

SOUTH AFRICA: TESTING THE WATERS OF PUBLIC-PUBLIC PARTNERSHIPS

By Laila Smith

South Africa's first public-public partnership illustrates the potential for addressing some of the critical difficulties local governments face in delivering water services to the poor. In just three years, the partnership between Rand Water and the Harrismith local authority has had significant results that will hopefully set a precedent for the development of future service-delivery initiatives.

Driving Harrismith's need for a water partnership was years of infrastructure neglect which led to very poor effluent control. The situation reached the point where "raw sewage was running through the river". The Harrismith city council needed to join forces with an external service provider to improve the management of water and sanitation and explored numerous partnership options.

The service-delivery challenges facing Harrismith need to be understood in the context of the region and recent municipal demarcation. Harrismith is part of the Maluti-a-Phophung (MAP) local municipality in the Free State province of South Africa. The local council boundary of Harrismith includes the former white town of Harrismith, the African township of Intabazwe five kilometres to the north, and parts of the former Qwa Qwa homeland, called Tshiame, located between 15 and 20 kilometres to the west. It is, therefore, a dispersed urban settlement with little to connect or integrate the separate components.

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 poor, the township's infrastructure is relatively well developed; most properties have meters with in-house electricity connections and water-borne sanitation. There are, however, a number of settlements in the area that rely on community standpipes and approximately 1,500 households still use the bucket system. The township is separated from the economic hub and has few formal employment opportunities, forcing most jobseekers to look outside the area.

The challenges of poverty alleviation in both Intabazwe and Tshiamo are significant. Despite the advantages of its location, the Harrismith area has an unemployment rate of 38%.¹ This could be reduced with the growth of entrepreneurial activities, but the scope for business investment in the township areas in particular is limited by socio-economic conditions there. Those who are employed are in low-paid, unskilled, menial jobs such as domestic and maintenance work.

Why was a public-public partnership chosen to address the service delivery backlog? Amid the fanfare given to a range of public-private partnerships (PPPs) in South Africa in the 1990s, there was surprisingly little attention paid to the value of public-public partnerships (PUPs) as a viable alternative. By the late 1990s, the national government, through the Development Bank of South Africa (DBSA) and the Department of Water Affairs and Forestry (DWAF) in particular, began to realise that service delivery options needed to extend beyond those offered by the private sector.

¹ South African Census. 2001.

When the Harrismith local authority explored private sector options, it found there was little to interest capital when one considered the high levels of poverty in the area and the town's relatively weak rates base. It believed a public sector ethos was important to ensure low-income households would be protected from the profit motives of the private sector, which could restrict access to essential services. The council was also sceptical that a private sector partner would uphold the local authority's constitutional obligation to improve the quality of services to those who had been historically marginalised.

Rand Water in Gauteng is a province-based water board that has been in the bulk water business for over 100 years and services more than ten million South Africans. It won the tender to be the external service provider to the Harrismith area. The risk was seen as relatively small since the contract would be limited to operations and maintenance for only three years. After examining existing institutional arrangements for providing water within the country, Rand Water proposed a corporatised model. Rather than creating mechanisms for the city council to develop a separate utility, Rand Water would, instead, manage a business unit within the council to ensure a degree of autonomy.

In 1999, an 18-month negotiation process began between labour, the residents of the area and the city council that led to an agreement on the principles of the contract. The negotiations were structured around task forces on finance, technical, human resources, legal, institutional and communications issues, each of which generated information and recommendations for the council. The long process was at considerable cost to both council and Rand Water, but was necessary to ensure full support from all parties. The consultation process was particularly effective in ensuring labour union representation from local and national offices, not only on labour issues but on all aspects of the partnership (Floss and Chipkin, 2002). Both

Rand Water and the council were willing to bear the additional costs of the protracted process because of their respective co-operative experiences with the unions. In 2001, a management contract was signed between Rand Water and the Harrismith city council to create Amanziwethu (AWS) as a business unit within the water and sanitation department. AWS would be responsible for operations and management in the department for three years as well as for revenue collection for all municipal services in the local authority.

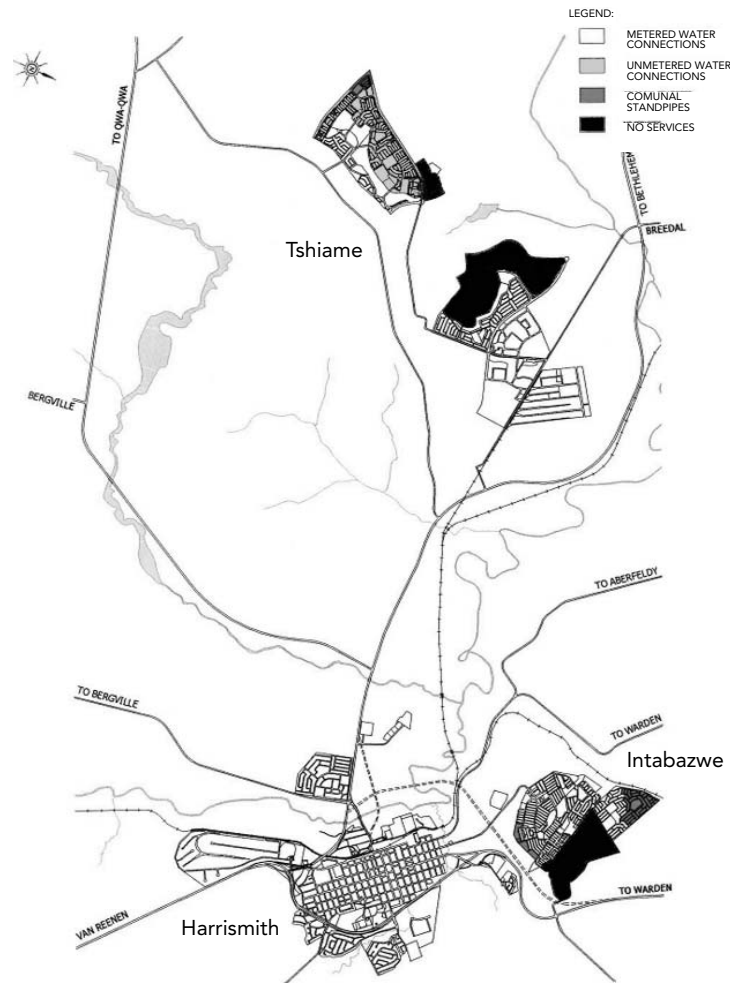
THE PARTNERSHIP

The partnership had several positive aspects for the local authority. First, the interests of the public authority were protected through the design of the contract. Rand Water carried the commercial risk by guaranteeing the local authority R1 million² if the contract came to a premature end. Second, as water and sanitation revenues were ring-fenced to ensure adequate reinvestment into the sector, the local authority was guaranteed five percent of the sector's revenue to pay for non-profitable services such as community centres and libraries. Third, the cost-recovery imperatives of Rand Water were capped to ensure that no more than five percent of revenue went to Rand Water in management fees. This was to keep tariffs affordable by capping price increases for water and sanitation.

The regulatory structure of this partnership was well designed and provided feedback from various committees. Water forums were organised at ward level to provide an opportunity for service users to raise concerns about operational and payment issues. These issues were then raised at a monthly co-ordinating committee consisting of relevant stake-

² As of 2004, the rand/dollar exchange hovers around R6.50 to \$1 USD.

Figure 1: Water service delivery levels in the greater Harrismith area



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

holders such as Rand Water senior managers, AWS senior staff and city officials. These co-ordinating meetings were used to solve issues raised through the water forum, as well as to review the monthly technical monitoring reports provided by the regulator.

Part of the success of this partnership was due to ward councillors taking a proactive role in communicating the details of the contract to their constituency. In ward committees, water forums and door-to-door campaigns, ward councillors explained how water services operated and the importance of being registered as poor if the household earned below R1,100 per month.³ Ward councillors also took responsibility for protecting poor households from being disconnected if they could not afford to pay. They accompanied the community liaison officer from AWS on his or her rounds to inform service users about this policy. If households were too poor to pay, the councillor encouraged the service user to register as a poor so they could receive a state subsidy and to ensure their water supply would be restricted rather than cut off.

With regard to service users, the extensive consultation throughout the negotiation process was critical to earn the general support of different communities in the area for the partnership. In the AWS partnership, the community participation strategy had two components: an education initiative and a feedback mechanism. The educational objective was to inform the public of council's intention to change the provision of water. Through council and AWS co-operation, creating awareness was done in a variety of ways: radio broadcasts, community video screenings, community theatre productions, newspaper articles, advertising and community meetings. Feedback was obtained through local political structures and various

³ Households earning under R1,100 are considered to be living below the poverty line which, in South African vernacular, is indigent.

stakeholders such as the unions, local NGO's, political parties and small businesses. This was, for the most part, seen as constructive. These consultation forums eventually evolved into a water services forum in order to encourage popular participation in actual decision-making processes. It was envisaged that this forum would transform basic consultative approaches to the delivery of water into more participatory mechanisms in which the expansion of services, tariff structuring and strategic goals and priorities could be thoroughly considered.

The value of institutional structures for public participation has been instrumental in gaining service-user support for the partnership. The improvements in service delivery were demonstrated by formal townships being supplied with yard taps or in-house connections and outdoor flushing toilets with waterborne sanitation - a level of service considered to be high given the poverty levels of the area. Interviews with residents and councillors also revealed the sympathetic approach AWS adopted in response to the socio-economic hardships residents face. There are numerous instances in which households could not be registered as indigents (poor) and were in arrears but were not disconnected when they consumed more than the amount they were allotted for free. AWS has tried to be flexible in these instances on condition that such households commit to paying on terms that are mutually agreed to, yet are affordable. In addition, in cases where residents have been restricted to six kilolitres of water because of their poor status but need to exceed this limit because of an emergency, AWS has been flexible by allowing a freer flow of water.⁴

⁴ One household interview conducted in Intabazwe serves to illustrate this point. This particular household's water supply was restricted by the installation of a trickler. Subsequently, a death occurred in the family. After this was reported with supporting documentation, the trickler was removed to allow for an unlimited flow of water. While the free flow of water was intended only for the duration of the mourning period, the trickler was never reinstated, according to the householder. (Smith and Fakir 2003)

The general sense of improvement in the quality of services provided by AWS, and their efforts to institutionalise mechanisms for public involvement in service delivery, has led to a general support for the partnership. 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. There are, nevertheless, exceptionally high non-payment rates in some township areas, for example eight percent in Tshiamo. This non-payment rate is largely related to high levels of unemployment and the simple inability to pay for water. Despite this problem, where households can afford to pay for basic municipal services there appear to be relatively high levels of household compliance with credit control measures. This is an anomaly in South African cities and towns where non-payment is threatening to crush the ability of local authorities to finance the delivery of a service that is vital to life.

LESSONS LEARNT

Despite these achievements, the partnership had several problems. The transfer of skills is often touted as a crucial outcome of partnerships, yet it is an objective that is difficult to achieve. The knowledge acquired through Rand Water's managerial and administrative experience has not been transferred sufficiently to the city council in order to strengthen its own capacity to manage the sector or to better monitor a new service delivery agreement. While city councillors were certainly part of the monitoring process, their own understanding of the detail of the contract remains limited, which leads to acquiescence to those who hold technical expertise. In short, despite the three-year contract, the partnership did not alleviate the local authority's dependency on an external provider. This problem is relat-

ed 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.

A second problem is that the value of the training provided to workers remains dependent on the sound management Rand Water seconded. To what degree will the performance benefits of this training continue when such highly skilled managers are no longer seconded by Rand Water?

A third problem is the great difficulty in trying to balance cost-recovery imperatives with the constitutional requirements to extend equity to previously disenfranchised households. It 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 for those who can afford to pay. As a result, it has been able to enumerate the poor to ensure that their monthly access to 6000 litres of water free of charge⁵ is not denied. But when poor households, most of whom have large numbers of people, are reduced to trying to survive with a trickle, the dignity enshrined in their right to water is lost. This raises larger questions about national guidelines and the local authority implementation of six kilolitres as a basic minimum, which is simply insufficient for a poor household to manage its needs.

While technical and managerial expertise is still an external contribution to the partnership, difficult political questions remain unanswered. 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 as to whether it runs the

⁵ In 2001, the Department of Water Affairs and Forestry set out national guidelines to ensure that all households receive a monthly allocation of 6000 litres, or six kilolitres, free per month. The thinking behind this allocation was that it would allow a household of eight people access to 25 litres per person per day to meet their minimum requirements.

sector itself or can at least be in a stronger position to oversee a partnership should it choose to enter into one.

On the bright side, there is hope for a growth in public-public partnerships as a preferred option for local authorities in South Africa. The country has, since the late 1990s, experienced two long-term water concessions, both of which have been plagued with difficulties. They have shown that private sector options do not necessarily guarantee improvements in service delivery or protect local authorities from the risk of borrowing on the market. There are a number of public-public partnerships developing across the country between municipalities and water boards, with community-based organisations as well as with other municipalities. The more local authorities are willing to test the waters of these options, the more experience there will be to draw on in proving that public-public partnerships can be a viable service delivery alternative.

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