



A multi-stakeholder
dialogue and research
process on institutional
approaches for water
and sanitation

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Ilembe Case Study

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Table of Contents

List of Tables & Figures.....	4
Acknowledgements	5
List of Acronyms.....	6
Preface	7
Executive Summary.....	8
1. Introduction	10
2. Methodological outline.....	12
3. Contextual overview of the Ilembe District.....	13
3.1. Locating the Ilembe District.....	13
3.2. Demographic, socio-economic and land-use information.....	14
3.3. Ilembe water and sanitation service delivery patterns and related institutional structures	15
3.3.1. <i>Some relevant recent institutional and governance history</i>	15
3.3.2. <i>Contemporary institutional arrangements and policy matters</i>	16
3.4. Recent patterns of water and sanitation service in Ilembe	18
4. Research findings with respect to the Siza Water Concession area.....	25
4.1. Some basic background information on Siza Water and the concession area	25
4.2. Community-focused participatory research.....	29
4.2.1. <i>Overview and context of the workshop areas</i>	31
4.2.2. <i>Findings in relation to issues raised at community workshops</i>	32
<i>Supply of water</i>	33
<i>Supply of sanitation</i>	34
<i>History and experience of free basic water</i>	35
<i>Affordability, cost and billing</i>	35
<i>Maintenance of water and sanitation</i>	36
<i>Involvement of institutions and community in water delivery</i>	37
4.2.3. <i>Community analysis of problems</i>	38
4.3. Technical overview of Siza Water activities	39
4.3.1. <i>Siza Water's performance against contract</i>	39
4.3.2. <i>Service standards: water and sanitation</i>	42
4.3.3. <i>Water and sanitation quality</i>	43
4.3.4. <i>Capital expenditure and operating costs</i>	45
4.3.5. <i>Contract monitoring</i>	48
4.3.6. <i>Free basic water</i>	48
4.3.7. <i>Tariff adjustments</i>	50
4.3.8. <i>Credit control</i>	50
4.4. Reflections on the technical and community research findings	51
5. Broader reflections from the Ilembe case on WSA and WSP arrangements	56

Bibliography	59
Appendix 1. Integrated indicators matrix	61
Appendix 2. List of people interviewed.....	75
Appendix 3. DWAF WSA Checklist: Ilembe (2007)	76

List of Tables & Figures

Figure 1KZN districts (Ilembe is DC 29)	13
Table 1: Water needs/backlogs and levels of service: IDM 2006.....	19
Table 2: Water backlogs (% people with no access to services)	19
Table 3: Water Backlogs and Income in Ilembe by local municipality, 2006/07	20
Table 4: Sanitation needs and levels of service: IDM 2006.....	20
Table 5: Sanitation backlogs (% people with no access to services)	21
Table 6: MIG WSA allocations to IDM (past and projected) Rm	21
Table 7: Section of DWAF WSA Checklist for Ilembe	23
Table 8: Summary table of pre-concession indicators.....	27
Table 9: Profile of community workshop areas	31
Table 10: Water and sanitation price adjustments for SWC as approved by IDM.....	50
Table 11: Illustrative comparison of some aspects of SWC and IDM water operations	53

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The second piece of work which fed into this report was a technical overview of water and sanitation services in the Siza Water concession area and Ilembe District by Werner Zybrands. This research has provided some critical insights into the operating environment for water services providers in Ilembe.

Both these initial reports, and subsequent research gathered, have depended substantially on the willingness of participants to engage with the researchers. A number of residents of Nkobongo, Etete, Sundumbili and Lindelani gave of their time to participate in the research. Politicians and officials from Ilembe District and some local councils were also able to allocate time in their busy schedules to respond to requests as were the staff and management of Siza Water. The commitment from these and other research participants, such as staff in the Durban office of DWAF, is greatly appreciated.

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List of Acronyms

BODC	Borough of Dolphin Coast
DBSA	Development Bank of Southern Africa
DPLG	Department of Provincial and Local Government
DWAF	Department of Water Affairs and Forestry
IDM	Ilembe District Municipality
IDP	Integrated Development Plan
KZN	KwaZulu-Natal
MIG	Municipal Infrastructure Grant
MIU	Municipal Infrastructure Investment Unit
RDP	Reconstruction and Development Programme
RFP	Request for Proposals
SW	Siza Water
SWC	Siza Water Concession
VIP	Ventilated Improved Pit-latrine
WD	Water Dialogues
WSA	Water Services Authority
WSP	Water Services Provider
WSDP	Water Services Development Plan
WSS	Water and Sanitation Services

Preface

This report has been prepared on behalf of the Water Dialogues project. Water Dialogues-South Africa (WD-SA) is a national multi-stakeholder dialogue process and research project analysing the role of the public and private sector in the delivery of universal access to water and sanitation in the country. WD-SA is part of an international initiative. The Ilembe District was selected as one of a number of pilot research case studies by the Water Dialogues Stakeholders.

The report does not represent the views of the Water Dialogues process or its stakeholders. Its purpose is to feed information and perspectives, generated by a group of independent researchers, into the Water Dialogues interaction in order to contribute to a deeper shared understanding between the stakeholders.

The report authors sought to comprehensively cover the main research parameters identified by Water Dialogues. In many cases this was possible. However, in some instances the requirements proved to be too ambitious for a limited research endeavour or were simply not matters that key research sources could provide any meaningful response on.

Executive Summary

This report has, as its focus, an examination of the approach of the Ilembe District Municipality (IDM) in the Province of KwaZulu-Natal, South Africa, to water and sanitation services. The research underpinning the report has paid particular attention to the water and sanitation service provision within a relatively narrow coastal strip of the KwaDukuza Local Municipality – one of four local councils making up the Ilembe District Municipality – in which a concession was granted to Siza Water Pty (Ltd) in 1999 to provide water and sanitation services on behalf of the then Borough of Dolphin Coast (BODC).

The Ilembe District Municipality (IDM) is located along the north coast of KwaZulu-Natal. It borders eThekweni Municipality (the Durban Metropolitan Area) in the south, the uThungulu District in the north and Umzinyathi and Umgungundlovu Districts in the west. Ilembe accommodates four local municipalities, namely KwaDukuza in the east, Ndwedwe and Maphumulo in the west and Mandeni (formerly eNdongakusuka) in the north. The Ilembe District Municipality extends over an area of approximately 1455km. The estimated population for IDM at the last census (2001) was 535 000 people. The population is fairly evenly spread across the four local municipalities. However, the settlement density is much higher around the urban nodes of Stanger and Mandeni/Isithebe/Sundumbili and along the coastal strip forming a core focus of this study.

In terms of water services within the IDM, as outlined in the table below, a total of 373 552 or about 65% of people did not, in 2006, have access to water services at the minimum RDP levels. According to DWAF officials, such high levels are not uncommon in areas with a relatively high rural population. According to DWAF performance indicators, key reasons for services falling below RDP levels include availability of supply at less than 98% of the year (40%), tap not accessible within 200m (30%) followed by flow rates below the required figure of 10l/minute (15%). In terms of sanitation, based on DWAF figures, a full 68% of people in IDM do not have sanitation access or have access below RDP standards.

In present day terms the IDM is both a Water Services Authority and a Water Services Provider. The IDM also has agreements with Umgeni Water as a WSP. However, this report focuses on a concession agreement entered into by IDM's municipal predecessors for the provision of water and sanitation services in the Dolphin Coast area of the KwaDukuza local council. In January 1999 the Borough of Dolphin Coast and Siza Water Company (with a controlling interest by SAUR Services of France) entered into a contract whereby SWC would oversee manage and implement the provision of water and sanitation services within the then BODC Municipal boundary, on a concession basis, for a period of 30 years. The project had its origins in a decision by the BODC in 1996 that it was best able to meet its obligations with respect to Water and Sanitation Services (WSS) by seeking partnerships with the private sector.

The report provides some insights into comparative performance indicators for the IDM as a WSP as well as for SWC. From community workshops the following are raised in the report as issues needing attention:

- Community participation
- Sanitation service provision
- Interruption of water supply
- Affordability
- Transparency

It is noteworthy from these interactions that communities – at least those interacted with during this project – tend not to see a marked difference in experience between service provision in areas serviced by different WSPs. For instance in some areas serviced by IDM there are no prepaid meters on standpipes which communities might see as a positive factor, however, they seem to experience greater levels of service uncertainty than in those areas serviced by SW. In areas, regardless of WSP, residents complained of levels of service below their expectations. Communities are less interested in formal RDP standards or contract provisions and simply want to see progress made on upgrading levels of service whilst ensuring affordability. The fact the approaches might differ in different WSP areas probably adds to confusion of users rather than demonstrating the specific advantages in one area versus another.

A technical analysis suggested that in many fields of comparison SWC was faring better than its public sector counterpart. This included issues relating to the relative scale and scope of delivery. However, caution was advised in that the challenges of providing services area in many instances very different in the concession area compared to those areas beyond it. It was also noted in the report that in a number of cases available information was not secured from IDM to make an effective comparison.

The report concludes with a discussion on a range of issues that could inform further discussion arising from the case study. Some of the issues reflected include:

- The recognition that the concession arrangement as well as its public sector counterpart arrangements have emerged from a sustained period of policy reform and institutional upheaval. This has impacted on both entities to a considerable degree.
- The relationship between the parties is not one characterised by close cooperation and active partnership. Instead there tends to be arms length passive interaction, generally around formal processes and limited largely to the substance of the concession agreement. As such neither party has sought to create a working environment in which more ambitious goals could be set.
- It is also noted that a number of studies have suggested that the effectiveness of the IDM as a WSA needs to be attended to for the benefit of users of services from all WSPs and also those not yet in receipt of any service.
- Levels of local accountability in both contexts need attention – particularly where users (or those not yet users) require aligned action by the WSA and its various WSPs.

1. Introduction

This report has, as its focus, an examination of the approach of the Ilembe District Municipality (IDM)¹ in the Province of KwaZulu-Natal, South Africa, to water and sanitation services. The research underpinning the report has paid particular attention to the water and sanitation service provision within a relatively narrow coastal strip of the KwaDukuza Local Municipality – one of four local councils making up the Ilembe District Municipality – in which a concession was granted to Siza Water Pty (Ltd) in 1999 to provide water and sanitation services on behalf of the then Borough of Dolphin Coast (BODC). However, the report uses this material not merely to examine the Siza Water concession itself, but also to reflect more broadly on challenges facing the Ilembe District Municipality as a Water Services Authority (WSA) in responding to water and sanitation delivery challenges within contemporary South Africa.

The extension of basic services to citizens² previously denied access to water, sanitation and other services has been a focus of post-apartheid policy making and delivery action. The Water Dialogues endeavour, founded on participatory research approaches, seeks to understand the influencing factors that have impacted on these processes and to provide a variety of perspectives on how choices have been made and what challenges remain. The Ilembe District provides a useful case study in that it combines a range of service delivery challenges in terms of urban, peri-urban and rural as well as a range of institutional responses in terms of public and private Water Services Providers (WSPs).

It is noted that the bulk of previous independent reports on water (and sometimes sanitation) in the area have tended to focus almost exclusively on the Siza Water Concession, its internal choices, and its relationships with various other bodies and how these processes affected the concession area. This was deemed necessary, by those commissioning the work, in that the experience of concessions was very new and the concession itself had emerged from a dialogue between national government and the then local authority for the Dolphin Coast. However, the institutional and governance context has changed considerably during the past five years and the appropriateness of a focus on the IDM is necessitated by the fact that authority over the Siza Water Concession (SWC), in contractual and governance terms, vests substantively with the IDM.

It should also be noted, that the issues that have been identified for examination in this report have also shifted from previous studies as the fact of the existence of the concession has become part of the local institutional fabric as opposed to its initial status as a peculiar outlier in the realm of public delivery of municipal services. Nevertheless, the scope for such arrangements between public and private role players remains a particular and specific area of interest in this report. However, this must of necessity be considered within the context of broader water and sanitation processes at a district level where the mere existence of such an arrangement might not, in and of itself, be the most remarkable factor influencing choices and how these choices might impact on citizens, especially those living in poverty.

¹ Ilembe has been subjected to several name and demarcation changes in the post 1994 period. Ilembe District Municipality was previously named the King Shaka District Municipality. The Borough of Dolphin Coast was re-demarcated as the KwaDukuza Local Municipality.

² The term “citizens” is used to refer to the broader population at times within the District and at times beyond it. Elsewhere in the report the term “user(s)” is preferred where specific discussion is being entertained on citizens in receipt of a level of sanitation or water service from a Water Services Provider. This term is preferred to “customer” or “consumer” as the relationship between the service provider and “user” is not always similar to that of a commercial exchange and “user” denotes a wider range of ends that water might be needed for than domestic consumption. It should also be noted that not all citizens can be considered to be “users” in relation to a provided service of one sort or another as they do not all access services originating from a formal service provider. The Water Services Act of 1997 uses the term “consumer”.

After a brief methodological outline, the report provides a limited contextual overview of the Ilembe District in terms of spatial, socio-economic and institutional factors. This includes an overview of specific arrangements with respect to the delivery of water and sanitation services. This is followed by the presentation of findings with respect to the Siza Water Concession (SWC) area, including some direct comparisons of delivery trends and approaches in areas that fall outside the SWC area. Finally, the report discusses key challenges and opportunities that have been identified in the research process – both those given specific voice by actors within the Ilembe context and those identified by the researchers based on experiences gained in other contexts.

It should be noted that this report does not seek to be a definitive work on water and sanitation service delivery in Ilembe – but it does seek to contribute a coherent source of information on key research parameters alongside well articulated and informed perspectives of both researchers and those being researched.

2. Methodological outline

This report seeks to bring together three streams of research work conducted on a relatively independent basis. The first of these was a series of research activities and a related report commissioned by Water Dialogues during the course of 2007 seeking to generate the core data for a Water Dialogues Ilembe Case Study. This process involved a research team working over a considerable period of time to gather information from officials, political representatives and individuals in communities. Primary documents were sourced, interviews conducted and a series of participatory workshops held to generate material which was ultimately presented in a report entitled, “Second Progress Report: Siza Water Concession, Ilembe District Municipality, KwaZulu-Natal, South Africa: 21 August 2007” (Water Dialogues, 2007a). This was further supported by reports of workshops held with community members prepared by Makhosi Wiese and Sbu Khanyile.

The second key source has been a technical overview of the Siza Concession carried out under the Water Dialogues process by Werner Zybrands. This report had as its focus an attempt to generate from key Siza Water and IDM officials comparable data on performance with respect to priority delivery issues identified by Water Dialogues. This report drew heavily on existing documentation and reports as well as a series of discussions with key officials concerned. It should be noted that the report was written on the basis of best available information that could be sourced in the limited time with the resources available. It is likely that additional data could be obtained from future enquiries should more time and resources be made available. However, it should also be noted that the availability of key Municipal officials is heavily constrained as they have core responsibilities which do not allow for full interaction with researchers and are often the only repository of key data.

Finally, the report has drawn on a series of discussions initiated by the author with a focus on water governance matters with respect to IDM in the context of its role as a Water Services Authority as envisaged under the 1997 Water Services Act. This work has also been supplemented by a range of official documentation generated by key role players.

This report does not seek to replicate these earlier pieces of work in their entirety as it would make this document far too unwieldy. Where possible it seeks to draw on key findings and if necessary present some of the supporting material in the appendix.

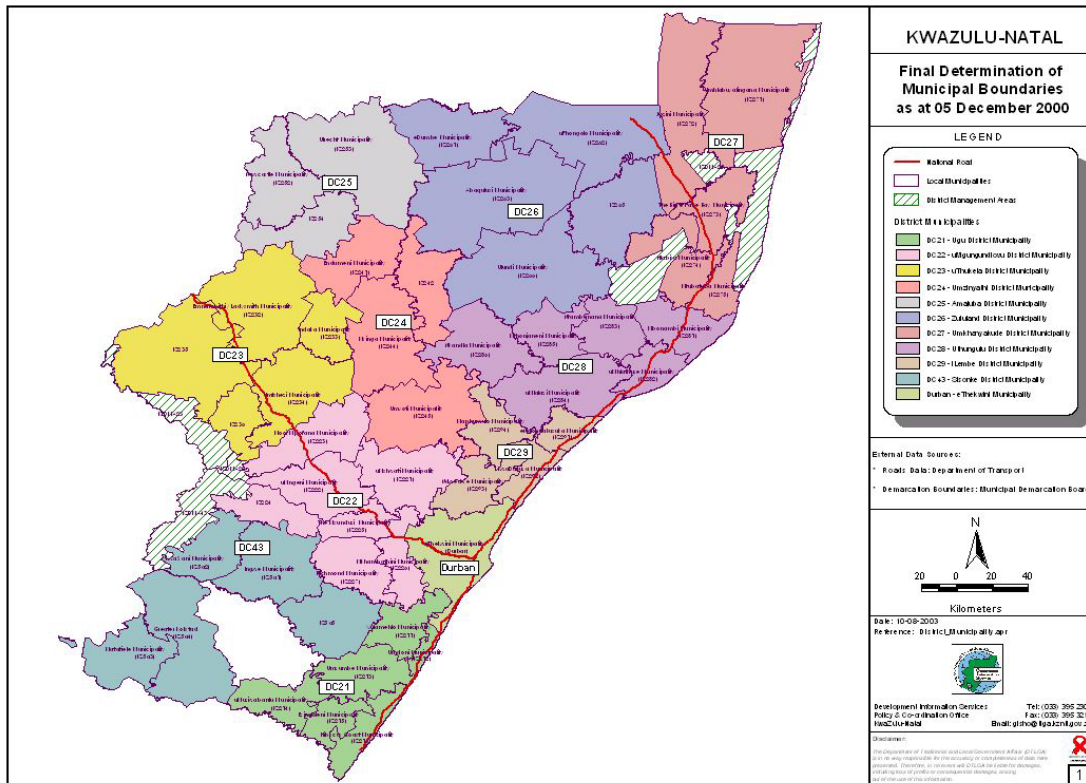
3. Contextual overview of the Ilembe District

This section provides an overview of the IDM in terms of spatial, socio-economic and institutional factors. It also seeks to present summary information available in the public domain on water and sanitation service provision and the specific arrangements with respect to the delivery of water and sanitation services.

3.1. Locating the Ilembe District

The Ilembe District Municipality (IDM) is located along the north coast of KwaZulu-Natal. It borders eThekweni Municipality (the Durban Metropolitan Area) in the south, the uThungulu District in the north and Umzinyathi and Umgungundlovu Districts in the west. Ilembe accommodates four local municipalities, namely KwaDukuza in the east, Ndwedwe and Maphumulo in the west and Mandeni (formerly eNdondakusuka) in the north. The Ilembe District Municipality extends over an area of approximately 1455km². The topography of the hinterland areas is characterised by sharply carved hills, ridges and valleys interspersed with a number of rivers. The topography in such areas can raise the average costs of service delivery due to its unevenness and due to the related sensitivity of ecological systems in and around river valleys and along the coast together with the many estuaries.

Figure 1KZN districts (Ilembe is DC 29)



(Source: <http://devplan.kzntl.gov.za/>)

3.2. Demographic, socio-economic and land-use information

The estimated population for IDM at the last census (2001) was 535 000 people. The population is fairly evenly spread across the four local municipalities. However, the settlement density is much higher around the urban nodes of Stanger and Mandeni/Isithebe/Sundumbili and along the coastal strip forming a core focus of this study. As such the bulk of Ilembe's population lives in rural settlements or in peri-urban settlements on the fringes of the boundary with eThekweni and around the major urban settlements referred to above. The population of Ilembe District Municipality, based on the 2001 census projected at 0.5%, has been estimated to be 576 934 in 2005, with fairly even division between the four local municipalities.³ Some 79% of the population is classified as rural, with 21% as urban.⁴ Official census documentation reflects that ninety six percent of the population is from a previously disadvantaged background. A key feature of the age distribution in the municipality is that a high 47% of the population falls within the 0 to 19 age category creating a high dependency ratio. A further 25% falls within the 20 to 34 year age category.

Ilembe is characterised by sharp inequalities, which have both racial, income and spatial elements. This is widely recognised by informants, in the literature and in the Ilembe IDP. The 2002 study by Hemson and Batidzirai refers to "a littoral and 'shadow' zone; a geographical division between a coastal strip and the immediate interior, which also serves as a social division between development and underdevelopment."⁵ The coastal zone is economically oriented towards the seasonal tourism industry with the result that the population almost doubles during the peak holiday periods of December April and July. The main commercial agricultural crop is sugar cane.

The demarcation of the two coastal hinterland local municipalities of Ndwedwe and Maphumulo correspond largely with areas historically under the governance framework of the KwaZulu Bantustan under apartheid. These areas were administered under the system of traditional tribal authorities, with the application of a tribal communal land tenure system. The apartheid system ensured the effective underdevelopment of these areas as zones of low-cost labour reproduction for mining, manufacturing and domestic sectors as well as the labour needs of commercial farming. Very little in the way of infrastructure and services, including roads, water, sanitation, as well as health and education were provided for the majority rural African population through Bantu administration channels, or by various forms of local government and Bantustan homeland structures. Black people living an urban existence or in peri-urban areas were restricted to very limited parcels of land and also denied service levels provided to white residents. The two coastal municipalities (Mandeni and KwaDukuza) largely fell under either a variety of previous local government regimes or under the responsibility of the Natal Provincial Administration and as such received considerably better development attention than their hinterland neighbours.

Land use in the tribal areas is largely limited to subsistence, sub-subsistence or small scale commercial farming, with low intensity livestock grazing on communal lands. Land use along the coast has a strong tourism and residential focus alongside extensive commercial sugar cane plantations which also extend west of the coastal areas and include a number of areas which have a considerable number of small-scale black sugar cane farmers. Stanger and Mandeni/Isithebe contain a range of industries with a historic focus on more labour intensive production but also

³ Ilembe District Municipality, Water Services Development Plan, Executive Summary, 2003, p. 4.

⁴ Op. cit., p. 5.

⁵ Hemson, D., & Batidzirai, H., Public Private Partnerships and the Poor, 2002, p. 1

include manor a few major capital intensive industries such as the Sappi pulp mill. Employment levels in the district remain low with many people dependent on survivalist activities of one sort or another or on remissions of portions of the earnings of migrant labourers. Unemployment in the Ilembe District as a whole is 39%. This figure is below the corresponding Provincial figure of 43% but above that of the national level of 37.7%.

According to the DPLG, the Ilembe District's economy grew at an average annual rate of 0.9% a year between 1996-2003, compared to 2.5% for KwaZulu-Natal Province and the national average of 2.5%. It is estimated that Ilembe's current rate of economic growth has risen above 2.5%, supported in part by an improved economic climate and strong property/construction activity. The main employment sectors have been agriculture, manufacturing, tourism and the provision of Government Services. Agricultural activities include sugar cane, timber (paper-pulp), vegetables, tunnel farming, flowers and nurseries. The bulk of tourism infrastructure and products falls into the KwaDukuza area, known as the Dolphin Coast. According to Department of Provincial and Local Government (DPLG) sources primary production provides 16,597 jobs, manufacturing 18,443, construction about 4,000, wholesale and retail 9,500 and the provision of community services 10,800

(http://www.thedplg.gov.za/index2.php?option=com_content&do_pdf=1&id=82 downloaded on 18 December 2007).

3.3. Ilembe water and sanitation service delivery patterns and related institutional structures

This section provides a brief overview of South African the national water and sanitation policy context. For those readers less familiar with this context it would be necessary to examine material such as that on the web site of the Department of Water Affairs and Forestry (DWAF) – www.dwaf.gov.za. Further information on various local government processes can be obtained from the web site of the Department of Provincial and Local Government (DPLG) – www.dplg.gov.za.

3.3.1. Some relevant recent institutional and governance history

The IDM was only formally constituted with the 2000 local government elections in line with the Local Government Systems and Structures Acts of the late 1990s. Under these legislative frameworks the interim local government arrangements that had pertained since 1996 local government elections gave way to revised demarcations from the statutory Demarcations Board. Prior to 2000 interim local authorities had existed such as the Borough of Dolphin Coast (BODC) and the associated King Shaka District Municipality. The Ugu District (now confined to areas to the south of eThekweni) had also been responsible for portions of areas such as Ndwedwe (later incorporated into eThekweni and Ilembe). Under these interim arrangements local authorities in designated towns tended to handle water and sanitation delivery guided by national policy. Areas outside designated towns began to receive attention from bulk water suppliers such as Umgeni Water, who took on a rural water and sanitation delivery mandate in addition to their bulk supply obligations.

It was under this interim set of arrangements that the Siza Water Concession came into being as one of a number of nationally encouraged pilot concession projects. These emerged from policy shifts that were promoted alongside the adoption of the Water Services Act No 108 of 1997 where scope was created for a variety of service delivery approaches – further reinforced in

parallel municipal legislative frameworks that were being prepared at the time (Municipal Systems Act and Municipal Structures Act). The implications of encouraging a variety of service delivery approaches for services such as water were hotly contested by a variety of organisations including the South African Municipal Workers Union and the Congress of South African Trade Unions. However, in a context where national government was seeking to limit public expenditure in order to meet the deficit reduction targets of the Growth, Employment and Redistribution Strategy of 1996 Cabinet supported the signalling by national government that alternative service arrangements involving private role players would be favourably considered. Under these circumstances, where the BODC was struggling to find secure capital to extend its services its officials and advisors from bodies such as the DBSA began to actively explore the options available to them. A grant funding commitment from the DBSA to examine the feasibility of different options set the process in motion which was ultimately to result in the concession agreement (discussed further in Section 4). In the initial phases institutional and governance responsibilities for the concession were vested with the BODC and were subsequently transferred to the fore-runner to the KwaDukuza local municipality during the critical contracting stages of the concession. In the first phases of the concession, prior to the creation of the Water Services Authority in the 2002/2003 period, all the obligations of the contracting party were held by what became the KwaDukuza Local Municipality. These functions were carried by officials alongside the KwaDukuza Municipality's own water and sanitation service delivery activities.

3.3.2. Contemporary institutional arrangements and policy matters

In institutional terms the IDM moved relatively speedily to respond to changed national legislation to establish itself as the Water Services Authority (WSA) as envisaged under the Water Services Act 108 of 1997.⁶ The publication of the Act's regulations in 2002, (Water Services Provider Contract Regulations Number R 980), allowed for the formal transfer of Water Services Authority functions and responsibilities to District Municipalities from the multi-layered and fragmented systems of the past. In this regard it became the responsibility of the IDM to set a policy framework and to contract service providers (as envisioned in the Act) to deliver water and sanitation services to users. The Act also required the production of a Water Services Development Plan (WSDP) by the designated Water Services Authority. The IDM commissioned such a plan which was made public in draft form during 2003 (Ilembe District Municipality, 2003). A revised WSDP was commissioned in 2006 and has been circulated for consideration by various parties in a draft form during 2007 (Ilembe District Municipality, 2007).

Since the 2002/2003 period the IDM has worked to consolidate its institutional functions, as required under the Act and encouraged by various bodies such as DWAF, in order to create the necessary capacity to fulfil its duties. This has been a gradual process, supported by various other stakeholders such as DWAF, KZN Department of Local Government and Traditional Affairs and has also been subject to negotiations with local municipalities, Umgeni Water, Siza Water and other role players.

⁶ According to the Water Services Act of 1997 a WSA has a duty "to all consumers or potential consumers in its area of jurisdiction to progressively ensure efficient, affordable, economical and sustainable access to water services." This duty is subject to a number of limitations such as: (a) the availability of resources; (b) the need for an equitable allocation of resources to all consumers and potential consumers within the authority's area of jurisdiction; (c) the need to regulate access to water services in an equitable way; (d) the duty of consumers to pay reasonable charges, which must be in accordance with any prescribed norms and standards for tariffs for water services; (e) the duty to conserve water resources; (f) the nature, topography, zoning and situation of the land in question; and (g) the right of the relevant water services authority to limit or discontinue the provision of water services if there is a failure to comply with reasonable conditions set for the provision of such services. (Section 111, Water Services Act of 1997)

As it stands today the IDM operates as both a WSA and an internal (to Municipal structures) Water Service Provider (WSP) in that it carries out extensive delivery, service and maintenance activities in areas outside those which have been designated for other WSPs. It has also contracted Umgeni Water, over and above its role as the main bulk supplier, as a major external WSP in respect of rural water schemes in Ndwedwe and Groutville. The IDM, as a WSA, has also inherited the contractual and governance oversight and management of the Siza Water Concession – with SWC now being, in the parlance of the 1997 Act, a designated external Water Service Provider. However, it should be noted that in the 2006/2007 IDP document of the IDM it is stated that,

“The Ilembe District Municipality Executive Council (EXCO) has requested that the Water Services Division of Ilembe District Municipality give consideration to becoming the WSP for the whole district. This needs to be discussed further with EXCO, particularly regarding existing capacity within the KZ291 and KZ292 local municipalities to operate as WSPs in the former Madden and KwaDukuza TLC areas and the concession under which Siza Water is the WSP for the former Dolphin Coast TLC area.” (IDM, 2006a: p.19)⁷

Despite the combination of considerable senior management upheavals in the past few years, some ongoing tensions of a political nature between the district political leadership and that of some of the local councils, and the major restructuring brought about by various forms of municipal and service delivery reform it is argued by many observers that new arrangements with respect to water and sanitation are beginning to settle. At a national and provincial government level there has been some movement towards the upgrading of implementation and monitoring compliance after years of focus on policy changes and restructuring evidenced in part by the variety of reporting formats being used around policy targets (DWAF Interview). This is likely to provide for the ongoing testing of the appropriateness of various arrangements and allow for tackling of issues that have been low priority matters whilst new systems have been rolled out in a very ambitious programme. It is worth noting, that despite the creation of WSA's, very few of these institutions have been able, during their establishment, to pay much attention to the full range of duties and responsibilities outlined in legislation and policy documents during their beta-like establishment phases.

It should also be noted that the capacity required in other fields to begin to optimise the supposed benefits of the new arrangements is only now being contemplated. This is true not only for Ilembe⁸ but also for structures such as DWAF who are still piloting aspects of their monitoring and evaluation framework, for WSPs themselves and for structures of civil society that have had to face a something of a never-ending barrage of reforms in the past few years. DWAF officials point out that many of the first WSDP documents that were rolled out were, in an echo of the first round of IDPs, essentially consulted prepared documents without a thorough process underpinning them and with limited integration with local and district IDPs. Incremental interventions have begun to generate some measure of technical alignment related to priorities and budgets as officials and politicians become familiar with the documents and their respective purposes. This can certainly be seen in the Ilembe 06/07 IDP review exercise and in processes seeking to review the draft WSDP prepared in 2003.

⁷ In the same document it is reported that Siza Water Pty (Ltd) have indicated that they would like to see the status quo remain with regard to their role as a concession-based WSP (IDM, 2006, p.19)

⁸ Ilembe has adopted a Performance Management System (PMS) and all of the senior management team are employed on performance-based contracts. An individual PMS has also been developed for all staff. The whole system of performance management is now being implemented. Ilembe has in the last few years received qualified audits from the Auditor General suggesting areas of systemic weakness in their resource management. However, it is also important to recognise that some aspects of the IDM have been deemed to be better practice as witnessed by the awarding of a Vuna Award for Local Economic Development programmes in previous years.

3.4. Recent patterns of water and sanitation service in Ilembe

This section provides an overview of some of the delivery trends apparent in Ilembe according to a variety of sources made available during the course of the research for this report. This is important in order to inform a discussion on the relationship between Ilembe as a WSA and various WSPs as well as Ilembe's role as a WSP. It should be noted that this examination is somewhat hindered by an array of sources of data that produce differing figures and at times utilise different assessment categories⁹. An effort has been made to present a range of figures where available.

Since the 2001 census figures were generated, the IDM has made some progress in delivery. According to a DPLG Project Consolidate Review in 2005 it was recorded that, in the previous 5 year period, 5000 households had been provided with water within 200m of their dwellings. A further 945 households had been assisted with access to groundwater supplies. This still left the IDM with a total water access percentage of only 54% of households compared to the Provincial-wide figure of 74%. During the same period, "1400 new sanitation connections had been made to dwellings that had previously had no Ventilated Improved Pit-latrines (VIP)"¹⁰. This, according to DPLG documentation, had helped raise Ilembe's level of household access to some system of sanitation (not necessarily above RDP levels) to 79%, only slightly lower than the Provincial figure of 82%. In this 2005 DPLG report¹¹ it was also recorded that an estimated 36% or 48 874 households (of a projected total of 121757 households) had access to water at levels below the Reconstruction and Development Plan (RDP) standards.¹²

In terms of water services within the IDM, as outlined in the table below, a total of 373 552 or about 65% of people did not, in 2006, have access to water services at the minimum RDP levels. According to DWAF officials, such high levels are not uncommon in areas with a relatively high rural population. According to DWAF performance indicators, key reasons for services falling below RDP levels include availability of supply at less than 98% of the year (40%), tap not accessible within 200m (30%) followed by flow rates below the required figure of 10l/minute (15%). In this regard, Ilembe officials made the case that many households had some level of access and that this was generally being improved on an incremental basis and therefore suggested such cut-and-dried figures could be misleading.¹³ The figure in the 2007 draft WSDP suggests the percentage of the population below RDP levels is closer to the 56.2% level – an improved figure which could indicate some municipal progress. Also from the draft WSDP (2007) it can be calculated that of the Ilembe District population receiving water services below RDP levels only 13% of these are in the KwaDukuza Local Municipality whilst 39% are located

⁹ Data published in by DWAF (KZN District Performance indicators DWAF, 2007) and Ilembe differs somewhat in relation to both base figures and categories of analysis. Furthermore, the 2007 draft WSDP of IDM suggests an estimated population figure of 805 239 people for the district which is considerably above the figure used by DWAF (based on updated 2001 census estimates) of 605 807. The reason for the use of the higher figure in the 2007 WSDP report is not known and its source is not identified.⁹ Advice from DWAF officials suggests that their February 2007 figures should be used but in some cases the draft 2007 IDM WSDP figures are mentioned for comparison purposes when looking at local municipalities. In this regard the earlier DPLG estimates (presented above) should be treated with some caution and greater credence given to recent DWAF material presented in the following paragraphs.

¹⁰ http://www.thedplg.gov.za/index2.php?option=com_content&do_pdf=1&id=82 downloaded on 18 December 2007. This DPLG report refers to "sanitation connections", but in fact this should read sanitation solutions as many did not involve a water-borne sanitation connection to a household.

¹¹ *Ibid.*

¹² The revised RDP standards as set by DWAF for water have the following requirements:

Water - A minimum availability of 25l/capita/day; a minimum flow rate of 10l/minute; a maximum walking distance of 200m to the nearest tap; water to meet SABS 0284 standards (chemical content, microbial load, taste, colour and appearance); a guaranteed assurance of water for more than 98% of the year.

Sanitation – Individual households with access to VIP latrine; a maximum walking distance of 50m to the nearest sanitation facility. (www.dwaf.gov.za)

¹³ For example with resources available some level of access was given to communities through a limited number of stand pipes. As more resources become available the numbers and therefore proximity of standpipes would increase thus converting more households from the below RDP level of services to above it.

in Maphumulo Local Council, 29% in Ndwedwe and 19% in eNdongakusuka/Mandeni. A full 54% of all those Ilembe residents receiving water services at or above the RDP level live in the KwaDukuza Local Municipality.

Table 1: Water needs/backlogs and levels of service: IDM 2006

Settlements and population			Total population water needs 2006	
Total # settlements	Population 2006	# Households 2006	Population with services above RDP stds.	Population with service below RDP stds. (needy)*
552	573054	124713	199502	373552

* Including those with no services
(DWAF, 2007)

In household terms the draft 2007 IDM WSDP calculates water need (in effect households receiving below RDP services or no service) per local municipality at 83% of Maphumulo households, 66% of Ndongakusuka/Mandeni households, 62% of Ndwedwe households and 23.9% of KwaDukuza households. Figures in the IDM IDP (2006) are somewhat different and refer to backlogs as the percentage of people with no access to services (as opposed to combining those with no services and those with services below the RDP standard).

Table 2: Water backlogs (% people with no access to services)

Area	% people with no access (backlog)
Mandeni/eNdongakusuka	38
KwaDukuza	20
Ndwedwe	42
Maphumulo	58
Ilembe	38

(IDM, 2006)

These figures are somewhat higher than a slightly older set provided by the Municipal Demarcation Board Capacity Assessment Report of 2006/07 (see table 3). However, it is clear which ever set of figures is used that the IDM faces some major challenges in responding to backlogs around water. The lack of delivery correlates with levels of poverty across the district.

Table 3: Water Backlogs and Income in Ilembe by local municipality, 2006/07

Municipality Name	HH with RDP water service levels(%)	RDP Water backlog (%) within municipality	RDP water backlog as % of district total	Percentage of population earning less than R 12 000 p.a.
KwaDukuza	78.39%	21.61%	15.52%	64%
Mandeni	64.90%	35.10%	17.50%	69%
Ndwedwe	29.94%	70.06%	33.27%	78%
Maphumulo	11.58%	88.42%	33.72%	86%

(Source: Municipal Demarcation Board, 2006)

With regard to free basic services the IDM reports that all those households that have access to water services and who qualify have access to free basic water through two main delivery systems:

1. Rudimentary level of service - boreholes, spring protection, and rainwater harvesting
2. Metered Connections – households within Ilembe District qualify for a 6000 litres free basic water supply. Consumption higher than the 6000 litres is subject to stepped tariffs, which increases with the rate of consumption.

The IDP states, “There is 100% free basic water provided to all people that have access to water which is approximately two-thirds of the total population of Ilembe.” (IDM, 2006: p.9) However, as can be gleaned from a variety of sources, the consistency of supply and at times quality means that for a considerable number of people in receipt of services the notion of free services is not always a reality, and more critically the total proportion in receipt of any formal service whatsoever remains a major issue of concern.

In terms of sanitation, based on DWAF figures (see table below), a full 68% of people in IDM do not have sanitation access or have access below RDP standards.

Table 4: Sanitation needs and levels of service: IDM 2006

Settlements and population			Total population sanitation needs 2006	
Total # settlements	Population 2006	# Households 2006	Population with services above RDP stds.	Population with service below RDP stds. (needy)*
552	573054	124713	182336	390716

* Including those with no service
(DWAF, 2007)

Information on differences by local municipality is not contained in the 2007 WSDP draft, which, in its rough form, contains data from other municipalities outside IDM.

However, in the IDM IDP (2006) document the following percentages are supplied as sanitation backlogs per local council area in the District.

Table 5: Sanitation backlogs (% people with no access to services)

Area	% people with no access (backlog)
Mandeni/eNdongakusuka	32
KwaDukuza	30
Ndwedwe	63
Maphumulo	78
Ilembe	50

(IDM, 2006)

With regards to funding arrangements, the 2006/2007 IDP indicates that for Ilembe to overcome its water and sanitation backlogs it will need to access greater levels of National grants – especially the Municipal Infrastructure Grant (MIG). The figures below provide DWAF recorded figures and projects for MIG allocations to Ilembe.

Table 6: MIG WSA allocations to IDM (past and projected) Rm

2005/06	2006/07	2007/08	2008/09	2009/10
66,990,515	60,799,415	68,321,323	84,398,594	96,285,132

(Source: DWAF)

Whilst the IDM has had some difficulty in maintaining its ability to spend received funds indications are that both problems in the fund application process and on the expenditure side are being addressed with support originally through Project Consolidate¹⁴ and other mechanisms from entities such as the DBSA. This should be further enhanced by the district and local councils consistently producing audited accounts that are not qualified as some have been for a period of time. The IDM is also likely to benefit from capital grant funding that DWAF has recently announced for the refurbishment of bulk systems such as water and sewer mains and various treatment facilities – an area that the IDM has tended to neglect in its internal allocation of funds.

Alongside this adjustment to new funding frameworks the planning system which guides municipal prioritisation through the IDP is also finding its feet. Progress has been made in achieving alignment between the district IDP and that of the four local councils. There is also now some experience of relating the IDP process to planning around the WSDP. However, the numerous layers of planning required and the associated processes do present challenges for the IDM to ensure there is adequate alignment. IDP review processes have suggested some gaps in these processes, including those of consultation with citizens around different elements of planning on a sustained basis. Resolving different priorities set at the local level to those agreed at a district level remains a key issue.

¹⁴ Project Consolidate was initiated by the Department of Provincial and Local Government and National Treasury in order to support more effective administration in struggling municipalities. It involved the conducting of an assessment of the municipal capacity and performance and the subsequent allocation of specialist consultant advisors to assist with remedial strategies.

In its capacity as a WSA, Ilembe has begun to experience a greater level of monitoring by DWAF through the DWAF WSA Checklist assessments and other DWAF instruments. Whilst the system is still evolving it provides a direct link to realising DWAF's regulatory role in relation to WSAs such as that in the IDM. According to DWAF the Checklist, "is designed to provide both municipalities and DWAF with primary information on water services authority (WSA) capacity, and its performance against legislative requirements. The focus is on the following WSA functional areas:

- Policies and bylaws;
- Planning;
- Reporting;
- Infrastructure;
- Finance;
- Health and environment;
- Regulating water service provision.

DWAF developed this Checklist in order to ensure that clarity is achieved on WSA capacity and gaps in order to provide more focused and appropriate support to municipalities." (DWAF, 2007)

At present the DWAF Checklist provides a snapshot-in-time view, generated by officials in regional DWAF offices, of the state of WSA delivery. The Checklist is oriented towards largely technical categories. According to the DWAF official interviewed, it is not envisaged by DWAF that this be developed further as a tool to engage with participatory monitoring by communities, although it is expected that this does happen at a municipal level through the WSA and via other municipal processes such as those related to IDP reviews. However, it is notable that the instrument, as it stands at present, does not specifically measure the presence of an effective community-feedback system. It is also notable that stakeholders interacted with for the project did see some potential for the tool to be used in monitoring and highlighted that it was already being used as a benchmark in planning processes and discussions.

The results of the IDM WSA Checklist assessment are discussed briefly in this section. For illustrative purposes a section of the checklist is presented below (Table 7 – a full version of the material is reproduced in the appendix). The Checklist's first category is around policy matters. Indications are that DWAF officials are generally confident that resources exist to generate the necessary policies, however, not all of these have been formulated and implemented (by-laws, credit control, indigent policy).¹⁵ IDM officials indicated that they were seeking to develop them incrementally as resources and capacity allowed. These policies are key to enabling the WSA function to be performed and there does appear to be awareness from IDM that they need to work towards greater compliance to ensure better alignment with national policy. Such compliance could also improve accountability of the WSA and ultimately the IDM.

¹⁵ It should be noted that repeated attempts to locate some of these documents from IDM proved unsuccessful and as such not all the information could be verified. It for this reason that they are reported as not available in section 4.3.5.

Table 7: Section of DWAF WSA Checklist for Ilembe

FUNCTION	SOURCE	Technical	Financial	PERFORMED		RESOURCES AVAILABLE TO PERFORM FUNCTION?								
				Yes	No	BUDGET		BY-LAWS		INFRA-STRUCTURE		PERSONNEL		
						Yes	No	Yes	No	Yes	No	Yes	No	
1	POLICIES AND BY-LAWS													
1.1	Water Services by-laws	Sections 4(2)(b) and 21 of the Water Services Act.	√			√	√			√	√		√	
1.2	Tariff policy	Section 74(1) the Systems Act read with Section 10 of the Water Services Act and the Section 10 Regulations.		√		√	√		√		√		√	
1.3	Tariff by-laws	Section 75(1) of the Systems Act and Section 24(2)(c)(ii) of the MFMA (as a resolution attached to the budget).		√	√		√		√		√		√	
1.4	Credit control and debt collection policy	Sections 96(b) and 99 of the Systems Act.		√		√	√		√		√		√	
1.5	Credit control and debt collection by-laws	Section 98(1) of the Systems Act.		√	√		√		√		√		√	
1.6	Free basic water policy	Section 74(2)(c) of the Systems Act read with paragraph 4.4.1 of the SFWS.	√		√		√		√		√		√	
1.7	Free basic sanitation policy	Section 74(2)(c) of the Systems Act read with paragraph 4.4.2 of the SFWS.	√			√	√		√		√		√	
1.8	Indigent policy	In anticipation of section 104(f) of the Systems Act which provides the Minister with powers to issue regulations on indigent policy.		√	√		√		√		√		√	
1.9	Procurement policy	Included in Supply Chain Management Policy obligation (demand, acquisition, disposal, risk and performance management) of Section 111 of the MFMA.		√	√		√		√		√		√	

(Source: DWAF, 2007)

With regard to the planning category the checklist notes the existence of a draft WSDP as well as planning around a range of water and sanitation-related variables. Discussions with DWAF officials indicated that attention still needs to be given towards gathering community level information on services or a lack of them. In terms of the infrastructure category, the report points to a number of shortcomings in the IDM around factors such as discontinuity of supply and areas of low level access, although on the positive side it records affirmative responses for many of the other technical categories such as the existence of a three year capital budget,

existence of an asset register and MIG projects identified. With regard to reporting it appears the IDM is fulfilling at least its DWAF-related technical report requirements on issues such as MIG progress.

Around finance matters the IDM get a positive record from the DWAF assessment as do they on health and safety factors. Here is should once again be noted that these Checklists are generated from face-to-face discussions with officials and are not supported by on-the-ground audits or interaction with other role players. This clearly weakens the potential usefulness of these tools an is also a reflection of capacity shortcomings in entities such as DWAF to undertake more rigorous assessments. In terms of the IDMs performance around the regulatory category (by-laws and policies) the DWAF assessment shows that the IDM has done much to cover the bulk of the requirements. However, it is worth noting once again that the DWAF assessment seeks evidence from officials and documentation but does not necessarily test these in all cases with on the ground audits.

Whilst the IDM is clearly faced with many challenges around water and sanitation delivery, it is notable that progress has been made and that institutional, human and capital bases are being provided for improvements. Nevertheless, other data sources available from DWAF would suggest that in a number of fields the IDM is performing below the average for KZN districts. It is also clear that there remain some risk areas such as a lack of clear functional splits between WSA and WSP functions, capacity-related issues (also related to the securing of institutional memory) and accountability asymmetries that favour upwards reporting over consistent engagement with local stakeholders which encourages a shared governance approach.

The following section seeks to explore in more detail how the Siza Water Concession performs in this context as well as providing some limited further comment on the IDM as a WSA and WSP where appropriate.

4. Research findings with respect to the Siza Water Concession area

As indicated in the introduction to this report, the research project had a particular interest in the area serviced by Siza Water Pty (Ltd) under a concession arrangement. As such both the technical study element and the community research focused primarily on water and sanitation services in SWC designated areas. However, in addition to this focus, some additional community survey work was undertaken in areas falling outside the concession area for purposes of comparison. Furthermore, where possible, some direct comparisons have been made with performance indicators of Ilembe WSP activities and those of Siza Water.

This section presents the community and technical material in separate sub-sections and concludes with a discussion on the relationship between the two. It should be noted that the community research output also offers a range of what could be considered technical insights and as such should not merely be viewed as representing perceptions. In fact the participatory process results provide important substantive and contextual insights that allow for critical assessment of more technical analyses. Nevertheless, the technical insights remain critical in order to generate a picture of dimensions of water and sanitation services which is able to allow for a more informed engagement by stakeholders from a variety of perspectives.

4.1. Some basic background information on Siza Water and the concession area¹⁶

Siza Water, as at 3 May 2007, was 73.4% owned by Cascal, a division of Bi-Water (a UK-based water and sanitation services company). Bi-Water purchased the controlling interest from Finageston, which is part of the Bouygues group of France and from two minority shareholders. The other significant shareholder of Siza Water is Metropolitan Life of South Africa. Siza Water staff also have a share scheme via an employees trust. Cascal also has a majority share in the Silulumanzi concession in the Nelspruit area of Mpumalanga. The company services a population of around 50 000 people including areas such as Ballito, Umhlali, Shakaskraal, Shakas Rock, Tinley Manor, Sheffield Beach, Etete, Nkobongo and Salt Rock. The company employs around 60 staff.

The concessioning process was initiated during the interim local government phase of the mid 1990s. During this period, national government departments initiated a range of processes to secure greater private sector involvement in areas of activity that had traditionally been reserved for the state. This included the privatisation (partial or full) of a number of state enterprises such as some of those falling under the Transnet parastatal. This policy was also reflected in the field of municipal services where relevant government departments and public entities such as the DBSA began to provide policy and technical support for various municipal-level public-private partnership (PPP) arrangements. Despite considerable levels of opposition from entities such as Cosatu and its affiliates a series of municipal PPPs were supported by government departments. It was in this context that the then Dolphin Coast municipal administration began to explore options with government advisors to deal with challenges it was facing in the management and expansion of its water and sanitation services.

As outlined by Robbins (2004), in January 1999 the Borough of Dolphin Coast and Siza Water Company (with a controlling interest by SAUR Services of France) entered into a contract

¹⁶ The bulk of the material in this section is drawn from Robbins (2004).

whereby SWC would oversee manage and implement the provision of water and sanitation services within the then BODC Municipal boundary, on a concession basis, for a period of 30 years. The project had its origins in a decision by the BODC in 1996 that it was best able to meet its obligations with respect to Water and Sanitation Services (WSS) by seeking partnerships with the private sector. A three year process then unfolded during which, with support from various government agencies and departments, the BODC investigated PPP options, chose a preferred route and secured the interest of potential service providers. At the contract date the net present value of the concession was estimated to be in the region of R386m (www.miiu.org.za). The concession has been operational for almost ten years and is beginning to reach a level of maturity. Due to legislation-induced local government restructuring the BODC no longer exists an entity and therefore the concession contract is now being managed by the Ilembe District Municipality.

Prior to the formation of the BODC in 1995, water and sanitation services in the area were managed by the Port-Natal Ebodwe Joint Services Board (JSB) and in some instances by Umgeni Water. Umgeni Water is the regional water supply entity in the catchments supplying water to the Dolphin Coast area and has in many instances acted as bulk supplier and service provider. The Port-Natal Ebodwe JSB was funded out of business levies and provided infrastructure investments in the greater Durban area – but largely outside the area that was under the former Durban City Council. As it (the JSB) had been responsible for infrastructure services related to water and sanitation it also provided for the administration and management of the delivery of such services to customers in designated areas. However, with the implementation of the first phase of transitional local government arrangements the JSB ceased to operate outside local government. It was under these circumstances that the BDOC inherited water and sanitation systems that fell within its boundaries (with the exception of Umgeni Water infrastructure and assets for the supply of bulk water to the area).

With the formal incorporation of the BODC in 1996, Umgeni Water provided assistance in provision of management relating to the water and sanitation services (Maharaj, 2003). However, projections in developmental growth (both in terms of high income and low income residents), combined with the very poor state of existing bulk infrastructure, presented the BODC with a growing investment and management responsibility that it felt could best be met through seeking an alternative model.¹⁷

According to Hemson and Batidzirai (2002), in 1997 there were 3153 water meters in the BDOC area, yielding a monthly income of R250 000. Monthly income from water services amounted to R271 000. Net income had been increasing steadily at a low rate. Services in areas other than the areas to the east of the coastal free-way were limited and patchy. Some areas such as Shakashead had no services, whilst other areas had standpipes or borehole systems. The MIIU's Dr James Leigland is quoted in Hemson and Batidzirai (2002) as providing the following information on the pre-concession service:

- 50% of the population lived in informal settlements and had inadequate services;
- 22 staff were responsible for operations and maintenance (with Umgeni Water providing some technical and managerial support).

¹⁷ It was estimated that upgrade and new service delivery requirements would cost the service R200m in 1997 prices. (Hemson and Batidzirai, 2002: p18)

Table 8: Summary table of pre-concession indicators

Indicator	Available information	Comment
Service coverage	50% of population in formal housing with 3153 homes with metered services	Much uncertainty existed as to population size as situation was dynamic with new informal settlements post 1994
Operational efficiency and quality of service	Over 20% loss from original bulk purchase	Limited information on service quality and efficiency was captured
Prices and affordability	For metered customers: R20 basic charge Volumetric charge of between R2,11 and R2,61 Limited monitoring of boreholes and stand-pipes	Affordability issues not fully tested with patchy service delivery to unserved areas. Households in low-income housing projects with full service delivery struggling with paying of bills
Finance and investment	BODC struggling to reconcile borrowing obligations projected for service expansion and existing budget challenges	BODC reached limits in terms of borrowing for new capital projects required to extend services Financial performance figures not showing net income growth in relation to finance maintenance and service extension
Labour issues	22 employees (excluding Umgeni Water staff) Lack of clarity and training and development prospects	Umgeni Water provided technical and management services on an agency basis.

Sources: WZC, 2003; Maharaj, 2003; Hemson and Batidzirai, 2002, Interviews (reproduced from Robbins, 2004)

In summary terms the steps leading up to the contract were as follows (adapted from Hemson and Batidzirai, 2002; Hultzer (SWC) interview in Robbins, 2004):

- BODC inherited WSS (March 1996)
- BODC decides to seek WSS partnership and approaches DBSA for assistance (November 1996)
- Public notice of intention to seek MSP options for WSS (including call for expressions of interest) followed by shortlisting of prospective bidders and preparation of RFP (late 1996)
- Request for Proposals issued to four shortlisted entities (February 1997)
- SWC selected as preferred bidder – contract negotiations entered into (November 1997)
- Concession contract signed (January 1999)
- SWC commences operations (April 1999)

The formal contract phase can be seen to have been initiated with the Request for proposals (RFP) prepared with the assistance of the DBSA in February 1997. This provided interested parties with information on the present service system and projections for new projects in the pipeline (eg low income housing) as well as a terms of reference outlining the sort of services that would be expected and possible terms under which such services could be considered (Maharaj, 2003 and WZC, 2003 in Robbins, 2004). Explicit conditions relating to labour were outlined in this documentation in an effort to assuage concerns of unions. The preparation of the RFP was done in parallel to shortlisting of those entities that had submitted expressions of interest previously. Of the fifteen expressions of interest received, five (four with foreign

partners) were requested to respond to the RFP documentation (Maharaj, 2003).¹⁸ The submissions from the entities were evaluated by a technical panel of municipal officials and supported by expert advisors appointed through the DBSA. This panel made its recommendations to the executive political structure of the BODC which in turn authorised officials to proceed with negotiations with the preferred bidder in the form of Siza Water Company.

Bids were evaluated on a range of factors. These included the capabilities and experience of the consortiums and consortium partners, technical operational responses, detailed financial projections relating to investment and pricing and company structure (including matters of black economic empowerment) (WZC, 2003 and Mbanjwa (IDM) interview in Robbins, 2004). Maharaj (2003) quotes the former BODC Town Clerk, Town Secretary and Deputy Mayor as outlining the key benefits of SAUR's (SWC's) selection in the following manner:

- It would source foreign direct investment;
- SAUR would be able to apply its specialist WSS knowledge to improve services and efficiencies;
- SAUR's size would enable it to achieve economies of scale through alignment with other operations;
- SAUR's information technology and software was attractive;
- SAUR had a black economic empowerment partner; and
- SAUR had a community social upliftment clause in its bid.

Through this process the role of the MIU (and the DBSA) should be highlighted. Maharaj (2003) states that senior municipal officials believed it necessary that external support to the process be sought to ensure adequate information was available to make decisions. The MIU had been established to assist municipalities in public private partnerships. Grant funding from the MIU and Department of Water Affairs and Forestry, amounting in total to R2,4m, was made available for technical support for the contracting process (Maharaj, 2003).

The contract was drafted by the parties (BODC and its advisors and SWC) during protracted negotiations (Masefield (DWAF) interview in Robbins, 2004). It provided for a 30 year arrangement and drew extensively from similar contracts elsewhere (Bassa (MIU) interview in Robbins 2004). Section 5.1 of the original agreement (Appointment of Concessionaire) states:

"5.1.1. Subject to the terms and conditions of the Contract, the COUNCIL hereby grants to the CONCESSIONAIRE, the following exclusive right and authority during the term of this Contract to:

5.1.1.1. process, use, manage, operate, occupy, and have free and unencumbered access to the Works;

5.1.1.2. redesign, upgrade and expand the Works;

5.1.1.3. supply the Water Services¹⁹ directly to Customers;

5.1.1.4. charge each Customer directly for the supply of Water Services and to apply all monies so collected as it deems fit; and

5.1.1.5. save as otherwise stated in this Contract, operate within the Concession Area as a private sector water services provider pursuant to the Water Services Act.

and in each case to do such other things which are necessarily incidental thereto." (Dolphin Coast and SWC Concession agreement, 1999)

¹⁸ The bidders included participation by Umgeni Water (initially disallowed, but later included after it was clarified that the bid was through a wholly-owned subsidiary and not Umgeni Water as the bulk utility), SAUR (a French subsidiary of the Bouygues Group – in part owned by France's state-owned national electricity company), Suez-Lyonnaise des Eaux (also French), Vivendi (French) and Thames Water (English).

¹⁹ In the agreement the term "Water Services" included sanitation-related services.

The contract is drafted along the lines of many commercial contracts, although it includes a number of specific aspects of relevance to WSS concessions. Much detail is covered in the contract with regard to matters of the rights of various parties in relation to existing and new assets. For instance the contract specifies that all existing assets at the start of the concession are to be transferred in full back to the Municipality at the end of the concession. Any new capital and operating assets are to be offered to the Municipality in advance of disposal and that disposal of assets in the last years of the concession is to be done only with the express approval of the Municipality. Such clauses are common place in concessions where specific obligations are carried by the concessionaire relating to commissioning party's assets and where management of the concession requires investment in upgrading or acquiring new assets.

The report also specifies technical standards, the basis of tariff formulation and processes related thereto and covers issues relating to personnel. In this context SWC committed to specific requirements around conditions of employment, staff development, to the creation of a Youth and Community development Fund and to further empowerment (employing local labour, contracting to local (especially disadvantaged) firms and procuring from small and local enterprises. Further sections of the agreement require the concessionaire to provide performance guarantees and insurance and to provide regular information and reports to the Municipality with regard to a host of performance issues. The agreement concludes with details on the liability of various parties and specifies terms under which the contract could be terminated or extended.

The experience of the concession arrangements in the past ten years has been the subject of a number of research investigations and various forms of evaluation – apart from the 5 yearly review process undertaken by the parties to the contract. Early academic studies were highly critical of the impact of the concession arrangement on poor residents in the municipality, particularly after tariff rates were renegotiated by parties which resulted in substantial increases in the cost of services to all residents. Much criticism was also directed at the installation of pre-paid meters at municipal stand-pipes. However, a range of reports produced in more recent years have reflected on the introduction of free basic water in the concession area as well as service quality issues and technical management matters in which SWC has received more favourable reports. The following section seeks to provide a contemporary reflection on the concession in relation to IDM-operated services drawing on community feedback and a more technical assessment. The technical assessment also reflects on performance against the contract provisions in the concession agreement.

4.2. Community-focused participatory research

In order to allow for the Water Dialogues process to draw on insights of community members a research team developed a participatory approach to the hosting of a number of community workshops in a handful of areas. The community workshops in IDM were conducted in four communities which are Mandeni (Sundumbili), Etete, Nkobongo and Lindelani. The workshops were structured around the eight areas of enquiry as agreed with the Water Dialogues project team:

- Overview and context
- Supply of water
- Supply of sanitation
- History and experience of free basic water
- Affordability, cost and billing

- Maintenance of water and sanitation
- Involvement of institutions and community in water delivery
- Community analysis of problems

In all community workshops the participatory methods were used as prescribed by Water Dialogues. Where possible, the following participatory tools were used: timelines, community maps, transect walks, flow diagrams and pie charts in order to obtaining data. The workshops took place within communities and were, in the case of Nkobongo and Etete facilitated with the assistance of local ward councillors and in the case of Mandeni facilitated by the Sundumbili community care centre. The Lindelani workshop was negotiated through the local ward councillor. Workshops took place during August the period August-October 2007.

4.2.1. Overview and context of the workshop areas

As indicated above, four workshop areas were chosen for the community research. Two of these, Etete and Nkobongo are located in the SWC area within the KwaDukuza Local Council area. The other two, Mandeni (Sundumbili township) and Lindelani are located in Mandeni Local Council to the north of KwaDukuza and KwaDukuza Municipality respectively. It was hoped that the Sundumbili and Lindelani research would allow for some comparative assessment of delivery in a relatively urbanised context by IDM outside the concession area. The following table seeks to present an outline of key characteristics of the community research areas.

Table 9: Profile of community workshop areas

Category	Etete	Nkobongo	Sundumbili	Lindelani
Local Municipality	KwaDukuza	KwaDukuza	Mandeni	KwaDukuza
Location	Adjacent to coastal corridor to west of N2	Adjacent to coastal corridor to west of N2	Adjacent to urban settlement of Mandeni and Isithebe Industrial Park	Adjacent to northern boundary of eThekweni Municipality
Development history	RDP housing and informal settlement upgrade. Settlement began in early 1990s, with housing development following in mid to late 1990s. Still characterised by some informal settlement on surrounding private land.	RDP housing project initiated in mid 1990s.	Formal settlement initiated in 1970s in support of housing workers of industry decentralisation project at Isithebe. Previously administered by KwaZulu-Natal homeland government. Informal settlement has grown in surrounding areas since early 1990s.	RDP houses and informal settlement
Water and sanitation service provider	Siza Water Pty (Ltd)	Siza Water Pty (Ltd)	Ilembe District Municipality	Ilembe District Municipality
Water and sanitation service	Provision of water to most households through pre-payment stand-pipes. Some households purchase water from private land owners. Sanitation provision through municipal RDP housing scheme provided VIPs.	Around 10% of households have direct water and sanitation connections but bulk of households, including these, use pre-payment stand-pipes and VIP latrines.	Original formal houses have water and sanitation connections. Informal settlement homes utilise stand pipes where available. Sanitation for informal settlements ranges from municipality provided VIPs to informal pit latrines.	Most households rely on standpipes with a handful that have "yard taps". Those with yard taps must pay a connection fee and get billed for water.
Free basic water	Received via allocation on card.	Received via allocation on card or on bills received.	Selectively received for qualifying households via billing system.	To quote the workshop report: "The people that were interviewed knew nothing about the FBW. They have also never heard of it except that the water from the standpipes is free."

4.2.2. Findings in relation to issues raised at community workshops

The following discussion presents key points that emerged from the community workshops in relation to the key categories identified by the Water Dialogues team (listed previously). It should be noted that feedback from the workshops was quite variable as was participation.²⁰ The participatory approach required a degree of flexibility which in some cases resulted in the workshops placing emphasis on different aspects of the areas of enquiry. Furthermore, the time allocation and representation at the workshops differed in each instance. The prior knowledge of the participants in the issues to be addressed at the workshops was also variable. These factors should be kept in mind when examining the feedback from the workshops. Despite some of these limitations the researchers involved in the community processes indicated that they have confidence in the feedback obtained as a true reflection of perceptions, experiences and concerns of those participating and that participation in each instance was suitably broad and supported by community workers to suggest broader applicability of at least some of the findings.

Summary results are presented in each case where information was obtained and where appropriate this is supported by some discussion. This material is drawn from a report of the community workshops prepared for Water Dialogues. Here it should be noted that the views expressed in the boxes that follow are those recorded from the community workshops and are recorded as closely as possible to the original (often translated) statements of the participants. Verification of the views expressed and recorded incidents mentioned was not always possible. It should also be emphasised that the case study areas at times raise issues which are locally specific but do not necessarily pertain to other areas of the municipality. In this regard it should be noted that this adds a layer of complexity when seeking to compare municipal or district-wide averages against experiences and perceptions of a service within a specific area. It is also apparent from the comments reflected that there exists some confusion amongst residents around various aspects such as how alignment of free basic water occurs with pre-paid meters. This would suggest that user education and issues of communication still need some attention. At best these insights offer a snapshot view of how some residents experience a service and their perceptions of the issues. These perspectives are picked up again later when concession and district-wide delivery trends and service issues are considered.

²⁰ The Nkobongo and Etete workshops each involved around 40 people whilst the Sundumbili workshop involved 17 people and Lindelani involved 11 people who were part of a local IFP forum.

Supply of water

Participants were asked to reflect on the level of service and their perspectives on quality.

Etete
<ul style="list-style-type: none">• Most households get water from water stand pipes, located on the streets. There are households, which are situated in the informal settlement area, who do not have water stand pipes, but buy water from the Indian community who have houses with inside connection next to the main road. Some of these people cross the railway line to fetch water from the low cost housing area of Etete and pay whomever can give them water. These people did not get houses in the low cost housing scheme and were left in the informal settlements.• Some people said that they do get enough water from the water stand pipes, because they can fetch 200 litres (8 X 25l) of water per day, which is what an average household uses. However, sometimes the stand pipes do not have water and then they do not have enough water. This happens quite often, and they are not informed when there is not going to be any water.• The water pressure is different from each stand pipe, some have more pressure than others. When there were fewer households, the pressure was good (one estimated that good pressure is when it takes a minute to fill a 20 litre container). Now the pressure has dropped since there are more houses.• The quality of water is good, the water tastes nice and looks clear, however when there has been no water, then when water comes back the water would look muddy.

Nkobongo
<ul style="list-style-type: none">• People get water from the water stand pipes, through a card system, which has to be purchased from Siza Water. However, there are a few houses (about 80 of them) which have yard connection. These were the first ones to be built, and people who live in these houses had to pay R185, when they first moved in to these houses so that water could be connected. Currently most of these houses water meters have been removed by Siza water and they also do not have water inside their houses anymore, they walk longer distances to fetch water from the stand pipes. There are about 3 of these houses which still have running water inside the house. Most people get water from the water stand pipes, including those that have yard connections, because their water supply has been cut.• People get enough water to meet their daily needs; however, they do not get water continuously, as there is sometimes no water. All the households in the township have inside water connections.• Their water pressure is generally good, because it does not take too long to fill a water container when you go to fetch water. However, there is one particular stand pipe where the pressure is often low and there is often no water from that standpipe.• There are times when there is no water on the stand pipe for almost 3 days and even this is reported to Siza Water, they usually come late and only fix the problem temporarily. The houses that are by the community hall experience this problem often and have to walk for almost one and a half hour to fetch water from the other stand pipes. People do not know why water supply discontinues, because no body has explained to them where the problem is.• The quality of water is generally good because it tastes good and looks clear. The only time that the water is not clear is when there has been water cuts, where the first water that comes out when water runs again is usually of bad quality.

Sundumbili
<ul style="list-style-type: none">• Households in the township where the workshop participants were from have on site water connections. However, surrounding settlements get water from different sources, including the river and water stand pipes. Sometimes people from these areas have to pay cars to go and fetch water for them because it is too far to walk. People from these places were not represented in the workshop, and therefore there was no specific information on these water sources. All the households in the township have inside water connections.• People said they that they get enough water to meet their daily needs, however water supply is not consistent as they sometimes get water cut, often without any notice. Water continuity is understood as 'when water is always available' and since the year 2000, water continuity has been very bad, rated 1 on a score of 1- 10 (1 being worst). However in 2007 there is noticeable improvement, where water continuity scored 5, but there has been time in 2007 where water was cut from morning to afternoon, because people had not paid their bills.• The water pressure is understood as when 'it takes between 2 – 3 minutes to fill in a 20 litre container' and based on this description, the current water pressure rated at 1 since 2004, whereas it was rated 9 in the year 2000. This shows a major deterioration.• Currently the system appear to be supplying water continuously, as discussed above, the last time problems were

Sundumbili
<p>experienced with water continuity was early in 2007, where water was often cut, for longer periods, without any notice.</p> <ul style="list-style-type: none"> • The quality of water is very good, scoring between 7 and 9 and it has been over the years since the year 2000, however there was a time in 2005 where quality was not that good.

Lindelani
<ul style="list-style-type: none"> • Households get water from water stand pipes, located on the streets. There are about 20 households, which have taps in their gardens paid for by homeowners and get a metered service. The water from the current source (standpipes) is of good quality and is often purified. However, the community is not notified of water cut-offs. The community can live from one day to a whole week without getting water. When this happens the “water kan”²¹ comes to rescue. However, it comes with its own problems because when the water finishes in the tanker the truck never gets back with more water. Usually there is a problem with water when a pipe has burst.

Supply of sanitation

Participants were asked to reflect on the level of service and their perspectives on quality.

Etete
<ul style="list-style-type: none"> • There is a VIP toilet system, however, the 5 households, which no one could point the researchers to have flushed toilets. Ever since people moved to the low cost houses built by the municipality, they had these toilets, however, they were promised by some Trevor Griffit (sic) that these VIP toilets would be replaced with flushed toilets in 5 years, which did not happen. • The current toilets are now full, and this has been reported to Siza Water, Councillor, Mayor, but nothing has been done. The toilets are close to the houses, so the smell comes to the houses, and is a health hazard especially to the children.

Nkobongo
<ul style="list-style-type: none"> • The community has VIP sanitation system, and these toilets are built close to the houses. The 80 houses that have yard connection also have flushed toilets, however, as most of them do not have water anymore, there can not use these toilets anymore, but have to ask to use toilets of those who have VIP toilets. • The main problems with the current toilets are that they are full, and people can not use them anymore. Some toilets have been full for a long time and have not been emptied. Siza Water has been approached about this and has not done anything. They once told them that each household has to pay R700 for the toilets to be emptied, but most people can not afford this amount.

Sundumbili
<ul style="list-style-type: none"> • There are flush toilets in all houses in the township, however, outside the township there VIPs, which people made for themselves, which people could not describe. Since the township was built the houses were fitted with flushed toilets.

Lindelani
<ul style="list-style-type: none"> • The community started with self-built toilets and there were not many houses in Lindelani at the time. In 1992 the then municipality started building the pit latrines toilets in Lindelani. Most of the toilets are now overflowing and the whole area has a terrible stench especially when it is hot after heavy rains. (Just before we finished the interviews we also experienced the stench). At some point there was an attempt by the municipality to resolve the overflowing problem but could not cope because the stuff they were using needed lots of water and water could only be accessed from far. Now the problem has escalated and there are lots of flies in the area as well as worms/maggots in the toilets. This has resulted in children being afraid of visiting toilets. Some residents have decided to dig holes close to the existing toilets in order that some of the excretion from the overflow could go to the newly dug holes. These holes are also dangerous although there has not been any accident reported yet, but the residents use plastics and zink to cover up the hole. They are afraid that one day a child would fall into one of these holes and die of suffocation.

²¹ Water tanker.

History and experience of free basic water

Under this theme the workshop participants were asked to report on their experience of free basic water delivery in their communities.

Etete

- There has been FBW since 2006. In order to get water from a stand pipe a household has to buy a card, which is inserted in the stand pipe so that water comes out. The card has to be re-charged at least once or twice a month depending on the size of the family. Since FBW people use the card longer before they charge it. They were told that they can get 6000 containers (25l) of FBW. The good thing about FBW is that they do not have to re-charge the card often as they use to and the bad thing is that if you don't have the card to you can not get water. Some people do not have cards, because they can not afford them, while others do not have cards because these cards get lost sometimes.

Nkobongo

- There has been free basic water since 2006, although some people do not really know that it is FBW. People understand that in 2006 they were told that if they use the card to fetch 8 (20l) per day, the card will not be charged immediately, and it takes about 2 months before the card start charging. If they exceed this, then the amount on the card is used up quickly. The good thing about FBW is that you do not have to recharge the card every month, like prior to FBW. It takes more than 3 months before you have to recharge the card.

Sundumbili

- No feedback recorded from workshop documents.

Lindelani

- No feedback recorded from workshop documents.

Affordability, cost and billing

Participants were asked to discuss issues related to affordability, cost and related issues around billing where they were affected by it.

Etete

- In order to get water, a person must purchase a card for R75²², and then charge it with an amount, usually R10 but some people charge it with R5. At the moment people think that the amount is reasonable because they can use the card for more than six months before they have to re-charge it. In the past it was a problem, because people had to re-charge the card once or even twice a month.
- The card gets re-charged in Siza Water's office in Shakaskraal, about 8km from Velani township, Etete. The only time that a person can not get water is when they do not have a card, (i.e. they can not afford to buy a card, or they have lost their card).
- If a person loses their card, they have to buy a new card for R75. If you want to get a card immediately, you have to go to SW office in Ballito, which is about 15km away. Some people think that other people steal cards from children, and use them. These people can still use a stolen card, even if the person who has lost the card has reported this to SW.
- SW does not notify people if there is not going to be water, they just find out when they go to get water from the stand pipe that there is no water. When there is no water a water tanker would come and distribute water to the community, but sometimes it comes late and does not go through all the streets, so some people still do not get water.

²² The cost of the card is R65. It is however apparent that community members view the cost as higher (R75) as it is necessary for customers to charge the card with an initial amount to activate it.

Nkobongo

- A person has to buy a card and charge it with an amount, which is usually R10, and since FBW people think that this is fine to pay R10 for water and be able to have water for the next 2- 3 months.
- However, the people that occupy houses with yard connections feel that water is very expensive, since they got high bills which they could not afford to pay, until the meters were removed by SW. Since this has happened there are only 3 houses that still have water inside their houses. There has been negotiations with SW for the people to make arrangements to pay little amount towards their outstanding water bills so that they can get reconnected. However, these negotiations, did not benefit the people that live in those houses, when SW started collecting monies from them, it did not reconnect water for them. People think that SW is not concerned about the well being of the people but only about making money out of them.

Sundumbili

No feedback recorded from workshop documents.

Lindelani

Workshop attendees with a metered supply commented on difficulties in paying outstanding bills and the increasing cost of water services:

- Mrs Mthiyane has not been paying her water bills for about three years. She is afraid that some day the municipality officials would come to her house and then all hell would break loose. She used to pay between R100 and R200 for water. She can't afford to pay for it now because only one person is working in her household that has eight children. The last statement she received reflected that she owed R3 050. She has no problem in reading her water statement. She has never been to the municipality to report her situation because she's scared, her water has never been cut off as a result of the owed bills. Mrs Mthiyane said would never be able to pay the amount she's currently owing the municipality. She is also aware that the amount is increasing but there's nothing she could do about it.
- Mrs Nxumalo who had connected water in 1997 has not been paying her bills since year 2000. There are seven children in her household and only one person is working. She used to pay between R100 and R150 for water. She has never received a water bill even when she was still paying she voluntarily went to the offices and the computer would tell her how much she owed. She said at some point the municipality officials that were working in the area came to her house and asked why she was not paying for her water. She told them she could not afford it and related her story of many children with only one person working. They said they would cut off the water if she did not settle her bills. She said they could go ahead and do that because she had no means of paying the water bills. The municipality never cut off her water and never came back since.

Maintenance of water and sanitation

Workshop participants discussed and reported on their experience of interacting with service providers for water and sanitation.

Etete

- People are not clear who is responsible for the maintenance of the water and sanitation system. When there is a problem people would usually report to the councillor or to SW if they happen to be in the area, or somebody from the community goes to the SW office.
- Currently most toilets are full, and people have reported this to SW, Councillor, municipality, but nothing has happened. They believe that SW is responsible for emptying the toilets, but since they are not doing it, they think that maybe the municipality is responsible.
- SW has replaced the old water stand pipes in the past year with new ones because the old ones were worn out.

Nkobongo

- People say that Siza water is responsible for water issues in their area, however they do not get good service from them and the example they use is that of the toilets which have been full for years, and have not been emptied.
- When there are spillages, and are reported to SW, they would come the next day to fix the problem.

Sundumbili
<ul style="list-style-type: none"> • No feedback recorded from workshop documents.

Lindelani
<ul style="list-style-type: none"> • The community reports all their problems to the councillor Mr Sibiya and he in turn goes to the Ilembe municipality. The Lindelani community cited sanitation as the number one problem that they would appreciate if it was dealt with as soon as possible. Although they have not yet experienced diseases from the stench and flies, they are scared that sooner or later this would happen!

Involvement of institutions and community in water delivery

Under this theme workshop participants explored their knowledge of governance-related issues with respect to water and sanitation.

Etete
<ul style="list-style-type: none"> • The organisations or institutions involved in one way or another in the supply of water and sanitation in the area, from what one of the community members can see are Siza Water, the Councillor and KwaDukuza municipality and Ilembe District municipality. None of these are doing anything in ensuring that water and sanitation provision is improved in the area. • There has been a development committee, which according to the analysis of those attending the workshop had little track record of doing anything.

Nkobongo
<ul style="list-style-type: none"> • No feedback recorded from workshop documents.

Sundumbili
<ul style="list-style-type: none"> • No feedback recorded from workshop documents.

Lindelani
<ul style="list-style-type: none"> • No feedback recorded from workshop documents.

4.2.3. Community analysis of problems

Drawing from the four community workshops the following points were identified as needing particular attention in water and sanitation governance and delivery processes in the IDM.

- Community participation

There is no known, clear and accepted system of involving users or the community in any of the issues and decision making process with regards to water and sanitation supply. In Siza Water communities it was clear that people do not know who is responsible for what and therefore regard Siza Water as responsible for everything with regards to water and sanitation provision. In cases where they see Siza Water failing to address the issues they are raising, which they report as the norm, they consult with the political structures accessible to them. First in line is the councillor and then the mayor, and the municipality (local), which have not always helped in addressing the problems. Community participants claim their voice is not heard or even valued both by Siza Water and the political leadership. Similar communication frustrations were reported in Mandeni. In Lindelani complaints were raised with the councillor, although it did not seem to have yielded action on issues such as sanitation.

- Sanitation service provision

Community members expressed some considerable dissatisfaction with service provision and outline instances where user complains are not responded to. The VIP toilets in Siza Water areas have not been emptied for years, and these have become a health hazard since they regularly overflow when there are heavy rainfalls, thus spilling raw sewerage directly onto people's homes. Inaction on this issue and on speedy repair of standpipes is a persistent concern. There is a similar problem reported in Lindelani.

- Interruption of water supply

Community members reported continuous interruptions of supply in both Siza Water and IDM areas researched and in all cases people are not given notice and response times to correct the problems are not satisfactory to communities. However, when water was flowing it was deemed to be of good quality.

- Affordability

Water is reported by community members as being expensive in areas where metered supply is installed. In Mandeni there are reported cases where water has been cut due to people's failure to pay. In Nkobongo for an example people whose water supply has been discontinued have opted to use stand pipes. Access to FBW is also limited to those people who can afford to buy a card and even replace it when it is lost. This has resulted in people sharing cards with the neighbours who can not afford, which then means that their access to FBW is limited and or impossible to those who do not have cards. Sundumbili community participants argued that FBW is a myth in their area. According to the workshop facilitators the issue of the high cost of water once the free allocation on a card was used up was of some concern. Community members felt strongly that the allocation was insufficient and further that costing should start at a much lower price over and above a revised free basic water allocation,

- Transparency

Concern was expressed by Nkobongo and Etete residents as to how it was that some households received direct connections and others do not. Residents felt this indicated a lack of transparency on the part of Siza Water in making this process known to others. Confusion around these matters was reflected in the fact that it was reported at the workshop that a direct connection would cost in the region of R6000, but according to Siza Water actual prices are R1,971 for a 22mm water standard connection and R1,178 for a 110mm sewer standard connection where no previous connection exists and where the necessary bulk is available.

It is noteworthy from these interactions that communities – at least those interacted with during this project – tend not to see a marked difference in experience between service provision in areas serviced by different WSPs. For instance in some areas serviced by IDM there are no prepaid meters on standpipes which communities might see as a positive factor, however, they seem to experience greater levels of service uncertainty than in those areas serviced by SW. In areas, regardless of WSP, residents complained of levels of service below their expectations. Communities are less interested in formal RDP standards or contract provisions and simply want to see progress made on upgrading levels of service whilst ensuring affordability. The fact the approaches might differ in different WSP areas probably adds to confusion of users rather than demonstrating the specific advantages in one area versus another.

4.3. Technical overview of Siza Water activities

This material is drawn largely from a report prepared for Water Dialogues by Werner Zybrands (Water Dialogues, 2007b) based on documentation from IDM and SWC and supported by interviews with staff from both entities. The report sought to examine Siza Water (SW) and, where possible, the IDM's performance around the key indicators selected in the Water Dialogues process. The material is drawn from a combination of interviews, analysis of official records and formal reports. It should be noted that in terms of the concession agreement and in terms of the Water Services Act SWC is expected to provide regular reports to the IDM across a range of performance areas. However, before looking at the comparative picture the report will briefly examine available information on performance of Siza Water in relation to the contract provisions in the concession agreement.

4.3.1. Siza Water's performance against contract

The concession contract sets out the framework for evaluating Siza Water's performance commitments in terms of five yearly commitments agreed to by the parties. Key provisions in the contract with regard to performance, drawn from Robbins (2004), include the following:

- Tariffs

According to Section 40 of the concession agreement,
“The determination, amendment and approval of all Tariffs shall be undertaken by the COUNCIL in accordance to all prevailing Regulatory Provisions and the provisions of this contract.” (Dolphin Coast - Siza Water Company, 1999: p.59)

These tariffs were to be reflected in a negotiated tariff schedule which was attached to the agreement for the first year of operations. The original agreement specified that the tariff should include,

“a lifeline tariff for a quantity of at least 6 (six) kl per Customer per month for a basic water service”. (ibid, 1999, p.58)

This was renegotiated in subsequent years with the introduction of free basic water where agreement was reached for the IDM to provide the concessionaire with a portion of the District’s equitable share funds to cover the costs associated therewith. The agreement also sets out terms in which either party can call for a tariff review (Annexure E2 of the agreement): under the terms there are annual reviews, five year reviews and the potential for extra-ordinary reviews. The Council is empowered to reject calls for an extra-ordinary review if it deems the request to be linked in any way to under performance of the concessionaire.

- Personnel

The agreement makes provision under section 46 for the transfer of an agreed²³ list of personnel under conditions which would secure their existing terms and conditions (with the exception of pension arrangements as it was not possible for the Municipality to secure amendments to Municipal pension rules to allow for continued participation by non-municipal employees). Limitations placed on the concessionaire with regard to employee matters include:

- Agreeing not to terminate employment of any employee based on operational requirements (ie no downsizing) resulting from the contract;
- Allowing for continued rights of freedom of association and collective bargaining;
- Reaffirming commitment to relevant labour legislation;
- Agreeing to negotiate new benefit arrangements at same or improved levels;
- Agreeing to implement a training programme costing in the region of at least three percent of wage bill;
- Implementation of affirmative action.

The contract also specifies the requirement for the concessionaire to set up a social fund to assist employees in financial difficulty due to circumstances beyond their control.

- Water services delivery

Part D of the agreement goes into considerable detail in setting performance parameters for the actual service in terms of systems and standards. Annexure B3 of the agreement provides specific technical standards to be enforced – that can be revised as the concession progresses. In this regard standards of delivery and maintenance must meet approved levels. This part of the agreement also specifies conditions under which the concessionaire can cut-off services (in terms of an agreed procedure in Annexure B4). The conditions include:

- Illegal connections (ie those not authorised by the concessionaire);
- Delays in payment (according to terms of Annexure B4)

Annexure B4 covers a range of customer service issues and ties the concessionaire down to specific (if perhaps rather generous) commitments. For instance, the agreement specifies faulty meters must be replaced within 180 days of being reported, written complaints must be responded to within 10 days and account queries must be handled within 20 days of notification.

²³ Agreed on the basis of negotiation between the parties, based on prior agreement with union officials.

- Monitoring and evaluation

The contract sets out obligations for both concessionaire and Municipality with regard to monitoring and evaluation. The concessionaire is obliged under Part H to collect specified information about its finances, its operations and its performance and to provide this information to the Municipality as requested and in terms of regular reports. The Council, in Part I agrees to manage its regulatory role in such a manner that does not hinder the effective operations of the concession through delays etc. Section 62.7 of the contract states that,

“The COUNCIL shall co-operate with the CONCESSIONAIRE to facilitate implementation of the Contract and in exercising its powers of monitoring, inspection and regulation in a reasonable manner having regard to especially the rights and interests of Customers.” (ibid, p.94)

It was understood by both parties in terms of the agreement that the stipulated concession fee amount would cover costs of Council building up capacity to undertake effective monitoring and evaluation in the future.

- Finance and investment

The contract specifies terms under which the concessionaire will manage Council assets, including rental arrangements where appropriate. It also specifies ownership conditions of stand alone new capital investments made during the concession period (they will vest with the concessionaire) and of improvements to existing facilities (which revert to the Municipality at the end of the concession period unless agreed otherwise). Annexure B1 of the agreement outlines negotiated concession fees, payments etc. The original contract specified a first year fee of R554 850 and indicated that this would escalate in line with CPI for the first five years of the agreement. Future concession fee arrangements would be negotiated in terms of future five year plans. In addition to the fee, the agreement specifies a performance guarantee and maintenance bond aimed at protecting the interests of the Municipality should the concessionaire fail under specified circumstances to meet the requirements of the agreement.

- Other

The agreement also covers matters such as the setting up of a youth development fund and empowerment procedures with respect of working with small contractors. In governance and participation terms there is very little specified in the contract. Clearly the concessionaire needs to account for its activities to the Municipality. However, the specifics of how this should work, whom should be involved and to what degree such information should be public is not clear. There is also no specific provision for customer consultation in any defined manner on core issues of performance, nature of service, tariffs etc.

How then has Siza’s performance been in relation to the contract and subsequent negotiated parameters? The initial contract phase was dominated by the process which resulted in SWC renegotiating tariffs and concession fee terms. This resulted from the parties agreeing that the due diligence documentation that formed the foundation for the terms of the agreement was substantially flawed in relation to the quality of sunk capital assets. As such SWC faced considerably higher capital expenditure (and therefore borrowing) costs that had been projected in order to be able to meet its delivery targets. However, according to official reviews conducted, feedback from municipal officials and a number of independent studies it is clear that SWC has in the past five years consistently met or exceeded its performance levels. This is true for both core contract

provisions and in terms of delivery commitments laid out in five year negotiations and other agreements in between these periods. The technical review which follows represents available information on the concessionaire performance and comment is provided around one particular issue where some dispute has existed between IDM and SWC on contract performance. However, apart from this IDM officials could not identify any significant deviation from contract performance. Although, as is reflected later in the report there were concerns expressed by some respondents as to the degree to which IDM was performing in relation to its contract obligations (for example around monitoring) and the degree to which there were expectations that SWC should perform over and above contract provisions.

4.3.2. Service standards: water and sanitation

Within its concession area Siza Water (SW) provides water to all households and other non-household users, albeit at different service standards. These service standards are as follows:

Households serviced by in-house drinking water	-	59%
Households with a communal tap within 200 metres of a house	-	41%
Households with waterborne sewerage	-	51%
Households on septic or conservancy tanks	-	9%
Households using VIP units	-	40%

SW provides its services 24 hours per day seven days per week as does IDM. For the first 8 months of 2007 there were on average four interruptions per month with an average duration of non-supply of 5 hours per interruption.

As regards standpipes the percentage of standpipes that were operative for less than 98% of the time in 2007 was:

Shakas Head	-	6%
Shayamoya	-	4%
Nkobongo	-	1%
Etete	-	5%

with an overall average of 4%.

SIZA operates a call centre on a 24-hour per day 7 days a week basis. Complaints are logged indicating aspects such as nature of complaint, locality, complainant's particulars and, most importantly, the action steps taken and by when the job has been completed. This system then provides data to determine the number of complaints in different categories (thus indicating possible patterns) and the completion time.

Ilembe also uses a call centre on a 24/7 basis, but it is a general centre, which then forwards the complaint to the Water & Sewerage Department. During the period of the research for this report, Ilembe was unable to produce documentary proof as to what was done in respect of the complaints and how long it took to rectify.

4.3.3. Water and sanitation quality

During the preceding 12 months the water quality analysis, conducted by independent laboratories as required in the contract, indicated that water tap samples yielded close to 100% conformity, exceptions being:

February 2007	- 99%,
May 2007	- 99%, and
July 2007	- 98%.

The reservoir water quality samples consistently provided a 100% conformity with contract specifications.

The bulk water supplied by Umgeni is tested daily and reported weekly, while the water at the tap is tested weekly by an independent laboratory (Talbot & Talbot). The 2001 baseline for chemical standard was 98% and is currently at 100%, and for bacteriological standard it was 89% in 2001, and currently it is 99,9%. As a result of the above, according to both SW and IDM officials, no waterborne diseases have been recorded in SW's concession area arising from service deficiencies. However, it should be noted that previous research has reflected on a cholera outbreak at the initiation of the concession.²⁴ Furthermore, it is clear that there is little monitoring being done around the impact of sanitation problems in both the IDM and SW area that arise from a VIP delivery system facing some considerable sustainability challenges.

In 2000/2001 the average sewage overflows from water-borne sewers in the concession area were 6 per month. In the past year there were several incidents where sewage overflows lasting between 0 and 3 hours occurred, 3 between 3 and 6 hours, 3 between 6 and 12 hours and 14 longer than 12 hours. Note in this regard that 11 such incidents can be directly attributed to the massive storm damage caused in March 2007. The quality of sewage treated at the Frasers plant indicates close to 100 % conformity (based on an average of 130 samples per month), whilst at Shakas Head the conformity was 100% based on an average of about 72 samples per month. According to Zybrands in his report for Water Dialogues (2007b), these operational figures of SW for water and sanitation are indicative of a high service standard, which is not often found amongst municipalities.

About 6 years ago customer complaints were at a level of 7,3 per 1 000 users. This has reduced and such complaints are now recorded and tracked via a special software package. Complaints and queries are, as a rule, dealt with within 48 hours, with only 1% exceeding this target. SW has also conducted area customer satisfaction surveys, albeit on a very limited and ad hoc basis. IDM has now appointed Urban Econ to conduct a comprehensive survey. The results thereof have just become available and a very superficial reading thereof indicates that in most respects SW rates high to very high on the scoring tables. This is more so with the higher income groups than the lower income groups. The average for both groups by far exceeds the dissatisfied or very dissatisfied category.²⁵ An interesting part of the survey was the comparison with other

²⁴ This statement from Siza's official reporting is in contrast to research by Hemson (2007) which records a number of cholera cases being reported to local clinics during a 2000 outbreak – a year after the concession came into operation. According to Hemson, "Altogether, there were 140 cases of cholera in the Dolphin Coast, the highest number being recorded from Etete (where there were large areas of shacklands), but also 50 were recorded from Nkobongo where formal housing had been completed." (Hemson, 2007, p213) However, it is noteworthy that these cases emerged in the early days of the concession and further that they might have resulted from movement of people from other areas where outbreaks had occurred. As such the notion that the outbreak of cholera was in some way connected with the concessioning process remains speculative.

²⁵ At the time of submitting this report this study was not yet publicly available.

institutions such as TELKOM, ESKOM, MTN, VODACOM and the Municipality. Siza Water outperformed all of these institutions with the Municipality in the last place.

There has been a difference of opinion between Ilembe District Municipality (IDM) and SW regarding the problem of overflowing pit latrines, especially within the Nkobongo area, IDM maintaining that it was SWs responsibility to address the problem of overflowing VIPs.²⁶ SW responded by stating that it didn't form part of the Concession Contract, but that it was prepared to provide advice in this regard as required in terms of clause 1.2.85 of the Concession Agreement. SW suggested that a bio-remediating product be used, which has been used in various municipalities with generally a high degree of success. However, this process costs about R1000 per VIP and approximately 1000 VIPs need such remedial work, giving a required total amount of approximately R1m. The supplier of this product, in a subsequent letter, indicated that the initial cost could be in the region of R281 plus VAT per toilet in the first year and, thereafter, R146 plus VAT per toilet per year.

Both parties agree that this is an urgent matter, but there appears to be a stalemate in this regard, SW stating that although it is not their function, it will be prepared to assist provided it gets an official request thereto from IDM. In late 2007 information was received that this matter was being attended to by the IDM but on the ground action was not verified for this report. As water and sewerage services are basic (and essential) services, it is imperative that there should be a proper control over the solving of complaints and also the time it takes to solve them.

In terms of water losses at the beginning of the concession these were in excess of 40% in the concession area, this has now been reduced to 10% (Siza Water interview, 2007). The bulk of these losses arose from poorly maintained or obsolete pipe infrastructure with inadequate billing and metering also being a contributing factor. The high level of water loss was a major factor in the early days of the concession as it was not adequately captured in official reports that formed the basis of the concession bids. As such Siza, as the winning concession company, was required to undertake a major capital overhaul of piping in the area and this in turn necessitated a re-negotiation of the concession terms including higher tariff bands. According to Siza records, of the 4 200 meters of pipe, an average of 13 meters are changed every month reflecting both ongoing maintenance attention and efforts to replace older infrastructure. SWC officials identify this as the major factor in the reduction in water loss. A further factor has been the introduction of improved metering and billing systems. In the event of a water leak on the user side, the user remains liable for the water consumed, except if the user has joined the insurance scheme for such events, which is available at approximately R5,50 per month.²⁷

Since 2001/2 the volume of water purchased has increased by almost 50% from 2 252 megalitres to 3 130 megalitres per annum. SW runs awareness programmes in the 8 schools within its area of jurisdiction to make the youth aware of how water and sewerage schemes work and of water saving measures.

IDM's water losses were 37,8% for 2005 and 35,3% for 2006. This is based on the following volumes:

Water purchased	-	15 732 848 kl.
Water sold	-	10 180 172 kl.

²⁶ SW is furthermore hesitant to continue with the VIP maintenance in the light thereof that IDM owes SW approximately R1m for arrear contributions towards the operation and maintenance of a rural standpipe system which it argued it is not responsible for. This relates to ongoing discussions about the failure of IDM to allocate a portion of its equitable share grant to Siza for the fulfilling of its service mandates.

²⁷ The insurance change is similar to that offered by eThekweni Municipality to its users.

SW in August 2006 became compliant with ISO 14001 (2004) in regard to activities, products and services related to the delivery of potable water, removal and treatment of waste water. This certification is valid until 17 August 2009. Three further evaluations have taken place on a 6-monthly basis to ensure continued compliance. It is envisaged that SW will become compliant with either ISO 9000 or 18001 during 2008. IDM doesn't comply with any ISO standard at present.

4.3.4. Capital expenditure and operating costs

This section provides an overview of some of the financial parameters of both Siza and IDM's operations. It should be noted that direct comparisons of the two are not possible from the information provided as very different accounting approaches are used and whilst Siza Water operates as a "ring-fenced" entity, the IDM system does not reflect full costs or expenditure due to overlaps with other municipal activities. Nevertheless, the information is important in that it reflects the nature of commitments and challenges being faced by the providers.

Since the inception of the concession arrangement, SW has spent a total amount of almost R71m on maintenance and upgrading of the schemes. Over three hundred individual jobs have been undertaken, the smallest ones being just over R1 000,00 and the largest being the extension to the Frasers Waste Water Treatment Works to a value of approximately R15m. The average size of the projects thus amounts to just over R220 000 per job. Some of the work was performed in 1999/2000 and thereafter the cost is indicated as historical cost and not adjusted to reflect net present cost. The main sources of funding were from bulk contributions made by developers, Siza's own funds and insurance claims. Siza's capital and maintenance programmes have, since the renegotiation of the concession agreement kept pace with contractual commitments and in some cases exceeded it due to subsequent agreements between Siza and IDM on meeting the growing demand from new coastal property developments.

The additional expenditure on infrastructure does, at this stage, lead to a less cost effective or profitable situation for SW. The reason being that although the infrastructure has been created it will only become fully utilized in future years as new houses are only built much later than the completion date of the infrastructure. This situation is further exacerbated by the fact that:

- most of the new developments are done by persons who do not occupy the houses or the dwelling units on a permanent basis, being holiday homes etc, and
- the storm damage to the beaches leading to a very low number of visitors compared to previous years (2007).

The latest audited financial statements i.e for the period January to December 2006 indicated the following key aspects:

Total Revenue	-	R37 659 088
Cost of sales	-	R 9 962 877
Gross Profit	-	R28 596 211
Other operating costs such as administrative expenses-	R19 475 300	
Operating profit	-	R 9 120 9 11
Net finance costs	-	R 2 837 523
Profit before tax	-	R 6 283 388
Tax	-	R 2 078 549
Profit	-	R 4 204 839
Deficit carried over from previous year	-	R 1 277 421
Dividends paid	-	R 823 400
Net surplus	-	R 2 104 018

According to Siza Water officials 2007 was their first year of meaningful profit. However, it should be borne in mind that SW has an outstanding loan with INVESTEC of R27,7m which, in addition to the interest of R3,8m per annum has to be repaid as from February 2008 in quarterly installments of R692 500,00. Siza, in the 2007 financial year repaid R10m of the loan, but incurred a penalty of approximately R½m in this regard arising from the terms of the original loan agreement.²⁸ The decision to retire some debt early was taken to meet Siza's obligations to its shareholders.

Siza officials indicated that discussions were taking place around the possible rationalisation of management between the Siza concession and the Nelspruit concession which could allow for a reduction of the operating costs in both project environments. Here it should be noted that the costs related to expatriate management of the concession are recognised to be above those that might pertain in the sector more generally. However, it was also pointed out that South Africa has a skills shortage and investors need to often work with management that they have a track record with to ensure a high degree of confidence.

²⁸ It is not uncommon for corporate loan agreements to include penalty clauses for the borrowing party paying debt off in advance of requirements as financial institutions often seek to securitise such loans against project interest earnings over the full expected life of a loan.

IDM's rounded off cost breakdown for water and sewerage for 2005/6 is approximately as follows:

<u>Expenditure</u>		
Salaries	-	R25,5m
Repairs & Maintenance	-	R 4,4m
Fixed Assets	-	R 0,2m
Provisions	-	R 1,9m
General Expenses	-	R 9,9m
Bulk Purchases	-	R10,8m
Capital Charges	-	R11,8m
Concession Contract	-	R 7,0m
Other	-	R 2,5m
Total	-	R70,0m
Revenue	-	R57,0m
Deficit	-	R13,0m

	<u>Water</u>	<u>Sewerage</u>
<u>2004 / 5</u>		
Revenue	R35,5m	R7,9m
Expenditure	R50,2m	R7,6m
Deficit / Surplus	R14,7m (Deficit)	R0,3m (Surplus)
<u>2005 / 6</u>		
Revenue	R49,8m	R7,2m
Expenditure	R59,3m	R11,0m
Deficit	R9,5m	R3,8m

(Source: IDM official documentation provided during interviews)

The rand value of IDM's water deficit (revenue shortfalls through a combination of physical water loss and poor revenue recovery from users) decreased from R14,7m to R9,5m. This nevertheless still constitutes a $\pm 15\%$ non-recovery of actual expenditure. This service is also supposed to yield a surplus according to municipal officials in order to meet policy goals set by national government around full cost recovery. The fragility of the financing supporting this system is illustrated by the small sewerage surplus in 2004/05 which dramatically changed to a huge R3,8m deficit i.e a $\pm 35\%$ non-recovery of expenditure on 2005/06.

The fragility of the financing/revenue model is further demonstrated when viewed against IDM's increased external loan burden (from R45,1m to R90,3m in one year – an increase of R46,8m) and with a planned further R27m, there is cause for concern as the repayments will have a marked effect on the IDM's available revenue. The total revenue also decreased by about R21m from 2004/5 (R165m) to 2005/6 (R144m) – probably due to the loss of the so-called RSC/JSB levies and an equitable share that doesn't compensate therefore. The introduction of some direct funding for water bulk infrastructure by DWAF is likely to assist the IDM in the next few years. However, the IDM remains in a sensitive financial position.

4.3.5. Contract monitoring

The concession fee paid by SW to IDM for the monitoring of the contract has significantly increased in the recent past, and is currently approximately R1m per year. In the concession agreement it was clearly stated this fee should be used to monitor the technical, legal and financial compliance of SW with the contract conditions. The previously existing municipality (Dolphin Coast) only funded the cost of the monitoring consulting engineers and utilised the remainder for its own purposes. At this stage IDM is doing the contract monitoring itself with some support from its appointed engineering advisors (SBA). According to MIIU (2006) the consulting company Deloitte and Touche had previously been retained to assist with financial aspects of contract monitoring and Shepstone and Wiley to handle legal matters, but the arrangement for the latter two services had been terminated in favour of internal IDM resources (Manager Legal and Manager WSA). According to SWC international experience suggests that independent third parties should be contracted to conduct performance reviews to ensure the process has the trust of all the parties and to focus on ensuring the process has legitimacy with ultimate users of a service in a context where both parties to a contract have obligations. However, the IDM has not been in favour of this as it believes it would result in unnecessary expenditure. In a partnership such as the present case, it is essential that the partnership rights and obligations should be equally measured and evaluated in any performance assessment.

According to MIIU (2006) there have been some minor shortcomings in more recent annual reporting by SWC on some contract provisions (such as labour relations). The authors of the MIIU report suggest that this reflects some lapses in monitoring commitment by both parties and suggest that future activities prevent such lapses.

4.3.6. Free basic water

The current tariff structure in the concession area allows each household (whether indigent or not) to have access to 6 kilolitres free basic water per month. A punitive stepped tariff is thereafter implemented with a cut-off point at 30 kilolitres per month for those with a household connection. Users who have access to communal standpipes are issued with tokens, which allow a drawdown of 6 kilolitres water per month. Such tokens are issued by Siza Water, but should the relevant user lose the token, a replacement is bought from SW at a cost of R65,00. Prior to the introduction of free basic water residents had to load the cards with some funds in order to activate them. However, under present arrangements cards only have to be loaded with funds once the free basic water allotment is used up.

According to the monitoring done by SW the average drawdown per household does not exceed 6 kilolitres per month. It must be remembered that users have to carry water over a distance, which at times could be almost 200 metres. 6 kilolitres of water would equate to 6 tons of water which has to be carried. Approximately 6 000 households in the concession are currently using the token system. These tokens only operate in a clearly defined area with an aim of preventing users transferring cards to individuals in other areas.

In certain areas there have been requests that houses be linked to a waterborne sewerage scheme. This will only be really feasible in cases where users have house connections and with water meters (whether on a read and bill, or prepaid basis). The reason being that if not provided with a house connection, users have to carry water from the communal standpipe to the toilets. This will result in an inadequate flushing operation and even with all households participating it is

foreseeable that numerous sewer blockages will occur due to such an inefficient flushing operation. However, it should be noted here that little appears to have been done to consider service delivery innovations that might allow some households to go onto a metered in home supply with water-borne sewerage.

In cases where households are provided with a house connection, the free basic water allocation is deducted from the payable amount. In the event of a user failing to pay the rendered account, there is the possibility to negotiate credit facilities. Failure to pay the account will result in a notification letter with an administration fee of R77,59 VAT included for 2007/8. Failure to pay will then result in restrictors being installed, which will cause a trickle flow roughly equivalent to 6 kilolitres per month. In extreme cases a connection can be made provided a communal standpipe is available within 200 metres. The re-connection fee currently is R267,36 VAT included.

The approach within the IDM to free basic water is far more varied as the areas in which it operates range from deep rural to urban core. All households in the IDM qualify for free basic water. It should however be noted that apart from metered households, most other households obtain water from some type of communal tap. Here households are generally restricted by the effort and costs of getting water from a communal facility but there are no prepaid meters. Therefore, as with SWC, where the households most in need of free basic water are (generally those areas with standpipes) there are barriers in terms of effort in actually access the allocated supply. The IDP states, "There is 100% free basic water provided to all people that have access to water which is approximately two-thirds of the total population of Ilembé." (IDM, 2006: p.9) IDM has neither an indigent policy, nor a proper credit control and debt collection policy, nor water and sanitation by-laws. These have been in the making for a long period. The absence of policies and by-laws has a direct bearing on the success or implementation of the concession contract. However, the responsibility therefore vests solely in the IDM as the water service authority. SW has given inputs in this regard, but cannot take the matter further on its own.

4.3.7. *Tariff adjustments*

Since the 2004 rebase²⁹ in charges and following on the implementation of free basic water the increases in the concession area can be summarised as follows:

Table 10: Water and sanitation price adjustments for SWC as approved by IDM

Year	Water %	Sanitation %
2004/05	5.4	4.8
2005/06	4.4	4
2006/07	4.3	3.9
2007/08	5.4	6.4

The increase in the tariffs is done annually based on a contractual formula of the CPI. A public participation process is followed and thereafter approved by the IDM Council. The CPI benefits at this stage the IDM in the sense that certain actual increases e.g salaries at 7% exceed the CPI provision of 6%. The revised tariff structure was also based on a projected 5-year capital expenditure, which expenditure has been significantly exceeded.

The uniform tariff structure was effected with the first scheduled revision after 5 years. This, in effect, changed the differentiation between the so-called east and western sections of the service area. Pressure is mounting to again differentiate between the so-called eastern and western sections now that SWC has entered a profitable phase. Such an arrangement would involve a direct subsidy from generally wealthier users to the poor users to enable more households to have affordable household connections. This aspect should be further addressed when the next 5-year contract revision in 2009 takes place within the overall 30-year concession contract.

4.3.8. *Credit control*

SW has a collection rate of 97%. This was 98%, but with the non-payment of R1m, by IDM of SW's account in respect of basic water for areas having communal standpipes, the percentage dropped to 97%.³⁰ During the previous financial year SW only had to write-off about R29 000 as bad debt, with a provision of about R167 000 for possible future bad debt – a relatively very small amount bearing in mind the sales volumes. It should be noted that the lack of district level by-laws is seen as a major threat by SWC. SW still operates in terms of the old Dolphin Coast by-laws, which are not ideal in respect of its present activities and specifically in regard to water saving measures and water restrictions. As previously indicated IDM has been working on new by-laws, but these are only in a draft format at present.

²⁹ In 2001 SIZA started defaulting on its rental payments to the Council (for repayment of water and sanitation infrastructure loans) and became in breach of the contract. It was in serious financial trouble and approached the Council with the request to re-negotiate certain aspects of the concession contract. This led to a two-month process including the following steps being taken:

- ♦ extraordinary water and sanitation system tariff increases based on an extraordinary tariff review done by Council;
- ♦ a Memorandum of Understanding (MOU) setting out the details of these tariff increases and other conditions as renegotiated; and
- ♦ the Supplementary Agreement – a legal document without any deviation or amendments based on the MOU.

³⁰ According to Siza, it was agreed in contract documents that the IDM would pay it (Siza) the portion of equitable share for free basic water users that was originally paid to the IDM by National Treasury. As this did not take place in the year concerned it was reflected as a decline in recovery.

IDM's user debtors as at 30 June 2006 total R65,6m, which is made up as follows:

Current	-	R 5 140 730
30 days	-	R 3 533 357
60 days	-	R 3 605 245
90 days	-	R 3 243 637
120 days	-	R 3 374 627
150 days+	-	R46 715 113
		R65 612 709

Generally speaking debt older than 90 days can be regarded as being irrecoverable (and thus potentially bad debt). Based on this about R50m debt will not be recovered (if not more) especially as user deposits total a meagre R1,6m. (This debt constitutes more than 100% of the total revenue for 2005/6). Bad debt provision stood at R6,9m on 30 June 2006. This situations suggests that both affordability issues and the integrity of billing systems and their administration needs some attention.

4.4. Reflections on the technical and community research findings

Both the community and technical research components informing this document have had some shortcomings. Some of these are not necessarily resolvable in the context of the Water Dialogues case study framework – such as the scale and representivity of community participation and the lack of data fields from both IDM and Siza Water in some indicators deemed important by Water Dialogues stakeholders. However, despite these shortcomings the information generated from the research exercises provides some critical insights into water and sanitation service provision in a particular area.

Having inherited a poorly maintained bulk network Siza Water has made considerable progress in rehabilitating and extending the network as well as rolling out a water and sanitation service management system that offers a generally higher standard of delivery for the bulk of its users than for comparable areas in other parts of Ilembe³¹. However, it has been pointed out that SWC was contracted in an area with only limited challenges and municipal officials argue that as a public sector WSP, they would have been able to do as much or more given the same opportunities. Further examination suggests that the public sector (under financing arrangements that pertained) would not have been able to make the scale of capital investments at the pace and level SWC did in its first few years of operation and as such would have been operating with a compromised capital infrastructure, similar to that which is apparent in some areas of KwaDukuza. Even today, the IDM has depended on SWC to provide service connections to new coastal developments outside its original concession area as Siza Water appears to have a greater freedom to accelerate capital programmes than the district municipality has. IDM officials pointed out that if the IDM had access to the revenue streams from the concession area, it might have utilised these for redistributive transfers to less developed areas elsewhere in the district. In a cash-strapped environment it is possible that this could have contributed to some accelerated delivery elsewhere in the district. However, it is also possible that the debt burden arising from the IDM having to undertake large capital programmes to refurbish infrastructure and extend services could have actually caused a medium term decline in expenditure elsewhere.

³¹ This is supported by DWAF as reported in MIIU (2006): “DWAF carried out a study of Siza’s performance and found that its level of water loss was comparable with developed country levels at about 15%, and that Siza was one of the best performers in South Africa.” (MIIU, 2006: p37)

In terms of the quality of services the contractual requirements on SWC are substantial and generally considerably above what citizens outside the concession area can expect of their WSP. While certainly challenges do exist, it is potentially very significant that SWC has to account on a regular basis to IDM as the WSA and contracting party around a range of service indicators. As a relatively new WSA and WSP, the IDM is only now exploring approaches to enhancing its own accountability beyond the Council chambers through tools such as the assessments being piloted by DWAF. Such regular and detailed reporting should not be unique to concession or management contract arrangements and it is likely that citizens could benefit from them being more universally applied in the WSA system.

Communication with residents continues to appear to be a problem. Here a key issue is the fact that water and sanitation functions vest with the district as does the mandate of SWC whilst it is local councillors and local council officials of KwaDukuza that residents in the concession area have the most contact with. The removal of channels of accountability to the district level around water and sanitation seems to generate a combination of confusion (as many other functions still rest with the local council) and frustration when residents issues raised with local council officials seem to not always get addressed within the formal IDM-SWC dialogue. It should be noted here that both SWC officials and IDM officials agreed that interaction was largely limited to formal processes and did not take place on a regular basis. The issue of confusing flows of accountability does not only result in frustration but also in the denial of access to appropriate standard services. This is best illustrated by the issue of the Etete VIPs which have needed maintenance attention for a considerable period of time. Here the users carried the cost of communication and accountability failures between the two levels of local government and SWC. For Etete residents it did not matter if there was a disagreement between SWC and IDM over equitable share allocations, they simply wanted the problem dealt with and expected municipal leadership at the appropriate level to demonstrate the capacity to resolve the matter. In such a context of accountability failures it becomes very easy, as was demonstrated by this incident, for various stakeholders to blame one another and to avoid facing up to their responsibilities. The persistence of these types of problems reflects the need for attention to be paid to governance arrangements within the WSA and WSP systems in Ilembe.

A direct comparison of the IDM and SWC is not necessarily that useful as the institutional and operational conditions under which the two operate differ substantially. However, the following table provides an indication of possible comparisons which, if understood in context would help insights into these different operation conditions.

Table 11: Illustrative comparison of some aspects of SWC and IDM water operations³²

Category	SWC	IDM	KwaDukuza
Percentage water backlog (RDP standard)	0%*	38%*	20%*
Percentage sanitation backlog (RDP standard)	0%	68%*	
Water loss	10%**	35%**	
ISO compliance	ISO 14001**	Not ISO compliant**	
Collection rate of revenue (water)	97%** (dropped from 98% due to outstanding payments from Ilembe for standpipes – see 4.3.7.)	85** (although >50% of total debt >90 days – see 4.3.7.)	
Performance monitoring	By Ilembe DM via contracted engineers and legal advisors – annual around full contract provisions and for some elements monthly (eg water quality) supplemented by other random sampling	Reporting to Council (irregular but at least annually) Some aspects monitored via DWAF interaction No uniform performance standards document against which public reporting occurs.	
Water quality	Consistent performance within contract norms	Irregular monitoring and reporting records varying substantially for complex mix of service areas.	
Maintenance	Annual planned maintenance programme within contract norms	Officials report weak maintenance commitment with limited budget allocation	

* IDM, 2006 ** Water Dialogues Report, 2007b by Werner Zybrands

Other types of institutional comparison were also generated in the research conducted. This revealed that SWC showed a greater commitment to staff training and development. Furthermore, SWC had consistently, in the last five year period, met its public reporting obligations to the IDM as specified in its contract. It is notable that for the IDM, data on many of the indicators observed in the contract are not readily available. However, in defence of the IDM WSP it should be recognised that it operates within a large and complex institution and has a delivery mandate over many more people and over a much wider and more complex terrain than that of Siza Water. An example of this would be the difficulty at the IDM level in securing maintenance and upgrade investment funds from the municipality and grant sources for existing networks and infrastructure. With such major backlogs, the political leadership in Ilembe favoured the bulk of funds going to the extension of services and had tended to only irregularly support maintenance and core system upgrades. This had an effect of often weakening core systems and therefore reducing the reliability and quality of services, not just for users on older networks, but also for users recently added to these networks. Siza Water on the other hand was in a position to invest in such core infrastructure and maintenance as it was key to its income model and required in its contract.

A number of stakeholders were asked if the existence of the concession was advantageous to the IDM as a WSA or disadvantageous. SWC officials were certainly of the view that the IDM would have struggled to deliver an appropriate level of services in the development intensive coastal area as well as to poor residents in the concession area at the pace and level of service offered by SWC. The point was made that handling the development pressures of the concession area would have placed additional pressure on the IDM and compromised its ability

³² See Appendix 1 for further details.

to focus on the bulk of its unserved population. IDM officials on the other hand felt somewhat ambivalent about the existence of SWC. There was a grudging recognition that after some early struggles SWC seemed to be doing a relatively sound job. IDM officials also recognised they might have struggled with the investment and development pressures of the former BODC area. However, the IDM officials pointed out that they had never been involved in the original decision to establish the concession and they did not feel full ownership – something which they pointed out was a major issue with political leadership. In addition to this there was some concern that the concession denied the IDM as a WSP access to some economies of scale in terms of services, investment and in the management of projects which might have improved the IDM's overall institutional position. Neither Siza Water officials, nor those of the IDM, indicated that they felt there was much to be learned from one another's approaches although this did at times happen on an informal basis.

Within the SWC area there is scope for a shift in approach by Siza Water. Concession management point out that delivery of new services is largely in hand and the scale of capital investment in the early years is now limited largely to new service projects and programmes maintenance. As such Siza is in a position to focus on incrementally upgrading the basic (RDP standard) level of services of its customer base. However, this is not a guaranteed outcome – it will require innovative dialogue with respect to the five yearly concession agreement negotiations as well as improved governance direction from the IDM as a WSA.³³ A key element of this could include an attempt to generate more localised accountability and governance arrangements within specific communities in receipt of water and sanitation services. Such initiatives could, in partnership with the relevant local council and bodies such as DWAF and local NGOs and community formations, encourage innovations and advances which begin to set a standard for multi-stakeholder governance around water and sanitation where appropriate attention can be given to outcomes regardless of the nature of the WSP.

IDM officials tend to view the SWC arrangement with some discomfort.³⁴ This does not create the conditions for new forms of partnership and tends to discourage initiative on the part of Siza Water. The fact is that the IDM as a WSP could benefit from skills resident within Siza and its multi-national parent company, Bi-Water. In fact an examination of reports at the time of the initiation of the concession and MIIU guide documents presents this shared learning as a core motivation for such a concession. The absence of such learning and practical exchanges suggests that there is scope for some attention to be paid to these matters and both DWAF and the WSA function in the IDM could examine them further. Here, as it mentioned elsewhere the intentions of SWC could also be questioned as they do not appear to have made concerted efforts to provide additional forms of support to the IDM outside their contract provisions. Ultimately, in a situation where one contracting part (the IDM) has such reservations around the concession arrangement the sense of being locked into a arrangement is not conducive for enhancing service delivery goals. This does tend to bring into question the degree to which such arrangements that extend well beyond electoral terms might be able to retain the support of all role players where both shareholders in the case of the private company and political and administrative leadership from a council are likely to change a number of times.

In addition to these matters there are also key are issues here that are perhaps less about service provider choices and systems but more about national policy frameworks and funding. For instance the VIP sanitation solution is one which has been provided for as a basic level of service, but in many communities across Ilembe VIPs present a consistent maintenance

³³ An issue that could benefit from attention here would be access to equitable share funds or deals which allowed further expansions in the concession area in lieu of the receipt of such funds by SWC from IDM.

³⁴ Aggravated no doubt by the fact that they keep having to answer researchers' questions about the concession. The fact that IDM officials feel the concession was imposed on them is also reported by MIIU (2006).

challenge. There is also emerging research which is suggesting VIPs are having an impact on ground water quality in many areas as well as impacting on water courses more directly. Whilst there is no specific evidence of this in the concession area (nether is it monitored), rising e-coli measures in many coastal rivers reported by DWAF (and supported by a variety of Water Research Commission studies), especially in higher rainfall months, would suggest that WSA's need to pay attention to this. The management of the system as it stands is an issue which IDM and SWC must attend to, but it is also important to recognise that national policy might need to evolve to enable a different set of responses to sanitation challenges to be developed.

As was gleaned from interaction with communities there tends to be an overriding sense of services being delivered below expectations. Community members tend to be poorly informed (and perhaps less interested) in the intricacies of contracts, funding arrangements and various technical provisions in various WSP systems and their relationship with WSAs. However, the choices of model or technology do impact on residents. For example those that have prepaid meters on standpipes tend to experience problems related to this technology and its ramifications whilst those using unmetered standpipes might raise other problems relating to service quality (for example lack of water flow in Lindelani). Essentially all communities are seeking enhanced access, better services and affordability. The very basic commitments in policy terms by government are perhaps being more successfully met by Siza Water in its area of limited jurisdiction than in the expansive IDM area where the IDM has a very complex environment to contend with. In both contexts delivery, at least for lower income users, appears to be destined to plateau at around or about the RDP standards and policy frameworks (such as the WSDP and IDP) tend to limit themselves to these provisions. The use of prepaid meters tends to ensure that in areas serviced by Siza consumption of water does not much exceed grant income used to fund the supply in the first place. Here (in the concession) residents have a more consistent service but face the constraint of imposed billing. Users elsewhere in IDM might experience a lower quality service but when they do have access they are able to draw on the water service without concerns of billing limits (at least from standpipes) – a fact reflected in the lower ratios of revenue per litre of bulk water drawn by users in IDM serviced areas. However, for many households the tradeoffs that might exist between the systems are at present more theoretical rather than practical in that having to carry water from standpipes already imposes limits on the degree to which access can be realised regardless of household need or affordability issues. Nevertheless, these tradeoffs inherent in different approaches must be made more explicit and be subject to vigorous debate amongst all stakeholders.

Progress has been made in a context of considerable institutional upheaval and in a context of substantial inequalities in services inherited from the apartheid era. For much of the Ilembe District an imperative still exists to extend basic services in peri-urban and rural areas and to upgrade such services that do exist so that they begin to meet the approved standards on a more consistent basis. However, as with many local government structures the imperative to invest capital in new service connections must now be matched by an attention to the management of such services, their maintenance and continual improvement alongside ongoing new services development.

5. Broader reflections from the Ilembe case on WSA and WSP arrangements

This section seeks to draw out a few thematic issues from the IDM case study for some broader reflection. The discussion in this report suggests that the IDM faces many challenges, both as a WSP and as WSA regulating other WSPs. These are challenges that many WSAs are facing around the country. It remains to be seen in many contexts how a WSA could work with a variety of WSPs and other water and sanitation stakeholders in achieving the objectives of the IDP and ultimately moving beyond the basic needs delivery imperatives to demonstrate a consistent capacity to contribute to the improvement of lives of citizens and especially those living in poverty.

More than ever both WSAs and WSPs will have to manage the competing and increasingly complex needs of the citizens that they serve. On the WSA front this will require the development of robust governance arrangements that fulfil both the developmental and democratic intent of the legislation with advances made in participation, accountability, knowledge development, policy frameworks and delivery approaches. Operating in areas with highly varied and spatially fragmented complex topographic, built environment, natural environment and socio-economic profiles will require WSAs and the institutions that support them to engineer an appropriate, and often geographically and institutionally flexible, set of relationships and networks with public, quasi-public, private, NGO and community-level entities that are able to meet the challenges collectively of improving WSP performance across a range of indicators.

There is also much learning that needs to take place between a new WSA such as Ilembe and a variety of Implementing Agents³⁵ that need to work with the WSA and internal and external WSPs in the implementation of various schemes. Such arrangements have generally been carried out in a relatively ad hoc manner in the past and now need to be understood in terms of coherent roles and responsibilities to ensure progress on the WSDP. As the role of the Ilembe WSP evolves the relationship with implementing agents will need to be reviewed. It will also become imperative to generate greater autonomy between personnel operating as WSA officials and those as WSP officials to enable the intentions of the legislation with respect to various roles and responsibilities are realised.

There is also an imperative for WSA's to be in possession of quality data on the communities they serve and service provision activities. Inadequate and outdated information combined with very fluid political circumstances can combine to distort planning, generate wasted expenditure and reduce accountability. Improved information can allow for more discreet services and greater accountability in terms of wider planning commitments. This is essential both in technical terms and for broader participatory processes. It is key for a WSA to hold WSPs accountable and for the public to be able to hold both WSAs and WSPs accountable. Some evidence exists, such as that from Umhlatuze Municipality that the use of GIS for locating services and connections can generate a more accurate picture than modelling from inadequate survey data. However, none of these technical tools offers any panacea and a series of integrated responses need attention. In particular an emphasis on increased performance reporting against public commitments, supported by independent verification, to a wider group of stakeholders than is presently the case, is essential.

³⁵ In the IDM such implementing agents have included: Umgeni Water, Mvula Trust, Aquamanzi and uMhlatuze Water and a variety of private consulting firms.

A number of challenges also exist for private concession operators such as Siza Water in the present context. The involvement of private concessions in the water and sanitation sector in South Africa has been very controversial. More ambitious concession arrangements such as the Siza concession have to a large extent been discontinued as a strategy after some complex problems encountered in the pilot municipalities. Where does this leave a private WSP such as Siza Water in deciding appropriate performance targets? In an environment where contract monitoring is weak and where the WSA has little ambition to work with a private WSP to secure performance over and above its contracted obligations the lack of performance signalling could undermine part of the underlying rationale of private companies involvement in water and sanitation delivery in the first place – namely that they have capacity for responsiveness, creativity and innovation that the public sector often lacks. To merely view the benefit of the private sector in a concession as an interim solution to credit constraints is to limit the possible horizons that could be sought in a more ambitious PPP arrangement. Here a WSA should seek to optimise the array of benefits and continuously seek to challenge all its WSPs. However, WSPs (public and private), should also seek to demonstrate how they can offer solutions beyond the often overly generic standards in government policy or written into various types of performance contracts. In some cases this could involve WSAs seeking to develop partnerships between a variety of water and sanitation stakeholders – including private and public WSPs.

National policy and delivery frameworks should also be continuously reviewed in relation to the degree to which they enable institutional development at the local level. The involvement over a period of time of specialist finance advisors in some municipalities – supported by National Treasury and donors – has delivered some positive results to ensure municipalities are able to generate a flow of resources by meeting a range of performance targets. DWAF has sought to support similar arrangements at the municipal level with regard to water and sanitation. Such efforts could be stepped up to significantly accelerate the enabling of WSAs in their mandate to ensure effective services. Such processes should be increasingly defined in terms of contracts and charters of committed performance by various WSPs – whether they be public or private – and underpinned by deeper systems of accountability than many WSAs are able to offer at present. Experience to date in water and sanitation delivery in South Africa suggests that such accountability mechanisms are relatively weak with the potential that different types of WSPs can operate without the kind of oversight that is imperative when the wellbeing of the public is at stake.

A further key challenge for national policy and support arrangements would relate to managing the tensions between private sector requirements of reasonable “lock-in” periods for contracts to generate the return private investors seek on the one hand and the cycles of change in local government leadership on the other. Some more recent international experience has seen the reduction in periods of concession-type contracts down from the 20-30 year arrangements of the recent past. However, this has been accompanied by a shifting of risk burdens back to the public sector and greater demands for subsidies by private operators. Choices around these frameworks tie in very much with national choices about financing available to local government to meet its delivery and service obligations.

At the municipal level it is also worth noting again that the differences that have been demonstrated in this report between two different WSPs operating under the same WSA appear to be more marked at a technical level than in terms of the actual experiences on the ground of residents in comparable communities. Where there are differences in how users experience services these are most often expressed in terms of the micro-level service dynamics that pertain in a neighbourhood. For instance, one week a household might consider prepaid meters a small

price to pay for a guaranteed service, the next week that household might face a budget crunch which would not be an issue in an area with unmetered standpipes. Where differences exist between neighbourhoods – because of service models – there is little space for communities to engage on strategic issues as to why one neighbourhood has prepaid meters and another does not. In this regard the frameworks which govern how choices are made around service models are important. For example, government policy dictates that municipalities must move towards comprehensive accounting for water use by users in a context of a water scarce country. Implementing metering and associated billing frameworks is core to this approach and also happens to be essential in enabling a private company such as Siza to operate its services. However, a municipality such as IDM is able to continue to operate at present with a very incremental approach to the rolling out of metering and billing systems for users as it does not face an immediate hard constraint which underpins a concession contract such as that in which Siza is engaged. Under such circumstances it might be important to consider to what degree service providers should be held accountable in ensuring that benefits are raised proportionate to the degree to which service provider expectations of users themselves are raised. In order to do this effectively the public sector must also raise its own delivery standards and increasingly demonstrate that it can do so on a sustainable basis. Where decisions are made to bring in alternative service providers such arrangements must be supported by forms of social compacts that allow for communities to adequately participate in setting the terms of their engagement (obligations) and the committed benefit streams from the service provider concerned.

In some ways the present context presents itself as a watershed with newly created institutions bedding themselves down, and with the local governments in which they are nested beginning to consolidate and national frameworks with regard to policy and funding becoming more predictable. This consistency should allow for more coherent participation frameworks underpinned by increased levels of participant knowledge, supported by growing social capital in communities that, after decades of instability, have been able to root themselves in more permanent environments underpinned by the rights framework of the constitution. Governance arrangements which secure greater accountability during this phase have the potential of enhancing the quality of life of people. Such governance arrangements are going to have to be responsive to a range of institutional and social contests – including seeking to optimise social and other developmental gains from alternative service provider frameworks such as those considered in this report.

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Appendix 1. Integrated indicators matrix

Notes:

- In the table below SWC refers to figures relating to the Siza Water Concession area. Ilembe generally refers to the entire Ilembe District. Therefore, in some cases Ilembe figures include coverage in the SWC area.
- Management and accountability systems in IDM differ from those applicable to SWC and as such neither body has prioritised the same indicators as those prioritised in the WD process. The size of the IDM area and the complexity of its delivery systems to meet a highly unevenly spread population often means that data is not available or very difficult to deal with at the aggregated level.
- Data at times refers to percentage of entire population and at times to households.

No	Indicator	Comment
	<i>Effective?</i>	
1.	Percentage of population served with water	Ilembe 35-45 % with RDP level water KwaDukuza: 78.39% with RDP water service levels SWC: 100% at RDP levels
2.	Proportion of household connections (population/ per connection)	
	(i) in-house drinking water	Ilembe: 43.8% of population receive water services above RDP level (WSDP '07) – might also be yard tap or could be consistent quality service from stand pipe or other system SWC: 59% of households are serviced by in house drinking water
	(ii) yard tap	See (i)
	(iii) communal tap within 200 metres	Ilembe:44% of the population have access within 200m (WSDP '07) SWC: 41% households serviced with communal tap within 200 meters (The remainder of households have an in house connection)
	(iv) none of the above	Ilembe: 55-65% receiving services below RDP (note this does not always mean that no services are received – rather it means that services are provided but below RDP levels) SWC: None
	(v) water-borne sewage	Ilembe: 38% receiving above RDP level (could also be maintained septic or VIPs) – WSDP '07

No	Indicator	Comment
		SWC: 51% of the households are on waterborne network
	(vi) dry sewage	Ilembe: see (v) SWC: 9% are on septic or conservancy tanks
	(vii) VIP sewage	Ilembe see (v) SWC: 40% are on VIP units (deemed outside the concession contract by Siza Water)
	(viii) bucket sewage	Ilembe: None reported. SWC: None
	(ix) sanitation below RDP level	Ilembe: 50% (62% according to WSDP '07) SWC: Note that failure to deal with emptying and management of VIPs (vii) could render them below RDP level.
3.	Hours supply per day/Extent of interruptions of service. Notice given? Other arrangements if extended time? (Water)	Ilembe: 26% of residents receive inadequate supply ie not receive quality service 98% of the time (according to DWAF. WSDP '07 reports 56% receive service below RDP standards (availability, quality and flow assurance) Reports of irregular communication about supply problems and slow response time to getting problems resolved. SWC: Interruptions are reported in community surveys where there is no supply to standpipes or very low pressure for periods of a few hours. These are an issue but are irregular. SW offer a 24 hours/7days service. Reported by SW as meeting RDP standard ie quality supply available 98% of the time for all households.
4.	Pressure range throughout the day. Flow rate? Restrictors used?	Ilembe: 10% of citizens not assured of flow rate of 10l per minute (DWAF) SWC: Pressure logging is done weekly. Pressure range as per "Red Book" i.e. 1.6 bars < P < 9 bars – generally above RDP standard but weak pressure incidents reported in community workshops
5.	Water quality at consumer's tap • How often is	Ilembe: As the bulk water supplier, Umgeni Water carries out tests on water prior to distribution on a daily basis and provides weekly reports on the results. Water quality is tested by a contracted consultant chemist, B.N.Kirk. It was reported that

No	Indicator	Comment
	<p>water tested and by whom?</p> <ul style="list-style-type: none"> • What % of samples have acceptable results? • How long has it taken and/or does it take to bring poor quality water up to standard? • Has performance improved? 	<p>the tests have always been within the acceptable levels. No consistent figures were made available on reticulated water.</p> <p>SWC: A private company, Talbot & Talbot, tests water quality on a weekly basis. As the bulk water supplier, Umgeni Water carries out tests daily and provides weekly reports on the results. Water at tap tested weekly by an independent laboratory (Talbot and Talbot who supplies results directly to DWAF). During the last 12 months 100% of chemical standard and 99.9% of bacteriological standard were met. In the 2000/2001 report those indicators were 98% and 89% respectively.</p>
6.	Proportion of people served with sanitation and/or sewerage and type of toilet	See 2 above
7.	Proportion of waste water treated	<p>Ilembe: All waterborne sewerage in KwaDukuza is treated or partially treated at the Stanger Works. Officials admitted that this works had been struggling with maintenance issues and volume increases.</p> <p>SWC: All the waste water collected through waterborne sewage network is treated and partially reused for irrigation</p>
8.	Extent of water related diseases in the serviced area (ask environmental health practitioner)	<p>Ilembe: No water-born diseases were known of or recorded by IDM.</p> <p>SWC: No water born disease recorded in Siza Water area.</p> <p>Note: Incidents of cholera were reported in the district during a 2001 outbreak – in the early phase of the Concession establishment and before the formation of the Ilembe WSA.</p>
9.	Timeliness/accuracy of billing	<p>Ilembe: Outstanding debts at over 100% of revenue suggesting problems with billing process. Community workshops reported periods of no billing and widespread ignoring of bills.</p> <p>SWC: Monthly billing with 97% recovery of the amounts billed – a high rate of recovery suggesting an effective billing service. Community workshops suggested households that formerly had in-house connections had difficulty with understanding bills and a lack of trust in high cost figures included in such bills.</p>
10.	User complaints per 100,000 users– analyse # and kind before/ after WSP	<p>Ilembe: No figures available.</p> <p>SWC: Customer complaints 7.3 per 1000 customers in the range of the figures of 6 years ago. Now complaint notification is facilitated and all complaints are now recorded and tracked.</p>
11.	Billing contacts/complaints not responded to within 'x' days- response time and	Ilembe: No figures available.

No	Indicator	Comment
	user satisfaction with this.	SWC: Complaints and queries are responded to within an average of 2 days – delays with less than 1% over the limit
12.	User satisfaction surveys (quantitative questionnaires and qualitative focus groups including women only focus groups)	Ilembe: A survey is currently being conducted by IDM. WSA intends doing its own survey next year. Results not released to WD research team. No specific user group focus. SWC: Reported from sighting of IDM contracted study that SWC receives a very positive rating – higher than that of municipality. However, data not verified as not released by IDM.
13.	Capital expenditure (capital maintenance and quality/service enhancement) per person per year	Ilembe: SWC:
14.	Monitoring/Enforcement <ul style="list-style-type: none"> • Who does it? • By how many people? • How senior is the most senior person • To whom is the Unit accountable • Budget 	Ilembe: Reporting to Council committees as and when required. DWAF undertakes annual monitoring exercise. IDP review process also involves assessment of service activity. IDM management recently signed performance management contracts to be overseen by Municipal Manager. Future reporting to be against WDSP/IDP commitments. SWC: The Ilembe contracts, concessions and demand manager, assisted by Task Team, approximately 9 members does annual contract evaluation. A Concessions Manager reports to Director, technical services of IDM. The Concessions Manager is assisted by a community development officer only. Concession fees scheduled to cover cost of Monitoring/Enforcement. External auditor's contracts have not been renewed in 2005. Presently monthly, annual reports and quarterly concession meetings.
15.	Notices/fines of environmental/public health/water quality incidents per year <ul style="list-style-type: none"> • Evidence of environmental health hazard • Evidence of enforcement • Evidence of building awareness 	Ilembe: Recent period of major rains and prior to that the tidal waves had a major impact. Concerns expressed in IDP review of inadequate responses to environmental concerns more widely than those related only to water and sanitation. SWC: Concerns related to environmental health hazard from overflowing VIPs as reported in community workshops. <ul style="list-style-type: none"> ○ VIP units and related environmental health hazard are beyond the scope of the concession. ○ Other overflow incidents are recorded and reported to the authorities with mitigation and treatment ○ Except the period following the high tide disaster, the average monthly overflows are between 1 and 2 when it was 6 in the period 2000/2001 (SW)

No	Indicator	Comment
	<i>Equitable? Affordable?</i>	
1.	Coverage? Extension to unserved areas- business plan and contract of WSP? Achievement?	<p>Ilembe: Highly uneven pattern of services with major challenges in servicing rural areas. WSDP draft plans continued prioritisation of rural schemes and upgrading of supply to new housing projects and informal settlements.</p> <p>SWC: All the concession areas are served but with differential service standards related to affordability.</p>
2.	Breakdown of target population by income groups	<p>Ilembe: A variety of different schemes offer different levels of service with a strong thrust to ensure some access in the first instance to the majority of households..</p> <p>SWC: Siza water has four different levels of water and sanitation supply. Customers can pay to enjoy a higher level of service, although there are areas where such service demand could not be met without more households also being able to afford a higher level of service.</p>
3.	Level of service by income group and residential pattern	<p>Ilembe: Complex detail – see main report.</p> <p>SWC:see (2) above</p>
4.	Proportion purchasing through vendors/accessing through standposts	See (2) above
5.	<p>Percentage receiving FBW</p> <ul style="list-style-type: none"> • Who gets free basic water? How much? No one/everyone/indigents. • If indigents only, what definition of indigent is used? What mechanism is used to identify indigents and where does the burden of proof lie? How many indigents are there? • If by household, the average size in working class/poor areas or by income groups • According to DWAF's statistics, how many poor people are there in the municipality? • How many are unemployed using both narrow and broad definitions? 	<p>Ilembe: The Ilembe district as WSA is presently working on an indigent policy. IDM does make FBW available in all its schemes where water is delivered.</p> <p>According to 2001 census figures in WSDP '07 83% of Ilembe households earn less than R1600 a month and in 27,6% of households there is no one formally employed.</p> <p>SWC: In the concession area, people who do not have on site, metered supply receive tokens entitling them to the 6 kilolitres of free water per household per month, in line with the national policy on free basic water.</p> <ul style="list-style-type: none"> ○ Every household (poor or rich) receives 6kl FBW shown either on its bill or incorporated in the token it uses on the standpipe. ○ the concession area does not have subsistence household agriculture

No	Indicator	Comment
	<ul style="list-style-type: none"> • Is any extra water provided free to meet special needs – that is, the needs of the very young, the very old and the sick? • Is any free water provided to sustain subsistence household agriculture? 	
6.	<p>Control mechanisms Answer (a) – (d) for prepayment meters and restrictors:</p> <ol style="list-style-type: none"> a. How many are in use? b. Are they located in specific areas? If yes, which ones and why? c. What is the level of poverty and unemployment in the areas in which they have been introduced? d. Is their use entirely voluntary? (researchers to agree on meaning) e. How often, if at all, are households unable to ‘feed’ the meters? f. Do meters automatically provide free basic water? g. Do the meters allow any credit facility? h. Is water flow restricted after free water limit? Or at any point? 	<p>Ilembe: IDM has struggled with an approach to controlling use. Households with outstanding bills are cut off and restrictors are used. However, workshops suggest that the approach is uneven. No formal credit although much of revenue is over 90 days and there is little sign of possibility of collection.</p> <p>SWC: Households that are not metered receive tokens entitling them to free basic water from prepayment standpipes. If households have been cut off for failing to pay bills they are still entitled to use tokens at standpipes.</p> <ul style="list-style-type: none"> ○ There are more tokens issued than the number of households in RDPs (around 6000 units) ○ Tokens are issued and work for each of our 3 RDPs areas ○ People on individual household meters have their FBW deducted from their monthly bills ○ Credit facilities are negotiated with those who have difficulties to pay their monthly bills ○ Restrictions may be used for consumers who default on payment ○ In few cases, individual meters have been removed and replaced with communal standpipes
7.	<p>Affordability of tariffs (Annual cost of 25 litres per person per day/GDP per person OR what people pay as % of income)</p> <ul style="list-style-type: none"> • Details of annual price increases, if any, across the tariff structure • Comparison of tariffs with income levels • % who consider that water and sanitation is affordable • Total monthly amount 	<p>Ilembe and SWC: The IDM tariff on water increased by 8% in 2007, while the SW Water tariff increase was lower and in line with the CPI at 5.94%, up to 1st July 2007. the SW tariff increase on sewerage was 6.4% in the same period.</p> <ul style="list-style-type: none"> ○ Presently Siza Water tariffs for water are higher than Ilembe ones for households consuming less than 30kl/month and lower for household consuming more than 30kl/month ○ Siza Water billing levels for water are also lower than any eThekweni water billing, whatever the consumption.

No	Indicator	Comment
	<p>that is affordable according to the people who say that water is not affordable</p> <ul style="list-style-type: none"> • Are there different levels of service for different income levels? 	
8.	Affordability of new connections (Average connection costs/GDP per person)	<p>Ilembe: Not provided</p> <p>SWC: Rds 1 971 for a 22mm water standard connection and Rds 1 178 for a 110mm sewer standard connection don't bring complaints.</p>
9.	Cross-subsidy to poorest within 'tariff basket'	<p>Ilembe: Other sources of revenue used to cover costs of water delivery – especially through grants from national government (in effect a redistributive instrument at a national level through DORA).</p> <p>SWC: At the beginning of the contract there were 2 different "tariff baskets":</p> <ul style="list-style-type: none"> ○ One for the coastal area (more expensive) and one for inland area (cheaper) with an obligation to reduce every year such a difference in order to cancel it in 5years ○ At the new 5year period Ilembe district has confirmed that only one tariff was to be applied on the whole concession area

No	Indicator	Comment
	<i>Sustainability? (tariff=availability charge and asset replacement)</i>	
1.	Percentage of people billed versus paying	<p>Ilembe: The Municipality recognises considerable challenges it faces in terms of billing. In KwaDukuza the bulk of customers with in-home connections are billed but in other local municipal areas the figures are much lower as there is insufficient metering and limited follow up. Furthermore, as standpipes are not metered there is not information on the volume of water drawn from these. In KwaDukuza around 75% of those billed pay although accumulated debt is high and growing. In the other areas estimates vary but it is suggested the figure would not be much more than 50% of those billed pay.</p> <p>SWC: More than 97% of the monies billed are recovered (it was 98% before IDM stopped paying their equitable share of the FBW in the RDPs)</p>
2.	Average tariff per m ³ (previous years updated to 'present year' values), What is your tariff structure—now and then?	<p>Ilembe:</p> <p>SWC: Siza Water charges IDM metered bulk water cost (2.90Rds/kl + 7.5% admin fee).</p> <p>All expenses related to the operation, maintenance and replacement of the stand pipes and related networks are not charged to the RDP consumers - we can therefore consider this as a kind of cross subsidisation by the areas other than RDPs to cover these costs.</p>
3.	How do you determine your tariff? Do your tariffs reflect costs or are they set (politically)? Is asset management covered, eg augmentation for new things? (Breakdown into bulk, op and maintenance, energy, chemicals, staff salaries, etc.)	<p>Ilembe: Recommended by WSA staff, approved by Council.</p> <p>SWC:</p> <ul style="list-style-type: none"> o Tariffs are increased on a yearly basis using contractual formulas based on CP Index approved by IDM. o The proposed increase follows a public participation process and thereafter is approved by the IDM Council o The CP Index does not reflect the reality of some real increase e.g. salaries the CP Index gives a value of 6% and in reality it is close to 7.5%. o Siza Water has not been informed of any objection raised during the public participation o Every five years tariff structures can be modified after discussion with IDM and Stakeholders o Tariff structures resulted from a 5 year plan including investment
4.	Liquidity/Cash ratios (in the red or black), has cash flow increased or decreased significantly? Has it improved or worsened with the new institutional arrangement?	<p>Ilembe: No clear accounting split between water and sanitation and other functions.</p> <p>SWC: Cash flows have been improving on an annual basis. This has been important to pay interest on loans and to fund expansion of infrastructure to secure future revenue streams. At this point in time liquid assets (ie those that could be easily disposed of) do not exceed borrowings (R27.7m).</p>
5.	Return on	Ilembe: Water and sanitation services do not generate a budget surplus

No	Indicator	Comment
	Capital/Profitability ratios/interest & dividend cover (ask private sector)	<p>although water provides the largest revenue source for IDM.</p> <p>SWC: SW's revenue for 2006 was R 37 million, while operating expenditure was R 26 million. Operating profit for 2006 was 9 million rand:</p> <ul style="list-style-type: none"> - The R9m figure does not include the finance costs of the loan and the income tax paid by all private companies - The real profit in 2006 was 4.2 million rand (11% of the turn over) - 2006 is the first year after 7 years of operation that Siza have made a positive accumulated profit of 2.1 Million rand - Return on capital figure not available without full project lifespan information.
6.	Dividends plus interest payable as percentage of capital value (ask private sector)	<p>Ilembe: Water and sanitation services do not generate a surplus.</p> <p>SWC: Dividends paid to shareholders (BiWater, Metropolitan and staff)</p>
7.	Creditworthiness/Gearing ratio of WSA and WSP	<p>Ilembe: IDM a recent recipient of DBSA loan at commercial rates. Reforms related to Project Consolidate seen to be yielding improved financial indicators.</p>
8.	Average replacement life of fixed assets- % assets/ pipes replaced each year (how affects losses in section below). Do you have an asset management plan? do you budget for it? Is it worked into your tariff?	<p>Ilembe: WSDP draft seeking to promote idea of developing asset management plan. Prioritisation process within IDP and budget exercise at times does not adequately consider technical needs.</p> <p>SWC: SW has an asset register, but does not appear to have a systematic asset management plan. It is difficult to have an asset management plan for existing assets that were transferred at the beginning of the contract, as the age of the network was unknown. In this regard maintenances has been in response to faults. The replacement plan is based on a number of recent interventions on each part of the network. The mechanical and electrical assets, their management is included into the 5 year investment and development plan and in the normal tariff. SW contractually obliged to keep capital equipment maintained.</p>
9.	How often does your infrastructure fail? (Water mains assts per 1000 km per year- breakdowns per year)	<p>Ilembe: IDM's water losses were 37,8% for 2005 and 35,3% for 2006. No further data available.</p> <p>SWC: In terms of water losses at the beginning of the concession these were in excess of 40% in the concession area, this has now been reduced to approximately 10%. Of the 4 200 meters of pipe, an average of 13 meters are changed every month. Between 4 and 5 bursts on a monthly average for 185Kms of pipes. On record, in the year 2000, there were 27 bursts on a monthly average and in 2001, 11 bursts on a monthly average.</p>
10.	Water resources security of supply index (proportion groundwater/surface water). Is there assurance of supply and how often is it compromised?	<p>Ilembe: Receives bulk from Umgeni in the main but also has to uses other water sources such as springs and underground sources. Concerns expressed that these are not sustainable. Due to climate change and pollution.</p> <p>SWC: Siza has always received water from Umgeni Water - they the bulk service provider. No problems reported.</p>

No	Indicator	Comment
11.	<p>demand management (get citizens to use appropriately)</p> <ul style="list-style-type: none"> • logic of tariff structure (including industry) • what is the mechanism and budget for education/ outreach/ awareness • indicator of households taking action to address leaks (municipal response covered under efficiency)—are they reported? Customer care? • are there regulations/ by-laws that restrict water use? If so, how effective are they—do they apply to all/ come users, what is included, and when are they applied (always/never/ during drought) 	<p>Ilembe: Increasing cost with increasing consumption aimed at curtailing demand. System of regulations and by-laws is inadequate and outdated.</p> <p>SWC: The value of the higher band (>30kl) in the 3 Bands Tariff Structure is set up to try to avoid excessive consumption. Awareness programmes are run in the 8 schools of the area.</p>

No	Indicator	Comment
	<i>Efficiency?</i>	
	(number 1 and 2 refer to the scale of the challenge and WSP capacity)	
1.	Size of main service provider (connections/users/daily water production)	Ilembe: 198718 Households (draft WSDP Feb 2007) 27% households have house or yard connection 16% have communal supply SW:
2.	Population density of service area/s	Ilembe: Highly variable. SWC: Mixture of high density RDP settlement and medium density high income settlement.
3.	Connections per employee/Population served per employee (have working conditions been agreed upon? How relate to labour intensivity?)	Ilembe: Not provided SWC: 70 water connections per staff. As already stated, the population vary between 53 000 low season and 110 000 peak season. Therefore it is difficult to have rations per population.
4.	Average time to repair leaks and other problems (contextualise by noting technologies and geographical distances/ population density) – do you have a response time policy? Check target and compliance, is there improvement?	Ilembe: Not provided SWC: Interruption of supply for pipe bursts have gone down from: - 4.2 hours in the year 2000 - 3.5 hours in the year 2001 and - 0.9 hour during the last 12 months
5.	Non revenue water (Leakage (m ³ /km/day) & percentage unbilled)-unaccounted for water (parks, sports grounds, leakages)	Ilembe: IDM's water losses were 37,8% for 2005 and 35,3% for 2006. No further data available. SWC: Siza Water's efficiency is indicated in its success in reducing water losses (defined as the proportion of incoming water to sold water) from 40 to 50% at the start of the concession to the current level of 8%. ³⁶ In addition to previous comments, in 2006/2007 SW has purchased 3 130 838 K1 (2 252 803 in 2001/2002) from Umgeni water and we have had a water loss of less than 8% (16.1% in 2001/2002)
6.	Percentage of users metered/ percentage working consumption meters	Ilembe: SWC: Of 4200 meters, an average of 13 meters are changed every month

³⁶ Interview with Mr. Shyam Misra & Mr. Nikilesh Misra, 07/08/10.

7.	Revenue collection/Days receivable ratio (note in relation to income groups)	Ilembe: SWC: Days debt as % of 12 months invoicing is at 80 days
8.	Capex efficiency (cost in real terms of basket of representative activities)	No data

No	Indicator	Comment
	<i>Labour</i>	
1.	Total Number of employees (including category breakdown i.e. management, technical-professional/administrative /manual) and gender breakdown; ratio of managers and employees	<p>Ilembe: Not provided</p> <p>SWC: Siza Water has some 60 staff members</p> <p>There are two BEE female learnerships, and 6 plumbers. The majority, about 40, are labour in the technical services department.</p> <p>There are two BEE female learnerships, and 6 plumbers. The majority, about 40, are labour in the technical services department</p>
2.	Type of employment (casual via labour brokers; or sub contractors) with relevant breakdown as per (1) above, note levels of responsibility and decision making authority	<p>Ilembe: Not provided</p> <p>SWC: 57 permanent staff, 3 on contract, 3 Manager, 5 Supervisors and 9 Technical Team Leaders</p>
3.	Pay and conditions of all categories of employees. Is the WSP compliant with labour law, health and safety? (must ask employees/ unions as well) Is skills development taking place as per law with levies paid and accessed, learnerships in place, etc?	<p>Ilembe: As per national bargaining council agreements</p> <p>SWC: SW is in compliance with labour laws – including BEE laws. Dept of labour does a yearly check of the compliance. Staff have provident fund (50% financed by company), medical aid partially (up to 50% financed by company), travel allowance, housing allowance, no interest personal loan. Staff own through a trust 4% of Siza Water capital.</p>
4.	Are there recognised trade unions? if so, names and percentage trade union members	<p>Ilembe: Most staff members have joined SAMWU. Yearly salary increases are negotiated with Trade Unions (SAMWU) or IMATU</p> <p>SWC: All staff members have joined SAMWU. Yearly salary increases are negotiated with Trade Unions (SAMWU)</p>

No	Indicator	Comment
	Transparency?	
1.	Contract/license agreements /performance agreements in public domain (test by asking for and obtaining them)	Ilembe: Not provided SWC: All supporting documents are available for study at Siza Water office, although they are normally the property of IDM.
2.	Financial Statements published on schedule	Ilembe: Qualified audits SWC: The SW annual report summarises information such as investment on infrastructure for the year. Financial statement audited by PWC.
3.	Performance indicators published/available	Ilembe: Some reflected in draft WSDP and IDP. Some reflected in DWAF assessments. SWC: See annual report and contract reporting to IDM.
4.	Transfer pricing – level of trade with associated companies	Ilembe: Not available SWC: Full audit conducted.
5.	User involvement processes/meetings per year/million consumers	Ilembe: Open discussions through council processes, IDP hearings. SWC: SW intends doing its own consumer satisfaction survey this year (2008). Regular reporting to IDM.
6.	Mechanisms to ensure voice of poor/unserved in user involvement processes	Ilembe: Through decisions by elected representatives. SWC: Through the Siza Water Youth and Community Development Fund and open forums.
7.	Budget for public relations	
	What is your overall assessment of achievements and shortcomings due to choice of WSP?	See main body of report.

Appendix 2. List of people interviewed

Name of Person interviewed	Position and Organisation	Place	Date
1 Mr. Jogie Naidoo	Director, Technical Services, IDM	Technical Services, KwaDukuza, IDM	07/08/02
2. Mr. Notha Maphumulo	Deputy-Director, Operations & Maintenance, Technical Services, IDM	Technical Services, KwaDukuza,	07/08/02
3. Mr. Seshan Pillay	Technical Officer, Operations & Maintenance, KwaDukuza Local Municipality	Technical Services, KwaDukuza,	07/08/02
4 Mr. Stanley Dlamini	Manager, Demand, Contracts & Concessions, IDM	Technical Services, KwaDukuza IDM	07/08/02
5. Mr. Dave Giles	Financial Manager, IDM	Ilembe House, KwaDukuza	07/08/16
6. Mr. Shyam Misra	Financial Manager, and Assistant to General Manager, Siza Water	Ballito	07/08/10
7. Mr. Nikilesh Misra	Project Manager, Siza Water	Ballito	07/08/10
8. Ms Angela Masefield	DWAF	Durban	

Appendix 3. DWAF WSA Checklist: Ilembe (2007)

No.	Function	Question	Response	Resources Available to perform / undertake the function?				Comment	
			Yes / No	Budget Yes / No	By-laws Yes / No	Infra- Structure Yes / No	Personnel Yes/ No	Progress/ Constraints	Support Requirements
1	Functional Area 1: Policy & By-laws								
1.1	Water Services By-laws <i>S4(2)(b) and 21 of the Water Services Act.</i>	Do you have water services by-laws <i>adopted</i> by Council for your whole area of jurisdiction?	n	y	*n/a	n	y		
		Do you enforce your promulgated by-laws?			Water Services By-laws				
		Are your water services by-laws linked to the other by-laws (i.e. are they aligned with the other Council policies and by-laws)?			*n/a				
1.2	Tariff Policy <i>S74(1) of the Systems Act read with S10 of the Water Services Act and the Section 10 Regulations.</i>	Do you have a Council approved Tariff Policy?	n	y	* n/a	y	y		
1.3	Tariff By-laws <i>S75(1) of the Systems Act; S24(2)(c)(ii) of the MFMA.</i>	Does Council adopt tariff by-laws (an annual council resolution promulgating the tariffs attached to the budget)?	y	y	* n/a	y	y		
1.4	Credit Control and Debt Collection Policy <i>S96(b) and 97 of the Systems Act.</i>	Do you have a Council approved credit control and debt collection policy?	n	y	* n/a	y	y		
1.5	Credit Control and Debt Collection By-laws	Has Council adopted credit control and debt collection by-laws to give effect to the credit control and debt collection policy, its implementation and enforcement?			* n/a				

No.	Function	Question	Response	Resources Available to perform / undertake the function?				Comment	
			Yes / No	Budget Yes / No	By-laws Yes / No	Infra- Structure Yes / No	Personnel Yes/ No	Progress/ Constraints	Support Requirements
	<i>S98(1) of the Systems Act.</i>	Do you enforce your promulgated by-laws?			CC and DC By-laws				
1.6	Free Basic Water Policy <i>S74(2)(c) of the Systems Act read together with para. 4.4.1 of the SFWS and the SFWS Sector Target 9.</i>	Do you have a Council approved free basic water policy?	y	y	*	y	y		
		Do you apply the policy?			Tariff By-law				
1.7	Free Basic Sanitation Policy <i>S74(2)(c) of the Systems Act read together with para 4.4.2 of the SFWS and the SFWS Sector Target 10.</i>	Do you have a Council approved free basic sanitation policy?	y	y	* n/a	y	y		
		Do you apply the policy?			Tariff By- law				
1.8	Indigent Policy <i>In anticipation of S104(l) of the Systems Act which provides the Minister with powers to issue regulations on indigent policy.</i>	Do you have a Council approved Indigent Policy?	y	y	* n/a	y	y		
		Do you apply the policy to water services delivery?			Tariff By-law				
1.9	Supply Chain Management Policy <i>S111 of the MFMA.</i>	Do you have a Council approved Supply Chain Management Policy, regulating your procurement procedures?			* n/a				
1.1 (old 2.4)	Mechanisms, processes and procedures for community participation. <i>S17 of the Systems Act.</i>	Do you have mechanisms, processes and procedures to enable the community to participate in the affairs of the community?	y	y	* n/a	y	y		
2 Functional Area 2: Planning									
2.1	Water Services Development Plan <i>S12 of the Water Services Act.</i>	Do you have a WSDP?	y	y	* n/a	y	y		
2.1.1	Does the WSDP contain details of: <i>S13 of the Water Services Act.</i>	The physical attributes of the area to which it applies.	y	y	* n/a	y	y		

No.	Function	Question	Response	Resources Available to perform / undertake the function?				Comment	
			Yes / No	Budget Yes / No	By-laws Yes / No	Infra- Structure Yes / No	Personnel Yes/ No	Progress/ Constraints	Support Requirements
2.1.2		The size and distribution of the population within that area.	y	y	* n/a	y	y		
2.1.3		A time frame for the plan, including the implementation programme for the following five years.	y	y	* n/a	y	y		
2.1.4		Existing water services.	y	y	* n/a	y	y		
2.1.5		Existing industrial water use within the area of jurisdiction of the relevant WSA.							
2.1.6		Existing industrial effluent disposed of within the area of jurisdiction of the WSA.							
2.1.7		The number and location of persons within the area who are not being provided with a basic water supply and basic sanitation.							
2.1.8		The proposed water services providers who will provide those future services.							
2.1.9		The service delivery agreements (or proposed contracts) with those water services providers.	y	y	* n/a	y	y		
2.1.10		The proposed infrastructure necessary for future services.							
2.1.11		The water sources to be used and the quantity of water to be obtained from and discharged into each source for future services.							
2.1.12		The estimated capital and operating costs of the future water services and the financial arrangements for funding those water services, including the tariff structures.							
2.1.13		Any water services institution that will assist the water services authority.	y	y	* n/a	y	y		
2.1.14		The operation, maintenance, repair and replacement of existing and future infrastructure.							

No.	Function	Question	Response	Resources Available to perform / undertake the function?				Comment	
			Yes / No	Budget Yes / No	By-laws Yes / No	Infra- Structure Yes / No	Personnel Yes/ No	Progress/ Constraints	Support Requirements
2.1.15		The number and location of persons to whom water services cannot be provided within the next five years.	y	y	* n/a	y	y		
2.1.16		The reasons why services cannot be provided within the next five years to those persons.	y	y	* n/a	y	y		
1.1.17		The time frame within which it may reasonably be expected that a basic water supply and basic sanitation will be provided to those persons.	y	y	* n/a	y	y		
2.1.18		Existing water conservation, recycling and environmental protection measures.		y	y	y	y		
2.2	Public comment on the WSDP invited <i>S14(1)(b) of the Water Services Act, S17 of the Systems Act.</i>	Did you take reasonable steps to bring your draft WSDP to the notice of the users, potential users, industrial users and water services institutions in your area?	y	y	* n/a	y	y		
		Did you take comments into account?			* n/a				
2.3	WSDP adopted by Council and circulated and made available for inspection <i>S15 of the Water Services Act.</i>	Is the WSDP adopted by the Council?							
		Have copies of the adopted WSDP been sent to the Minister of Water Affairs and Forestry, the Minister of Provincial and Local Government, the relevant Province and neighboring WSAs?			* n/a				
		Is a copy of the WSDP available for inspection at the offices of the WSA?			* n/a				
2.4	Disaster Management Plan <i>S42 of the Disaster Management Act.</i>	If you are a metropolitan or district municipality, have you established a framework for disaster management in your area? <i>(N/A if you are an LM)</i>			* n/a				

No.	Function	Question	Response	Resources Available to perform / undertake the function?				Comment	
			Yes / No	Budget Yes / No	By-laws Yes / No	Infra- Structure Yes / No	Personnel Yes/ No	Progress/ Constraints	Support Requirements
		If you are a local municipality authorized as the WSA, have you been consulted by the DM in regard to the disaster management framework? <i>(N/A if you are a DM or Metro)</i>			* n/a				
2.5	Protection from floodline in township planning <i>S144 of the National Water Act.</i>	Do you ensure that for township establishment, plans indicate the maximum level likely to be reached by floodwaters?			Planning by-laws?				
3 Functional Area 3: Infrastructure									
3.1	Provide Access to Basic Water: <i>S27(1)(b) of The Constitution read together S9(4) and 9(1) of the Water Services Act and with regulations 3(b)(ii) and 4 of the Section 9 Regulations.</i>	Do you have infrastructure to provide access to basic water services?	n	n	* n/a	n	n		
		Is your % unserved population (basic water backlog) less than 20%?			* n/a				
		Is access to water in any area subject to interruptions for periods of 7 full days in a 12 month period?	n	n	* n/a	n	n		
3.2	Provide Access to Basic Sanitation <i>S10 of the Constitution read with S9(4) and 9(1) of the Water Services Act and regulation 2 of the Section 9 Regulations.</i>	Do you have infrastructure to provide access to basic sanitation?	n	y	* n/a	n	y		
		Is your % unserved population (basic sanitation backlog) less than 30%?			* n/a				
		Have you eradicated all buckets?			* n/a				
3.3	Project Management Function <i>Para 10.3 of the Policy Framework for MIG.</i>	Do you have a Project Management Unit (PMU) to undertake the project management function? <i>(N/A if you are a lower or moderate capacity LM not required to have a PMU in terms of the Policy Framework for MIG)</i>	n	y	* n/a	y	y		

No.	Function	Question	Response	Resources Available to perform / undertake the function?				Comment	
			Yes / No	Budget Yes / No	By-laws Yes / No	Infra- Structure Yes / No	Personnel Yes/ No	Progress/ Constraints	Support Requirements
		Is your MIG allocation for 06/07 for water services in your area of jurisdiction more than 80% spent?			* n/a				
3.4	Comply with MIG requirements <i>Division of Revenue Act 2007; Policy Framework for MIG.</i>	Are MIG project business plans (feasibility studies) undertaken as set out in Para 8.2(k) of the Policy Framework for MIG?	y	y	* n/a	y	y		
		Are water projects to be funded by MIG identified in the WSDP and the IDP as required by para 8.3 read with Appendix B2(b) of the Policy Framework for MIG?	y	y	* n/a	y	y		
		Is a three year capital plan prepared as required by s15(4) of DoRA?	y	y	* n/a	y	y		
		Is a three year operational budget prepared as required by para 8.3 read with Appendix B2(d) of the Policy Framework for MIG?	y	y	* n/a	y	y		
3.5	Asset and Liability Register for Internal Control <i>S63 of the MFMA.</i>	Do you have an asset and liability register?	y	y	* n/a	y	y		
3.6	DWAF Asset Transfer Process Constitution and Joint Transfer Policy.	If applicable, is your DWAF Transfer Agreement signed? <i>(N/A if you are not the receiving institution of DWAF assets).</i>	y	y	* n/a	y	y		
		If applicable, are the DWAF staff transferred unconditionally?			* n/a				
		If applicable, have the DWAF assets been transferred unconditionally?			* n/a				
4 Functional Area 4: Reporting									
4.1	Annual WSDP Report <i>S18 of the Water Services Act.</i>	Is your report on progress against the WSDP prepared and submitted to DWAF on an annual		y	* n/a	y	y		

No.	Function	Question	Response	Resources Available to perform / undertake the function?				Comment	
			Yes / No	Budget Yes / No	By-laws Yes / No	Infra- Structure Yes / No	Personnel Yes/ No	Progress/ Constraints	Support Requirements
	<i>Target 15 of the SFWS</i>	basis?							
4.2	Monthly MIG Report <i>S12(4) of DORA 2007.</i>	Are your MIG reports prepared and submitted to the transferring officer (dplg) - setting out (for that month and for the financial year up to the end of that month) the issues raised in s12(4) of the DORA 2007?	y	y	* n/a	y	y		
4.3	Provision of Information Requested by the Minister of Water Affairs and Forestry <i>S69 of the Water Services Act.</i>	Do you furnish information for inclusion in the national information system, as requested by DWAF?	y	y	* n/a	y	y		
4.4	Annual Report <i>S121 of the MFMA and S13 of DORA 2007.</i>	Have you prepared your annual report for the 06/07 period?			* n/a				
		If yes, have you submitted it to National Treasury?			* n/a				
4.5	Annual Financial Statements <i>S122 MFMA and S13 of DoRA 2007.</i>	Have you prepared your annual financial statements for the 06/07 period?	y	y	* n/a	y	y		
		If yes, have they been submitted to the Auditor General within 2 months after the end of the financial year to which they relate?			* n/a				
5 Functional Area 5: Finance									
5.1	Revenue Collection <i>S96 of the Systems Act; S64 of the MFMA.</i>	Do you have systems to collect all revenue that is due to you?			CC and DC By-laws				
		Are your debtors, which are 60 days or over for water services, less than 20% of your total water services debtors?			*				
5.2	Water Services Budget <i>S16 of the MFMA read with S17 of the MFMA which requires budgeting by vote.</i>	Is your water services provision budget tabled with Council annually?	y	y	* n/a	y	y		
		Are all realistically anticipated expenditure and revenue which should be allocated to water services set out?			* n/a				

No.	Function	Question	Response	Resources Available to perform / undertake the function?				Comment	
			Yes / No	Budget Yes / No	By-laws Yes / No	Infra- Structure Yes / No	Personnel Yes/ No	Progress/ Constraints	Support Requirements
5.3	Allocation of Equitable Share to Water Services <i>S214(1) of the Constitution requiring equitable division of national revenue, which must consider the need to ensure that municipalities are able to provide basic services.</i>	Is equitable share allocated to delivery of free basic water services?	y	y	* n/a	y	y		
		Is more than 34% of your equitable share allocated to water services, as per the dplg guideline on equitable share allocation (23.3% to water and 11.6% to sanitation)?			* n/a				
5.4	Pay for Water Use <i>S59(2) of the National Water Act.</i>	Are you paying the water use charge levied in terms of the National Water Pricing Strategy? <i>(N/A if you receive all your water from a bulk water supplier)</i>			* n/a				
		Are you paying your catchment management charge in terms of the National Water Pricing Strategy?			* n/a				
6	Functional Area 6: Health and Environment								
6.1	Promote a safe and healthy environment in the municipality <i>S4(2)(i) of the Systems Act; The Section 9 Regulations; Education and Health Targets on page 10 of the SFWS.</i>								
6.1.1	Water quality sampling <i>Regulations 6(1), 7, 8(1) and 9 of the Section 9 Regulations.</i>	Do you ensure a water quality sampling programme is maintained?	y	y	y	y	y		
6.1.2	Waste water standards <i>Regulations 6(1), 7, 8(1) and 9 of the Section 9 Regulations.</i>	Do you ensure compliance with specific waste water standards issued by DWAF?	y	y	y	y	y		
6.2	Health and Hygiene Programme <i>Target 7 of the SFWS.</i>	Do you have a health and hygiene programme?	y	y	* n/a	y	y		
		Is it implemented?	y	y	* n/a	y	y		

No.	Function	Question	Response	Resources Available to perform / undertake the function?				Comment	
			Yes / No	Budget Yes / No	By-laws Yes / No	Infra- Structure Yes / No	Personnel Yes/ No	Progress/ Constraints	Support Requirements
6.3	Links to Municipal Health Services <i>S32(1) of the National Health Act.</i>	If you are a district municipality, have you made the links between the municipal health services authority function and the water services authority function? <i>(N/A if you are an LM authorized as the WSA)</i>			* n/a				
		If you are a local municipality WSA, have you made the links with your district municipality who is the municipal health services authority? <i>(N/A if you are the DM authorized as the WSA)</i>			* n/a				
6.4	Prevention and remedying effects of pollution <i>S28(1) of the National Environmental Management Act 107 of 1998; and S19(1) of the National Water Act.</i>	Do you have reasonable measures in place to prevent pollution or degradation from occurring, continuing or recurring?			Water Services By-laws / Disaster Management by-laws?				
7 Functional Area 7: Performance Management and Regulating Water Service Provision									
(old 7.3)	Decision about the mechanism to render Water Services <i>S19(1) of the Water Services Act; S77, 78(2) and s78(4) of the Systems Act.</i>	Have you undertaken a s78 process that was triggered by the 2003 powers and functions authorisations?			* n/a				
		Have you undertaken a s78 process triggered by any other s77 trigger? <i>(N/A if no other s77 trigger has yet arisen).</i>			* n/a				
		Has your Council resolved on the mechanism following a s78 process?			* n/a				

No.	Function	Question	Response	Resources Available to perform / undertake the function?				Comment	
			Yes / No	Budget Yes / No	By-laws Yes / No	Infra- Structure Yes / No	Personnel Yes/ No	Progress/ Constraints	Support Requirements
		If applicable, has the Council resolution on the mechanism been implemented?			* n/a				
7.2.	Bulk Supply Agreement <i>S32(b) of the Water Services Act.</i>	If you receive water from a waterboard, is it in terms of a signed written agreement with the waterboard? <i>(N/A if you do not receive bulk water from a waterboard).</i>	n	y	* n/a	y	y		
7.3\ <i>(old 7.4.1)</i>	WSP: Internal Mechanism: <i>Chapter 6 of the Municipal Systems Act.</i>	Is the whole or part of your area being served by an internal WSP arrangement (department/ business unit/ other)? If yes, are you implementing an internal performance management system? <i>(N/A if you have answered no to the first part of this question)</i>			* n/a				
			n/a	n/a		n/a	n/a		
7.4 <i>(old 7.4.2)</i>	WSP: External Mechanism: <i>S19 of the Water Services Act; S80 and 81 of the Systems Act, S116 and 120 of the MFMA.</i>	Is the whole or part of your area being served by an external WSP arrangement (NGO/CBO/municipal entity/ another municipality/public sector/ private sector partner)? If yes, do you have a signed service delivery agreement (SDA) with the external WSP mechanism? <i>(N/A if you have answered no to the first part of this question.)</i>			* n/a				
			y	y		y	y		
7.5	Monitor performance of the WSP <i>S27 of the Water Services Act; and SFWS Annexure 2 KPIs.</i>	Are key performance indicators established for water services delivery? Does the list of KPIs include all 9 of the KPIs set out in Annexure 2 of the SFWS?			* n/a				
					* n/a				
7.6	Approval to access water for industrial use	Do you require water accessed for industrial use to be approved by the municipality?	n	y	Water Services By-laws	y	y		

No.	Function	Question	Response	Resources Available to perform / undertake the function?				Comment	
			Yes / No	Budget Yes / No	By-laws Yes / No	Infra- Structure Yes / No	Personnel Yes/ No	Progress/ Constraints	Support Requirements
(old 7.5)	<i>S7 of the Water Services Act and Regulation 9 of the Section 9 Regulations.</i>	If yes, have you handled any requests for approval for accessing water for industrial use?	n	y	Water Services By-laws	y	y		
		Do you monitor discharge of industrial effluent?			Water Services By-laws				
7.7 (old 7.6)	WSA function managed and accounted for separately from the provision function <i>S20 of the Water Services Act.</i>	Do you manage and account for the WSP function separately?	y	y	* n/a	y	y		
8 Functional Area 8: Water Use									
(old 7.1)	8.1 Permissible Water Use <i>National Water Act S22(1)(b); 22(2); 26(1)..</i>	Is your water use permissible?	y	y	* n/a	y	y		
		Do you comply with the conditions of your relevant abstraction authorisation/s?			* n/a				
8.2	Integrated Planning <i>S9(f) of the National Water Act and s13(h) of the Water Services Act.</i>	Are you engaging with DWAF (or the Catchment Management Agency if relevant) to understand how land use planning and the local economic development strategy impact on your water use and the water resources in your water management area?			* n/a				
8.3	Protect the Water Resources <i>S5(3) of the National Water Act.</i>	Are you complying with the conditions of your waste discharge license?			* n/a				
(old 6.3)	8.4 Promote Water Conservation and Demand Management <i>S2(j), 11(2)(e) and 13(j) of the Water Services Act read with regulation 10(2)(g) of the Section 9 Regulations;</i> <i>S5(3) of the National Water Act;</i>	Have you included Water conservation/ water demand management as part of your WSDP consistent with the National Water Resource Strategy?			Water Services By-laws?				

No.	Function	Question	Response	Resources Available to perform / undertake the function?				Comment	
			Yes / No	Budget	By-laws	Infra-Structure	Personnel	Progress/ Constraints	Support Requirements
				Yes / No	Yes / No	Yes / No	Yes/ No		
	<i>The National Water Resources Strategy, 2004, Par 3.3.3 and 3.3.4.1; and Water Conservation and Demand Management Strategy for the Water Services Sector, 2004.</i>								
		Have you ensured the development of an implementation plan for water conservation and demand management in your jurisdiction?			Water Services By-laws?				
8.5	Participation in Water Resource Management Institutional Issues <i>S78(3)(a)(ii) and s81(1) and (2) of the National Water Act.</i>	Are you involved as stakeholder in the establishment of a Catchment Management Agency for your catchment management area?			* n/a				
		If applicable at this stage, is local government represented on the governing board of the relevant Catchment Management Agency? <i>(N/A if the governing board of your CMA has not yet been appointed by the Minister)</i>			* n/a				
		Are you involved as a stakeholder in the establishment of other water management institutions (catchment management forums/ catchment management committees/ water user associations)?			* n/a				