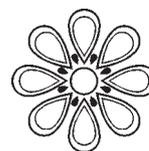


**Government-NGO co-operation in service delivery support***Ilse Wilson, Mike Makhura and Piers Cross, South Africa*

THE MVULA TRUST operates in South Africa as an independent social investment fund dedicated to improving water and sanitation services to disadvantaged, poor and marginalised rural communities. The Trust began operating in mid-1993 and provides demand-driven finance to support community owned and managed, cost-effective and sustainable projects. At conception the Trust was perceived as a rapid delivery vehicle for the transitional phase in South Africa with an initial capital base of R150m (US\$ 26m). It has approved finance to over 300 projects and has fully committed its initial capital.

The new government has instituted a Reconstruction and Development Programme (RDP) to redress the imbalances of the past. As part of this programme it is giving priority to the improvement of basic water and sanitation for poor and rural communities. This emphasis together with the success achieved by the Trust, has led to a formal agreement with the government's Department of Water Affairs and Forestry (DWAF) to provide funding to the Trust from the national budget. The Trust also works closely with DWAF on policy formulation. The purpose of this paper is to provide a brief overview of the innovative aspects of this agreement.

**Project finance mechanism**

DWAF has allocated a sum of money from the national budget to the Trust drawn from provincial budget allocations. The procedures for facilitating the flow of funds were specifically developed to bypass many bureaucratic government procedures. The Trust submitted a consolidated business plan to the Department and although each project will have to be approved at regional departmental level much paper work has been eliminated. The Trust uses its current funds as bridging finance to ensure speedy commencement of projects and claims refunds for this expenditure from the Department. These claims include administrative costs. DWAF will also pass on some of the funds received from donors for NGOs to the Trust.

**Financial accountability**

A fundamental aspect of the agreement between the Trust and the government is that the government has agreed to the Trust being separately accountable for public funds. This major step enables the Trust to retain a flexible NGO structure, which can implement a rapid demand-driven process without political interference and really can support community empowerment.

**Policy differences**

The spirit of the agreement is that the government recognises that the implementation of projects by the Trust would be according to the Trust's own policies and procedures. This includes recognition of policy differences.

The Trust requires cost-sharing with the community contributing towards the capital cost (an 8 per cent community contribution), while DWAF has no such requirement.

A second significant area of policy difference is that, in order to empower the community, Trust funds are given directly to beneficiary communities. The Trust only enters into a contract with the association representing the community, and not with contractors or suppliers. In the course of this interaction the community gains valuable skills in managing funds as they are expected to open a bank account, procure materials, employ labour, pay consultants and set-up a tariff collection system. The government is restricted by accounting procedures from tasking communities to manage funds.

Thirdly, the Trust approach lays stress on community ownership of the process and of the project assets. Government attempts to let the community own the process but without control of the finances this is difficult, and government retains ownership of the assets in projects funded directly by it.

**Policy development and specialist services**

The Trust's mandate extends beyond infrastructure development to policy development, capacity building and initiatives aimed at developing and piloting new ideas of relevance to better service development. Areas in which the Trust is involved include financing arrangements, sanitation policy development, assisting with national consultations on reforming the country's water law and the development of national training and human resource development.

An example of these services is the development of training guidelines for the Department. The RDP stresses the importance of training and capacity building in all government-supported projects. The Trust was asked by DWAF to evaluate the training and capacity building component of one of the first large RDP presidential lead project. It was also one of the Department's first attempts at community empowerment under their new community water supply policy frame. Much was learned in the evaluation.

Due to the haste by the new government to implement projects, and no clear guidelines from the Department on the objectives of training, several problems were identified. As a result of this evaluation the Trust was tasked with developing policies and strategies essential for meaningful community empowerment. The Trust played a central role in the development of training guidelines for DWAF, and is continuing to be an active member of the Department's task team on training policy development. It has also been asked to monitor and evaluate the training component of other DWAF projects.

A further example of these services is in the field of sanitation. The Trust is acting as the secretariat to the government's multi-departmental National Sanitation Task Team (NSTT). The tasks of the NSTT are to develop a national sanitation policy and develop a corresponding implementation strategy. With regard to policy, the Trust co-ordinated the process of national consultation that has guided the development of the national sanitation policy, and will result in the publication of a White Paper on National Sanitation Policy. The process of developing an implementation strategy is expected to last two years during which time different technologies, delivery mechanisms etc. will be explored. The Trust has already implemented twelve pilot projects in this field which provide a major source of experience on which to build a national programme.

### **Advantages and disadvantages of NGOs in the water and sanitation sector**

NGOs can be flexible, innovative, demand-driven, pragmatic and effective. They have the ability to reach the poorest and most neglected communities in society. They lack bureaucracy and can be cost-effective. They can test new ways of meeting needs without putting the whole system at risk. NGOs often have a commitment to community and are staffed by people with a commitment to social upliftment.

On the other hand they can become inefficient as they are not subject to market control. They are also not always

noted for the transparency of their operations and for effective financial management.

### **Lessons from this government-NGO co-operation**

Even at this early stage of the DWAF-Mvula collaboration, there are already lessons which can be drawn.

All DWAF-funded projects have to be approved by the Department. Inevitably this dual approval process causes additional bureaucratic delays. With greater knowledge of different organisational constraints there is a prospect of minimising bureaucratic processes. One of the reasons for the Mvula's successful co-operation with government is a clarity of roles. As the government develops a capacity for large scale regional schemes, the Trust's niche has become to provide services to smaller, more remote communities.

A further lesson is that successful government collaboration requires far-sighted political commitment. In the case of DWAF, the present Minister provides enthusiasm, drive, imagination and real leadership to the sector. Following his open leadership style, the Department acknowledges that it does not have all the skills and capacity required and that the Trust can play a significant role in the sector.

### **The future**

The Trust's experience is too short to make sound predictions for the future. There are many risks associated with the scale of the NGO-government collaboration in Mvula's operations. Few other institutions in developing countries have sustained a similar model for any length of time.

There is however increasing global recognition of the institutional failures that have characterised the water and sanitation sector in recent decades. Much of this failure resulted from governments being too ambitious and non-collaborative in their policies and approaches. The Mvula-DWAF co-operation not only provides a unique model in South Africa, but may provide further institutional options for other developing countries.