



Mid-Term Review of Masibambane III:

April 2007 – September 2008

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Volume I: Overview Report

Executive Summary

May 2009

Executive Summary

As agreed in the Financing Agreement between the European Union (EU) and the Government of South Africa a mid term review (MTR) of the third term of the Masibambane programme (MSB III), themed Water for Growth and Development (WfGD), will be undertaken to assess relevance and effectiveness and efficiency to determine whether the EU support should be redirected if necessary. The MTR covered activities from **April 2007 to end September 2008**. The overall objective of the Review was to assess the progress of MSB III against the key result areas of the financing agreement, and to make recommendations for improvement.

Using a mixed methods approach the MTR conducted two telephonic surveys (with 78% of the WSAs and 100 provincial forum stakeholders), interviewed 90 role-players from the sector, observed three provincial forums, and comprehensively reviewed relevant programme documentation during the six weeks made available for fieldwork.

As specified in the Terms of Reference (ToRs), the Review Team focused on the issues of **Relevance** and **Effectiveness**. With regards to relevance the Team examined the extent to which the objectives of MSB III are consistent with beneficiaries' requirements, country needs, and institutional priorities. With respect to effectiveness, the team explored to what extent the planned objectives, results and activities of MSB III are being achieved. The overall scores for each of the different components that the MTR were asked to assess in the ToRs are tabulated in Table 1.

	Relevance	Effectiveness	Overall
Sector Reporting	6.0	4.0	5.0
Water for Growth and Development	6.0	4.0	5.0
Sector Collaboration	5.0	4.5	4.8
Alternative Finance	5.0	4.0	4.5
Backlogs	5.0	4.0	4.5
Water Service Authorities	5.0	4.0	4.5
Water Service Providers	5.0	4.0	4.5
Integrated Water Resource Management	5.0	4.0	4.5
HIV and AIDS	6.0	3.0	4.5
Operations and Maintenance	5.0	3.5	4.3
Civil Society Organisations	4.5	3.5	4.0
Environment	4.0	3.0	3.5
Appropriate Technology	4.0	3.0	3.5
Catchment Management Agencies	3.0	3.0	3.5
Gender	3.0	3.0	3.0

Table 1: Overall Rating of MSB III, in terms of relevance and effectiveness (where 6 is highly satisfactory and 1 is highly unsatisfactory)

The findings of the Review Team signify that the issue for the remainder of MSB III is not one of redirection (as asked in the ToRs) but rather one of re-energising the programme. The Team found that the roadmap that MSB III developed at the onset of the programme (including the EU Financing Agreement) clearly identifies the relevant issues that need to be addressed and the manner in which these key result areas should be addressed. In general the programme is very relevant to the needs of the sector and there are excellent plans, policies and guidelines in place. However, in some areas, progress with implementation has lagged behind and thus the programme does not score as well on effectiveness.

Reduction in Services Backlogs

Excellent progress has been made with **Key Performance Indicators** (KPIs) 3, 4 and 5 (water service provision), and steady progress continues to be made with KPIs 1 and 2 (sanitation service provision). Progress with respect to Free Basic Water (FBW) remains impressive. In the period the MTR examined only four WSAs, out of a national total of 169, were still not serving free basic water to any of their population. This equates to 85.62% of households in South Africa receiving FBW. Of the targeted poor households, 85.87% receive FBW.

Although steady progress is being made in the area of backlog reduction, the main performance indicator used in this area is the level and rate of the spending of the MIG grant. Not enough attention is given to the efficiency and effectiveness with which the grant is spent, and not enough attention is given to ensuring that completed projects are maintained and continue to meet their intended purposes.

However, Government has recognised that the **service backlog** cannot be looked at by taking one service in isolation and that the whole backlog of services including water, sanitation, refuse removal, electricity and housing needs to be addressed as an integrated package. To address this (new realistic targets have been set for the eradication of the services backlog by 2014. Within the Water Sector a Water Targets Implementation Support Programme Plan (Water TISPP) been developed in order to articulate a national plan to support the acceleration of service delivery in order to achieve water targets and sustainable infrastructure services in the nine provinces. Importantly the plan distinguishes between type of backlog (8 different categories) and thus enables the sector to prioritise the needs of different households to ensure a far more targeted and holistic response than has previously been achieved.

Main Recommendation: DWAF's Regulatory Performance Management System (RPMS) should be fully implemented across all Water Services Authorities. Once this is done, it can be used to ensure that funding for new infrastructure is used more efficiently and effectively.

Since the end of MSB II, the sector has redirected much of its attention towards addressing the *sustainability* of water services and has thus brought much needed focus on to operations and maintenance. This has been done through programmes and support for municipalities in the **operation and maintenance** (O&M) of water and sanitation services. These initiatives (e.g. monitoring drinking water quality; asset management; water services regulation; and much of the WSP and WSA support) are critical interventions that are required to address the needs of the largest challenge facing the sector -- the capacity for operating and maintaining

municipal services. However the challenge remains a massive one that will continue to need resources and support for the foreseeable future.

Main Recommendation: The agenda of O&M must be continuously pushed and there must be strong and focused follow through on the O&M foundations that have now been put into place.

Institutional Development and Performance

WSAs

Reporting by **Water Service Authorities** (WSAs) continues to improve, albeit that reporting against WSDPs remains low. Nevertheless, against CIPs the number of WSAs complying with reporting continues to gradually improve. Furthermore, it should be noted that WSDP reporting has been enhanced to include additional information that was not included previously e.g. reporting on water services audit information. This information is passed on to the regulator to feed into DWAF's Regulation Performance Management System (RPMS).

In instances where Water Service Provider (WSP) arrangements are in place, there has been improvement according to the WSA Checklist Assessment Reports. As at the end of March 2007, the results of the WSA Checklist Assessment pertaining to WSA/WSP Functionality, reported that of the WSAs that responded, 57 (i.e. 38%) WSAs had Service Delivery Agreements in place to monitor and regulate WSPs and 80 (53%) had performance management contracts in place with senior WSP managers.

According to the interviews conducted as part of this review, there is general consensus that municipalities are improving in terms of the implementation of prioritised projects. The indication is that most of the projects get implemented through the **Municipal Infrastructure Grant** (MIG) programme (it is estimated that 65% of the WSDP projects are implemented through MIG funding).

Main Recommendation: A balance must be sought between supporting both *operational* challenges and supporting *institutional* capacity needs of WSAs..

WSPs

Developing **Water Service Provider** (WSP) capacity is a serious challenge with which the sector is now actively engaging. This is being led by the Directorate WSSD as part of the implementation of the National Joint Water Services Sector Support Strategy through the WSP Support Project Execution Plan (PEP). The WSP PEP is focused at the operational level of WSPs and is intended to take *policy to practice*. A pilot programme at four sites has been completed and the lessons learned are feeding into the final WSP Support Implementation Plan. This plan is to operationalized at the 4 pilot sites in the financial year 2009/10 and then mainstreamed and rolled out at a national level from 2010/11.

The KPIs for Enhanced WSP Capacity under the MSB III agreement (viz. WSP business plans; consumer charters; asset management systems; tariff policies and consumer-friendly billing) still need to be specifically incorporated into this plan in some cases. Importantly, bearing in mind the national crisis around drinking water quality (DWQ), DWQ has been identified as one of top 3 KPAs in the WSP Support

Implementation Plan. The roll-out of this plan is critical for various areas. If effectively implemented, it could be instrumental in improving the management of drinking water quality, as well as in improving operations and maintenance overall.

Coordination of this WSP support across the sector players can be expected to be a key challenge. Even more critical will be the allocation of substantial funds to support the implementation of this programme at WSP level as the PEP has been designed to have no funds for this.

Main Recommendation: There must be strong and focused follow-through on the WSP Support Implementation Plan. This is critical for developing fully functional WSPs that can effectively meet their responsibilities. Capable WSPs are essential for the development of sustainable water services. The national roll-out of the WSP Support programme is a real priority that must receive adequate support and financial resources.

Alternative Financing Mechanisms

Exploring alternative financing mechanisms remains a challenge for many municipalities, and at the national level progress remains slow. However, various potential models are being explored. For instance, the DBSA is making available funding which will specifically target the turnaround of non-revenue water in municipalities. Moreover, dplg reports that it has allocated R30m of Masibambane funds to a programme that provides technical assistance and training to municipalities to help inter alia in accessing loan funding or secure a credit rating. This has been piloted in 7 municipalities. It is also important to note that the DBSA and the commercial banks do regularly lend to municipalities. A component of this is for water and sanitation infrastructure.

The sector as a whole is still heavily dependent on MIG grants to finance new infrastructure. Given the free basic water policy, this will not change in the foreseeable future. However, there needs to be some kind of feedback loop in the system that ensures that WSAs who are poor performers in terms of reporting requirements and operations and maintenance requirements, receive funding for new infrastructure at a reduced rate until they have put their house in order.

Main Recommendation: A feedback loop needs to be created to ensure that poorly performing WSAs and strongly performing WSAs are not treated equally when it comes to the disbursing of grants for new water and sanitation infrastructure.

CMAs

The achievements with regards the establishment of **Catchment Management Agencies** (CMA)s provides a mixed bag of results. Two fully fledged CMAs have been established while many others are at various stages of establishment. The established CMAs, Breede and Inkomati, each have a Governing Board and a CEO in place. The other 17 CMAs range from being at proposal development stage to advisory committee process stage.

A major reason for the delays is that DWAF is in an institutional re-alignment process that includes CMA establishment assessment. Therefore the CMA establishment process is on hold as the institutional re-alignment process could affect the number of CMAs to be established. However the re-alignment process is being finalized. The CMA establishment process will continue after the realignment process based on a

consideration of the proposals from the re-alignment process. Concern was raised that within DWAF there is not unanimous in support of CMA establishment, yet CMA establishment is part of DWAF policy and is provided for by the Act as well as the NWRS. Any changes around CMAs will require new policy direction.

Main Recommendation: A clear internal message that confirms CMAs as a sound policy direction and confirms that they will be established is required. Support mechanisms and funded programmes that will support the establishment of the CMAs will then need to be put into place.

IWRM

Progress continues to be seen in terms of Integrated Water Resource Management (IWRM), however not in all areas. **Water Allocation Reform** has been substantially ineffective to date in achieving its primary objectives. In terms of **Compulsory Licensing** there has been significant investment and technical preparation in pilot catchments (Jan Dissels, Umhlatuze and Nkomati) in preparation for Compulsory Licensing. However, with regards to **Routine licensing** (Section 17 licensing compliance) has seen marked success only in the Western Cape, where DWAF has been proactive in prompting and supporting the BEE element in new license applications and has actively integrated this with funding and departmental support from the Land Reform Process and the Department of Agriculture. The experience in other provinces has not been as positive and is generally a failure in terms of new licenses issued which comply with Section 17.

Nevertheless, interviews with a range of regional and national DWAF staff showed that **Water Conservation and Demand Management Strategies (WC/DM)** as a working principle is on the routine working agendas of both the WSAs and DWAF regions and there is a sense that the national strategies for WC/DM that are in place are appreciated. WC/DM is considered important and is, in the view of the MTR team, effectively internalized by DWAF regional staff as a priority issue. However, what is now needed is to ensure that this knowledge is shared with those working on the ground to ensure the principles of WC/DM underpin their work.

Importantly the strategy has been developed to ensure compliance monitoring and enforcement of legislation and license conditions and this component of the scorecard has been largely achieved and scores well. **Compliance Monitoring and Evaluation (CME)** has been driven enthusiastically and has full support from the regions for regional expansion. However national coverage is thin with limited funding available, and with low numbers of dedicated CME personnel.

Good progress has also been achieved with respect to the **transformation of irrigation boards**. To date 80 Irrigation Boards have been transformed into Water User Associations across the 9 provinces. Furthermore, DWAF has shouldered wider responsibilities in implementing the Resource Poor Farmers' subsidy and this leadership has clearly resulted in relative success of the RWH programme and DWAF has certainly demonstrated strong leadership in this area.

Main Recommendation: Policy direction in terms of WAR implementation via Compulsory Licensing needs to be provided and followed with an implementation strategy.

Strengthening Sector Collaboration

The programme scores well in its efforts to ensure that sustainable collaborative structures are in place and are supported by regular, inclusive strategic planning processes. Eight out of the nine water sector forums have been reconfigured in line with the Intergovernmental Relations Act. However, participation by sector partners in the regional forums varies, and is an issue that requires attention in almost all regions. Nevertheless the flexible/responsive nature of collaboration allows the sector to respond immediately to crises, e.g. the manner in which sector players worked together to address the cholera epidemic.

Moreover, **Provincial Water Sector Plans** (PWSPs) are in place in all nine regions and at different stages of review. In regions where forums are not fully functional PWSPs are done by DWAF through direct consultation with sector players on a one on one basis. In terms of the *National Water Sector Plan* the plan is in place and was developed with the involvement of national water sector partners.

A key feature of sector collaboration is the **knowledge sharing** that occurs at all different levels within the sector. Research within the sector has in fact shown that lesson sharing had become a major reason for collaboration by sector role-players. This occurs not only formally through the different forums, but also through the comprehensive collection, management and distribution of relevant data in innovative and interactive ways by WIN-SA. Challenges nevertheless remain as those within MSB find the means to ensure that knowledge sharing also reaches ground level, particularly at local municipality level.

The participation of DWAF in **SADC** and other bilateral country to country technical committees is negatively impacted by the general problem of a shortage and continued loss of technical expertise within DWAF. However, as part of South Africa's contribution to the SADC agenda - regional integration and economic growth – the sector assists the regional technical skills support programme. Lesson learning and sharing (documentation of regional experiences) is a significant element of the collaboration both within the sector and across the region (significantly assisted by WIN-SA in this regard).

Main Recommendation: The process of reconfiguration of both national and regional collaboration structures should be speeded up, with emphasis on putting in place implementation protocols (collaboration agreements) as a way of managing relationships with sector partners. This process should focus on clarification of the relationship of formal IGR structures within the water sector as well as informal forums in order to enhance the quality of collaboration in the regions.

The **Monitoring, Evaluation and Reporting** framework is largely appropriate to ensure the reporting needs of the sector. With respect to reporting requirements, DWAF's Water Services Regulatory Management System (WSRMS) tracks 11 KPIs, including DWQ. Thus for instance, in October 2008, it was recorded that 3,538 sites were monitored nationally: 236 sites were non-compliant and posed health related DWQ threats (Quarterly Report: Consolidated report Oct – Dec 2008). Moreover, in line with its mandate, DWAF does reports annually against all 19 target areas outlined in the Strategic Framework for water services.

However, concern remains about the availability, accuracy and timeliness of the data provided by sector partners to DWAF. Whilst steps are being taken to address the alignment of data, it is essential that for the remainder of MSB III the M, E & R unit is strengthened to allow it to fulfill its vital role.

Main Recommendation: Thought should be given to the creation of a centralised regulation and reporting system for the sector (as opposed to the existing sector-wide reporting system).

Cross Cutting Issues

CSOs

With regards to Civil Society Organisations (CSOs) the programme witnessed a number of achievements, including appointing an implementing agent to drive and coordinate the **CSO capacity building programme**. Moreover, the five-year business plan for CSOs was finalised through engagements with CSOs such as the Water Caucus and Mvula Trust and a CSO advocacy strategy has been developed. CSO capacity building has also happened in a number of provinces including the Free State, Limpopo and Gauteng.

However, whilst there is notable progress the involvement of CSOs in local government is still limited. Also the CSO sector is still represented by the same small number of CSOs and an attempt to involve new organizations must be made. The perception of CSOs is still poor within local government. Moreover, there are still barriers to the entry of CSOs into service provision due to excessively cumbersome and demanding contractual procedures by local municipalities. The legislative framework is presently not conducive for CSOs to contribute to sustainable service provision within the local municipalities. Procurement policies need to be looked at to look at options to make them more accessible to CSOs.

Main Recommendation: The challenges of CSO sustainability within the sector need to be looked at: in the absence of donor funding could DWAF sustain a CSO support programme?

Environment

The sector has excellent strategic frameworks and environmental management toolkits, but still no accepted strategy for mainstreaming environment within MSB III itself. A concise “**Draft Strategic Framework for Mainstreaming Environmental Management**” (March 2008) was funded through the MSB III programme, but has not been adopted. Moreover, related activities, although not officially listed as environmental management activities under the MSB III budget, have under-spent across the board (e.g. sanitation awareness programmes). However, The WfGD framework and increased profile of the CME unit are good catalysts here, and require underpinning through increased public awareness and action.

Main Recommendation: Institutionalize environmental management, within and beyond the Masibambane programme, by activating the good policy level intent through Cabinet approval of the WfGD framework and its sustainability principles.

Gender

There has been little progress made in mainstreaming gender across the sector. The gender mainstreaming framework needs to be reviewed to take into account issues of integrated water resources management as well as WfGD approach. A gender mainstreaming champion needs to be identified, to ensure that the agenda for gender gathers momentum.

Main Recommendation: Review current strategy to interface with issues of water resources management as well as principles of WfGD and in so doing set reliable targets and monitor for the remainder of the programme.

HIV and AIDS

A comprehensive strategy has been developed (**Strategic Framework for Mainstreaming HIV and AIDS in the Water Sector**) and covers important areas in the water sector. The challenge will obviously to ensure that roll-out is effective and that the entire sector mainstreams HIV and AIDS into their core activities. Pockets of best practice in this regard can already be found throughout the sector.

Main Recommendation: Appoint a champion to oversee and monitor roll-out and implementation by all sector partners.

Appropriate Technology

The need to consider appropriate technology solutions in the drive to supply water services to all in South Africa is identified in the Strategic Framework for Water Services and is generally acknowledged within the sector and was identified as a key outcome from the 2008 Municipal Indaba. The draft strategy document must be still be reviewed and adopted by the sector urgently. While very little implementation took place during the reporting period, since then progress has been made in appointing a champion to drive the mainstreaming of Appropriate Technology and a **draft strategy has been produced** to guide implementation. Moreover, practical learning workshops, like the one held in Limpopo in March, provide a direct learning experience between experience and need and should be repeated in other area.

Main Recommendation: For further progress to be made during MSB III, DWAF must urgently initiate a process of sector consultation, review and adoption of the strategy. The top priority activities within the strategy must be identified based on what will have the greatest impact in achieving the goal and implementation of these activities must commence as soon as possible.

DWAF's Sector Leadership

The leadership that DWAF has played in promoting **Water for Growth and Development** has been viewed as a success by the vast majority of stakeholders interviewed by the Review Team, particularly in ensuring that the sector has moved from looking at water and sanitation services to viewing water far more holistically.

In 2008 (i.e. during the period under review), the Inter-Ministerial Committee (IMC) chaired by the then Deputy President, raised a number of issues regarding actions that needed to be taken to avoid a potential crisis in the water sector. DWAF responded with its Water Sector Immediate Challenges Response (IMC) document,

a nuanced and comprehensive acknowledgement of the challenges facing the sector. Essentially the challenges related to the ability of government and its partners to continue to provide adequate water for economic development and human well-being and to protect the natural water resource environment.

The need to address key challenges facing the water sector in South Africa as outlined in the IMC document, required DWAF to rethink its approach to the Masibambane programme. As a result there has been a conscious move to focus on key priorities that would address the challenges identified in the IMC document. There was also realization within DWAF that its regulatory mandate had not been receiving the priority it deserves and the decision was therefore made to focus on strengthening this function. The above mentioned factors contributed to DWAF's DG implementing the following:

- Making hands-on decisions re the management arrangements for the MSB III, especially the allocation of funding
- Identifying and aligning priorities throughout DWAF and thus allocating funds accordingly
- Refocusing the department on the development and implementation of the WfGD strategy
- Strengthening DWAF's regulatory function at local government level.
- Guiding the development of an exit strategy and simultaneously making a request to National Treasury to provide funding for DWAF's core functions that are currently funded by Masibambane.

However, there is also a realization within DWAF that to ensure that MSB continues to be seen as a valuable asset, it requires a Champion to resurrect the programme, provide strategic leadership and ensure that the planned activities get done. Such a Champion should also remind the sector of the enormous success that the sector has achieved in the longest running, and arguably, most successful sector-wide programme in South Africa.

Moreover, the enormous success that MSB has achieved in ensuring that the sector collaborates is not only an impressive achievement, but it is also vital for ensuring the success of WfG&D. For WfG&D to succeed (The Water for Growth and Development Framework has received endorsement from Cabinet and it is in its final stage of consultation before it is submitted to Cabinet in August 2009) the sector leadership needs to ensure collaboration not only between different sections within DWAF (the link between water services and water resources is an obvious example), but also between all the key stakeholders who work within the sector. By doing this it will ensure that MSB adds value by sharing the hard lessons learnt about effective sector collaboration and about its extraordinary success as a way of working. It will also ensure the correct positioning of MSB to allow it to facilitate the implementation of the strategy by driving the process through the collaborative structures it has diligently built at all levels (including local, provincial and national).

Main Recommendation: The true value of MSB needs to be restated and recognised in order to position it correctly so that it can effectively facilitate the implementation of WfG&D.

Conclusion

Masibambane is now in its third phase under the theme of Water for Growth and Development. The programme remains both relevant and critical to the development of South Africa, its objectives are directly in line with the government's strategic focus as articulated in the previous MTSF and the Accelerated and Shared Growth Initiative of South Africa (ASGISA). Moreover, there is no doubt that, even with the new MTSF objectives, and the likely shift in priorities under the newly elected President, the fact that MSB continues to facilitate and promote integration between Water Service provision and Water Resource Management in the sector must continue.

The Review Team note that the ToRs for the MTR asked the Team to consider whether, if necessary, MSB III needed to be redirected. In response, the team would argue that it is not so much a question of redirection but rather one of re-energising the programme. The roadmap that MSB III developed at the onset of the programme (including the EU Financing Agreement) clearly identifies the relevant issues which need to be addressed and the manner in which these key result areas should be addressed. What is now needed is a two-fold process: restating and recognizing the inherent value of MSB, and ensuring that MSB is positioned appropriately to underpin and strengthen WfG&D. Moreover, to ensure that MSB remains sustainable after the EU funding comes to an end in 2011, it is critical that a comprehensive exit strategy is prepared.