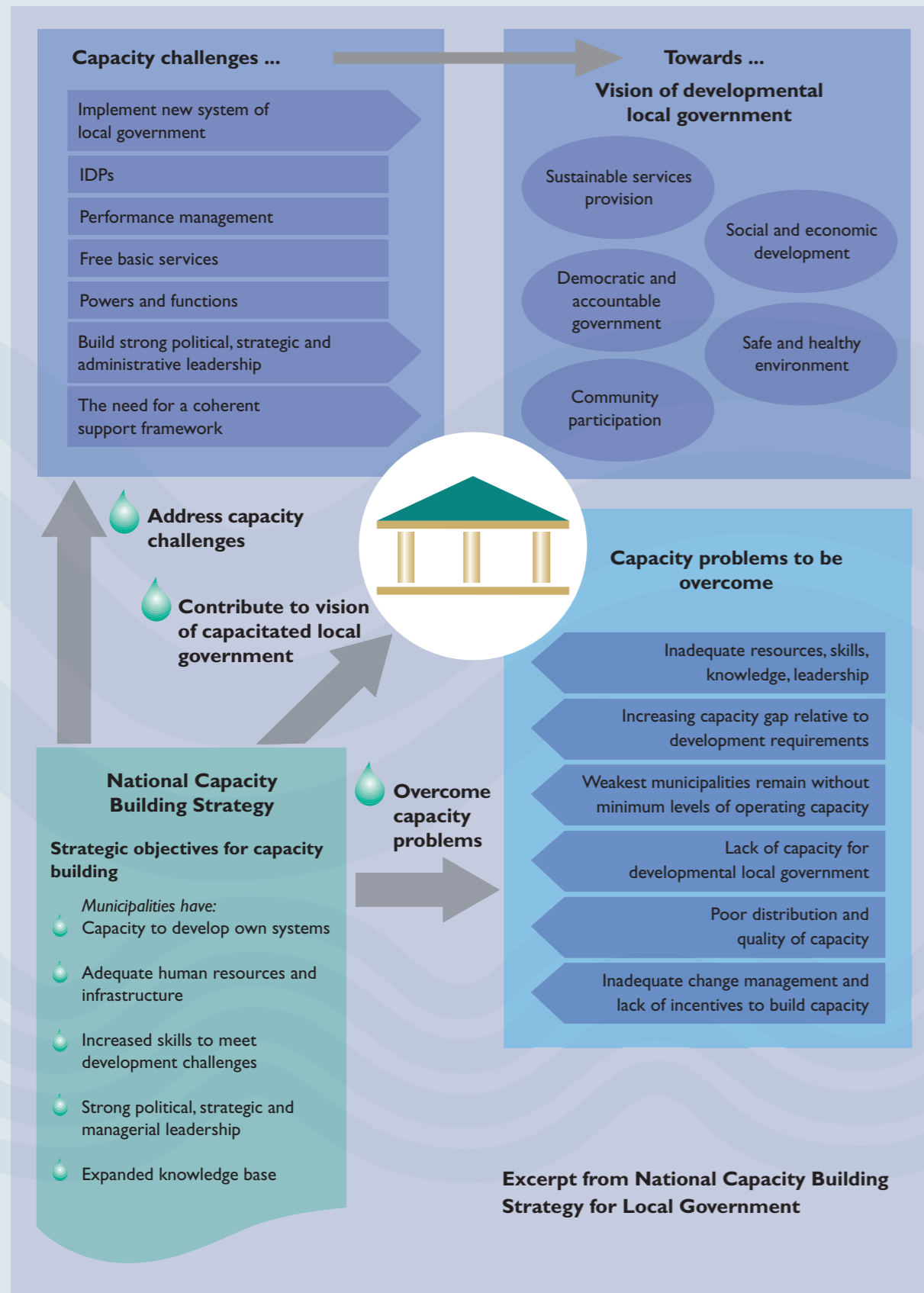
We learn from each other's mistakes and positive experiences, and make recommendations. Policy issues are identified and referred to the forum for decisions.

Masibambane has really been very useful. Without it we would not have progressed as far as we have.

Councillor Mphela: Ukhahlamba District Municipality

DPLG finalised the National Capacity Building Strategy for Local Government, which gives the framework for the establishment, consolidation and sustainability of developmental local government.

Overview: Municipal Capacity challenges, problems, and objectives



Programme Manager's Report

1. Critical Achievements in the Context of Change

The second full year of the Masibambane Programme has been extremely challenging and one marked by change. Critically Masibambane has laid a solid foundation for sector collaboration in the long term. This foundation is invaluable in enabling DWAF to play its sector leadership role in an environment whereby the implementation responsibility is being decentralised to local government through future direct grant funding.

There is little doubt that the concept of Masibambane – *Let's work Together* - has been embraced by sector players, signalling a significant shift in approach and attitude. Policies and implementation strategies – from transfers to free basic water – have all been developed and driven by sector partners working together under the leadership of DWAF.

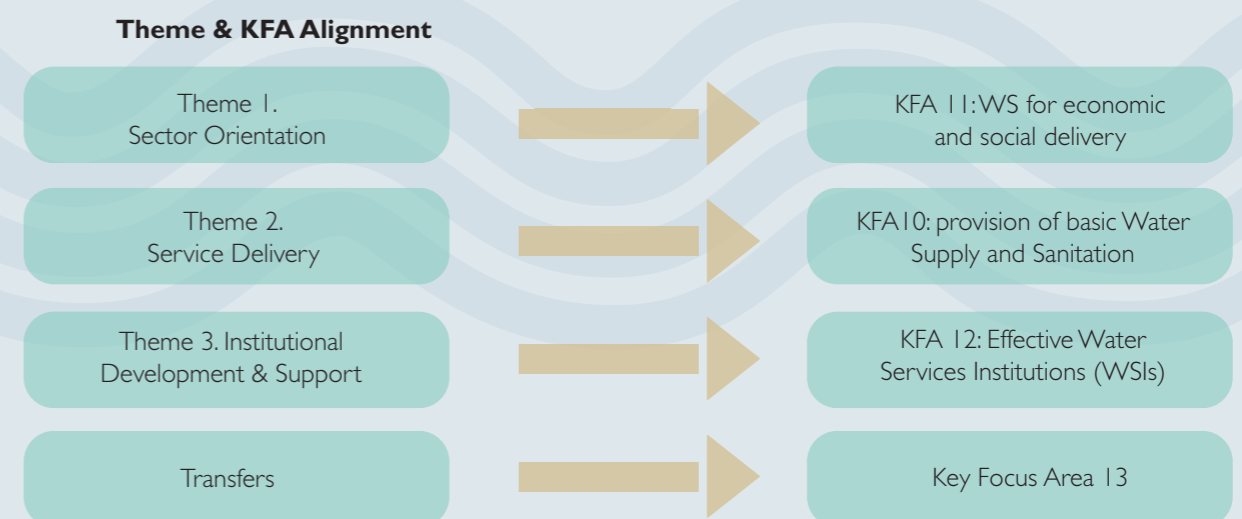
The new powers and functions for municipalities had enormous impact, with many municipalities redefining their role and having to embark upon determining their institutional arrangements for water service provision (Section 78 process). DWAF and DPLG (with SALGA support) jointly drove the roll out for implementation. Masibambane sector structures and support played a decisive role in being able to manage the process.

Integration of all WS activities under one WS strategy and workplan, including Masibambane, has been vital for institutionalisation of the programme and ensuring a sector wide approach (SWAP). Project funding and implementation responsibility were devolved to District Municipalities, who reported at provincial level. This sector reporting is laying a basis for accountability in the sector and for DWAF to monitor, as part of its regulatory support role.

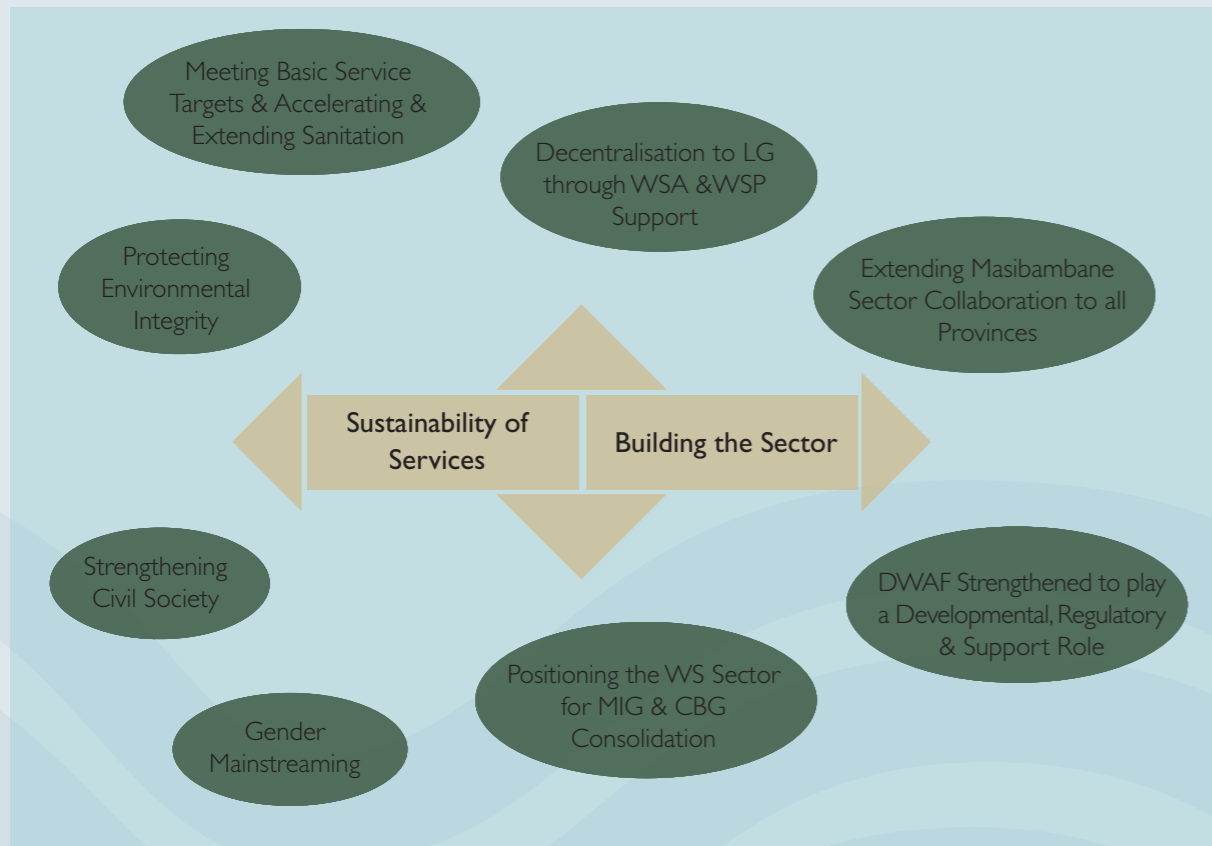
DWAF, itself, underwent fundamental restructuring to align the organisation with its strategic objectives and long term role. The focus of the Water Services section has moved from basic service delivery to policy, regulations and support.

2. Operating Framework

2.1. Themes were aligned to Key Focus Areas (KFA) within the WS Strategic Plan. This enabled one strategy guiding all activities and one workplan against which to report.



Future Challenges



“Multi-sectoral co-ordination remains a key challenge during the transition phase into the Municipal Infrastructure Grant (MIG). In order to meet these challenges, appropriate co-ordination approaches are of critical importance to prevent disruption of service delivery. Masibambane, amongst others, is regarded as an important interface between sectors that will ensure the successful transition to complement the MIG.”

Patrick Flusk: Deputy Director-General, Department of Provincial and Local Government.

Transfer of DWAF Services Schemes to Water Service Authorities (municipalities)

Water Services Strategic Framework Target

All assets of water services schemes are transferred from DWAF to Water Services Authorities by 2008.

The transfer of 334 water services schemes and the associated staff from the national to the local sphere is one of the most concrete manifestations of Government's commitment to the decentralisation of service provision. Masibambane has been important in facilitating consultative processes amongst relevant role players, including 84 recipient WSAs.

Strongly led by DWAF and driven by an interdepartmental committee, the transfer programme has been applauded for its inclusivity.

The transfer process is extremely complex and especially challenging for municipalities. A sector wide approach is vital for a well negotiated and understood transfer agreement. By the end of the financial year, four transfer agreements have been signed between DWAF and WSAs. Both the joint transfer policy and the collaborative processes have built confidence that municipalities will receive support to take transfer. The willingness of WSAs to engage in transfer processes, however, does not relinquish the enormous obligation to build the capacity of receiving municipalities to manage and maintain schemes well beyond actual transfer.



Appropriate Technology

South Africa can boast appropriate technology innovations. However much more needs to be done to ensure better understanding of appropriate technology and its application - from inception to implementation and the long-term cost effective maintenance of water and sanitation services.

A range of projects have been executed, including handpumps installed in Limpopo and KwaZulu-Natal, capped springs in the Eastern Cape and KwaZulu-Natal plus gravity fed water schemes in the latter. But these have been ad-hoc. Synergy with the NORAD funded

sustainable groundwater for community water supply project is being pursued.

Following the successful 2001 Masibambane sponsored Conference on *Appropriate Technology for Sustainable Water Supply and Sanitation Services* an action plan was developed.

The aim is to ensure a more systematic approach whereby appropriate technology is integrated into the planning and implementation frameworks - supported by policy, information and tools.

The Play-Pump



The chore of fetching water usually falls to the women or children.

Now pure, clean borehole water can be pumped into water storage tanks by children propelling the playground roundabout.

Though partnerships the private sector funds community health awareness messages (especially HIV / AIDS and cholera prevention) on the water tanks.

Organising the Sector

Water Services Strategic Framework Targets

• All Water Services Authorities report annually on progress against their water services development plans by 2005.

• DWAF reports on sector development and progress annually.

When so many sector players are involved good clear management practices need to be in place and Masibambane has introduced a more rigorous and disciplined approach which is captured in the slogan - *One government, one sector, one strategy, one work plan, many voices, one message.*

To ensure good programme management Masibambane has:

- Strengthened programme management, including placing programme management units both in DWAF national and provincial offices and sector structures;
- Introduced structured programming through a work plan that includes all the water services activities with regular and rigorous quarterly reporting against this work plan & key performance indicators. District municipalities report at provincial level and provinces at national Masibambane meetings.

This enables on-going progress reviews, learning across provinces and municipalities and allows for addressing the gaps.

With the sector wide approach there is pooling of donor funds, allowing for:

- Flexibility to meet government strategic goals;
- Maximisation of resources;
- Minimising duplication (e.g. one reporting process and format); and

- Greater coordination.

In 2002/3 DWAF embarked on a process to simplify and accelerate the evaluation, tracking and monitoring process for projects. In doing so, it aligned its project management process with the processes followed by other government departments.

The previous DWAF business plan tracking system and monitoring and evaluation system were replaced by one form-based, project management system. These electronic forms have been placed on the DWAF website enabling any user in the country to register and complete a business plan, report on project progress, view budgets, etc.

Mid Term Evaluation

From October 2002 to January 2003 a team of international and South African experts carried out an evaluation. The findings highlighted impressive gains, particularly in terms of sector collaboration, strengthening SALGA, decentralisation and support to local government. These successes need to be documented and shared.

Whereas the targets for water supply delivery had been surpassed, the slow progress on sanitation needs urgent attention. Better analysis of cost effectiveness of delivery was raised.

Sustainability and cross cutting issues require stronger incorporation in the planning and implementation processes.

Limited capacity among municipalities significantly retards aspects of decentralisation. Strengthened support programmes and particularly a sector M&E system were proposed as critical for operational sustainability.

In South Africa's impressive drive to address the needs, the qualitative, developmental issues become more critical. This is especially so in a situation of transformation and immature institutional capacity.

Communicating the Messages

Given the dynamic nature of the South African water services environment, good communication is a priority. Communications in 2002/3 focused primarily on the World Summit for Sustainable Development (WSSD), the international Water Sanitation and Hygiene for All programme (WASH), the Free Basic Water policy and information workshops in all district municipalities on the reallocation of municipal powers and functions.

During the WSSD, DWAF was the co-organiser of the Water Dome, which housed exhibitions of over 100 organisations and / or countries. DWAF and 10 other organisations in the water services sector demonstrated the potential of public-public and public-private partnerships by running a joint exhibition. The Masibambane exhibition included public debates on topical issues.

Minister Ronnie Kasrils launched South Africa's WASH

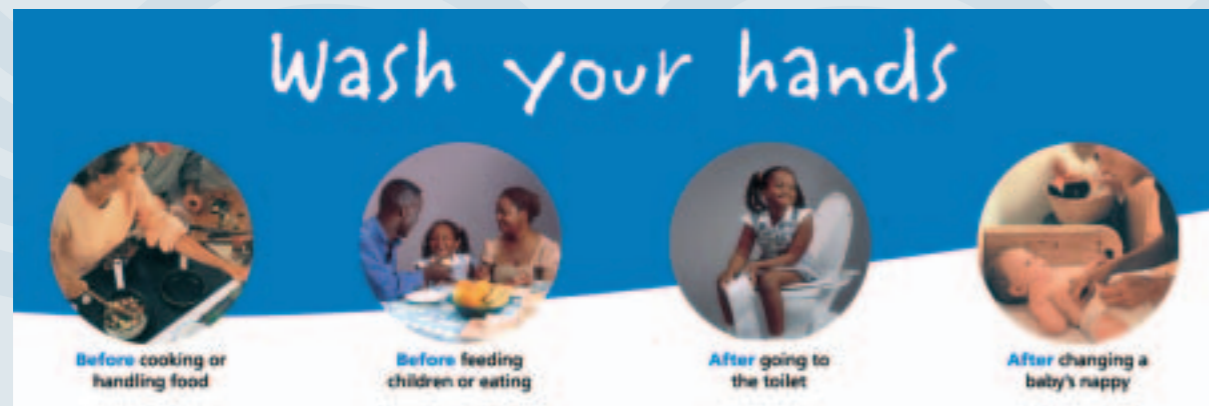


Sir Richard Jolly (Chair: Water Supply and Sanitation Collaborative Council) and Minister Ronnie Kasrils

campaign in March 2002 in response to the international WASH campaign initiated by the United Nation's Water Supply and Sanitation Collaborative Council (WSSCC).

During 2002/3 the South African WASH programme focused on creating hygiene awareness and emphasised that proper hand washing at critical times can substantially reduce illness and death from diarrhoeal disease. Other important elements of the campaign were the development of public-private partnerships, targeting schools with WASH messages and promoting best practice for sanitation and hygiene education.

In terms of Free Basic Water, a second communication campaign, targeting local government took place in 2002 when information was disseminated at the WSSD and training workshops were held for local government countrywide.



Civil Society Contribution

In the new South African democracy, there has been a strong commitment to civil society participation in the development of South Africa, as strongly reflected in many of its non governmental structures such as trade unions, religious and women's organisations.

An important element of Masibambane has been the stipulation that 25% of the EU contribution is to be allocated to civil society organisations. This remains a contentious issue and difficult to track especially when NGOs are sub-contracted.

What is important is to strengthen the involvement of civil society as a whole, especially Community Based Organisations (CBOs). Hitherto there has been too much of a focus on contracting service provider NGOs. This terrain has a lot of competing interests.

However, the expenditure through NGOs in the first

two years of the Masibambane programme is at least R 70.25 million or approximately 17% of the EC contribution of R 412 million.

A civil society strategy has now been developed, which includes:

- The development of a capacity building framework and materials;
- The development of a monitoring and evaluation programme;
- The development of an NGO / Municipality interface programme; and
- The promotion of partnerships.

In Masibambane II the community and consumer awareness campaign should also be driven by NGOs and CBOs.



Gender Mainstreaming

Gender mainstreaming is a principle of the South African Government which is well reflected in all the policy documents of the water sector. The water services sector has successfully implemented the ruling of 30% women participation on the community based project and water committees. This is the being increased to 50% in recognition of the central role played by women.

With Masibambane support much had been done in the past year to put gender firmly on the agenda, primarily through advocacy and training. Achievements include:

- A national communication campaign, including promotional material such as posters, pamphlets, banners and a booklet.

- A series of Gender Awareness Raising workshops held in Limpopo, Eastern Cape, KwaZulu-Natal and North West provinces. Participants ranged from DWAF to municipal officials and NGOs to Implementing Agents.
- Train-the trainer workshops run in the same provinces and Northern Cape.
- A Gender Officer was appointed at national level and a Gender Forum established in the Eastern Cape.

The Mid Term Evaluation identified key challenges for next year. These are the need for a dedicated champion, a sector-wide strategy, tools to ensure gender considerations are built into every dimension of a project and key performance indicators.



This is very hard work, but we are happy to be working on this water project, because us women are responsible for collecting water from distant boreholes. We are also happy because the municipality is employing women. Now we have money to feed our children. When the water comes we will also be able to grow our own vegetables.

Ms Grace Mabasa: Worker on Vhembe Water Project, Limpopo Province.



Environmental Protection

South Africa has, among other success stories:

- Put in place new policies and legislation to safeguard South Africa's biodiversity that are based on principles of equity, accountability, participation, the right to a clean, healthy and protected environment and the right to have the environment protected;
- Established voluntary partnerships between Government, communities and the private sector; to establish conservancies and biosphere reserves;
- Transformed our institutions, including neighbouring communities on parks' management committees;
- Made parks more accessible to the majority of our people;
- South Africa is a full participant in global environmental initiatives and has signed and ratified all key protocols. In fact it is becoming one of a few countries in the world to have promulgated legislation specifically to give effect to all these agreements.

Clearly, water resource management is a critical component of this approach. In terms of water services, we are promoting the value of water through

appropriate pricing, consumer awareness and effective management. In the water services sector, policy guidelines, contract conditions for service providers as well as workshops were conducted to ensure that environmental protection underlies the consciousness and practice of role players within the sector. The achievements include:

- Refining the Environmental, Impact and Management System (EIMS) processes and procedures;
- Conducting awareness workshops on legal issues and sound environmental practice;
- The development of environmental assessment and management tools for the EIMS and environmental management support; and
- The drafting of Terms of References for Professional Service Providers procurement process.

Sadly, there was a high personnel turnover, which impacted on the continuity of the project and skills and knowledge transfer. The ultimate success of implementing environmental management in the sector will depend on the capacity built in the provinces and especially in local government.

