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The struggle to deliver water services to the indigent:

A case study on the public-public partnership
in Harrismith with Rand Water.

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Executive summary

The country's first public/public partnership illustrates the potential of addressing some of the critical difficulties facing local governments in the delivery of water services to the poor. The partnership between Rand Water and the Harrismith local authority has, in just three years time, made significant achievements that will hopefully help to set precedence in the development of future service delivery alternatives. The partnership functions through a corporatised model whereby the water and sanitation sector have been ringfenced financially and run as an autonomous business unit under the name of Amanziwethu Water Services. Staff seconded by Rand Water manage the business unit and workers seconded from city council operate it.

There are numerous achievements to speak of. First, the interests of the public authority have been protected through the design of the contract. Rand Water carries the commercial risk of the partnership by guaranteeing the local authority R1 million if the contract comes to a premature close. As water and sanitation revenues are ringfenced to ensure adequate reinvestment into the sector, the local authority is guaranteed 5% of the sector's revenues to pay for non-profitable services such as community centres and libraries. Finally, the cost-recovery imperatives of Rand Water are capped to ensure that no more than 5% of revenues are returned to Rand Water, through management fees, to avoid increases in the price of water. With regard to labour and service users, extensive consultation throughout the negotiation process led to a general support for the partnership. The value of this support cannot be underestimated as it has contributed to residents generally complying to credit control measures, which is illustrated through very low illegal reconnection rates. Furthermore, the support by SAMWU at national and local levels has created an environment conducive to improvements in the performative culture of the workplace; there has been an absence of strikes, decline in absenteeism and a general increase in worker productivity.

Despite these achievements, numerous obstacles remain in the partnership. First, the transfer of skills is often touted as a critical outcome of partnerships, yet is an objective that is difficult to achieve. The knowledge acquired through Rand Water's managerial and administrative achievements has not been sufficiently transferred to the city council in order to strengthen its own capacity in managing the sector or to better monitor a new service delivery agreement. While city councillors are certainly part of the monitoring process, their own understanding of the detail of the contract remains limited, leading to acquiescence to those who hold technical expertise. This problem is related to the turnover of city council politicians during a period of intense municipal restructuring and is endemic to the regulatory difficulties facing local authorities across the country. Second, the value of the training provided to workers remains dependent on the sound management that has been seconded by Rand Water. To what degree will the performative benefits of this training continue when such highly skilled managers are no longer seconded by Rand Water? Third, the great difficulty in trying to balance cost-recovery imperatives with the constitutional requirements to extend equity to previously disenfranchised households is a battle that has still not been won. Amanziwethu has made strides in determining who can afford to pay and

who cannot and has tailored its credit control measures more harshly on those who can afford to pay. In its effort to do this it has been able to enumerate the indigent in order to ensure that their access to 6kl is not denied. But when indigent households, most of whom are large in numbers, are reduced to a trickle in order to survive, the dignity enshrined in their right to water as citizens is lost. This raises larger questions about national guidelines and the local authority implementation of 6kl as a basic minimum, which is simply insufficient for an indigent household to manage its needs.

While technical and managerial expertise remains an external contribution to a partnership, these difficult political questions will remain unresolved. The challenge of service delivery alternatives is to ensure that the local authority capacity to govern is built up in the process of partnering. This can then put the local authority in a position of choice regarding whether it runs the sector itself or can at least be in a stronger position to provide oversight should it choose to enter into a partnership.

1. INTRODUCTION

Local authorities are in a weak position in trying to manage services sustainably. The culmination of years of restructuring has left them in a difficult position vis-à-vis the skills and know-how that is critical to managing services. At the same time, local authorities have amalgamated new landscapes that face the scars of decades of underinvestment in infrastructure. It is in this context that private sector participation has been touted as the panacea for increasing service delivery efficiencies.

The growing presence of private sector participation in the delivery of essential services has not had a very successful track record in South Africa. The difficulties facing the Dolphin Coast and Nelspruit water concessions illustrate that South African local authorities are not yet ready to adequately regulate or monitor the private sector in the delivery of essential services. The corporatisation of Johannesburg's water, through a management contract with an international consortium led by Suez Lyonnais, has led to financial losses and insufficient attention to maintenance: this raises similar issues regarding council oversight. The weak capacity of local authorities to monitor contracts leaves them vulnerable to the commercial risk incurred by the private sector as well as to meeting their constitutional obligations to deliver services to all.

Amidst the fanfare of a range of public/private partnerships (PPPs) there has been surprisingly little attention paid to the value of public/public partnerships (PUPs) as a viable service delivery alternative. Considering the conditions of poverty and unemployment in many localities where these PPPs are explored, a public sector ethos is important in ensuring that not only those who are able to afford water can access it. The most critical question in evaluating *any* partnership is whether it is able to widen access at improved and affordable levels? Rand Water utility, a public water board that has recently moved into reticulation, is becoming a visible player in the promotion of PUPs for the delivery of water. The Harrismith case study is the country's second PUP in terms of section 19(2) of the Water Services Act, where a local authority chose to contract out services to a water board. The first was between Rand water and the former Eastern District Council and the Transitional Representative Councils of Mbopane, Ga-Rankuwa and Winterfeldt. This case study reviews the successes and challenges of the partnership and argues for greater consideration of the public sector model within South Africa. We argue for a public sector model because we believe it is more committed to integrating equity issues within the institutional design of a partnership than private sector models do.

1.1 Municipal demarcation and local government restructuring

The need for partnerships has arisen because of the management difficulties confronting local authorities across the country. These difficulties are the outcomes of an exceedingly turbulent period of local government in transition. Since 1994, South African local government has experienced three major waves of change. The first was guided by the Local Government Transition Act of 1993 and was concerned with the political unification of

municipalities that had been racially divided under apartheid. Political change was the focus of this period, often at the expense of municipal functioning. The second significant turning point was the introduction of the 1998 developmental local government White Paper, which spurred a series of national legislative innovations such as ward committees, a code of conduct for councillors, integrated development plans and a variety of service delivery alternatives to put these ideas into practice. The third wave of change introduced a new round of re-demarcation of municipalities and the first fully democratic local government elections in December 2000¹. The newly demarcated municipalities (from 843 to 284) had to integrate the transitional local councils and transitional rural councils into unified administrations covering much bigger areas. Doreen Atkinson from the HSRC, notes that this third wave of change is “probably the most difficult yet: it requires municipalities to live up to the high standards set by the ‘local government development’ paradigm”².

The achievement of developmental local government in former homeland areas that have recently amalgamated with small white local authorities remains an elusive goal. These areas are still struggling with the difficulties of integrating administrative, financial and information technology systems of previously separate administrations in a context where the human resource capacity does not exist to understand this complexity. For instance, the historical governance of homeland administrations (Qwa Qwa), combined with the exclusive service delivery approach of white local authorities (Harrismith), created a situation where notions of accountable administration and the demands of delivering on the principle of the right to water for all are still novel concepts. It is against this backdrop that local authorities have chosen to partner with external operators in order to avoid the virtual collapse of the delivery of essential services. When the decentralization of service delivery to external providers is motivated by these circumstances, the inherent management problems of the sector in question are not necessarily resolved.

2. BACKGROUND OF HARRISMITH AREA

The service delivery challenges facing the Harrismith area must be understood within the regional context and recent municipal demarcation. Harrismith is part of the Maluti-a-Phofung (M-A-P) Local municipality in the Free State with a population of approximately 576 201³, and was established on December 5th, 2001 after the amalgamation of five former transitional councils. M-A-P is situated in the Thabo Mofutsanyana District Municipality and includes the three urban areas of Puthaditjaba (now incorporating most of the Qwa Qwa area), Harrismith and Kestell.

1 Atkinson D. ‘Post-Apartheid Local Government Reforms – A small town perspective.’ *CDE Focus*, March 2003; 8: 1-11.

2 Atkinson 2.

3 Water Service Delivery Plan for Thabo Mofutsanyana District Municipality, 2002, chapter 4: 3.

parts of the former homeland area of Qwa Qwa, called Tshiame, located 10-15km to the west. It is therefore a spatially dispersed town with little to connect or integrate the separate components, particularly Tshiame.

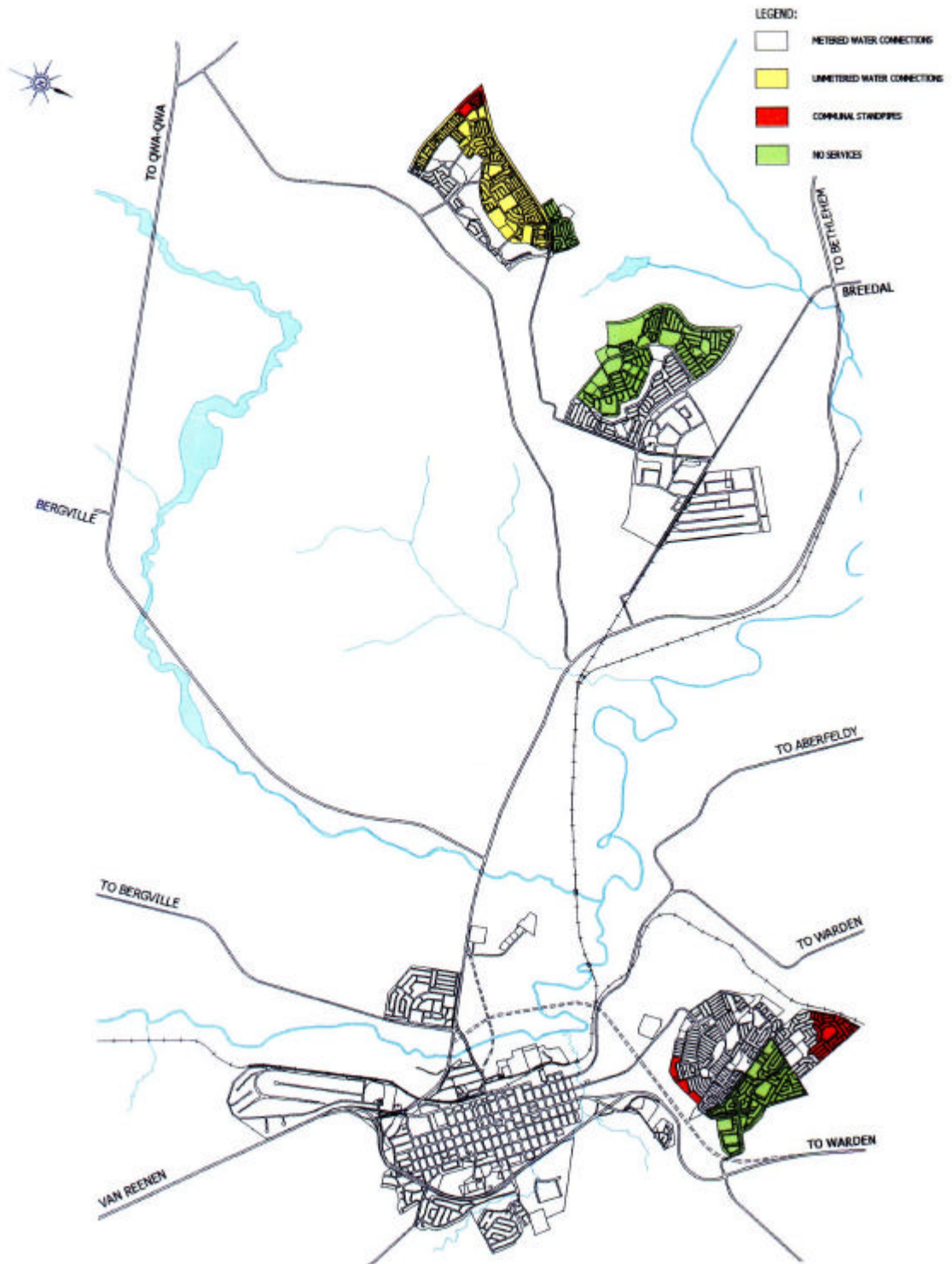
The self-governing territory of Qwa Qwa was incorporated after 1994 into the Free State Provincial Government and in its new embodiment as Puthaditjaba, will eventually be incorporated into a water service provision plan that includes the current Harrismith area. Puthaditjaba and its surrounding area has a poverty rate of 88%⁵, highlighting the enormous development demands placed on the current administration in trying to raise the standard of living to an urbanized settlement without the accompanying amenities associated with living in an urban area. The infrastructure to this area is abysmal with approximately 80% of the population without access to sanitation⁶.

Harrismith is the eastern urban node and is the centre of M-A-P. Its strategic location of being on a national highway half way between Johannesburg and Durban creates numerous trading opportunities based on the movement of goods, vehicles and human traffic through the area. It also serves as a major employment centre for people living in Tshiame and Puthaditjaba. The town's main economic activity centres on industry and is therefore capital intensive, a contrast to Puthaditjaba, which attracts labour intensive industry. Harrismith derives much of its economic activity from its geographic positioning within M-A-P, its situation at the intersection of major road networks, its proximity to the export/import harbour in Durban, the relatively cheap labour costs and a large and accessible labour force residing in the municipal region.

5 Budget speech by Zingile Dingani, MEC for Finance, Expenditure and Economic Affairs, tabling of the provincial budget of the Free State, Wednesday, 8 March 2000.

6 Interview with Bassi Ungara, Director of Infrastructure Services to the Maluti A Phofung local authority.

Figure 2: Water service delivery levels in the greater Harrismith area



Source: Water Service Plan for the Thabo Mofutsanyana District, 2002.

The spatial arrangement of Harrismith's urban complex is loosely grouped and spatially dispersed from the core of economic activity. Intabazwe is the original African township associated with Harrismith. Despite the fact that most households in this area are indigent, the township's infrastructure is relatively well developed with most properties metered for inhouse connections and with water borne sanitation. There are still, however, a number of settlements in the area that rely on community standpipes and approximately 1500 households still use the bucket system. The township is separated from the economic hub and has few formal employment opportunities, forcing most of the workforce to seek employment outside.

Tshiame A, B and C are residential areas that were incorporated into the homeland of Qwa Qwa in 1984. Tshiame A is older, more established and relatively better developed than Tshiame B and C. Tshiame B is a substantially poorer settlement where approximately 80% of households qualify as indigent.⁷ There is no credit control in this area as few houses are metered and most rely on Ventilated Pit Latrines (VIPs) for sanitation and community standpipes for water. In Tshiame C, two thirds of the population live in high-density shacks and mostly rely on pit latrines and community standpipes. The challenges required for poverty alleviation in both Intabazwe and Tshiame are significant. Despite its locational advantages, the Harrismith area has an unemployment rate of 38%.⁸ Such high unemployment rates could be reduced with the growth of entrepreneurial activities but the scope for business investment in the township areas in particular is limited by the socio-economic conditions of the area. Those who are employed are in low paid unskilled menial jobs like domestic and maintenance work.

The work morale of the local municipality administrations within the M-A-P area is low due to its poor financial status and the skills scarcity in managing service delivery to a very poor area. By comparison, the Harrismith service delivery management capacity is high, a residue of its previous dispensation as a White local authority. When Harrismith was amalgamated into the M-A-P area, the contrast between the level of services and overall management, and that of Puthaditjaba and its surrounding rural area, was startling. The income and infrastructural discrepancies between these areas underline the sharp dichotomies in the quality of life experienced by the different population groups in South Africa and are stark reminders of the racialised character of inequality. This section has highlighted the socio-economic disparities within the M-A-P area in order to expose the difficulties facing the local municipality in attempting to integrate the activities of two different service providers once their contracts expire at the end of 2004.

7 Urban Econ. *Qwa Qwa Strategic Development Guidelines. Phase One Report: Analysis and Assessment*. October 1992.

8 South African Census, 2001.

2.2. Exploring the trials and Tribulations of the Corporatisation Model

In 1999, the Harrismith Transitional Local Municipality, through years of neglect in infrastructure and maintenance - particularly in the effluent controls, was in a situation where it needed to partner with an external provider in order to improve the management of the water and sanitation sector. It first began exploring private sector options but had little to offer considering the high levels of poverty in the area and the relatively weak rates base. Rand Water responded to the request of the municipality in terms of section 19(2) and 43[©] of the Water Services Act. Part of the motivation for Rand Water in pursuing the bid was to deepen its experience in the retail sector with limited risk since the contract would be limited to operations and maintenance.

Rand Water is a Gauteng-based water board that has been in the bulk water business for over 100 years. In 1997, the Water Services Act granted water boards the right to operate beyond their provincial boundaries as well as to move into the realm of reticulation. Rand Water has since expanded to four provinces and provides bulk water to over 10 million South Africans. Rand Water was, by default, brought into the retail end of the water business in 1996 when the Department of Water Affairs and Forestry (DWAF) mandated it to assist the fledgling efforts of the local authority in Odi to provide services to its residents. The trials and tribulations of this experience sparked an interest within Rand Water to expand/refine its capabilities as a water service provider (WSP).

This water partnership experiment is interesting for two reasons. First, the signing of the contract on October 19th, 2000 was the first contract that put into place section 78 of the Municipal Systems Act (December 2000). While Odi, was the first public/public partnership in the country, the Harrismith contract is the first public/public partnership that was designed according to the legislative guidance provided by the Municipal Systems Act whereby a local authority chose to partner with a water board rather than the private sector. Second, Rand Water chose a corporatisation model as the institutional framework to develop this partnership. Corporatisation is a service delivery model where government runs a department along commercial lines and at arms length. The transformation process usually requires financially ringfencing the sector and then running it autonomously as a business unit⁹. To understand why corporatization was selected, it is important to briefly review the service delivery debates in the country at the time.

In 1999, South Africa was awash with theoretical arguments backed by private sector consultants as to the merits of public private partnerships. DWAF, the Development Bank of

9 There are numerous variations of the corporatisation model ranging from public cooperatives to privately -run enterprises, but in both cases government retains ownership (see Baker K, Cameron D. *Good governance in municipal restructuring of water and wastewater services in Canada*. Working Paper 1, Program on Water Issues, The Munk Centre for International Studies, November 2002. <<http://www.powi.ca/recentresearch.html>>; Smith L. 'The murky waters of the second wave of neoliberalism: corporatisation as a service delivery model in Cape Town', special issue on 'Neoliberalism and the Environment' in *Geoforum*, forthcoming in 2004.

South Africa (DBSA) and the Municipal Infrastructure Investment Unit (MIIU) were national level institutions that were strongly supportive of privatisation models such as concessions and Build Operate Train and Transfer schemes (BOTTs). In practice however, there has been insufficient evidence from these contracts to prove to local authorities that the private sector model is suitable for the socio-economic contexts in which they were being implemented. For instance, in 1999 the Nelspruit contract was signed, sparking the most intense period of civil society protest against the entry of BiWater, a British multinational, to manage the concession. Similarly, in 2000, the negotiations for a fully-fledged corporatisation of the Johannesburg water sector were underway with the promise of a management contract that would be handled by a multinational consortium led by Suez Lyonnais. There were massive labour and civil society protests against the unconsultative manner in which this decision was taken by the Johannesburg city council as part of its Igoli 2002 plan. At the same time, the trials and tribulations that Rand Water had undergone in the country's first public/public model were beginning to reveal some positive outcomes.

In looking at the existing institutional arrangements for the provision of water within the country, Rand Water, a commercially profitable business, felt that the corporatisation model was suitable for the nature of the contract requested by the Harrismith council. Rather than putting in place the mechanisms for Harrismith to develop a separate utility, Rand Water would manage a business unit within the city council so as to ensure a degree of autonomy. In 1999, an 18-month negotiation process with labour, the residents of the area and city council led to an agreement on the principles of the contract. The negotiations were structured around task teams on Finance, Technical, HR/Legal and Institutional and Communications issues, each of which brought information and recommendations to the Council. The long and drawn out process was at considerable cost to both Council and Rand Water but was deemed necessary for ensuring full support from all interested parties. The consultation process during the negotiations was particularly effective in ensuring labour union representation from local and national offices not only on labour issues but also in all aspects of the partnership¹⁰.

Both Rand Water and the Transitional Local Council (TLC) were willing to bear the additional costs of such a protracted negotiation process because of their respective experiences in operating in co-operation with the unions. Rand Water had recently learnt from its experience in Odi, the difference in working through a difficult service delivery agreement when the South African Municipal Workers Union (SAMWU) has given full support¹¹. The city council of the M-A-P area had a very strong relationship with SAMWU, a fact that was illustrated through a SAMWU shopsteward being represented within the city

10 Floss MM, Chipkin I. *A New Model of Service Delivery: Amanziwethu in Harrismith*. A report commissioned by Rand Water, July 2002: 1-32.

11 Interview with Jo-Anne Ferrera, 15 June 2003. Also see Schmitz T. *Piloting public-public partnerships: successful cost recovery in Rand Water's Odi supply area*. CPS Policy Brief. Centre for Policy Studies. January 2000: 19.

council delegations during each of the negotiation meetings. The contract was signed in October 2000-- October 2000 to March 2003 constituting the handover period with Rand Water taking responsibility for service provision on March 1st, 2001, and included the major results of the negotiations:

- A short-term, 3-year management contract rather than a long-term concession between M-A-P and Rand Water.
- Ownership of assets and responsibility for capital improvements to remain with the council;
- Isolation of water and sanitation services into a ring-fenced business unit called Amanziwethu (AWS), which will operate at cost 'but not-for-profit';
- Annual secondment of employees to the partnership business unit by both Council and Rand Water. Rand Water yearly management fee charge of R 1,5 million for the secondment of its staff.
- Expansion of services to be provided by the partnership business unit to include revenue collection.¹²

3. SUCCESSES

On the operational side, the infrastructure improvements to the water and sanitation sector are numerous. They include reducing the unaccounted for water (UAW) rate from 30% to 12%; putting in place 1000 new connections to waterborne sewerage and improving effluent standards. On the financial side, AWS inherited a sector that was in deficit of R 7 million due to historical mismanagement and was paid by the M-A-P administration in 2000. Within the first 16 months of AWS operating, the sector was generating a surplus of R 1,6 million and in the following year generated a 2 million surplus, all of which was reinvested back into infrastructure maintenance¹³. The most significant gains, however, have been on the institutional side of water management, areas that have set important milestones for future partnerships in the water sector. The successes highlighted below are the design of the contract, the regulation and monitoring of the contract and the way in which the tariff was structured.

12 Schmitz 6.

13 This surplus is over and above the cost of Rand Water's management fee as well as the annual R 2,1 million paid to the municipality to help it balance its budget in other sectors.

3.1 Primary gains of the contract

At the time of the negotiations, the infrastructure for the sanitation sector had deteriorated to the point where “raw sewerage was running through the river”¹⁴. The primary concern for the municipality in entering into a service delivery agreement with Rand Water was to improve the condition of the sector’s severely neglected infrastructure through a sound operations and maintenance program. The contract was therefore designed to protect the interests of the local authority while at the same time putting in place the mechanisms to run the service more sustainably in the medium to long-term.

Clause 26.1¹⁵ mandates Rand Water to provide a contract fee of 5% of revenues from the water and sanitation sector to the local authority to ensure that it can continue to balance its budget in financing non-income-earning services. One of the common weaknesses in financially ringfencing tradable services is that it removes the revenues from sectors that have traditionally been used to assist the local authority in financing non-profitable services such as libraries and community centres. The Rand/Harrismith contract took this issue into consideration by paying the local authority a pre-negotiated contract fee to cross subsidise other services traditionally paid for by revenue generating services.¹⁶ Other areas of service delivery have therefore not suffered financially as a consequence of the water and sanitation sector being transformed into a business unit along commercial lines.

Clause 24.2.1 ensures that no more than 5% of the billed water revenues of any given year can go to Rand Water to recuperate its management costs. This proviso ensures that cost-recovery motives do not lead to significant price increases, thus acknowledging the importance of water remaining affordable.

Clause 31.1 guarantees the local authority R1 million should the partnership come to a premature close due to Rand Water breaching the contract. This puts the local authority in a position to finance an interim arrangement in such an eventuality. The burden of the risk is therefore clearly carried by Rand Water. This clause is contrary to the harsh reality that many local authorities have had to carry the commercial risk in private sector partnerships when the contractual obligations were not met or came to a premature close.

One of the primary reasons SAMWU and the Independent Municipal and Allied Trade Union (IMATU) both supported the partnership with Rand Water was the integrity of job security that was maintained through section F clause 29 of the contract. AWS is made up of approximately 70 employees, with 60 seconded from the municipality and 10 from Rand Water. Workers seconded from the council were promised that they would retain all of the

14 Interview with Mark Armstrong, Director of Amanziwethu Water Services, 30 June 2003.

15 “Public-Public Partnership Contract Relating to Water and Revenue Services and the Water Services System”, October 2000.

16 According to a formula agreed to in the contract, Rand directed R 2,1 million to the city council, which declines gradually to R 1,2 million for the last year of the contract.

privileges and job security that they enjoyed under the council. In the event of the termination of the contract, workers would retain employment but revert back to supervision of the council. In this sense the new partnership did not bring with it levels of insecurity of tenure as might have been the case in a private sector partnership. Pay scales, medical aid contributions, pensions and other benefits have remained intact for workers. The bargaining power of the Union is also largely intact, with council conferring regularly with the Unions. The contract also introduced significant new benefits for workers such as bi-yearly check ups with doctors, safety standards and protective gear.

In many contracts there is a clear separation between the roles and responsibilities of a water service provider and water service authority. The water service authority is responsible for ensuring that water gets provided to its residents and is tasked with designing the policy instruments necessary for this oversight. This ranges from the design of bylaws to credit control policies. Many local authorities across South Africa lack the technical ability to devise these kinds of policies. The contract took this 'capacity' concern into consideration by enlisting Rand Water (WSP) to assist the local authority (WSA) in the development of these critical policies.

3.2 Monitoring and regulation

The Harrismith/Rand Water partnership has developed a sound regulatory system for the size of the contract area. AWS pays the local council a monthly fee of R10 000 to manage the regulatory system, which consists of an external consultant - Stewart Gibson and a council representative - Francois Beukes, who are responsible for producing a monthly monitoring report. The report is then tabled at a monthly coordinating committee meeting with representatives from Rand Water, Sedibeng Water and city council. The coordinating meetings review issues arising with the operational budget, business plans, payment levels, training programmes and problems represented both by AWS and by city council.

The monitoring mechanisms that have been set up are sound but how they have been implemented raises the question of to what degree the capacity of city council to monitor the management contract has improved through this process. The original thinking in designing the monitoring unit was to set it up as an independent unit with the intent of eventually housing it within city council. As the contract enters its final year, the degree to which council capacity in fulfilling a monitoring role remains limited. One senior official interviewed for this research confessed that many of the coordinating committee members did not really understand what their roles and responsibilities were and as such tended to play a passive role in differing to those with technical expertise. The performance of the monitoring unit has been stellar but this is in large part due to the reliance on a good outside consultant who is able to, through his independence, confront both Rand Water and city council when they have failed to fulfil their responsibilities.

The situation, however, raises a number of questions regarding public oversight. What happens to the monitoring capacity of water and sanitation when the external consultant's contract ends? Will the city council be any stronger in managing the sector? To what degree are township residents involved in the oversight of the contract? Are the outputs of the Water Services forum sufficiently integrated into the monthly coordinating meetings where 'real' decisions are taken?

The ability of council to play a more intensive monitoring role is limited as only four of the current corpus of councillors were part of the previous council decision to sign the contract. Even though several officials have been part of the process from the very beginning, elected councillors, rather than officials, hold the mandate to maintain political control and to monitor the contract. This has had considerable impact on the ability of councillors to exercise effective oversight over the performance of AWS in terms of its contractual obligations. The councillors interviewed for this research noted that they would have preferred a formal introduction process about the contents of the contract as they missed the two-year negotiation process with the previous regime in which Rand Water provided substantial educational training. Another issue identified by councillors was the communication gap between the different committees, such as the Credit Control committee, the Communications committee, the Monitoring and Oversight committee and regular council meetings. While each of these committees has separate functions, there is a need for better coordination and integration amongst them.¹⁷

Administratively, the contract-monitoring role is plagued with the same human resource scarcity on the council side as the Nelspruit water concession contract faced¹⁸. In both the Nelspruit and Harrismith instance, the council responsibilities for monitoring the contract falls to one senior engineer, which is responsible for infrastructure services for a much larger area than the territory that falls within the contract. In the Nelspruit instance, the town engineer responsible for monitoring the concession contract was responsible for service delivery to the entire Mbombela area. In the Harrismith instance, the senior engineer responsible for monitoring the contract is also responsible for all infrastructure services to the M-A-P area. In both instances, the officials holding these responsibilities were/are fortunately very capable individuals but cannot possibly provide the necessary attention to a single contract when their areas of responsibility are so much larger. The issue raises the need for city council, when it enters into a contract, to place more attention to the appointment, and where there is no capacity, to the cultivation of more personnel to assist in the crucial task of regulation and monitoring.

17 Interview with councillor Nkosinathi Msibi, 30 June 2003.

18 Smith L, White F, Mottiar S. *The Nelspruit Water Concession: Testing the limits of market-based solutions for the delivery of essential services*. Research Report 97, Centre for Policy Studies, 2003.

3.3 Tariff restructuring

When Amanziwethu Water Services was created in 2001, the tariff structures it inherited in the water sector was typical of most small white local authorities adjacent to former black homelands; business was subsidised by the poor. For decades the three industries in the area - Nestle, Nouwens Carpets and the Free State Development Corporation, had been subsidized by poor households through a tariff structure that charged very little to the former and high rates to the latter. In the tariff restructuring process, AWS immediately approached the three industries to negotiate a 60 to 70% increase for their water supply, in comparison to raising the price for domestic consumption by 20%¹⁹. Table 1 illustrates the tariff structure inherited by AWS. In order to be able to provide the 6kl free, AWS had to reverse the directions of cross subsidies in the tariff structure to ensure that industry rates could leverage sufficient resources for the local authority to provide the 6kl free and ensure a low fare in the second step of the tariff. The second step of R4, 23 per kl is low comparative to other areas. For instance, the average cost for the second step in Gauteng is R 5,50, in the local authorities of Midfall and Mumfuleni, it is R 6,64 and R 8,60 respectively²⁰.

Table 1: Harrismith domestic water tariffs from 2000 to 2004

Tariffs in 2000/2001		Tariffs in 2003/2004	
0-10	1,12	0-6	
11-20kl	2,30	7-18kl	4,23
21-30kl	2,80	19>30kl	4,05
>30kl	3,00	>30kl	4,33
		>40kl	4,99

Source: Johan Louw, Utility manager for Amanziwethu Water Services, July 2003.

19 Nestle, which had been paying a mere R 1,40 per kiloliter, experienced a 97% tariff increase.

20 Personal communication with Kobie Marais, tariff specialist, Rand Water, August 2003.

Table 2: Changes in water tariffs according to varying levels of water consumed

	2000/2001	2001/2002	2002/2003	2003/3004	%Var to
Charge when using:	(Before free water)				HS tariffs
6kl	24, 32				
18kl	47, 20	44, 52	47, 40	50, 76	15%
30kl	79, 89	87, 12	92, 76	99, 36	19%
40kl	109, 80	125, 12	133, 26	142, 66	18%
50kl	139, 80	163, 12	173, 76	192, 56	13%

Source: Johan Louw, Utility Manager for Amanziwethu Water Services, July 2003.

Table 2 illustrates that households whose consumption patterns fall between 30 and 50kl - usually households falling within higher income brackets, have received the highest price increases.

There are several positive features of this tariff. First, a 5th block for households that consume over 40kl was added in 2002 to force high volume service users to pay more for their consumption. Second, a 2% tariff increase has been added to high level consumers and industry in order to create a fund that is earmarked for local economic development activities. High unemployment levels in the township areas make the ability to pay difficult for most. As such, AWS has created a fund through the tariff structure that is designed for employment generation in order to bolster the long-term capacity of residents to pay their municipal bills. Third, a portion of the tariff has also been earmarked for research into council assessments and evaluation of the contract as well as explorations of service delivery options for the post-contract phase. This exercise is in line with section 78 of the Municipal Systems Act and is at the very least, in this instance, a funded mandate. The problem, however, with this exercise is that Rand Water's is in a conflict of interest by virtue of its support to the city council in acting as a Water Service Authority to review service delivery options for the post-contract phase. Rand Water is a serious contender for the next contract and should not be seen in any way to influence the section 78 review.

4. THE CHALLENGES OF THE PARTNERSHIP: EQUITY VERSUS COST-RECOVERY

Most local authorities struggle with the difficulties in balancing equity principles with the need to recover costs in order to provide services sustainably. If we examine the spectrum of service delivery options, a full-blown concession tips this balance towards prioritising cost-

recovery principles while a public/public partnership puts greater emphasis on equity issues with the recognition of the public benefits that come with access to essential services regardless of ability to pay.

Rand Water agreed to manage the public/public contract under the condition that it would be run on a cost-recovery basis. It focused on distinguishing between who could afford to pay and who could not. The next step was to measure those who could not afford to pay and apply punitive measures for non-payment on those that could afford to pay. The cost-recovery aspect of the partnership was integrated into the design of the contract whereby Rand Water staff secondments were charged for on an hourly rate and it was agreed that this would not exceed a yearly figure of R1, 8 million. Rand Water's insistence on cost-recovery was not only premised on its commercial underpinnings but also on its recent experience in managing the retail water sector in Odi. The level of subsidies provided in-house by Rand Water in the Odi partnership was not financially sustainable as Odi could not continue managing the sector in the same manner as Rand Water had²¹; Odi did not have the same level of skilled operational and managerial staff and financial capacity to operate at the same level as Rand Water had.

The business model developed by AWS for this contract put considerable attention on recovering the cost of provision and reinvesting any surplus back into the sector in order to ensure its long-term financial and infrastructural viability. This objective is common to the corporatisation model and has been rigorously implemented in other water corporatisation models across the country. AWS has, however, differed in its approach to the traditional objectives of the business orientation of the corporatisation model by paying attention to the importance of access. It has recognized that the socio-economic context of the Harrismith area, where approximately 30% of the population is indigent, must be taken into consideration when devising strategies on how to make the sector sustainable.

4.1 Indigence policy

In order to implement a cost-recovery policy that does not exclude access to those that cannot afford to pay, Rand Water focused its efforts in measuring and keeping updated records of the number of households that fall into the indigent category. In some respects, a key challenge of this partnership is to ensure that the indigent policy is properly implemented. Those earning less than R1100 have been encouraged to register as indigent to ensure that they are able to retain access to a lifeline tariff of 6kl of water free. Of a total of about 10 000 service users to the area, 3000 are indigent, representing approximately 24

21 Interview with Rowen Duval, operations manager for retail water services at Rand Water, 29 July 2003.

000 people²² and approximately 30% of the population. To implement this policy requires scrutinizing how many people are indigent and updating this information on a yearly basis. If AWS is accurate in its counting of the indigent it can then request the appropriate financial transfers from the city council's portion of the equitable share grant. At present, the M-A-P area gets an equitable share of R112 million, R4 million of which is allocated to Amanziwethu for the Harrismith area. The intention is not for AWS to subsidize the indigent but rather to ensure that the national monies allocated for poor households are appropriately channelled. This then leaves more scope for flexibility with households that consume over and above what is allocated through the free water policy.

In the partnership's approach to the indigent, however, some administrative weaknesses have been evident. Two of the Councillors interviewed noted that AWS has been constrained in updating a database of the indigent because poor residents tended to be slow in registering. Unfortunately, it is often the act of water cutoffs, rather than public announcements on the requirements to be eligible for council subsidies, that prompt indigent households to register. This causes considerable delay in implementing the indigence policy and creates an unnecessary burden on the record keeping and administrative functions.

4.2 Credit Control Policies

When AWS became a business unit, it took over a sector with no credit controls in place. The payment rate in the most affluent areas of the Greater Harrismith Area - Harrismith town and Tshiame A - is 90%. By contrast, the payment rate in Intabazwe and Tshiame B and C are 32% and 8% respectively. In Intabazwe, it ranges between 20 and 30%. There have been approximately 3000 to 4000 cutoffs a year in the area representing 30 to 40% of the contract's customer base.²³ The variance in these payment rates reflects the different socio-economic conditions of the settlements being serviced. This low level of payment in the township areas, combined with 30% of the population being serviced falling within the indigent category leaves a narrow service user base from which AWS can recover its costs. It also raises questions about the public health implications associated with the rigid adherence to cost-recovery policies in poor areas when such a large proportion of households are being disconnected or reduced to a trickle.

The most significant challenge for Amanziwethu Water Services has been to determine who can afford to pay and who cannot. The credit control policies agreed to at the monthly water forum meetings were that everyone would receive 6kl free in line with national standards. Households consuming more than this amount and earning less than R1100 had to

22 Interview with Mark Armstrong, director of Amanziwethu, 2 July 2003.

23 Interview with Riana De Jager, Accounts Department for Amanziwethu Water Services, 28 July 2003.

register as indigent to ensure that their water supplies were restricted rather than cut-off. Indigent households are also given a subsidy of R50 per month to cover other basic services such as sanitation, refuse collection and electricity. Households earning over R1100 would have their water supply cut off if they failed to make an arrangement within 30 days of being sent a cutoff notice. The standard approach has been to routinely disconnect households who have not paid and then reconnect people who come forward that are indigent, at which point a trickler is installed to maintain a lifeline flow of 200 litres a day. For those who are not indigent but have been cut off, they can have their water reconnected if they make an arrangement with AWS to repay their water bill in full through instalments. This operates as an indirect mechanism for identifying who cannot afford to pay but raises issues of procedure.

Trying to avoid cutting off indigent households erroneously has been a priority for AWS. Numerous mechanisms were developed to facilitate communication about the status of a household's income and the options available if it is unable to pay, with the assumption that household understanding of these options is critical to protecting the indigent from being disconnected. Water forum meetings were held bi-monthly to confront the issue of payment of services vs. affordability. AWS dealt with the initial community resistance to a credit control policy by making house visits to establish what the problems were in areas with high non-payment rates. Households claiming they were too poor to pay for water were given 42 days to register themselves as indigent or turn to their ward councillor for assistance if they saw themselves on the cutoff list. AWS distributed cut off lists to ward councillors to ensure they were informed of the status of credit control actions. This enabled them to communicate with those customers on the cut off lists prior to the credit control action being implemented²⁴. AWS also enlisted the customer care manager and a ward councillor to accompany the contractor to prevent indigent households from having their services discontinued. This is a very important precautionary step. Officials interviewed for this research, however, complained that this policy was not being properly implemented by virtue of the ward councillors or the Customer Care Manager of AWS failing to show up when a household is being disconnected. Good mechanisms have been put in place to safeguard the rights of the indigent but the degree to which these mechanisms are enforced is still in progress.

In trying to enforce payment from households who can afford to pay, AWS made a decision not to move into the realm of evictions as a method of credit control. Even though city council used this method of credit control in the past, AWS judgement was that this procedure would burden city council with the time for administering legal fees. Rather, AWS chose to disconnect electricity as a warning to people who were not paying their water bills. If households failed to pay their water bills once their electricity was cut off, then AWS would take the next step by cutting off water to these households. The rationale was that it

24 Amanziwethu Progress Report, 1 June 2002: 11.

is easier and less costly to disconnect and reconnect electricity than water. This policy is only carried out in Tshiame A and the town of Harrismith, the wealthiest parts of the contract area, as Eskom provides electricity to the remaining areas.

The ability of AWS to disconnect electricity as a credit control mechanism for water suggests that the supposed financial ringfencing of the business unit is a more fluid concept than it purports to be. Technically, revenues from city council should not flow into the water and sanitation sector and vice versa, except for the contractual proviso that 5% of the sector's revenues are returned to city council. Why then, does AWS have the power to interfere in people's access to electricity in order to simplify its credit control measures in the water sector? What are the financial implications of this for the electricity sector? The answer to these questions could shed light on the limitations of ringfencing and why these limits are rarely communicated to public stakeholders.

4.3 Attitudes towards payment

Irrespective of the disparity of service between the wealthier and poorer parts of Tshiame and Intabazwe, most households, especially the economically marginal ones, expressed a commitment to paying for the services they receive. While the majority of wealthier township residents pay for their services, most complain about the amount they have to pay. Low income service users agreed with the principle of paying according to the amount consumed but expressed a preference for a flat rate as this would remove fears of not having sufficient access to water to meet their household needs if their water bills were too high. This overall attitude about a desire to pay for services is couched in the reality of a large-scale inability to pay and explains why AWS has not been plagued with illegal reconnections. This contrasts with the Nelspruit water concession where perhaps the public perception that BiWater has been too severe in its application of credit control measures has backfired on the Water Service Provider's efforts to enforce credit control. It has created a situation where households will reconnect themselves illegally to maintain access to water rather than going through formal channels of applying for indigence grants or complaining to ward councillors. In Harrismith, there appears to be higher levels of compliance to credit control measures but also much less ability to pay as the poverty rates are significantly higher.

4.4 Customer Care

The amount people have to pay for water significantly influences their perceptions of whether services were being delivered efficiently or not. Most household respondents felt that there had been a decline in services since the business unit was created, but despite this, had a positive attitude towards Amanziwethu Water Services. This contradiction lies in the fact that township residents in particular felt that the quality of water delivery may have

improved but at an increased expense, thus making the issue of access by households a concern.

Households primarily noted the improvements in service delivery with yard taps or inhouse connections and with waterborne sanitation. Respondents reported improvements within the following categories of service delivery:

Maintenance

- Interruptions to water supply have been minimal, and where they have occurred residents understood them to be due to maintenance or repairs. Moreover, residents reported that due process was followed regarding proper notification prior to water being cut off for repair or failure to pay;
- Where interruptions have occurred, they have been timeously notified;
- Routine maintenance and AWS response to complaints have been good. AWS workers have been very visible and clearly identifiable;
- Residents noticed an improvement in the quality of infrastructure, especially in area where new connections are concentrated;

Communication with service users

- There has been an increase in exchanges with the township residents through water forum meetings and household calls by AWS;
- Billing has been regular and mostly accurate. Residents noted significant improvement in the clarity of bills regarding information about how much water is being consumed, and what exactly is being charged for regarding different services;
- Residents have been given information for contact numbers, complaints and queries;
- AWS staff has been responsive, efficient, courteous and responsible in attending to faults, complaints and queries.

Flexibility with Credit Control

During the interviews with households and Councillors, examples were provided that point to the sympathetic orientation that AWS has adopted in response to the socio-economic hardships of residents. There have been numerous instances where households have not qualified as indigents and have been in arrears, but have not been disconnected when they have consumed over the free amount allotted. AWS has tried to be flexible in such instances on the condition that such households make commitments to pay on mutually agreed upon, yet affordable terms. In addition where residents have been restricted to 6kl of water

because of their indigent status, but where the need for water exceeds the 6kl limit because of emergency circumstances, AWS has been flexible by allowing for a freer flow of water²⁵.

4.5 Consultation and participation

In conceptualising citizen participation in governance, there is often a conflation of the concepts of participation, consultation, and information. This has been the case in the run up to, the conclusion of, and in the continued operation of the AWS partnership. In the provision of information, AWS has used a number of different vehicles. The first vehicle has been the provision of information by council to citizens to make them aware of council's intentions. This occurred at the very outset of the process, when the council was looking for a partner. The second vehicle for transmitting information was through the negotiation process and encompassed a feedback mechanism to the community regarding the status of the negotiation and key arrangements that would affect service delivery. Once the agreement was signed, the city council and the service provider became the third vehicle through which the community would be kept abreast of the services provided and changes or interruptions in the delivery process.

In the AWS partnership, the community participation strategy had two aspects to it: an educational initiative and a feedback mechanism. The educational objective was intended to inform the public of Council's intention to change the provision of water. Through Council and AWS cooperation, awareness raising was conducted through a variety of ways: radio broadcasts, community video screenings, community theatre productions, newspaper articles and advertising and community meetings.²⁶ The feedback process, aimed at consultation with local political structures, representatives of various stakeholders, such as the unions and local NGO's, political parties and small business, was for the most part seen as constructive. There was notable participation by a local NGO, Fundisanani, and the leading political party in the area, the ANC. These consultation fora eventually evolved into the water services forum, in order to encourage popular participation in actual decision-making processes. It was envisaged that this forum would be able to transform mere consultative approaches in the delivery of water into more participatory mechanisms where the expansion of services, tariff structuring and strategic goals and priorities could be deliberated upon. This unfortunately had not materialised to the extent anticipated.

25 One household interview conducted in Intabazwe serves to illustrate the point. This household's water supply was restricted by the installation of a trickler. Unfortunately, a death had occurred in the family and on reporting this, with supporting documentation, the tricklers were removed to allow for an unlimited flow of water. While the resumption of a free flow of water was intended only for the duration of the mourning period and the funeral, the tricklers, according to the resident in question, were never re-installed.

26 Floss, Chipkin.

Residents across the board were varied in their reactions to the question of whether they were consulted about the partnership. Of the 29 households surveyed, 42% felt that there was a degree of consultation through mass meetings and that a fair degree of information was provided. Of the 42%, a majority (65%) were relatively affluent and exclusively white. Approximately 33% of households felt that there was a degree of consultation had occurred but that the information provided was insufficient or not clear enough for them to really contribute an informed opinion about the anticipated partnership. Of this 33%, the majority (80%) fell into the indigent or economically marginalized category of households. Approximately 25% of households interviewed felt that neither consultation, nor any significant degree of information had been passed on to the community. The majority of these respondents were indigent blacks. Approximately 12% of this despondent group were white households that felt alienated from the consultation process because they were 'disconnected' from the current city council in that their concerns as a constituency in a 'new' (black majority) city council were being taken less seriously. Despite this variance of opinions most agreed that the local council and AWS had made an extensive investment in time and resources to provide information about the anticipated service delivery agreement and consult about the service delivery options.

The respondents, did however, admit that while there was a degree of consultation, community views were not taken seriously:

Sometimes councillors call, to ask for our views and ideas. Then we all agree as the community on a way forward, but the council and the politicians decide what they want to anyway. We don't see our views [sic] anywhere. So this time when I was told [about a consultation] I didn't bother.

Households felt that they had insufficient information and familiarity with how services actually work, making their participation in the water services, while not deliberately excluded, very limited. This is corroborated by the household interviews where mostly relatively wealthier and better-educated households felt that both a sufficient degree of consultation and information was provided. Higher income households were able to understand the process and had greater ease with which to access information. This made their participation in formal deliberative processes much easier. It is the bulk of the low-income households who felt that their lack of understanding of the process by which formal deliberative processes work and the technical nature of the information they received rendered them less likely to participate.

The differential abilities of households to effectively participate in the water fora raise important social questions regarding effective service delivery. The partnership has a serious commitment to genuine community participation but it has struggled to tailor information according to the differential needs of its service users. This problem is neither unique to this partnership, nor to the water sector; it is central to the challenge of designing meaningful participatory processes to low-income households that do not necessarily have the skills to articulate their needs.

5. ISSUES TO RESOLVE IN MOVING FORWARD WITH THE PUBLIC SECTOR MODEL

5.1 Cost-recovery

The installation of tricklers as a cost recovery policy for the provision of water raises profound ethical questions. The problems of a national policy that limits an indigent household to the free 6kl as part of governments approach to 'development' is not lost on citizens nor progressive politicians and councillors in Harrismith. As one resident in Tshiame A, living in a three-roomed house shared with six other people, put it:

The tricklers are inhuman. Water is a necessity. Really we try and save water and use as little as possible. But with seven people in the house, it's not easy to cope with what we get. We often run short. And this thing plays havoc with the sewerage. It takes long for the toilet to fill up. So if someone uses the toilet, you will have to wait for very long before it can be used again. What is the sense of having [infrastructure] this when you can't use it when you need it? How must you relieve yourself?

Tricklers are an accepted mechanism used by many local councils and water service providers as part of their cost recovery approach in order to ensure long-term financial stability. This view purports that tricklers help create a balance between cost-recovery requirements and access for households that are too poor to pay. But this view ignores the key responsibility of municipalities for the welfare of its poorest citizens. These poor households sustain a large number of people and are often multiple family and extended family units with low incomes and high levels of unemployment. It is these very households that bear the brunt of using the trickler system to distribute a limited amount of water amongst a large number of people. This creates an unnecessary distinction amongst citizens. It introduces the unintended consequence of disparities in access to water between citizens who can afford to pay and those who cannot. It also creates cleavages amongst citizens who are poor by virtue of household density being a determining factor in whether the free provision of water is sufficient.

A councillor from Intabazwe was moved to comment:

Tricklers are only justified in certain instances. For indigents they are completely unfair. They should only be used for those people who can afford to pay for water but who don't. It serves as a good credit control measure - but I must emphasise - in the case of those who can afford to pay. What purpose does it serve when applied to poor people, apart from just giving them less water? As a credit control measure applied to the poor, it is like trying to squeeze blood from a stone.

Recovering the costs for the provision of water is a necessity for AWS to continue its operations and the council to ensure the sector's sustainability. The challenge is to uphold the right to water in a manner that does not take away from the dignity of poor residents. Rand Water has been more progressive than most service providers in taking the issue of access to water as a right. But, the national policies that it and the city council of M-A-P are

adhering to have the outcome of effectively stripping people of their dignity by reducing them to a trickle if they are too poor to pay. The question is for how long will this equity vs. cost-recovery trade-off be sustainable? The achievements of infrastructure upgrading, improved maintenance and reaching a sound financial status must not be at the expense of limiting low-income household's access to a service that is essential to individual health, household productivity and community well-being.

5.2 Politics

The contract has been beset with political difficulties since its inception. The two-year negotiation process was led by an administration that was fully supportive of the initiative. Shortly after the contract was signed, elections took place, bringing in a new administration that did not want to be bound to a contract that was negotiated by a different city council, even though both were ANC majority council's. This situation has contributed to the current city council of the M-A-P holding a lukewarm attitude to the partnership.

The political problems raised during the partnership to date are not unique to the Harrismith area but are in fact, endemic to local authorities across South Africa. Most of the good city councillors elected since the 1996 local government elections have moved onto other tiers of government. This turnover of individuals with experience in governing has made it very difficult for the M-A-P city council to retain competent politicians who understand the meaning of bylaws and the procedures of a governing council. Such circumstances open up an environment for political patronage where alliances and loyalties are rewarded at the expense of performance to improve services to the poor. This situation points to capacity building, among incumbent councillors, as a challenge to the future management of the sector. The technical problems of delivery may be manageable, as illustrated through this case study, but they remain messy in the human context of how governments manage continuity in the relationship between officials and politicians.

Despite what may be legitimate reasons for the current city council holding a lukewarm attitude to a contract it has inherited, its own performance has been mediocre in upholding its role and responsibilities in ensuring the success of the partnership. This weak performance is in part due to the structural problems of capacity in the area. According to the 2002 Water Services Development Plan, the M-A-P area faces difficulties in fulfilling the core functions necessary for a water service authority, which include the creation of Water and Sanitation service bylaws, Performance Management Systems and Water Conservation and Demand Management Strategies. The 2002 WSDP notes that the staff capacity of the M-A-P local authority is insufficient to fulfil the role of a Water Services Authority, particularly as there are no performance management and monitoring systems in place²⁷. Given these

27 Water Service Delivery Plan for Thabo Mofutsanyana District Municipality, 2002, chapter 3.

circumstances, it is not surprising that the city council has failed to pass budgets for up to seven months into a new financial year of the contract. These conditions make it exceptionally difficult for AWS to follow through on its own tasks in planning for the water and sanitation sector or in managing the revenue collection for all the public services in the Harrismith area.

5.3 Capacity Building

Capacity, or the lack thereof, is commonly touted as the excuse for the failure of local authorities to deliver services. Sam Shabalala, a senior official from Rand Water interviewed for this piece, noted the importance of moving beyond the blame of individual personnel to the overall performative culture of the institution. The transformation of service delivery, he notes, requires changing the performance culture. Creating a business unit can begin this process by creating an initially ringfenced environment within which a leadership change can occur that can implement reporting mechanisms to enhance accountability.

A brief assessment of AWS illustrates a dramatic change in the culture of the performance of the water and sanitation department. The new leadership brought in reporting mechanisms that forced workers to be held accountable in performing their duties, and in doing so was able to stamp out absenteeism and low morale. Within this environment a number of different training programmes were implemented to enhance worker capabilities in meeting their performance targets. Next, the leadership of AWS managed the financial resources of the sector well in order to ensure additional resources were reinvested back into the sector to sustain its operations and maintenance well into the future. Finally, AWS was institutionally held accountable to city council through reporting mechanisms operated by the monitoring unit.

Amanziwethu Water Services has been successful in achieving an institutional improvement in the water and sanitation sector within a three-year period. The degree, however, to which this capacity has been transferred to city council remains limited. City council will be in a better position at the end of the three-year contract financially, but if Rand Water did not continue to second its management and operational staff to Harrismith, the sector would not be able to continue its improved culture of performance. Furthermore, the exorbitant management fees charged by Rand Water in order to recover the costs of its involvement in the partnership is not sustainable in the long-term for the local authority. The M-A-P city council cannot afford to pay its own staff such disproportionately high fees to manage the water and sanitation sector. Is the level of expertise provided by Rand Water seconded staff too high for what is financially realistic for the M-A-P authority in the medium to long term? This is an important consideration as M-A-P is currently reviewing service delivery options for the post-contract phase. If the same contract were re-negotiated for a much larger area (M-A-P) and for a longer period of time, the current benefits of the Harrismith contract to the city council could be significantly reduced.

One of the stated goals of the partnership is the need to augment municipal skills and resources with additional expertise. A central issue for the municipality and the council was the need for a trained workforce to ensure that the municipality develops the capacity to continue providing services at an acceptable level after the termination of the partnership. While some capacity building amongst workers has occurred, the level of skills transfer at the base level has not materialised as expected. In terms of the training programmes provided thus far, the administrative staff has been the primary beneficiaries, with operational staff getting limited exposure operations and maintenance management. In interviews with workers, one spoke about the value of the training but stated a need for greater life skills development to improve his overall performance on the job:

We went to some workshops on showing us how water is purified and were shown how some of the equipment is to be used but wonder how this will be helpful when we lack training on some of the more basic things. Also many of us can't read and write and we were told that we would get training in adult basic education, this has not happened still.²⁸

This quote illustrates the historical neglect in training low-level workers to improve their performance through basic education. AWS entered into the negotiation with a promise to improve the overall worker performance for the water and sanitation sector and designed a training plan to meet this objective. Rand Water has seconded highly competent managers and, on occasion, very skilled operations staff to train lower level workers. City council workers and lower level managers that have been seconded to AWS have certainly improved their skills but have complained of the limited degree to which the anticipated training programmes have actually been implemented.

Furthermore, no human resource training of local employees has occurred at the top management levels. Some improvements have been made with workers at the operational sector but they remain dependent on good management leadership that continues to be seconded from Rand Water in Johannesburg. One way in which this leadership scarcity could have been avoided would have been for Rand Water or the city council to select three local people for intensive training throughout the duration of the three-year contract. At the end of the contract, city council would have been in a stronger position to take back the business unit by drawing on the skills of competent local people in order to run the water and sanitation sector.

6. CONCLUSION

Amanziwethu Water Services has implemented the indigence policy with great efficacy and has demonstrated more flexibility with regard to people who are too poor to pay than any private sector counterparts. Nevertheless, our observation is that in the implementation of

28 Focus Group, AWS workers. Harrismith municipal offices.

this pro-poor policy there is an uncomfortable tension between the developmental elements associated with service delivery to citizens and the commodification linked to recovering costs in the delivery to customers. AWS, like most service providers, treats service users who can afford to pay, and do, with the benefits of being customers, namely through a freer flow of water. At the same time, AWS must respect the rights associated with citizenship by upholding the right to water. It has done so by following the letter of the law in ensuring all residents can access water regardless of the ability to pay: Indigent households that cannot afford to pay for water are reduced to a trickle flow; and households that can afford to pay and have been disconnected, have the option of being reconnected by making an arrangement with the service authority. In theory, the service provider presumes that by interpreting policy in this manner, it is delivering water to citizens and accords them openness with respect to the historical conditions that may prevent them to pay for this right. In practice, however, for those who cannot afford to pay, being reduced to a trickle puts into question the dignity associated with their citizenship rights. The difficulty is that the right to such dignity is accorded through a set of responsibilities that are linked to paying for services.

Resolving this tension is no easy matter, particularly in an area with an unemployment rate of 38%. The critique here is not aimed at AWS as a business unit but rather at the national policies that have been put in place and implemented by city council in the spirit of poverty alleviation. Guaranteeing a minimal amount of water as a lifeline to poor households is a very important beginning. Such minimal levels of universal provision does not, however, resolve the legacies left by apartheid's spatial dislocation where entire communities are deprived of the economic opportunities necessary to afford the cost of essential services. Providing a 6kl free lifeline may be a first step, but it does not override the importance of targeting higher levels of subsidies to households that have no economic means at their disposal to pay for a freer flow of water.

In this report we have highlighted some of the merits in considering a public/public partnership as a service delivery alternative for the water and sanitation sector. The achievements have been on the whole, beneficial to city council in terms of bringing the sector into a sustainable state of affairs. The institutional mechanisms for improved delivery have been upgraded and oiled to continue well into the future. Service users have highlighted the numerous ways in which they feel service delivery has improved (see page 19). In this sense Rand Water has been able to raise the bar so that the entry into partnerships is perceived as high. On procedural grounds, the partnership has also been successful in developing a consultative process with labour and service users in order to secure their initial and ongoing support.

If our evaluative framework were to assess the partnership's achievements through human rights indicators, our primary question would be whether improvements in the capacity to deliver water have actually translated into increased access for low-income household residents. Our verdict, based on very limited research, is that household quality of life has only marginally improved by virtue of these improvements in service delivery. Clearly

more in depth research is required to investigate these qualitative links and is critical in examining the benchmarks for a service delivery agreement that encompasses the entire M-A-P area. The next phase in the development of a water service agreement must translate these institutional and technical improvements into a qualitative difference in how people access water. A starting point would be to raise the minimum level of water to 12kl, which is part of the RDP medium term framework and is in line with WHO norms of what a basic lifeline should be.