

TABLE OF CONTENTS

1. INTRODUCTION	1
1.1 Scope	1
1.2 Objectives	1
1.3 Sources	1
1.4 Terminology	2
1.5 Disclaimer	2
2. SERVICE LEVEL GOALS AND MINIMUM SERVICE LEVELS	3
2.1 Introduction	3
2.2 Principles	3
2.3 The current consensus	5
2.4 Proposed policy approaches	7
3. FUNDING URBAN WATER AND SANITATION SERVICES	10
3.1 Introduction	10
3.2 The funding of urban water and sanitation services - a proposed approach	10
3.3 Urban - rural linkages	13
3.4 Estimated capital investment requirements	15
3.5 Estimated funding requirements	17
3.6 International trends in investment finance	20
3.7 Future sources of investment finance	20
3.8 Factors affecting the cost of private capital	22
3.9 Proposed financial principles	22
3.10 Developing appropriate funding mechanisms	24
4. INCOME POLICY	26
4.1 Introduction	26
4.2 Principles	27
4.3 Further principles and other considerations	28
4.4 Residential urban water tariff policy	32
4.5 Residential urban sanitation tariff policy	42
4.6 Closure	45
5. INSTITUTIONAL ARRANGEMENTS	46
5.1 Introduction	46
5.2 International trends	46
5.3 Institutional principles	47
5.4 Criteria for success	47
5.5 Constitutional and legislative context	48

5.6	The SCOWSAS institutional proposals	50
5.7	Commentary on SCOWSAS proposals	52
5.8	Proposed institutional arrangements in urban areas	55
5.9	Monitoring of supply agencies and transparency	57
5.10	Customer interface	58
6.	MANAGING THE TRANSITION	59
6.1	Introduction	59
6.2	Institutional restructuring: some principles and considerations	59
6.3	Institutional restructuring: time frames	60
6.4	Institutional restructuring: possible legislative requirements	61
6.5	Institutional restructuring: supporting the process	61
6.6	Institutional restructuring: the need for clear guidelines for the private sector	62
6.7	Managing institutional change	62
6.8	Building institutional capacity	67
6.9	The transition: service rendering and finances	68
6.10	The transition: rationalising tariffs - some issues	69
6.11	Implementation: linking with public works programmes	71
6.12	Implementation: investment planning	72
7.	SUMMARY AND RECOMMENDATIONS	73
7.1	Introduction	73
7.2	Minimum service levels and service level goals	73
7.3	Capital funding for new investment	74
7.4	Income policy	77
7.5	Institutional arrangements	78
7.6	Managing the transition	81
8.	THE WAY FORWARD	83
8.1	National strategy, policy framework and legislation	83
8.2	Short-term support for institutional restructuring	83
8.3	Research needs	84
9.	CLOSURE	86
10.	GLOSSARY	87
11.	REFERENCES	94

ANNEXURE A: SCOWSAS' Institutional Proposals.

ANNEXURE B: The Twinning of Institutions.