



Alleviation of Poverty Through the Provision of Local Energy Services APPLES

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***Contribution of APPLES to the National leC Strategy
of South Africa***

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Abstract

The report on Contribution of APPLES to the National IeC Strategy of South Africa is deliverable no. 7 of the COOPENER project ‘Alleviation of Poverty through the Provision of local Energy Services (APPLES)’. The APPLES project commenced on 1 June 2005 and the report period runs from June 2005 to May 2007.

The project is implemented by ECN, The Netherlands, University of Oxford, UK, Risoe National Laboratory, Denmark, Parallax South Africa and the Energy Research Centre of the University of Cape Town.

The main objectives of APPLES are to understand the energy needs and energy priorities within the target communities, to determine and demonstrate the best practices for energy service provision to meet the needs of these communities, and to strengthen the embryonic networks of existing energy centres in South Africa.

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APPLES – Alleviation of Poverty through the Provision of Local Energy Services

*Work Package 2 – Contribution of APPLES to the National leC Strategy,
October 2006*

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1. Background

At its proposal stage, in early 2004, the APPLES project was expected to contribute directly to the anticipated National Action Plan for energy development in South Africa, which was to be prepared as part of the Global Village Energy Partnership (GVEP). By the time that APPLES officially commenced on 1 June 2005, the Government's position regarding this action plan had changed, and therefore the contribution from APPLES had to be revised. This process was described in the inception report prepared for the project. Further delays to APPLES activities, due to internal restructuring at the South African Government Department of Science and Technology (DST), one of APPLES' key local funders, has now meant that the context of APPLES activity has again adjusted due to further policy and strategic developments in South Africa.

Consequently, a clear assessment of the current local energy conditions is now required to determine how APPLES can best contribute to national energy planning and strategy. In fact, the potential for a high-value contribution from APPLES, with significant impact, remains very good. Association with APPLES is still considered as a key partnership by the South African Department of Minerals and Energy (DME) for its Integrated Energy Centre (IeC) development process¹. Despite the project delays, Parallax was invited by DME to present the APPLES project at an investment conference in October 2006 as one of “the role-players in the IeC programme”².

However, a key adjustment is now required since, as indicated in the recent APPLES progress report, the National Action Plan that was initially expected from GVEP has been replaced with a sustainable strategy and action plans for the development of appropriate energy centres. Since details of the progress towards this strategy were announced only in October 2006, the preparation of this report for APPLES work package 2 has been delayed. Only now is it possible to judge the commitment of DME to its recently revised IeC strategy and so determine how best APPLES may contribute to the national roll-out plan for IeCs.

1.1 GVEP Expectations

The initial expectation of the Global Village Energy Partnership (GVEP) was to help facilitate the development of Integrated Energy Centres (IeC's) in South Africa. GVEP claimed that IeC's were “at the heart of the government's Integrated Sustainable Rural Development Programme (ISRDP)”³. The IeC concept looks at providing a basket of energy services in

¹ Presentation by Robert Maake, Deputy Director: Energy and Development, June 2005

² IeC Investment Conference, Cedar Park Hotel, October 2006

³ Terms of Reference, GVEP Energy & Development Manager, December 2004

rural poverty areas, where the need for development is the greatest. Each local IeC is linked with the Integrated Development Plan (IDP) of the particular area, thus integrating the provision of wider energy choices with other projects like water supply, building schools and clinics.

The first IeC's were located in Kgalagadi in the Northern Cape and Eshane in KwaZulu Natal. The efforts of IeC's at these early stages were focused on energy retailing to end-users. With this narrow focus, the initial IeC concept did not result in the required local economic development, economic growth and job creation.

This key shortcoming was to be addressed through the GVEP project. GVEP was launched at the World Summit on Sustainable Development (WSSD) in Johannesburg, South Africa as a partnership of UNDP and the World Bank. In South Africa, it aimed to develop the analysis, advocacy, business support and capacity building tools that are needed to transfer the IeC concept from energy retailing to a community development asset.

The ultimate intention of GVEP in South Africa was to conduct a number of activities to accelerate the delivery of modern energy services. A National Action Plan was expected to be developed, linking energy provision to broader poverty alleviation and sustainable development activities, with a particular focus on achieving the Millennium Development Goals and enabling economic growth and social development. The plan was to build on the related initiatives of the Department of Minerals and Energy that already existed, taking account of the needs identified by these initiatives. In particular, the plan intended to consider how to achieve improved energy supply and income generation in the wider realm of the existing Integrated Energy Centres (IeCs).

The National Action Plan was expected to outline how to actively utilize IeCs as crystallisation points for income generation and community development programmes, so that increased economic capacity within the region could directly impact on the patterns of energy service provision. The action plan and its regional/sectoral components was to provide implementation frameworks for energy-related activities in national and/or local poverty reduction strategies and sustainable development plans, focusing on support for consumer credit; services for energy entrepreneurs and enterprises; and new policy approaches for rural energy services.

1.2 Revised APPLES Intentions

A key element of APPLES activity is to be needs-driven. On this basis, the project framework is intended to be adapted according to the outcomes from stakeholder interaction. The first consultations with DME regarding the contribution of APPLES to national strategy (from visits undertaken in June 2005) therefore provided an essential guide.

The DME explained that the Integrated Energy Centres (IeCs) initiative is part of the ISRDP (Integrated Sustainable Rural Development Programme, addressing poverty alleviation) and that 21 poverty nodes have been identified. At that time, three IeCs had been financed and funds for at least four more had been committed. However, still today, the existing IeCs are based on a petrol station format (financed by oil companies, hence the focus) and the DME would like APPLES to develop alternative models for IeCs which put less emphasis on liquid fuels. Additionally, the IeC programme has focussed to date on rural areas, though DME is keen to introduce IeCs to urban and peri-urban communities.

In summary, the main requests from DME to APPLES were:

- to provide capacity building to improve necessary skills and knowledge
- to analyse different models (in addition to the petrol based model) for the IeC
- to facilitate the roll-out of the IeC programme

The context of the APPLES project has therefore changed significantly since its proposal, with the inevitable development of national and international initiatives during the past 16 months since the first project visit. A particular concern for APPLES at the proposal stage was to ensure close co-ordination with the intended action of GVEP in South Africa. As described in 1.1 above, the proposed GVEP project was expected to develop a National Action Plan to which APPLES would contribute.

In fact, the GVEP project commenced in December 2004 and quickly realised that policies and plans were already in place in South Africa, making the proposed National Plan unnecessary. Subsequently, this has been replaced by a “National Integrated Energy Centre Sustainability Strategy and Action Plan”, which offers a useful framework for APPLES co-ordination. Consequently this National Strategy for IeCs effectively replaces the National Action Plan that was indicated in the APPLES proposal. The intended co-ordination with GVEP has now become co-ordination with the results of the previous GVEP intervention.

In addition to clear links with the National Strategy for IeCs, the APPLES project must also be well-aligned with the Energy White Paper (1998) and Renewable Energy White Paper (2002) for South Africa. A broader context for energy development is provided by the Integrated Sustainable Rural Development Plan (ISRDP, 2001) and the latest Urban Renewal Plan, both of which should see contributions from APPLES. The poverty nodes that have been identified as part of these Plans will be important for APPLES to recognise.

1.3 Recent Developments

The Government’s interest in establishing sustainable IeCs is an important factor shaping APPLES activities, particularly the activities in rural areas. However, this must be viewed in a broader policy context and, since the preparation of the proposal, two particular national priorities have been reinforced, relating directly to the APPLES work:

- o The devolution of responsibility for local development, including energy services – this has meant moving responsibilities from national government to district and local Municipalities, leading to some tension between local needs and national directives. The local APPLES team members have been closely involved with the relevant issues and will ensure that these are incorporated as appropriate into the APPLES work plan
- o Empowerment of poor communities through access to greater choice – this applies directly to the energy sector where such communities are not informed about the range of energy options that may be available to meet their needs.

These developments have placed greater attention on the need for good relations with local authorities in order for any APPLES work to be sustainable. The selection of locations for the project have therefore given great value to previously-established relationships with community leaders, both traditional and elected. Only in this way will the APPLES work be supported by those now responsible for energy services, and therefore contribute to the national policy plans and strategy in a sustainable manner.

2. IeC Programme Context

The programme for Integrated Energy Centres (IeCs) has been developed within a broad energy development environment, as a response to clear policy objectives. The IeC approach has been adapted according to further assessment of the needs of people in the communities to be addressed. The framework for the original IeC programme was provided by several policy papers, as briefly indicated in the sections below.

2.1 ***Policy & Strategy Papers: Energy (1998), Renewable Energy (2002), Energy Efficiency (2005)***

A principle objective described in the South African Energy White Paper (1998) is “Increasing access to affordable energy services”. The paper recognises that, although energy is a basic household need, the vast majority of South Africans depend on inferior and expensive fuels. It states that future energy policy must concentrate on the provision of energy services to meet the basic needs of the poor, stimulate productive capacity and urgently meet the energy needs of community services.

On this basis, the White Paper gives a commitment that Government will promote access to affordable energy services for disadvantaged households, small businesses, small farms and community services. It indicates that the achievement of this objective is fundamental to government’s reconstruction and development programme, and to the future socio-economic development of the country.

In pursuing this objective, the government acknowledges that the provision of energy services entails more than just the supply of fuels. Energy is only useful when it is affordable and sustainable, and when safe, easy-to-use, efficient appliances, consumer information and technical advice are available from service providers.

The White Paper outlines the major energy policy objectives and provides short-term and medium term priorities for achieving these objectives. These objectives are:

1. Increased access to affordable energy services
2. Improving energy governance
3. Stimulating economic development
4. Managing energy-related environmental impacts
5. Securing supply through diversity

The APPLES project addresses in particular objective 1, and, to a lesser extent, all the other objectives indicated.

Subsequent to the Energy White Paper, in August 2002, the Government published a white paper on the promotion of renewable energy and clean energy development. The vision presented in this paper described conditions where “...*modern renewable energy increases its share of energy consumed and provides affordable access to energy throughout South Africa, thus contributing to sustainable development...*”. An important indicator in the paper was the inclusion of a commitment to the introduction of Integrated Energy Centres in cooperation

with stakeholders. “...the Government will be seeking to bring energy services (fuels and appliances) to the disadvantaged communities as well as to address health, environmental, economic and other needs”. This was an inherent acknowledgement that an integrated energy solution is required as a basis for the expansion renewable energy.

In setting up these centres, DME was “seeking to bring energy services closer to poor communities and in that process address health, environmental, economical and related needs”. The main objectives of the IeCs included:

- Delivering energy information, services, and education to poor communities
- Supporting SMME’s in the various energy business opportunities in the energy sector
- Educating households on how to use energy efficiently
- Introducing communities to renewable energy solutions

The energy centres were also intended to communicate the needs and proposals of the local communities to all structures and stakeholders, and thereby influence policies and regulations.

In 2005, a strategy paper was published for energy efficiency. In her opening statement for this document, the Minister of Energy, now the Deputy President, noted, “Perhaps the most neglected area for implementation is the promotion of public awareness about the costs and benefits of energy efficiency. Major energy savings can only be achieved through changes in people’s behaviour, and that depends on informing them about what options exist”. This provides an additional basis for the operation of energy centres in poor communities. Here, the consequences of energy efficiency, or lack of efficiency, are rarely understood. There is a need for education of both how to avoid unnecessary use of the energy that is available, and how to reduce the potential energy demand (through preventative measures such passive solar design and appropriate insulation of housing).

The capacity-building measures foreseen during the establishment of energy centres in the APPLES project will involve significant awareness-raising and promotional measures of effective and efficient energy use. Promoting “immediate implementation of no-cost and low-cost interventions”, as encouraged in the energy efficiency strategy, should be a part of energy centre operation. Co-ordination with the Demand Side Management programme, currently managed by Eskom, should also be undertaken to access any available resources (e.g. the issue of Compact Fluorescent Lights at no cost), to avoid any unnecessary duplication of activity (e.g. a wide range of information material is already available) and to utilise the opportunities under the DSM programme (e.g. energy advice telephone lines).

2.2 Integrated Sustainable Rural Development Programme & Urban Renewal Programme

The Integrated Energy Centre programme is often promoted as DME’s response to the demands of the Integrated Sustainable Rural Development Programme (ISRDP). The ISRDP was the implementation framework of the Integrated Sustainable Rural Development Strategy (ISRDS), approved by Cabinet in 2000, which served as a blueprint for concerted efforts towards rural development in South Africa. President Thabo Mbeki announced the ISRDP and the Urban Renewal Programme (URP) in February 2001, during the State of the Nation Address. The programmes have a ten-year life span and their aim was articulated as being:

“To conduct a sustained campaign against rural and urban poverty and underdevelopment, bringing in the resources of all three spheres of government in a coordinated manner”.

Cabinet mandated the Department of Provincial and Local Government (DPLG) as the national coordinating institution for the ISRDP/URP, but the successful implementation of the programmes relies on the involvement of all the stakeholders.

21 rural and urban nodes were pronounced (13 rural and 8 urban), representing the largest concentrations of poverty in South Africa. It is estimated that these nodes (urban and rural) are home to more than 10 million people. The common features of these nodes are that they are areas of severe neglect, where poverty is at it most endemic. The nodes pronounced in 2001 were:

Province	ISRDP Nodes	URP Nodes
Eastern Cape	OR Tambo	Mdantsane
	* Alfred Nzo	Motherwell
	Chris Hani	
	Ukhahlamba	
Gauteng		Alexandra
KZN	Ugu	KwaMashu
	Umzinyathi	Inanda
	Umkhanyakude	
	Zululand	
Western Cape	Central Karoo	Khayelitsha
		Mitchell's Plain
Free State	Maluti-A-Phofung	
Northern Cape	Kgalagadi	Galeshewe
Limpopo	Sekhukhune	
Mpumalanga	* Bohlabela	

** Municipal border changes since 2001 have adjusted the boundaries/names of some nodes*

The approach outlined in this Integrated and Sustainable Rural Development Strategy (ISRDS) is applicable and viable for the entire country, and looks toward a horizon of 2010. The strategy was prepared in 2000 and was designed to realise a vision that would *“attain socially cohesive and stable rural communities with viable institutions, sustainable economies and universal access to social amenities, able to attract and retain skilled and knowledgeable people, who equipped to contribute to growth and development”.*

The ISRDS in its totality is intended to present an opportunity for South Africa’s rural people to realise their own potential and contribute more fully to their country’s future. The IeC programme of DME is generally recognised as a response to the call for practical action to meet the ISRDS goals. By closely aligning with the IeCs, any activity undertaken by APPLES must consequently adhere to the principles set out in the ISRDS, which include:

- **Rural development** is multi-dimensional and much broader than poverty alleviation through social programmes and transfers. It places emphasis on changing environments to enable poor people to earn more, invest in themselves and their communities and contribute toward maintenance of key infrastructure; a successful strategy will make people less poor, rather than more comfortable in their poverty

- **Sustainability** is derived from increased local growth, and were rural people care about success and are able to access resources to keep the strategy going.
- **Integration** is complex and requires effective co-ordination across traditional sectors in all levels of government. The Integrated Development Plan (IDP) process will establish a primary locus of integration at the municipal level.
- **Rural safety nets** are still needed, and South Africa is exceptional amongst developing countries in that many of the key programmes of social assistance extend to rural people and prevent much hardship. The findings of the current review of social assistance should be incorporated to complement the ISRDS.
- **Key elements:**
 - a vision of the growth process in rural areas
 - a mechanism for integrating existing programmes
 - design for new programmes if needed
 - a defined locus of decision-making
 - a meaningful role for local government
 - clarification of financial flows and channels
 - key performance indicators or a process for generating them internally to the strategy
 - procedures to monitor the indicators
 - sequencing of actions that should take place in the short, medium, and long term

The implementation of the ISRDS uses and develops existing institutional, planning, management and funding mechanisms to focus the expenditure of government to more effectively and efficiently respond to needs and opportunities. It is not predicated on additional funding from government. It aims to increase the efficiency of the application of public funds in rural areas to create appropriate outputs in the places where they are most needed. The use of existing facilities and infrastructure is also an important factor for APPLES to consider and will increase the sustainability and replicability of the project output.

In preparing the ISRDS, South Africa recognised that successful rural development must be implemented in a participatory and decentralised fashion in order to respond to articulated priorities and observed opportunities at the local level. This is again a useful lesson for APPLES to consider.

The reform of municipal government places organs of local government in a central role in integrating programmes to achieve synergistic rural development. Many will need assistance and guidance to develop capacity, but their role and responsibilities are clearly established. They are required to clearly identify local development needs and opportunities and to plan to respond to these. The establishment of energy centres provides a mechanism for such response and therefore local government has been a focus for APPLES intervention from the initial stages.

Local government is supported by provincial governments which should co-ordinate, integrate and align planning outputs. Provincial governments are also key agents in the co-ordination and alignment of development inputs – from the public and other sources. Again,

this involvement of key stakeholders is essential for APPLES to take on board in order to make the most cost-effective impact through project activities.

The Urban Renewal Programme (URP), which was also announced in the 2001 State of the Nation address, is based on a similar premise, but obviously focuses on urban areas, generally townships. Currently the programme is running in eight nodes, representing the largest, most extreme concentrations of urban poverty and neglect in South Africa. Even though the ISRDP and the URP differ in focus and strategy, among other things, they have some key similarities:

- both take development nodes as their point of departure
- both programmes were conceived as pilot projects to test intergovernmental attempts at renewal, reconstruction and poverty alleviation⁴
- both programmes sought alignment with integrated development plans, viewing these as the primary vehicle for mainstreaming and implementing the nodal projects
- the idea was not to start a new fund but to “do things differently”, to package existing services, programmes and budgets to be more integrated, coordinated and planned
- to lend the process the necessary urgency, senior politicians were named as champions of the nodes
- the programmes were built on the idea of “helping the poor to get into jobs and out of welfare”

Four years into their lives, these programmes have had mixed results. Gains have been made in many areas including redirecting budgets towards the nodes, fast-tracking infrastructure investment and service delivery in nodes, creating temporary jobs, setting up multi-purpose community centres, and stimulating intergovernmental dialogue around development spending in the nodes. But progress has been uneven, and failure has frequently been a result of poor coordination, the main problem the programmes were meant to address. The reasons for this include confusion about the roles of actors in the various spheres of government, and lack of skills, especially in the area of urban renewal.

This presents an important challenge for APPLES since DME has expressed great interest to locate energy centres within the identified poverty nodes. Such locations may have some benefit in terms of raising the political profile of the project, and potentially attracting additional local resources. However, APPLES should be aware that one of the biggest problems facing both the ISRDP and the URP is the failure to recognise the limitations of “developmental local government”. For many nodes, this means a municipality that kick-starts and supports local economies, ensuring people can find employment, regardless of the fact that some may have insufficient education or experience to be productive. This artificial employment situation can undermine attempts to bring basic services to such communities. Therefore, building relevant local capacity to operate energy centres will be a key to the effectiveness and sustainability of any APPLES interventions.

2.3 Integrated Development Plans

⁴ Over time, however, the focus increasingly shifted away from being pilot projects, and the call for “more nodes”, which was heard as early as 2003, suggested that for many both programmes had acquired the status of “normal government action”

An Integrated Development Plan (IDP) is a broad plan for an area giving an overall framework for development. It looks at existing conditions and facilities, at the problems and needs, and finally at the resources available for development. Local municipalities in South Africa have to use “integrated development planning” as a method to plan future development in their areas. APPLES activities must therefore take account of the IDPs in target areas.

Apartheid planning in the past has left cities and towns that have the features of a segregated community including:

- racially divided business and residential areas
- little planning consideration to cater for the poor (e.g. long travelling distances to work and poor access to business and other services)
- great differences in the level of services between rich and poor areas
- sprawling informal settlements and spread out residential areas that make cheap service delivery difficult
- rural areas left underdeveloped and largely unserved.

The new approach to local government is necessarily developmental and aims to overcome the poor planning of the past. Integrated Development Planning is an approach to planning that involves the entire municipality and its citizens in finding the best solutions to achieve good long-term development.

An IDP for an area gives an overall framework for development. It aims to co-ordinate the work of local and other spheres of government in a coherent plan to improve the quality of life for all the people living in an area. It should take into account the existing conditions and problems and resources available for development. The plan should look at economic and social development for the area as a whole. It must set a framework for how land should be used, what infrastructure and services are needed and how the environment should be protected.

All municipalities have to produce an IDP. The municipality is responsible for the co-ordination of the IDP and must draw in other stakeholders in the area who can impact on and/or benefit from development in the area. Once the IDP is drawn up, all municipal planning and projects should happen in terms of the IDP. The annual council budget should be based on the IDP. Other government departments working in the area should take the IDP into account when making their own plans. For this reason, a first step for APPLES must be to integrate the project’s energy centre plans into the local IDP.

It should take 6 to 9 months to develop an IDP, which is drawn up in consultation with forums and stakeholders. The final IDP document has to be approved by the council. The plan is then reviewed every year and necessary changes can be made. The IDP has a lifespan of 5 years that is linked directly to the term of office for local councillors. After every local government elections, the new council has to decide on the future of the IDP. The council can adopt the existing IDP or develop a new IDP that takes into consideration existing plans.

The executive committee or executive mayors of the municipality have to manage the IDP, though they may assign this responsibility to the municipal manager. In most municipalities, an IDP co-ordinator is appointed to oversee the process. The IDP co-ordinator reports directly to the municipal manager and the executive committee or the executive mayor.

The main reasons why a municipality is required to develop an IDP are:

- Effective use of scarce resources - the local municipality must find the most cost-effective ways of providing services.
- Improved speed of delivery - the IDP points to where municipal funds should be spent
- Attracts additional funds - investors are more willing to support clear development plans.
- Strengthens democracy - the active participation of all relevant stakeholders means transparent decision-making.
- Overcomes the legacy of apartheid - resources are used to integrate rural and urban areas and extend services to the poor.
- Promotes co-ordination between local, provincial and national government

The IDP process is inevitably drawn out, requiring the involvement of diverse role-players. Significant changes will need extensive consultation and will certainly delay any APPLES plans for implementation. For this reason, the selection of target locations for APPLES should ensure that the provision of support for basic services through an energy centre will be covered by the provisions of the existing IDPs. It is important to note that approval for any APPLES intervention should be sought from the local authority since the elected council makes all the final decisions on the IDP.

2.4 Municipal Infrastructure Grant

One of the key constraints of the APPLES project is that no financing is available for infrastructure development. In fact, this can be seen as a positive feature of the project since the replication of any APPLES interventions will not depend on external international donor support. Rather, any investment will be provided by nationally available mechanisms, which should be more accessible for any future needs. In this respect, the Municipal Infrastructure Grant (MIG) is a facility that may offer a useful resource for the APPLES project. The MIG is a conditional grant to support municipal capital budgets that fund municipal infrastructure and upgrade existing infrastructure, primarily benefiting poor households.

The MIG gives effect to earlier Cabinet decisions and policy positions on the establishment of a single consolidated funding mechanism to support municipal infrastructure. The MIG was set up to merge several funding programmes in a phased manner commencing in 2004/05. Three such programmes were:

- Electrification funding in support of addressing the electrification backlog of permanently occupied residential dwellings that are situated in historically under-supplied areas
- Local Economic Development Fund, in support of planning, and implementation of job creation and poverty alleviation
- Community based Expanded Public Works Programme, in support of the creation of community assets in rural, historically disadvantaged communities

The MIG is a relatively new infrastructure transfer mechanism and is geared to making the system of transfers to municipalities simpler, more certain and direct. Its conditions are more flexible, designed to support the capital budgets of municipalities, and to facilitate integrated

development planning. The MIG will not fund specific projects, but is designed to complement the capital budgets of municipalities (similar to the provincial infrastructure grant). Reporting on spending will therefore be on the entire capital budget of municipalities, which also has to ensure that there are sufficient operational budgets in the future to fund such capital expenditure. Individual national line departments will continue to lead the monitoring and support of implementation in their specific functions and priorities.

2.5 Local Economic Development

In August 2006, a draft National Framework for Local Economic Development (LED) in South Africa was published by the Department of Provincial and Local Government (DPLG). This framework for LED was intended to mobilise local people and local resources to become competitive in both the domestic and international markets, on the basis that increased competitiveness increases investment and employment.

The LED framework places the emphasis on waging the battle against poverty “on the ground” at the local level by marshalling state action in a locally specific manner in support of local communities. The framework lays the basis for deepening community access to economic initiatives, support programmes and information and for the co-ordination of economic development planning and implementation across government and between key role players. In this context, the APPLES project should contribute directly to LED goals, but must be aware of the LED framework and ensure its alignment.

The national framework for LED in South Africa aims to support the development of sustainable local economies through integrated government action. This government action is developmental and stimulates the economy through support for local enterprises including cooperatives that operate in local municipal spaces. LED is one of the five “key performance areas” (KPAs) for local government. Any contribution from APPLES to LED will therefore be well-received and help to encourage the necessary institutional support.

Of the 9 guiding principles for the LED framework, three have particular significance for APPLES when energy centre models are considered:

- Locally owned appropriate solutions and strategies must emerge to support national frameworks in both rural and urban local spaces and should promote sustainable development and sustainable human settlements
- Private companies, including social enterprises and cooperatives, form the heart of the economy and have a crucial role to play as partnerships with public and community role players that will ultimately stimulate robust and inclusive local economies
- People are the single greatest resource and including all citizens in development and increasing their skills leads to increased opportunities for stimulating local economies.

Two documents that provide the basis for Local Economic Development in South Africa are the Constitution (1996) and the White Paper on Local Government (1998). The Constitution places a great responsibility on municipalities to facilitate LED, with the implication that municipalities have a key role in creating a conducive environment for investment through the provision of infrastructure and quality services. In the White Paper, the concept of “developmental local government” is introduced, with the statement that, “The powers and functions of local government should be exercised in a way that has a maximum impact on the

social development of communities – in particular meeting the basic needs of the poor – and on the growth of the local economy.” This again seems to provide a useful platform for local government support of APPLES, which should contribute directly to LED.

2.6 Free Basic Energy

In 2000, the government announced a statement of intent with regard to the provision of free basic services. The main areas of focus were free basic water and energy. In respect of the provision of free basic energy, the DME considered liquid fuels and electricity. In terms of liquid fuels, Cabinet approved the zero rating of value added tax (VAT) on paraffin. This policy was implemented in April 2001. In respect of liquefied petroleum gas (LPG), Cabinet considered the fuel to be mainly a commercial fuel, and thus no consideration for cost reduction to the poor was made at the time.

Other policy recommendations were also made in 2001 considering the provision of Free Basic Electricity. These included:

- Provision of free 50kWh of grid electricity a month to all qualifying households
- Provision of free non-grid electricity to all non-grid electrified households from the energy component of the equitable share⁵ to the maximum of R48 per household

On this basis, the government introduced a free basic electricity (FBE) scheme that offers 50 kWh/ month for free to most households that have access to electricity. The 50 kWh monthly figure was set so that it covers the electricity necessary for basic lighting, a small black-and-white television, a small radio, basic ironing and boiling of water using an electric kettle. During a trial phase in 2002–2003, FBE was implemented in low-income households that have prepaid meter systems by reducing the output of each system to 10A and crediting the meter with 50 kWh/month. Until 2005, the FBE was official government policy. Its implementation proceeded through partnerships between local governments and suppliers. In crafting FBE the government had considered alternative energy subsidy strategies although, until that time, policy was still officially limited to electricity.

During the past year, significant attention has been paid to the rationale of providing free basic electricity to the exclusion of all other energy sources. Consequently, FBE has now been redefined as “free basic energy”. In principle, any energy supply to poor households may be subsidised to the energy equivalent of 50kWh. Since the allocation of this subsidy is now in the hands of DPLG, with responsibility for budget distribution devolved to local authorities, the necessary subsidies for free basic energy may be granted from direct agreement at this level.

For APPLES, there is consequently great potential to access FBE support from local government in order to subsidise the provision of energy to households in the target areas. Effective use of FBE could form part of an energy centre model considered by APPLES, effectively subsidising the operations of the centre. Determining how the FBE funds may be used efficiently to provide greater access for poor communities to basic energy services would be a very valuable contribution to the IeC Sustainability Strategy.

⁵ The “equitable share” is a budget allocated by the Department of Provincial and Local Government to the needs of the indigent population

3. IeC Strategy & Action Plan (ISAP)

Work Package 2 in the initial APPLES proposal was designed to ensure close co-ordination with the project being undertaken by DME with support from GVEP. This GVEP activity lasted from November 2004 to March 2006 and helped to provide a foundation for the planned roll-out of Integrated Energy Centres (IeCs) across South Africa. The development of a National Action Plan (NAP) referred to in 1) above was an early objective for the GVEP activity. This was superseded by an IeC strategy when GVEP decided that the existing White Paper for energy (1998), White Paper for renewable energy strategy (August 2002) and energy efficiency strategy (March 2005) in South Africa would make an additional NAP redundant. (The NAP was a general requirement in most African countries working with GVEP, which did not have relevant policy papers already developed).

3.1 Early IeC programme

DME's initial concept of an integrated energy centre (IeC) is a one-stop energy shop owned and operated by a community co-operative and organised as a community project. It should provide energy solutions to communities and access to affordable, safe and sustainable energy services. IeCs aim to offer a range of services centred in areas identified as poverty nodes - where the need for development is the greatest. Each local IeC should be aligned with the integrated development plans (IDPs) for that particular area (implemented through the Integrated Sustainable Rural Development Project), thus integrating the provision of wider energy choices with other projects such as new water supplies, schools and clinics.

The IeC initiative came from the realisation that the provision of energy alone is not sufficient to sustain development. Energy has to be linked with other needs such as water, sanitation, health, education and income generation. This link recognises that these services, or needs, are interdependent in improving people's daily lives.

IeCs to date have been financially supported by the two oil companies, Sasol and Total. Sasol has committed R15-million and Total SA about R10-million to the IeC programme. The DME and local municipalities contributed only limited human and financial resources at this early stage. The model for an IeC has therefore been based upon a rural petrol station with provision for the retail of additional fuels and energy information.

In 2003/4, the first three IeCs were established in locations with varied conditions, namely **Kgalagadi IeC** in Dithakong Village in Kuruman (Northern Cape), **Eshane IeC** in Greytown (KwaZulu Natal) and **Caba-Mdeni IeC** in Magadla village (Eastern Cape). Unfortunately, Government concern over the programme postponed any further roll-out before the completion of a detailed review in 2004. External consultants were commissioned and prepared a report that was finalised in October 2004 and highlighted a number of issues with the IeC model, governance and operations, which needed to be addressed. Following this investigation, DME stated its interest for APPLES to explore alternative models for energy centres that will allow greater energy access for poorer communities.

3.2 Strategy Development

The preparation of a national sustainability strategy for IeCs commenced in 2005, based on the realisation that there was no policy or strategic framework to direct the roll-out plan for

IeCs. The external review that investigated IeC concerns had not provided a clearer formulation of IeC strategy and the GVEP project, which sought to add value to the IeC programme, relied upon a clear vision for IeCs. Furthermore, clear goals and a statement of intent were required for IeCs in order to monitor, measure and evaluate progress. After extended deliberations, the final national IeC sustainability strategy was launched by DME in October 2006.

Key outcomes identified in the strategy are based upon the aim of DME to make a contribution to alleviating poverty, especially in rural communities. On this basis, the IeC programme intends to produce:

- A measurable contribution to the achievement of universal access to modern energy for all in South Africa
- A measurable improvement of lifestyle of the rural communities within which the IeCs are located, not only in their energy use, but also their health and safety
- Better energy planning by national and local government, and by all energy users in the communities that the IeCs serve
- A measurable development of sustainable small and medium enterprises, as well as the local economies of the areas within which the IeCs are located

The strategy has four key objectives:

- Education of communities, local authorities and businesses
- Access to modern energy sources and services
- Affordability of products and services on offer at the IeC (using reduced distribution costs)
- Key partnerships

These issues must be taken into account by the APPLES project to ensure that project results contribute to DME strategy. The third objective above needs particular attention since it introduces key issues regarding profitable operation, income generation, start-up costs, government subsidy for basic services and sustainability. Affordability services should not be limited to pricing, but also involve educating local energy users about energy efficiency and alternative energy sources, which will also reduce the real costs.

3.3 Action Plan Steps

The actions to be undertaken by any energy centre established by APPLES will clearly depend upon the local needs assessment and the model of energy centre adopted (see 3.4). However, the ISAP document of DME has identified general steps that should be considered under all local conditions. Although many of these steps refer to the current IeC roll-out, and hence the need for adaptation is addressed (which is not directly relevant for APPLES), some of these factors will be useful to consider when defining how best APPLES can contribute to the national IeC Strategy. Some key issues include:

Preparation:

- Develop business plan for information centres, including costing

- Establish links with GCIS (Government Communication & Information Services)
- Governance / Ownership - ensure correct entity selected for each energy centre, ensure clearly beneficial link between energy centre and chosen entity
- Operational Model - assess best model for each site, manage feasibility studies, ensure appropriate supply agreements signed

Additional resources:

- Secure any additional financing for infrastructure development
- Target Eskom as information centre partner/sponsor
- Consider the prospects for financing from the MIG for infrastructure development
- Consider financing from FBE

Promotion:

- Media announcement of plans for alternative energy centres
- Develop communication strategy
- Manage collection of local energy information - identify sources, agree on collection terms, train resource to collect, set up storage & knowledge management systems
- Communicate and disseminate
- Ensure all poverty nodes & District Councils know of energy centres - communicate in time to meet APPLES project schedule

Capacity Building:

- Provide relevant training - business plan, financial management, feasibility study, computer courses, project management, negotiation skills
- Prepare manual - revise existing IeC material (e.g. the roadmap), add relevant legislation, clarify strategy, roles and responsibilities

Establish Linkages:

- Ensure any new energy centre has clear links to the IeC network from inception
- Match energy centres to MPCC roll out - propose alignment plan, sign MOU with GCIS, propose collaboration with GCIS (and co-funding)
- Integrate with ongoing DME initiatives - non-grid programme, grid planning & the REDS, LPG low income pilots (rural & peri-urban), IEPs (nationally and locally), FBE, link information centres to Eskom
- Integrate with DPLG initiatives - agree that IeCs will be part of all IDPs, collaborate on providing local capacity building, agree how energy centres may be agents for FBE, link energy centres to relevant LED programmes

Operations:

- Negotiate product prices with targeted suppliers - secure discounts, ensure pricing in line with low income household targets

- Centralise procurement - set up procurement committee to annually negotiate all energy centre products, source multiple products from single suppliers where appropriate
- Ensure energy related products will be sold from energy centres - negotiate with Eskom (pre-paid cards), negotiate with appliance suppliers (LPG, IP, gel fuel)
- Gather existing IeC information - baselines from existing IeCs, sustainability indicators developed, indicators applied & results measured
- Ensure nationally agreed terms & prices given to each centre

Although this does not provide a comprehensive list of actions required from the APPLES project, the steps listed above have been identified in the IeC Strategy and therefore their inclusion in APPLES will represent a significant contribution to the national plan for energy centres.

3.4 The IeC Model

The IeC concept specified in the strategy is of particular significance to APPLES, which must conform to this framework:

- an IeC should be a tool to enable the delivery of affordable, accessible modern energy services to all communities – rural, peri-urban and urban
- the operations, financing, ownership and governance of IeCs will vary on a case-by-case basis, in response to the energy needs of a target area,
- the design of each IeC must meet the overall objectives of the IeC programme.

In summary, each IeC should be physically located in the target community, and enable the transition of local energy users to modern energy sources by the provision of information to key stakeholders. To achieve this vision, the strategy indicates that an IeC may strategically couple its provision of energy information with one or more complimentary initiatives such as:

- *Multi-purpose Community Centres (MPCCs)* – that aim to bring government closer to the people
- *Non-grid concessionaire energy shops* – sell solar systems and LPG to remote communities
- *A commercial retail energy store* – the products and services of which are determined by market demand or market potential

Again, this is a key issue for APPLES since there is no budgetary allocation for infrastructure in the project. Alignment with existing operations such as those indicated above is therefore a pre-requisite for any sustainable APPLES intervention.

The operational models for IeCs that are proposed in the IeC Strategy & Action Plan also have direct significance for APPLES since these are a useful basis for any alternatives to the existing IeCs. As indicated in ISAP, the most appropriate energy centre model for a selected location should be determined only after an appropriate assessment of local needs and feasibility. Three types of operational model are suggested in the IeC strategy:

- Type 1 – information & learning centre
- Type 2 – type 1 facilities + wholesale/retail shop
- Type 3 – type 2 facilities + business service centre, community service centre and community economic development centre

Thus, the appropriate model for any given area could range from a basic educational service to a community hub for a variety of activities. It will be useful for APPLES to explore the options for demonstrating different energy centre models in this range.

3.5 APPLES Contribution to ISAP

APPLES is therefore now intended to make a direct contribution to the strategy of DME in the form of new models for IeCs. Despite the delays in progressing the APPLES project, DME confirmed its commitment to this APPLES contribution in June 2006 and is eagerly waiting for the APPLES project to demonstrate new approaches to energy provision. On this basis, APPLES now intends to pursue the development of four energy centres, with two in rural areas and two in peri-urban locations. These centres will form part of the DME IeC roll-out, to be launched at community meetings with high level (Ministerial) representation from DME. In this way, the APPLES project will make a very important and high profile contribution to the national energy strategy.

As indicated above, the IeC roll-out programme to date has offered many lessons that should be carefully considered by APPLES to ensure that any contribution takes account of past experience and provides an effective contribution to the way forward. Some key issues in this regard include:

- Determine which, if any, operational model is viable / appropriate
- Assess the local IDP arrangements
- Consider current plans for IeC locations
- Account for the four key ISAP objectives
- Integrate with other stakeholders and related programmes
- Consider sustainability options (such as future funding, training needs, centralised procurement)
- Assess the IeC framework to ensure that APPLES conforms to DME strategy

The locations selected for the APPLES energy centres have been based on relationships already established by the local APPLES partners with community leaders. Given the increasing responsibility of local government for the provision of energy services, these links will be vital to achieving a sustainable intervention during the limited timeframe of the APPLES project. In the two rural areas, Parallax has had extensive involvement with the local municipalities and parts of the local communities through previous work to establish different energy systems and capacity. Similarly, ERC has conducted much activity in the peri-urban areas around Cape Town, hence building a valuable relationship with local government.

Though the project locations must still be confirmed (being dependent upon the final timing of APPLES and the status of local conditions once the project is finally able to recommence),

an initial selection has been made. The models intended for APPLES energy centres in these locations will vary:

- Highflats, uBuhlebezwe (KwaZulu Natal) – provision has been made for an energy centre to be part of the planned Multi-Purpose Community Centre. This MPCC is part of a national rollout programme and will provide the opportunity for replication across the country if successful
- Lucingweni, Nyandeni (Eastern Cape) – previous work in the planned location has raised awareness of energy needs and opportunities in the targeted location. Local representatives have been identified to develop an energy centre to meet the community needs
- Khayeltisha, Cape Town (Western Cape) – an energy centre concept is being developed which is likely to consist of a network of information points within the community, using existing infrastructure such as schools and community centres. A co-ordinating structure will be the focus of the energy centre
- Imizamo Yethu, Hout Bay (Western Cape) – the initial selection of location is being reviewed due to DME concerns over a match with poverty nodal areas, which is a key feature of DME strategy. The intended energy centre will again make use of existing infrastructure in a peri-urban community

The types of activity to be undertaken by these centres will not be determined before consultation with the target communities and assessment of the priority needs. However, experience from the IeCs already established by DME will be taken into account, and some initiatives may be usefully replicated. For example, at the Caba Mdeni IeC, some of the steps carried out include:

- A catering project and sewing project funded by local municipalities
- A tourism arts and craft project funded by the local municipality
- Links with cellphone providers to bring network coverage and business services
- A car battery charging service
- A mini-grid infrastructure to electrify households around the IeC
- Demonstration of solar cookers to students from nearby schools
- Training of local households in paraffin safety
- Training of local co-operative members in safe gas handling at the IeC

These types of intervention are all possible within the APPLES framework. However, the final format of APPLES activities cannot be specified until all project funding arrangements have been agreed – the delay with project progress that has been caused by one arm of national Government (in DST) is therefore frustrating the needs of another (the IeC programme in DME). DME has been clear from the outset that the APPLES project can form an essential part of its intended IeC programme. From the DME website, there is a clear indication of the expectations from APPLES:

“As part of the future plan, the DME is involved in discussions with ... other international donors via the co-operation with developing countries (COOPENER) programme to leverage additional funding to ... develop sustainable energy related businesses at the

integrated energy centres. The DME is hoping to obtain about R4.6-million in donor funding once negotiations are completed. It is envisaged that this will create more jobs and businesses to ensure that the success of the integrated energy centres programme”.

4. Multi-Purpose Community Centres (MPCCs)

A key element of APPLES activity to date has been the investigation of the viability of establishing municipal energy centres as part of the growing MPCC network across South Africa. Such an energy centre model, or linkages with other suitable structures at municipal level, may be an ideal mechanism for the future provision of energy services to communities with greatest need. Of greatest benefit is the provision of the necessary infrastructure by the MPCC. To determine the prospects for association with MPCCs, or with other municipal structures, it was necessary to identify and assess capacity levels in existing MPCCs. This process has suggested that an appropriate MPCC could usefully host an energy centre, offering mutual benefit, providing that this partnership is developed during the establishment of an MPCC

In South Africa, Multi-Purpose Community Centres (MPCCs) have been identified as the primary approach for the implementation of development communication and information to the public to ensure that they become active participants in changing their lives for the better⁶. An MPCC is a one-stop, integrated community development centre, where there is community participation and people’s needs are addressed by providing relevant services. An MPCC aims to empower the poor and disadvantaged by means of access to information, services and resources from both governmental and non-governmental sources, which can be used for their own development.

The main goal of an MPCC is to provide every SA citizen with access to information and services in their local municipality by 2014. Each MPCC is expected to offer a unique institutional arrangement for partnerships between government, civil society and business. It is a vehicle for integrated service delivery. The intended features of the MPCC project include:

- one of the few national networks for the distribution of development information
- a national two-way communication channel between participating stakeholders and communities
- material benefit to communities from receiving a wide range of services that were previously difficult and/or expensive to obtain
- national economic benefit through the increased involvement and economic participation of communities
- access for relevant stakeholders to a captive market that can be used for product-marketing initiatives, for information distribution and exchange, and for service offerings.
- cost-sharing initiatives in the nationwide development of infrastructure and operational capacity
- high profile for stakeholders involved when any of their contributions are recognised

⁶ Cabinet Memorandum 15 of 1999, dated 18 November 1999

- effective channelling of resources intended for fulfilling social responsibility obligations, whether from the public or private sector

The MPCC will be a place where people have access to information and services from various service-providers. This may include government (Labour, Home Affairs, Social Development, Education, Agriculture, Communications, Minerals & Energy) parastatals (Eskom, Telkom, DBSA, Sentech, NGOs, CBOs) as well as business and private sector organisations.

On this basis, the MPCC model appears to be an ideal base for an energy centre, providing that local conditions are receptive. This includes support from the local authority for such an energy centre, early involvement of local energy distributors to bring supplies from the centre to relevant customers (hence generating local jobs), and sufficient local capacity to provide relevant energy services. Taking account of these factors, APPLES has identified plans for an MPCC in Highflats (uBuhlebezwe municipality in KwaZulu Natal) and has held discussions with a range of relevant stakeholders. The local representative of the Government Communication and Information Services (GCIS, responsible for MPCC roll-out) is currently considering the APPLES request to establish an energy centre at the MPCC, thereby making a valuable contribution to national plans for energy and related services.

It will, however, be important to learn from existing MPCCs to determine how best to deliver appropriate energy services to poor communities. The so-called “first generation” of MPCCs consists of the 65 Centres established between the initiation of the programme in 1999 until the end of 2004. These Centres operate countrywide and provide more than 600 services. The existing MPCCs have demonstrated considerable progress towards the aim of bringing government services closer to the people in need. However, there are also lessons to be learned that will allow improvements to be incorporated in future MPCCs, such as that proposed for Highflats. A SWOT analysis of the first generation centres provides useful guidance that should be taken into account before the commencement of work at Highflats (Annex 1).

5. Key Considerations for APPLES

In order for APPLES to make an effective contribution to the National IeC Strategy, it will be important to consider the direct impact on IeC roll-out, and the broader context of any planned interventions. From this report, the key issues for APPLES to consider at an early stage in the development of any energy centres are the following:

Changed context:

- o National Action Plan replaced by National IeC Strategy
- o DME focus on poverty nodes
- o Importance of IDPs, ISRDP, LED
- o Increasingly devolved responsibility for energy services
- o Empowerment of poor communities
- o More focus on facilitating IeC roll-out

Key factors for APPLES:

- Highlight APPLES contribution to national policy
- Highlight APPLES links to related programmes (e.g. ISRDP, URP, LED, FBS)
- Use existing facilities/infrastructure where possible, but consider approaching the MIG
- Align APPLES with the IeC programme and specify the added value
- Build local capacity to operate centres sustainably
- Explore alternative models specified in IeC strategy
- Ensure direct contribution to DME strategy with alternative energy centre models

Additional needs from APPLES:

- Consider relevant IDPs when determining possible APPLES interventions
- Ensure close links with local government
- Confirm the location of APPLES centres with DME (address poverty nodes)
- Consider the action steps that are highlighted in the IeC Sustainability Strategy
- Demonstrate compatibility or complementarity with the IeC concept
- Consider the experience of existing IeCs

Annex 1 – SWOT Analysis of First Generation MPCCs

STRENGTHS	WEAKNESSES
<ol style="list-style-type: none"> 1. MPCCs are accessible and provide one-stop integrated services to communities and also enable communities to run and facilitate their own programmes, 2. They are seen as a vehicle for collaboration, integration and practical workable example of ISRDP; 3. There is high political ownership (strength towards the second generation and capitalize on the GDS resolutions), stakeholders support and buy-in from various structures; 4. There is a growing sense amongst government’s communicators, seen by the increasing number of community information projects at MPCCs, including Izimbizo, that these centres are ideal places to implement communication campaigns; 5. They have become a platform for funders of various programmes where companies find expression for their corporate social investment - Business Partners such as Telkom Foundation, Youth Development Trust, Anglo Plats, CHAMSA, Xstrata, SAPO and Business Trust, etc have been identified and plans are afoot to partner with GCIS on MPCCs 6. UYF, Film Resources Unit, etc have already implemented some partnership pilots within MPCCs 7. There is also a good service record and it is also where new ideas can be introduced into communities; 8. There are benefits reaped especially in cost reduction for service providers. 9. MPCCs feature in the GDS agreements on labour intensive projects 10. Sentech, USA, CSIR, Telkom, have played major roles with regards to technology, connectivity and ICT tools at MPCCs 	<ol style="list-style-type: none"> 1. There is a lack of management systems and inconsistency of service provision; 2. MPCCs are not properly established as points of Local Economic Development (LED) to provide life opportunities for communities; 3. There is a lack of consistent monitoring and evaluation of service provision; 4. There is poor financial and human resources allocations and unavailability of budget for operations at the centre, in some departments; 5. MPCC awareness and knowledge in some communities is lacking and there is a need for urgent local marketing; 6. There is also a need to build commitment to service delivery in rural areas; 7. There is also a perception that MPCCs are GCIS structures; 8. Too many stakeholders requiring a lot of maintenance; 9. There is a need to move participation to commitment and build commitment to service delivery in rural areas.

OPPORTUNITIES	THREATS
<ol style="list-style-type: none"> 1. How to broaden the network of MPCC's and how does this network become the primary footprint for government agencies to deliver their services to citizens, particularly to underserved and previously disadvantaged communities? 2. Development of costing and financing approach can achieve the twin goals of accelerating the establishment of MPCCs whilst providing service delivery agencies with a clear value proposition to relocate to the MPCC? 3. How to ensure that on an ongoing basis an MPCC can increase the number of available services (both public and private), that all services are delivered as effectively and efficiently as possible, and that MPCCs become the primary node for pro-active government programmes aimed at providing development communication? 4. The creation of operations and governance models to ensure that greater accountability is strengthened, the conditions are created for ongoing improvement and innovation of the service delivery arrangements at MPCCs, that current improvements are sustained, and the co-ordinations burdens in the current arrangements are reduced. 5. How to ensure that MPCCs fit within the spatial arrangements and the broader development strategy of the community within which it is located? 6. What special arrangements are required to ensure that MPCCs are established in previously disadvantaged and under-served areas? 	<ol style="list-style-type: none"> 1. Connectivity and sustainability of ICTs in rural areas is very costly and there are numerous maintenance difficulties. 2. Some MPCCs are not accessible and most rural communities served by these centres are unemployed, yet some of the services require payments by the users, such as Internet;