# UPSCALING COMMUNITY-BASED PARTNERSHIPS IN SOUTH AFRICA

Report to the
**Water Research Commission**

by

**Maya Goldman, Katie Gull, Tracy Jooste, Nazreen Kola, Lesego Loate, Victor Munnik, Ian Palmer and Bibi Fatima Rawat**

PDG and The Mvula Trust

**WRC Report No. 2090/1/13**
**ISBN 978-1-4312-0431-1**

**June 2013**

**Obtainable from**

Water Research Commission
Private Bag X03
Gezina, 0031

orders@wrc.org.za or download from www.wrc.org.za

# EXECUTIVE SUMMARY

## Study background

In 2011 the WRC commissioned a study to develop a 'Strategy for the Upscaling of Community-Based Service Provision'.

The study was based on the understanding that much research has been undertaken on community-based service provision in South Africa. This has been carried out by the Department for Water Affairs (DWA 2001), the Mvula Trust (2008 and 2009), the Department of Cooperative Governance (DCoG), the South African Local Government Authority (SALGA) as well as other researchers. The WRC has also funded several projects aimed at obtaining a better understanding of community-based service delivery arrangements.

The central tenet of the existing research was that it points to the importance of community-based service provision in rural areas order to achieve cost efficiency and sustainability. This is further acknowledged in the policy framework governing and guiding the water sector in South Africa. However, the limited evidence that there is suggests that this approach has not been widely applied to rural water supply schemes.

## Study objectives

In light of this, the objectives of this study were to:

- Undertake an assessment of the current scale of community-based service provision in South Africa and locate places where good practice is being applied;
- Identify the key factors of success for the large-scale implementation of community-based service provision;
- Draft a strategy discussion document on integration of community-based water services provision; and
- Further develop and/or refine the draft strategy through interactive engagement with key stakeholders responsible for water service provision in rural areas.

## Methodology

The methodology applied to the study was a hybrid of primary and secondary research. Primary research involved a survey that was conducted with C2 districts to inform the development of a Review Report that summarised the findings relating to past and current experience with community-based service provision for rural water and sanitation. Interviews and site visits were held with select case study municipalities. Information gathered from these engagements was written up as 'mini case studies.'

The study significantly relied on secondary research given that it was premised on the understanding that a great deal of research already existed in the sector on rural water service provision. A literature review was undertaken of existing information, which informed the various study deliverables and guiding the approach taken in developing the Strategy for Upscaling Community-Based Service Provision.

In terms of consultative processes, four workshops were held: one at the national level with sector stakeholders; and, three regional workshops in the Eastern Cape, KwaZulu-Natal and Limpopo (one workshop was held in each region).

Key findings

Based on an analysis of the legal, institutional and financial reviews the key research findings are as follows:

- **Importance of CBPs in assisting with the implementation of projects at community level**

The research points to the importance of CBPs who in the immediate post-apartheid period had a critical role to play in assisting government with the implementation of projects at community level. CBPs have provided organised expression to the needs of communities and they have supported government to achieve its developmental democratic objectives. Their value is that they operate at the coalface, that is, at the grassroots where service provision has been most vulnerable.

- **State of rural water supply in South Africa**

Many of the water supply systems that have been provided (historically or as part of the backlog eradication programme) are no longer functional or are unreliable in rural areas. This finding is backed up by a 2007/08 review by CSIR on the functionality of 500 rural projects to assess the quality and standard of (complete and incomplete) MIG funded infrastructure projects, the study indicated that rural water and sanitation projects were either: partially non-compliant (B-rating) or non-compliant (C-rating). Many of the concerns related to technical design flaws, poor quality, poor operation and maintenance and the need for rehabilitation. In addition, the lack of proper management around metering, billing and revenue collection were highlighted.

Untreated, or inadequately treated, drinking water poses a significant threat.

Rural water supply systems are being used in ways different to that which they were designed for. The result is that the demand exceeds the capacity of the system creating shortages.

Maintenance and replacement of existing municipal water supply and wastewater infrastructure is inadequately contributing to poor quality wastewater effluent discharges that pose immediate water quality and health threats.

Many of the municipal water supply and sanitation systems are not financially viable under current management arrangements with income that is insufficient to cover the required expenditures.

Levels of customer service are very low in many cases, with little interaction and engagement between service providers and consumers/customers/citizens.

- **Municipalities and their role in water supply**

In considering the 21 districts that are the authorities for most rural areas, they have performed poorly in many – not all – cases and the reasons include: Poor governance; weak accountability; and, weak managerial and technical capacity. Poor choices in relation to how services are provided can exacerbate the above systemic factors.

- **Challenges with CBOs as an institutional option prompting the shift in discourse to CBPs**

Section 78 in the Municipal Systems Act requires competitive procurement procedures to be applied to appointments of service providers and this has been interpreted to include CBOs. This has acted as a barrier to setting up a negotiated arrangement with a community.

There have been efforts by trade unions to prevent informal employment arrangements to be applied in community managed schemes. But in formalising these employment

arrangements costs increase substantially, employment arrangements are more complex and the suitability of the CBO option declines.

The free basic water policy has meant there are no payments made by the community members (although some do this voluntarily). While this remains manageable in the case of public standpipe service levels, the extent of yard connections has increased and the 'free basic' water supply policy all too often becomes 'free water' with consumption volumes increasing with little or no revenue to cover the cost of water use beyond the free basic limit.

The formalising of ward committees may well have taken away some of the volunteer spirit which was there previously. On the other hand ward committees may also provide a good basis to build new initiatives in the future.

The result is, in many cases, a fairly 'top down' approach with a sense that everything needs to be done by the municipality. If a more decentralised, 'demand driven' approach is to be applied, there are a number of additional constraints such as: The lack of capacity to support a decentralised system; CBOs may be seen as political competition; and CBOs can be undermined by a lack of authority.

- **Legal constraints**

The White Paper on Municipal Service Partnerships (2000) sets out that municipalities should require CBOs to adopt a formal constitution and code of good practise consistent with those set out by the Minister of Local Government (now CoGTA). CBOs also need to be registered in terms of the Non-Profit Organisations Act. Such conditions can be onerous.

The provisions of the Systems Act do not provide special rules for procuring or contracting with CBOs, hence the provisions of section 78 of the Municipal Systems Act would apply equally to CBOs. Subjecting CBOs to competitive bidding in the same light as private sector WSPs may be unfair considering the policy objectives of enabling CBOs to play a role in providing water supply and sanitation services.

If a CBO is used as a full water service provider, the formalities of setting up contracts with such a partner need to be considered. But, as noted above, it is more likely in the current circumstances that the CBO is a partner with the municipality in providing some element of the service. Therefore, there is a shift in language to the term **Community-based Partner (CBP)**.

The requirements for competitive bidding also stand in the way of appointing CBPs. It is difficult to create a structure for competitive bidding when the key condition is for effective village scale management.

Trade unions have been resisting the use of contractual arrangements with individuals which fall short of full employment. This has a negative impact on the extent to which members of the community can be employed as there is often not sufficient work to justify full time employment.

- **Financial matters with regard to CBPs**

Too little is spent on managing water supply systems and specifically on customer relations and management of distribution systems. There are long term consequences for this as systems become unsustainable with associated increase in technical efficiency and lack of revenue to cover costs.

In considering revenue from tariffs, evidence suggests that district municipalities are collecting little, if any, revenue from consumers in rural areas, even though these consumers may not be poor and are using well above the free basic water limit. This results in an unsustainable situation as there is no constraint on the amount of water used and the requirement for bulk water supply will thus continue to increase. There are several associated consequences in this regard, such as the impact on equity in the

allocation of water as those with more money install unauthorised yard connections but do not pay for the water they use. This can lead to situations where there is insufficient bulk water to provide for the poorest. Capital requirements for new bulk and connector increase beyond what is required for an efficiently managed system. The shortage of revenue means that there is insufficient funding to cover maintenance costs and hence the state of infrastructure declines at a faster rate that would be the case with a well-managed system. This, in turn, leads to the requirement for more capital for rehabilitation.

With regard to the free basic water policy, it needs to be supported in its intent to ensure that the poor have access to basic services. It has been a setback for the management of rural water supply systems as it has been used as an 'excuse' for not collecting any revenue at all and hence for ignoring consumer interests.

The Equitable Share is not properly allocated to water supply, with too much of it often being used to fund governance and administration systems (overheads).

The Municipal Infrastructure Investment Framework (MIIF) analysis has shown that there is a serious shortage of capital for the provision of new municipal infrastructure (including water supply infrastructure) and the rehabilitation of what is there.

The above factors point to the need for much greater attention to be paid to customer care, to equity of access to water at village level and to better operation and maintenance of distribution systems. Community-Based Partners can play a major role in bringing the required improvements.

Strategy for the Upscaling of Community-Based Service Provision

The vision of the Strategy is for every household and enterprises requiring potable water, in rural areas to have access to a safe and reliable water supply, for poor households to have access to a basic water supply free, for those that are not poor, or who use above the free basic water limit, to pay for water and for water to be conserved with an emphasis on avoiding losses in distribution systems.

In order for this vision to be realised the importance of a focused national rural water support programme is required, and the key role to be played by Community-Based Partners is recognised.

The vision will only become reality if the following objectives are met:

(a) National departments agree on rural water supply support arrangements.

(b) National Treasury agrees to allocate appropriate budget for a new rural water supply intervention.

(c) Municipalities acknowledge the importance of CBPs and are willing to support CBPs and allocate the necessary resources from their budgets.

(d) Private sector partners, NGOs and water boards engage with municipalities in partnerships to set up new or improved water systems and set up support arrangements for CBPs.

(e) Communities themselves participate through organising themselves and working actively to improve water supply arrangements in their settlements.

The Strategy provides a definition for what a Community-Based Partner is and outlines a range of options as well as a range of arrangements for involving the community in water supply.

Conclusions of the study

The research undertaken in this study presents an approach for how local and national government can respond to water service provision in largely rural areas using

community-based operators. The findings from this research can also be used to target the support strategy for the 21 presidential districts. While the research has not provided all the answers, it has achieved the objective of proposing a strategy for the upscaling of community-based service provision. However, this strategy is only meaningful if it has buy-in from key stakeholders and its success depends on the extent to which ownership of it is taken by key national departments.

# ACKNOWLEDGEMENTS

The authors would like to thank the Reference Group of the WRC Project K5/2090//3 for the assistance and the constructive discussions during the duration of the project:

- Mr J Bhagwan (Chairman): Water Research Commission
- Mr A Vermeulen: EON Consulting
- Mr T Gounden: eThekwini Municipality
- Mr O Ive: Amanz'abantu Services
- Dr N Mjoli: Hlathi Development Services
- Ms L Duncker: CSIR
- Prof A Lagardien: Cape Peninsula University of Technology
- Mr M Bannister: Department of Water Affairs
- Ms K Harris: Independent Consultant

# TABLE OF CONTENTS

# LIST OF FIGURES

# LIST OF TABLES

# LIST OF ABBREVIATIONS

| | |
|---|---|
| CBO | Community-Based Organisation |
| CBP | Community-Based Partner |
| CBWSP | Community-Based Water Service Provider |
| CMIP | Consolidated Municipal Infrastructure Programme |
| CoJ | City of Johannesburg |
| Co-op | Cooperative |
| CSO | Civil Society Organisation |
| CSP | Community Service Provider (a term largely synonymous with CBP) |
| CU | Consumer Unit: a group of people, sharing one 'yard' water connection |
| CWSS | Community Water Supply and Sanitation |
| CWSSP | Community Water Supply and Sanitation Programme |
| DBSA | Development Bank of Southern Africa |
| DCoG | Department of Cooperative Governance |
| DM | District Municipality |
| DWA | Department of Water Affairs |
| DWSMF | District Water Services Managers Forum |
| ES | Equitable Share |
| FBS | Free Basic Services |
| FBW | Free Basic Water |
| IDP | Integrated Development Plan |
| IDT | Independent Development Trust |
| ISD | Integrated Service Delivery |
| IWRM | Integrated Water Resource Management |
| LGTAS | Local Government Turn-Around Strategy |
| LM | Local Municipality |
| MIG | Municipal Infrastructure Grant |
| MSA | Municipal Structures Act |
| NGO | Non-Governmental Organisation |
| NPO | Non-Profit Organisation |
| O&M | Operations and Maintenance |
| RWSS | Rural Water and Sanitation Supply |
| SALGA | South African Local Government Authority |
| SDA | Service Delivery Agreement |
| SFfWS | Strategic Framework for Water Services |
| SLA | Service Level Agreement |
| SMME | Small, Medium, Micro-Enterprise |
| SPV | Special Purpose Vehicle |
| SSA | Support Services Agent |
| VWC | Village Water Committee |
| WIN-SA | Water Information Network of South Africa |
| WRC | Water Research Commission |
| WS | Water Services |
| WSA | Water Services Authority |
| WSDP | Water Services Development Plan |
| WSP | Water Services Provider |

# 1. INTRODUCTION

South Africa is faced with a calamity with respect to rural water supply arrangements. While there has been good progress in providing infrastructure for potable water in rural areas, effective organisational and financial arrangements required to keep new and existing systems functioning in a sustainable way are absent in most areas. This has been demonstrated through several research projects undertaken over the past five years.

In order to deal with this and ensure that all South Africans in rural areas have access to a properly functioning water supply service, a new national initiative needs to be launched. This is referred to in this document as a *Rural Water Support Programme*[1]. While there is not an agreed design or committed funding for this programme at this stage, the programme concept is strongly founded on the principle of partnership between national government, local government, the private sector and civil society.

In support of this drive to bring a dramatic improvement in the way rural water supply systems are operating and maintained, the Water Research Commission commissioned a study in 2011 to develop a *Strategy for Upscaling Community-Based Service Provision*. The initiative is based on the understanding that there is widespread support, at least conceptually, for community-based service provision in South Africa but that this is not adequately supported with two outcomes: firstly, the impact at community level is not felt sufficiently and, secondly, the overall effectiveness of water supply arrangements is compromised.

The Strategy that has been developed and is proposed within the frame of this research study deals with what is seen to be a key success factor for this programme: the establishment and maintenance of partnerships with civil society organisations (CSOs) with specific focus on water and sanitation oriented *Community-Based Partners*[2] (CBPs)[3].

The purpose of this report is to summarise the research study; the methodology applied in the research process; and the results and conclusions of the research with emphasis on the key impacts for the sector.

## 1.1 Objectives of the study

Based on the above, the objectives of the research study were to

- Undertake an assessment of the current state to which community-based service provision is being applied in South Africa and locate places where good practice is being applied;

[1] It has also been referred to as a Rural Water Support ***Facility.***

[2] The motivation for the use of this term is given later in this document.

[3] In this report, the use of the term *Community-Based Organisation (CBO)* is used in terms of its historical relevance in the water sector. The use of the term *Community-Based Partner (CBP)* is used as the way forward and is reflective of the shift in discourse. There are legal constraints in the use of CBOs (see Section 3) where if a CBO is used as a full water service provider (CBWSP) the formalities of setting up contracts with such a partner need to be considered. However, it is more likely in the current circumstances that the CBO is a partner with the municipality in providing some element of the service. Therefore the term *Community-based Partner (CBP)* is used. The term is discussed later in this document. But it is notable here that the acronym CBP is also used for 'Community-based Provider'. But, as the term 'provider' as specific connotations which do not necessarily apply to CBO options the 'partner' term is favoured.

- Identify the key factors of success for the large-scale implementation of community-based service provision;
- Draft a strategy discussion document on integration of community-based water services provision; and
- Further develop and /or refine the draft strategy through an interactive engagement with key stakeholders responsible for water service provision in rural areas.

## 1.2 Study Deliverables

Towards achieving the study aims, the following deliverables were developed and submitted:

***Table 1: Project deliverables***

| | **Title** | **Description** |
|---|---|---|
| 1 | Preliminary strategy discussion document | Document sketching status quo, problem statement, strategic options and strategy ideas. |
| 2 | Review Report | A summary of findings relating to the review of past and current experience with community-based service provision for rural water and sanitation. This report will be based on the engagements with key officials in the 21 'C2' districts. |
| 3a | Stakeholder Workshop | Stakeholders' workshop that is held to present and consult on the findings of the review report and the preliminary strategy. |
| 3b | Report on Stakeholder Workshop | Report on the stakeholders' workshop. |
| 4 | Research report on institutional, legal and financial review | Document detailing the research undertaken on the current legislation and institutional arrangements that govern water and sanitation service provision. This report will identify key factors for success as well as key stakeholders |
| 5 | Implementation Strategy | A strategy document that takes the key research findings and consolidates these into a plan of action to effect the large scale implementation of community-based service provision in South Africa |
| 6 | Final Report | A High level paper summarising methodology, results and conclusions of the research with emphasis on the key impacts for the sector. |

## 1.3 Structure of this report

This study report comprises the following sections, which extrapolate and weave together the key research, findings and the Implementation Strategy developed for the sector to enable the large scale implementation of community-based service provision in South Africa.

*Section One* is the introduction that provides the context to the research study, the purpose motivating the study and the study deliverables.

*Section Two* provides details of the methodology applied in the study.

*Section Three* is a review of the current legislation that governs community-based service provision in South Africa, in particular highlighting the legal constraints to using CBOs.

*Section Four* presents an overview of the existing research and literature on the involvement of communities in service provision; the institutional models that have been applied in the past; and the recent developments and possible future for using the community-based service provision model – the Community-Based Organisation (CBO) model. It also includes a summary of findings from the scan of 21 Districts.

*Section Five* reflects the findings from the financial analysis undertaken to determine the potential and viability of various Community-Based Partnership models.

*Section Six* summarises the Problem Statement based on the analysis of the research findings from the legal, institutional and financial reviews.

*Section Seven* is the assessment of the options that were considered for the *Strategy for Upscaling Community-Based Partnerships in South Africa*.

*Section Eight* presents a summary of the *Strategy for Upscaling Community-Based Partnerships in South Africa*.

*Section Nine* highlights the main conclusions of the study.

## 2 STUDY METHODOLOGY

The study was premised on the understanding that much research has been undertaken on community-based service provision in South Africa. This has been carried out by the Department for Water Affairs (DWA 2001), the Mvula Trust (2008 and 2009), the Department of Cooperative Governance (DCoG), the South African Local Government Authority (SALGA) as well as other researchers (Cain et al 1998). The WRC has also funded several projects aimed at obtaining a better understanding of community-based service delivery arrangements.

A research project undertaken by the Mvula Trust for the WRC on People Centred operations and maintenance aimed to develop an understanding from the ground up (i.e. from inside the Village Water Committees) of the current state of water services provision by community-based organization. The study focused on four District Municipalities.

The existing research points to the importance of community-based service provision in rural areas order to achieve cost efficiency and sustainability, and its repeated acknowledgement in policy. Yet, what limited evidence there is suggests that this approach is not widely applied to rural water supply schemes.

With the importance of community-based management so widely recognised in the literature, the South African policy and the consequences of inadequate arrangements so obvious, why is it not happening? This research study therefore attempted to explore and better understand this.

With this in mind the study methodology was to:

1. Develop a Preliminary strategy discussion document which sketches the status quo, problem statement, strategic options and strategy ideas for community-based water service provision.
2. Engage with officials in 21 C2 districts to inform the development of a Review Report which summarises the findings relating to the review of past and current experience with community-based service provision for rural water and sanitation.

3. Consult on the findings of the Review Report with key stakeholders and reflect those findings in a Stakeholder Workshop Report
4. Compile a Research report having undertaken an institutional, legal and financial review. The Research Report should detail the research undertaken on the current legislation and institutional arrangements that govern water and sanitation service provision and identify key factors for success as well as key stakeholders
5. Develop an Implementation Strategy which then takes the key research findings and consolidates these into a plan of action to effect the large scale implementation of community-based service provision in South Africa
6. Lastly, prepare a final Report which would be a high level paper summarising methodology, results and conclusions of the research with emphasis on the key impacts for the sector.

# 3 REVIEW OF CURRENT LEGISLATION AND THE LEGAL CONSTRAINTS OF USING CBOS

This chapter provides a review of the current legislation that governs community-based service provision in South Africa, in particular highlighting the legal constraints to using CBOs.

## 3.1 What is a CBO?

In the context of the water sector, a community-based organisation (CBO) is a non-profit organisation within a community, providing water services to that community. The mandate for service provision stems from the municipality as well as from the community. The role of the CBO is to act in the overall interest of the community[4].

## 3.2 Policy Imperatives

CBOs have been recognised as an option for municipal service delivery in the White Paper on Local Government (1998), the Water and Sanitation white paper (1994) and the White Paper on Municipal Partnerships (2000). There are however requirements that need to be complied with before a CBO can be appointed as a municipal service provider.

The White Paper on Municipal Service Partnerships (2000) sets out that municipalities should require CBOs to adopt a formal constitution and code of good practise consistent with those set out the Minister of Local Government (now DCOG). In addition, CBOs need to be registered in terms of the Non-Profit Organisations Act.

## 3.3 Legislative Provisions

These policy provisions have been codified in Part Two of Chapter Eight of the Municipal Systems Act which focuses on the provision of Municipal Service.

At the outset, the Act defines a municipal service *as a service that a municipality in terms of its powers and functions provides or may provide to or for the benefit of the local community irrespective of whether-*

*(a) such a service is provided, or to be provided, by the municipality through an internal mechanism contemplated in section 76 or by engaging an external mechanism contemplated in section 76; and*

*(b) fees, charges or tariffs are levied in respect of such a service or not;*

A municipality must comply with the process prescribed in section 78 of the MSA

[4] Mvula Trust "Enhancing the Legal Status of CBOs" (2002)

(i) when an existing municipal service is to be significantly upgraded, extended or improved;

(ii) when an existing service delivery agreement is going to end in the next year; and

(iii) when a new municipal service is to be provided.

There are no exceptions to the requirement and the Systems Act does not contain provisions allowing for exemptions.

Section 78 sets out a two stage process as set out below:

Stage One: The municipality must consider "internal" service delivery options and may choose an internal service delivery mechanism, or may decide that before it makes its decision it wishes also to explore the possibility of using an "external" service delivery option

Stage Two: The municipality may then consider external service delivery options.

In considering the use of an external service provider, the obligation on the municipality is to determine which category of external service provider would be best suited to the municipality. The key areas of enquiry are set out below:

(i) give notice to the community of its intention to explore the delivery of the municipality service through external service delivery options

(ii) assess the various service delivery options in terms of the following

a. the direct and indirect costs and benefits associated with the study, including the expected effect of any service delivery mechanism on the environment and on human health, well-being and safety;
b. the capacity and potential future capacity of prospective service providers to furnish the skills, expertise and resources necessary for the provision of the service;
c. the views of the local community;
d. the likely impact on development, job creation and employment patterns in the municipality; and
e. the views of organised labour.

In addition, the municipality must also commission a feasibility study which should look at a range of factors stipulated in section 86(c). The municipality would then be able to make a choice between internal and external service providers after it has engaged in the processes set out above.

Section 76 of the Municipal Systems Act provides that a municipality may provide a municipal service in its area or a part of its area through either an internal or an external mechanism. Section 76(b)(iv) goes on to list *a community-based organisation or other non-governmental organisation legally competent to enter into such an agreement* as one of the external mechanisms available*.*

It is important to note that the legal proviso set out in section 76(b) (iv) is that the CBO should be *legally competent* to enter into a service delivery agreement with the municipality. This means that the CBO would need to have a legal identity that would enable it to enter into a contract. Hence, the legal structure of the CBO could take on many forms including an association, trust, section 21 company, etc. The Municipal Systems Act does not prescribe the legal form that a CBO should assume.

Research conducted by Mvula Trust has recommended that the most appropriate legal form for a CBO is a voluntary association. This can be created by an agreement between three or more people to work together in a formalised manner to achieve common non-

profit objectives. A voluntary association is legally constituted by means of a formal Constitution[5].

The research undertaken by Mvula Trust also indicates that registration with the Non Profit Organisations Act is not a pre-requisite for a CBO and may in some instances prove onerous for CBOs as well.

In order to assist this process, DWA had drafted a model contract and guideline on contracting with CBO as WSPs.

While the legislative intent in setting out CBOs as a delivery mechanism was to provide for a community-based, cost effective service delivery option suited to rural areas, the provisions of the Systems Act do not provide special rules for procuring or contracting with CBOs, hence the provisions of section 78 of the Municipal Systems Act would apply equally to CBOs. It has been argued that subjective CBOs to competitive bidding in the same light as private sector WSPs may be unfair to CBOs considering the policy objectives of enabling CBOs to play the role of a WSP.

It is however important to note that section 78 of the Systems Act in only triggered where there is an element of service to or for the benefit of the community involved. Hence section 78 need not be complied with in instances where the services being performed are not "a municipal service" as defined in the Act. The appointment of a provider to take full responsibility for running the operations and maintenance of a water supply system, including customer management, will typically require compliance with section 78. But the option of using CBOs as part of the water supply arrangements does not necessarily mean that they are a full water service provider. In many circumstances they are acting in support of the municipality and should, therefore, not be subject to a Section 78 review.

### 3.4 Competitive Bidding

The Systems Act provides that if the choice then is to provide the municipal service through an external mechanism, further processes then need to be followed, i.e.:

- if the provider is another municipality or an organ of state, the municipality must then conduct a further feasibility study
- if the provider is a municipal entity or a national or provincial organ of state the municipality need not follow a competitive bidding process and may then start to negotiate a service delivery agreement with the provider
- if the provider is a private provider, the municipality must follow a competitive procurement process which complies with the MFMA, the Supply Chain Management Regulations and the municipality's own Supply Chain Management Policy before appointing an external service provider. Because CBOs are not organs of state, CBOs would be considered along with other private sector providers in terms of a competitive bidding process.

The Preferential Procurement Policy Framework Act 5 of 2000 provides that municipalities may determine a preference for categories of service providers in order to advance the interest of persons who have been disadvantaged by unfair discrimination.

Research conducted by Mvula Trust[6] suggests that there is some room for creativity in applying the provisions of this Framework and points to the example of the Alfred Nzo District Municipality who engaged in competitive procurement processes with CBOs only, given that it was unlikely that other service providers were keen to provide water services in remote areas.

---

[5] Mvula Trust "Enhancing the Legal Status of CBOs" (2002

[6] Mvula Trust "Enhancing the Legal Status of CBOs" (2002)

### 3.5 Conclusion

Implications of the Municipal Systems Act

It is argued that the provisions of the Municipal Systems Act are unduly onerous in respect of the appointment of CBOs as WSP. However, in using a CBO as an option, there are some considerations which need to be considered before applying the full provisions of the Act:

a) CBOs in the current water supply institutional environment are seldom providers of a 'municipal service' as defined in the Act. They are typically part of an institutional structure with the municipality, in effect, remaining the WSP.

b) Even if a formal Section 78 process is contemplated, with CBOs as a WSP option, it is necessary to consider costs as well as benefits. All too often a view dominates that this option is 'too expensive' without a proper understanding of the benefits which are, typically, considerable.

c) As was the case for Alfred Nzo, this option should be considered for the municipality as a whole and it is possible for a municipality to set up a long term arrangement where CBOs are built into the institutional structure.

Terminology with respect to CBO relationships

If a CBO is used as a full water service provider (CBWSP) the formalities of setting up contracts with such a partner need to be considered. But, as noted above, it is more likely in the current circumstances that the CBO is a partner with the municipality in providing some element of the service. Therefore the term ***Community-based Partner*** (CBP) is used in the following discussions.

Implications for employment of people in communities

There are certainly advantages to individuals to become full employees of a legally constituted organisation with associated legal rights. However, there is also a considerable body of experience which indicates that full employment of all people assisting with the provision of a service at 'village' level is not feasible. Payment of individuals a sum for a specific service rendered may be the best way, or even the only way, of ensuring that systems can be effectively operated and maintained. This also promotes the sharing of scarce resources at village level. Current evidence suggests that this is not illegal.

## 4 INSTITUTIONAL REVIEW

This section provides an overview of the existing research and literature on the involvement of communities in service provision; the institutional models that have been applied in the past; and the recent developments and possible future for using the community-based service provision model – the Community-Based Organisation (CBO) model. It also includes a summary of findings from the scan of 21 Districts.

### 4.1 The Role of Community-Based Organisations in Rural Infrastructure Delivery

In mostly rural municipalities, particularly those in former homeland areas, there is not a long history of government delivering infrastructure. Most of the experience of delivering infrastructure in a highly rural setting is confined to the water sector, where there has been some experience in leveraging capacity from communities and civil society in infrastructure delivery and operations.

The use of CBOs in the delivery of water services in this country has undergone an evolution whose history is fairly well documented in research and evaluation. Prior to 1994, water services provision in the rural former homeland areas was the responsibility of the former homeland governments with some support from DBSA. Services were typically characterized by inadequate coverage, low levels of engagement with communities and poor maintenance. With the un-banning of the ANC, opportunities opened up for NGOs to become more active in the water sector, supported strongly by donor organisations and the provision of basic services topped the agenda.

Three key development role-players – the Development Bank of Southern Africa (DBSA), the Kagiso Trust, and the Independent Development Trust (IDT) – joined forces to establish the Mvula Trust, in recognition of the need to promote affordable water and sanitation services in impoverished rural areas. (Blaxall 1996). The Mvula Trust was instrumental in promoting a people-centred developmental approach to sustainable water services provision through its roll-out of projects in eight of the country's nine provinces; the exception being the Western Cape. This represented the launch of the CBO model in South Africa. This model was based on the provision of funds directly to selected water committees who were required to form their own relationships with consultants. The funding arrangement was based on a fixed subsidy amount per household.

After 1994 the Department of Water Affairs and Forestry at national level took a much stronger direct role in the provision of water services and drove the formulation of policy which culminated in the White Paper on Water and Sanitation Policy in November 1994. This marked the launch of the Community Water Supply and Sanitation Programme (CWSSP) which included principles of community-driven development. The CWSSP upheld the 'some for all' rather than 'all for some' approach[7] and supported user charges – however minimal – as a means to promote sustainability (Mvula Trust 1998: 1). The focus was on poor and disadvantaged communities, as part of the overall thrust of the Reconstruction and Development Programme (RDP) with strong links built with civil society.

Two evaluations of these initiatives were carried out: the Mvula Trust programme (Blaxall 1996), and the DWA CWSSP, evaluated by a team set up by Mvula Trust (Mvula Trust 1998). These evaluations dealt with quite different circumstances as the Mvula Trust programme was based on mostly smaller scale projects while the DWAF evaluation focused on three large Presidential Lead Projects. Nevertheless, they found that the successes were based found in situations where the most effort was placed into working with communities at settlement level. While there were difficulties with implementation, notably with the large scale Lead Projects, it was observed that there was an ambitious policy intention based on: "Profound and ambitious concepts such as a commitment to equitable, demand-driven, community-based approaches, a practical recognition of the economic value of water, user payment, integrated development, and environmental integrity". (Mvula Trust 1998: viii)

The key learning coming out of this period in water service delivery in South Africa was the overall success and importance of community-based approaches. The CWSSP at this stage was not entirely successful with the implementation of people-centred approaches and the utilization of CSOs in water service delivery, but the programme experience did underline the critical importance of these methods for sustainability. It should be noted that at the time of the evaluation of the CWSSP, the evaluation looked at large scale projects since the drive was to deliver. This meant that many other smaller-scale projects linked to the CWSSP were not considered, which otherwise may have shown a different picture.

[7] "To give expression to the constitutional requirements, priority in planning and allocation of public funds will be given to those who are presently inadequately served." (Department of Water Affairs and Forestry (1994). Water Supply and Sanitation Policy White Paper).

Building on this learning, in 1999 and 2000 DWAF initiated a new approach aimed at bringing greater support for CBOs from NGOs and the private sector referred to as the 'CBO-Support Services Agent (SSA) model' which involved the establishment of community-based water services providers which were to be supported by a support services agent. This model was piloted with Alfred Nzo District Municipality (De La Harpe 2003: 27). It worked well, but the criticism of this model was that it was too expensive.

With the local government transformation process underway and local governments in place from the elections in 2000, municipalities were mandated to take on full operational responsibility for water and sanitation (De La Harpe 2003). Thus in more recent years, policy and practice seem to be shifting as local governments reclaim more of the decision-making authority – as opposed to the water committees acting as central players. The effect is less direct responsibility by communities, except in the most remote areas. From 2000, municipal delivery of water infrastructure has taken over with some decline in community-based approaches: "With the taking over by the municipalities, most of this (community-based) work died out."[8] The reasons for this deterioration are not clearly known. "The main gaps identified include the need for training of officials in community development practice, the need for more community development workers to be deployed in the programme, the need for greater civil society involvement, and for more effective institutional linkages." (Zuma 2009: 16)

This is not to say the support for the community-based approach has completely faded: in 2001 DWAF introduced the Masibambane Water Services Sector Support Programme (Masondo 2006) and Mvula Trust and other NGOs continued with work to support communities but with a new focus on linkages with local government. But the emphasis towards technically oriented delivery approaches has largely continued with the potential for negative impacts on sustainability.

## 4.2 Role of civil society organisations (CSOs)

The diverse experiences and approaches to water service delivery demonstrated since the late 80s provide a good idea of the role CSOs can play in all stages of the project cycle of a water services scheme: planning, design, implementation, O&M and evaluation (Masondo 2006: 11). In the pre-project, planning phases, CSOs can be critical vehicles or platforms for making decisions to define the appropriate level of service, determine affordability and set tariffs. Organisations rooted in the community are also better positioned to promote inclusivity and consensus-building, poll community opinions and preferences, and reflect and articulate needs and desires of the community.

Throughout the planning and implementation phases, CSOs can be effectively involved in raising awareness, providing materials and physical labour, monitoring progress, collecting data, taking care of logistics and facilitating conflict resolution. In this respect, CSOs can be decisive in the resolution of project deadlocks.

Finally, operations and maintenance is an important area where water service authorities can use civil society organizations. CSOs have assisted to identify breakages and/or conduct repairs, provide security and protection against vandalism and abuse, stop illegal connections, collect payment and deal with non-payment and debtors (Masondo 2006: 30).

The summative evaluation of the Masibambane II Programme placed a particular emphasis on evaluating the way in which communities experienced service delivery where the sector has delivered services since 1994. The evaluation found that since the 1990s, particularly in the time between 1994 and 1996 when the RDP programme focused on citizen-based initiatives, there has been no significant progress on the interaction of communities, community-based organizations and CSOs in terms of their

[8] Email from Khumbuzile Zuma, The Mvula Trust, 13 May 2009.

meaningful participation in the delivery of water and sanitation services to communities. The approach has been predominantly top-down, and the total expenditure channelled through civil society structures was reported as R42 million (DWA MSB 2007: 19).

The evaluation report further notes that at a national level, CSOs made strategic contributions to policies affecting service delivery, but the participation of CSOs at the provincial level was limited and inconsistent, and at the municipal level CSOs had even less of a role in project implementation (DWA MSB 2007: 19). Among the service delivery beneficiaries interviewed, only 42% said that there was a project committee in place when water services were being implemented (DWA MSB 2007: 41). This reflects a low level of engagement with communities during implementation, which has translated into communities not having a sense of ownership over water resources or the infrastructure of the resource. Only 18% of respondents said that their communities were kept informed about water issues, and of the 21% who said that there water was tested, a fifth said that they were told the results of testing (DWA MSB 2007: 41). Public accountability at the municipal level is poor and communities are often excluded from project planning and implementation process becoming voiceless recipients of water services.

The diagram below provides a summary of the role of CSOs.

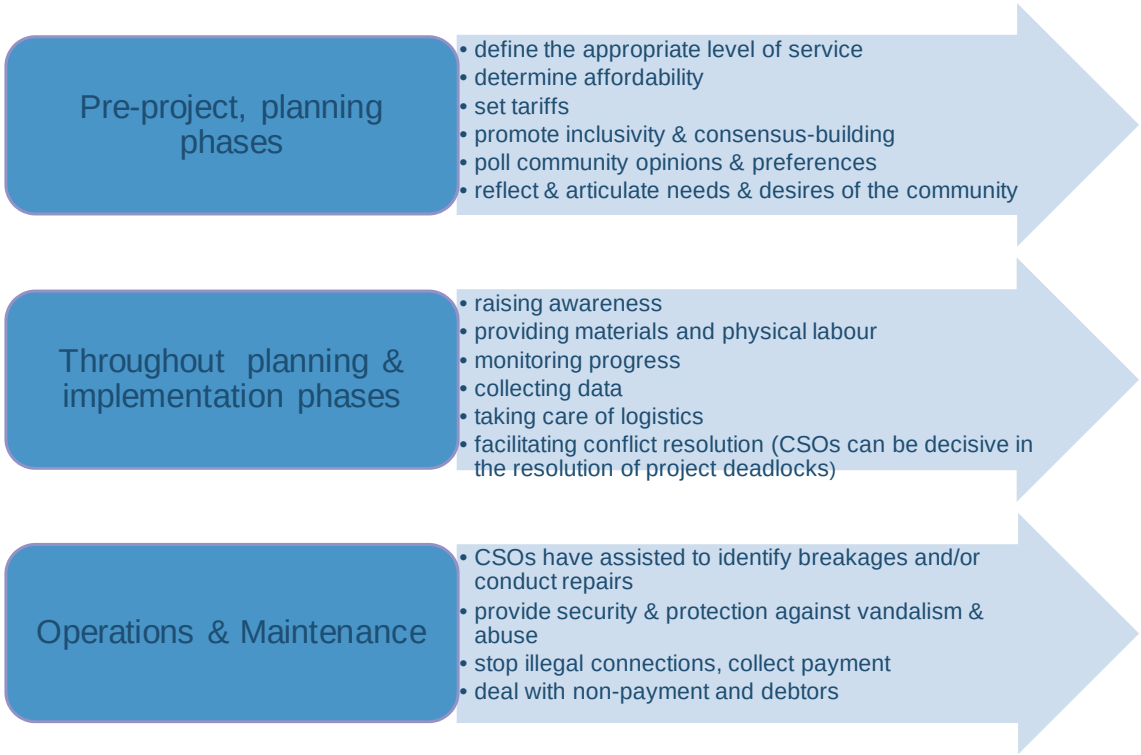



***Figure 1: Role of CSOs***

## 4.3 Institutional model

The institutional model used in community-based approaches revolves around the water committee, or other community-based organisation, which acts as the service provider. The service provider is supported by SSAs.[9] In their role as service provider, the CBOs are responsible for operations and maintenance of the schemes, including the day-to-day tasks, minor repairs and customer relations. The SSAs, in turn, provide: training;

[9] Alfred Nzo District Municipality piloted this model 33 villages and planned to roll it out in 881 villages where approximately 600 CBOs would be established (De La Harpe 2003: 3).

mentoring; monitoring; bulk procurement; and major maintenance (De La Harpe 2003).[10]

There are different possible arrangements for SSAs but the basic model assumes that the municipality which is the Water Services Authority takes responsibility for providing support services, and either provides those services directly or contracts an outside organisation to act as SSA on its behalf. De La Harpe (2003) outlines three options for the contracting arrangements:

The water services authority may:

1. Set up a single contract with a single SSA to provide support services to service providers in the entire jurisdictional area
2. Enter into contracts with different SSAs, each SSA being responsible for providing support services to the service providers in certain region
3. Contract different SSAs for different types of support: training, social development, etc.

On the whole, the research suggests three elements which are critical factors to the success of the model:

1. **Demand-based approach.** The project process must include a means to determine the community's commitment and organizational capacity (Mvula Trust 1998: 19). This thinking is in line with international experience which shows that community involvement in the design, implementation and maintenance of infrastructure delivery builds a sense of ownership and is thus critical to sustainability.
2. **Community contribution and control of funds.** Local and international literature suggests a financial contribution from the community – however small – increases ownership and sustainability of services infrastructure (Cain 1998).[11] However it is very difficult to apply this principle in the current environment in South Africa where the policy of free basic water applies.
3. **Effective support to community-based organizations.** If community involvement is critical, then support to community-based organisations as the structured manifestation of community involvement is necessary. Another critical factor for success appears to be the extent and type of support which the CBOs receive from the municipality or another supporting body (De La Harpe 2003).[12] Municipal-NGO-CBO partnerships achieve greater success when the local municipality and/or support service organisation have officials trained, capable, and experienced in working at community level in a respectful and participatory manner (Masondo 2006: 10).

## 4.4 Implementation models for community-based O&M

The different forms that a Village Water Committee (VWC) can take are listed below:

---

[10] Theoretically, as the SSAs build the capacity of the community-based organizations, they work themselves out of a job. Currently however the investment in the SSAs is not decreasing because more water schemes are being added (De La Harpe 2003: 40).

[11] De La Harpe points to a contradiction between the financial contributions as a means to enhance community ownership and the legal requirements of the Water Services Act. The Act stipulates that ownership of the water services infrastructure lies with the municipality as the water services authority. Some municipal officials argue that cost recovery erodes municipal control of the infrastructure by encouraging the community's sense of ownership. The advantage of free basic water, from the perspective of the municipality, is that the municipality retains clear control of the services (De La Harpe 2003: 71).

[12] Email from Khumbuzile Zuma, The Mvula Trust, 13 May 2009.

1. Not-for-profit organisations (NPOs): Voluntary associations, established under common law; Non-Profit Trusts, established under statutory law; Section 21 Companies established under statutory law.

2. Small businesses: Small, Medium and Micro Enterprises (SMMEs) cannot be VWCs representing the community even though they may be based within a community. An SMME is a profit based business. A Section 78 process in terms of the Municipal Systems Act may be required to assess potential service delivery mechanisms. Using co-operatives as community services providers requires 5 or more members and there are several costs involved to register. It is a much more complicated process than registering a NPO. Co- operatives (Co-op) are the only form of SMME which is considered for rural water services delivery.

The Mvula Trust guidelines (2010) deal with different implementation models for community-based Operations and Maintenance (O&M) based on whether the provider function is done by the WSA or by another organisation.

If the WSA is also the WSP then two options are presented:

1. The VWC members are employees of the WSA.

2. The VWC members are volunteers who are not paid anything for their labour.

The first option entails the employment of community members to operate the scheme and to do community liaison including conflict management. This also involves reporting to a line manager at the municipality. The VWC members may be chosen by the community and can be held accountable by the community. The Basic Conditions of Employment Act applies to the VWC members and VWCs can no longer be "volunteers" who are paid an honorarium. As municipal employees minimum wages might be applicable. The advantage of this option is that the WSA is fully in control of the system and interacts with the VWC directly. Also, the VWC members have the protection that any employees have.

In the second option VWCs are not paid. However, this is no longer an option in a village water scheme as it is regarded as exploitation of poor rural people. (Mvula 2010)

If the WSA outsources the WSP function (to a local municipality where the WSA is a district municipality, or a water board, an NGO or a private company) then two options are presented:

1. The VWC is employed by a WSP or a SSA.

2. The VWC is a small business (SMME[13] or Co-op[14]) or a CBO which is a NPO.

The first option involves the WSA contracting a WSP, (which can also act as an SSA) or an independent SSA which can then subcontract the VWC to operate the scheme and do the community liaison. The WSP or SSA would then implement the appropriate labour legislation. The WSA will need to ensure that outsourcing does not allow the WSP or SSA to undercut wages and benefits.

In the second option the VWC can be constituted as an SMME or a CBO and be contracted by the WSA as the WSP, or subcontracted by the WSP or the SSA. The VWC

[13] SMMEs may be based within a community, but they are motivated by profit-seeking and are part of the private sector. Mvula (2010).

[14] A co-operative is a legal business that is registered with Companies and Intellectual Properties Registration Organisations (CIPRO), and the regulations for co-operatives are laid down by government under the Co-operatives Act of 2005. It needs 5 or more members and there are several costs involved to register. It is a much more complicated process than registering a NPO. There are various forms that have to be lodged with the CIPRO to register your Co-operatives. Co- operatives are the only form of SMME which is considered for rural water services delivery. (Mvula 2010)

would need to register as a co-op or a NPO, and abide by the regulations governing such bodies. (Mvula 2010)

The diagram below provides an overview of the implementation options described above.

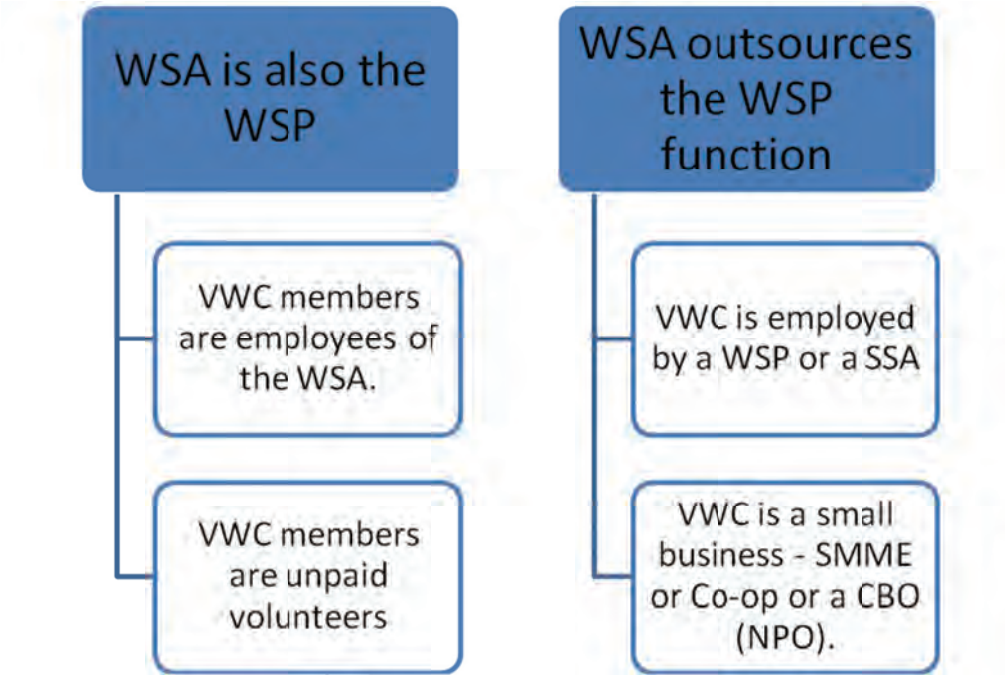



***Figure 2: Implementation models for community-based O&M***

## 4.5 Recent developments

There have been some major set-backs recently for the CBO model:

- Section 78 in the Municipal Systems Act requires competitive procurement procedures to be applied to appointments of service providers and this has been interpreted to include CBOs. This has acted as a barrier to setting up a negotiated arrangement with a community.
- There have been efforts by the unions to prevent informal employment arrangements to be applied in community managed schemes. But in formalising these employment arrangements costs increase substantially employment arrangements are more complex and the suitability of the CBO option declines.
- The free basic water policy has meant there are no payments made by the community members (although some do this voluntarily) and thus no money gets down to village level to pay for the work which needs to be done there. Maintenance then becomes a matter of waiting for a generally over-stretched municipal employee to arrive.
- The formalising of ward committees may well have taken away some of the volunteer spirit which was there previously. On the other hand ward committees may also provide a good basis to build new initiatives in the future.

The result is, in many cases, a fairly 'top down' approach with a sense that everything needs to be done by the municipality.

Mvula (2011) highlights a number of obstacles at local government level towards a people-centred approach to operation and maintenance in rural areas. These are:

- Unwillingness in some cases, to choose and support a decentralised system. This is the case where there is no trust in local communities, or no desire for people

driven development, or there is a lack of skills to do it (even though participatory democracy at local level is required by many constitutional provisions).

- Implementation is difficult if appropriate skills and attitudes are missing, because this approach implies relating to many committees in terms of supervision, training, ongoing support and payment systems. However, municipalities will be engaging with those communities any way in terms of water provision.
- Municipalities are deterred by the procurement requirements through section 78 processes which are more complex in the case of Community-Based Water Service Providers (CBWSPs).
- CBWSPs may be seen as political competition. In some cases CBWSPs are seen as alternative centres of power from where challengers to local councillors can emerge. This applies to all forms of community-based organisation, where alternative popular leaders may emerge.
- CBWSPs can be undermined by a lack of authority. Combined with constant tensions with local government, they are not in a position to successfully enforce policy decisions, for example compliance in cases of unauthorised connections, especially by locally powerful or connected people.

Government policies currently emphasise the creation of jobs in the public interest in rural areas through innovative approaches to service delivery, public works and community works programmes that provide an income safety net to the poor, and the emphasis on both jobs and sustainability in the green economy (Mvula Trust 2011).

A 'Community-Based Organisations as Water Services Providers Guideline' was published by DWAF in 2001 that provides a detailed framework for the legal establishment and functioning of community-based organisations as WSPs. Further, various models have been developed to support Community-Based Water Services Providers (CBWSPs), to work within the existing barriers in the legislation and regulation that aim for sound financial management of public sector institutions and efforts to remove the exploitation of workers. CBWSP members could become municipal employees, or contractors or community workers, volunteers, or small businesses (SMMEs or co-ops) and in a franchising partnership (Mvula Trust 2011).

### 4.6 Possible future for the CBP model

For rural water services to be sustainable the community must be a ***partner*** in the planning, construction and operation of the infrastructure and resulting service. Local government needs support as its capacity grows in rural areas from the current low base to support communities. The recommendations from the Mvula report (2011) focussing on people-centred O&M includes recognising CBWSPs as an asset for the local community and local government. They should be integrated into ward committees and planning processes like the IDP. The CBWSPs go beyond narrow operation and maintenance of water supply schemes to deal with demand management, including illegal connections, as well as water resources management, in the approach known as multiple water use systems. Their scope should be expanded to more water issues that include projects using productive water, e.g. food gardens, rain water harvesting, demand management, raw water allocation. The application of innovative approaches to rural service provision is encouraged, for example SMMEs should be considered as a way of avoiding labour legislation, but can be designed and implemented to achieve Local Economic Development (LED) by integrating the planning with local development plans that use the same skills. These skills can be used for sustainability in sanitation (ongoing user education), water demand management, and productive use of water (water based enterprises) (Mvula 2010).

## 4.7 A summary overview of the key issues in provision of water services in rural areas

As a motivation for the critical importance of addressing the provision of water services in rural areas, the following is an overview of the key issues, the underlying causes, other contributing factors, and what this all means for people in predominantly rural areas in the 21 WSA DMs that are the focus of this research work (PDG 2009 for the Raith Foundation).

Key issues

The key issues may be summarised as follows:

- There are still large numbers of households without an adequate water supply and sanitation services in the deep rural areas.
- Many of the water supply systems that have been provided (historically or as part of the backlog eradication programme) are no longer functional or are unreliable in rural areas[15].
- Untreated, or inadequately treated, drinking water poses a significant threat, as is evidenced by the incidents of cholera (and its spread), typhoid and diarrhoea (in the latter case implicated in the deaths of infants in Ukhahlamba District)[16].
- Rural water supply systems are being used in ways different to that which they were designed for. In some cases, a small proportion of households are using disproportionate amounts of water (compared to the system design; typically without payment) at the expense of a reliable supply to all households, which is meant to be supplied from the system. In other cases, systems are being used for "multipurpose use" such as small enterprises, stock watering, community gardening, etc. The result is that the demand exceeds the capacity of the system resulting in shortages.
- Maintenance and replacement of existing municipal water supply and wastewater infrastructure is inadequate. This is contributing to poor quality wastewater effluent discharges (not meeting the required standards) posing immediate water quality and health threats. In addition, these systems will need to be rehabilitated at a later date at much greater expense than would be the case with adequate maintenance and timely replacement of infrastructure.
- Many of the municipal water supply and sanitation systems are not financially viable with income (from both customers and government grants) that is insufficient to cover the required expenditures.

[15] This finding is backed up by a 2007/08 review by CSIR on the functionality of 500 rural projects to assess the quality and standard of (complete and incomplete) of MIG funded infrastructure projects, the study indicated that rural water and sanitation projects were either: partially non-compliant (B-rating) or non-compliant (C-rating). Many of the concerns related to technical design flaws, poor quality, poor operation and maintenance and the need for rehabilitation. In addition, the lack of proper management around metering, billing and revenue collection were highlighted.

[16] A case study was documented by PDG for the Water Information Network of South Africa (WIN-SA) on identifying underlying and systemic causes that resulted in failures in water quality in Ukhahlamba District Municipality in the Eastern Cape. The case study is exemplary of the outcome of systemic challenges in the sector that were present in each sphere of government (national, provincial and local) and in the institutional arrangements. WIN-SA (2010) *Lessons Learned from Ukhahlamba District Municipality.* WIN-SA: Pretoria.

- Levels of customer service are very low in many cases, with little interaction and engagement between service providers and consumers/customers/citizens.

(Raith Foundation 2009: 25)

Underlying causes – backlog

Although there has been impressive progress in the extension of basic water supply and sanitation services, progress has slowed down dramatically in recent years. The reasons for this include:

- It is difficult and costly to provide services to rural households.
- The service delivery programme is now heavily reliant on municipalities. But the capacity of municipalities is quite limited, particularly in outlying rural areas where there are still large numbers of households without adequate services.
- In some cases, there is insufficient finance available to eradicate the backlog (at least at the pace required to meeting politically determined targets).
- There appears to be a preference on the part of municipalities to allocate money for higher levels of service (house connections and flush toilets in more urban areas; and yard connections rather than communal water supplies in rural areas), and to upgrade people from basic services to these higher services, rather than allocate money for a basic service.
- All municipalities are treated the same way (at least until recently) in terms of capital grants, whereas there is an argument for a differentiated approach for grant funding depending on municipal capacity (and other considerations). The major cities have recently been given a different (more flexible) grant dispensation. Discussions are underway to differentiate further between municipalities, perhaps with three categories[17].

(Raith Foundation 2009: 26)

Underlying causes – sustainable and effective operations and maintenance

The causes of poor operational performance on the part of municipalities (who are responsible for water services provision) include the following:

**Poor governance**, as evidenced by political instability and the politicisation of appointments of senior officials, contributes significantly to poor performance in many cases.

**Weak accountability** for poor performance operates at a number of levels:

- At a **regulatory level**, many municipalities have been unable to perform well, faced with adverse circumstances. This is not universally the case. There have been municipal interventions and successful turn-around strategies.
- At the **authority – provider level**, particularly in cases where one municipality is the "authority" and another municipality is the "provider". This problem is a function of the two-tier local government structure, the allocation of a water services authority function to some district municipalities and decisions, on the part of some district municipalities, to appoint local municipalities as water services providers. In these cases, there is often little clarity on roles and

[17] This structure has subsequently been formalised. In addition there is a recent Cabinet decision to focus on the 21 district municipalities which are WSAs.

responsibilities, the absence of clear service level agreements and little prospect of enforcement of agreements (typically due to political constraints).

- At a **citizen level**, there is little accountability for poor performance to citizens. This is being addressed, to some extent, through the Citizen Voice initiative, developed for DWA and local governments by the Mvula Trust.

**Managerial and technical capacity** is weak in many municipalities. This is exacerbated by a general managerial and technical (particularly engineering, technician and artisan) skills shortage in South Africa. Small municipalities, in particular, find it hard to attract and retain skills.

**Poor choices** in relation to how services are provided can exacerbate the above systemic factors. Examples of poor choices include:

- A tendency to want to operate and run the service itself (on the part of municipalities) even when services have been successfully managed in terms of a community-based contracting model.
- A tendency for preferential contracting with a Water Board (supported in terms of national water policy and legislation) even when there is evidence to suggest that alternatives might be more effective and/or more competitive, sometimes with poor outcomes.

(Raith Foundation 2009: 26)

What does this mean for people?

The consequences of poor performance (as outlined above) are both direct and obvious and include the following:

- Poor or no access to a safe water supply (quality);
- Poor or no access to an adequate water supply (quantity);
- Poor or no access to a reliable water supply (quantity and quality); and,
- Poor or no access to a safe sanitation service.

(Raith Foundation 2009: 26)

### 4.8 Scan of current community-based service provision experience in 21 districts

A scan of the 21 District Municipalities that are Water Services Authorities was undertaken in order to better understand current institutional arrangements and the experiences of municipalities in using community-based service provision. The scan has been useful in providing a picture of the status-quo of community-based water services providers in South Africa. This research therefore answers a fundamental question about what is happening in the country's WSAs with respect to using community-based organisation to address rural water delivery challenges.[18]

The scan of the district municipalities yielded an interesting mix of municipalities that are clearly in favour of the Community-based Water Services Provider (CBWSP) and those that are clearly against it. Of the 15 districts where the team was able to conduct interviews, CBPs are reportedly utilised in seven, while eight districts reported that they currently do not implement any community-based models for rural water provision.

***Findings are summarised below, with the detailed methodology and analysis contained in the Review Report***.

[18] See Annexure A for list of Districts and status of interviews

### District municipalities where CBPs are being utilised for rural water provision

The districts where CBPs are being utilised are listed below with a high level analysis of findings to follow:

- EC: Amathole District Municipality
- EC: Chris Hani District Municipality
- EC: Joe Gqabi District Municipality (Ukhahlamba District Municipality)
- EC: O.R.Tambo District Municipality
- EC: Alfred Nzo District Municipality
- KZN: Ilembe District Municipality
- LM: Greater Sekhukhune District Municipality

Structure of CBPs

In the above districts where CBPs are being used, these were typically in the form of the village water committee which is responsible for operations and maintenance. Notable exceptions include Chris Hani District, where the conversion of CBP into Business Entrepreneurs is in progress and OR Tambo where operators are being absorbed into the municipality, to become municipal employees.

#### *Responsibilities and functions performed*

In all cases, the CBP plays some role in operations, while many are also responsible for maintenance, with the exception of Ilembe and Greater Sekhukhune where the municipality takes care of maintenance. All CBPs play a role in alerting the municipality to leaks or breakdowns in the system.

In five of the districts, the CBPs are reportedly 'sometimes' or 'always' active in playing a role in liaising with households.

Most CBPs do not have any role in tariff collection, probably due to concerns around the management of funds, but also because most households are indigent and therefore do not expect to be billed anyway. In the case of Ilembe however the CBPs play a role in collecting tariffs for households that are expected to pay, i.e. where they made an application for water connection. Greater Sekhukhune reports using community-based organisations and/or local businesses that are contracted out to collect tariffs and receive a 10% fee for their efforts.

#### *Institutional arrangements and relationship with municipal council*

The CBPs were formed either through a combination of district engagement with communities or external support such as Mvula Trust or in some cases through the community's own initiative.

All districts reported positive council and ward councillor support for the current model, with the exception of OR Tambo where there is preference for CBPs to be absorbed into the municipality.

Where the CBPs have been contracted to provide services to the district, these are reportedly well managed, with regular meetings and reporting taking place to ensure accountability.

In terms of the selection of CBPs, this is informed in part by track records and history of performance, as well as through community participation in the selection of members. In some cases, such as Alfred Nzo, the contractual agreement relates to specific services rendered while in Greater Sekhukhune, the water committee that is made up of volunteers selected by the community.

In terms of the benefits of the CBP approach, these include:

- Improving local economic development (where stipends are paid)
- Improving response times to leakages
- Reduce burden on municipal staff who do not have to travel long distances to manage and operate village-level schemes
- Reduction in costs to municipality
- Improvement in level of service received by community
- Reduction in instances of vandalism as a communities take more ownership for the water infrastructure

### *Financial arrangements*

CBPs are typically monitored through the managers in municipalities who have certain reporting requirements which CBPs are expected to adhere to.

In all cases, with the exception of Greater Sekhukhune and Ilembe, water committee members receive some form of payment or compensations, either in the form of a stipend or payment for services rendered. In the two exceptional cases, water committee members are not paid as they volunteer.

### *The future of CBPs*

All districts expressed positive attitudes towards the future of a model which involves communities in the provision of rural water. In some instanced the form of the CBP is however likely to change, particularly in the case of Chris Hani DM and OR Tambo, where SSMEs are likely to be established and CBPs are likely to be absorbed into the municipality, respectively.

### District municipalities where CBPs are not being utilised for rural water provision

The districts where CBPs are not being utilised are listed below with a high level analysis of findings to follow:

- KZN: Ugu District Municipality
- KZN: Uthukela District Municipality
- KZN: Umzinyathi District Municipality
- KZN: Amajuba District Municipality
- KZN: Umkhanyakude District Municipality
- KZN: uThungulu District Municipality
- NW: Ngaka Modiri Molema District Municipality
- NW: Dr. Ruth Segomotsi Mompati

### *Reasons for not using CBPs in rural water provision*

Eight of the fifteen districts where interviews were undertaken reported that no CBPs are currently in place, as shown in the matrix above.

The interviews attempted to explore the reasons for this and while there was a range of responses, a number of municipalities identified funding constraints due to weak tariff collections processes where schemes were not recovering money from those who could afford to pay. This has largely been attributed to the introduction of Free Basic Water as a policy in South Africa.

Other arguments against the model include:

- The perception that communities lacked the technical skill to perform operations tasks effectively

- CBPs as a localised approach to service delivery are perceived to be financially unfeasible when compared to addressing rural water service provision at a larger scale
- The impression that CBPs are not providing a better service

It is encouraging to note that in Dr Ruth Segomotsi Mompati District Municipality, while they have no CBPs in place, they are considering this option as they undergo a Section 78 process.

### *Potential role of CBPs in rural water provision*

The districts were asked to identify what role they could foresee a CBP playing, should they ever decide to explore this option. While most emphasised that they could perform a role in operations and some maintenance, a few (Uthukela and Umzinyathi for example) thought that perhaps they could contribute more significantly in terms of full operation and tariff collection.

Only one district, Uthungulu was completed closed to the idea of the CBPs and would not engage any discussion about a possible role.

### *Likely future for CBPs in district*

Ngaka Modiri Molema and Uthungulu districts were particularly negative about the future of CBPs in their municipality. A number of districts were much more positive with Dr Ruth Segomotsi Mompati DM and Amajuba DM were both particularly positive about CBPs, largely due to their potential to address the need for services in hard-to-reach rural areas.

In the remaining districts, views were mixed.

## Conclusions

Perhaps the most striking conclusion from the scan of the district municipalities which are WSAs is the extent to which there is a positive attitude towards using CBPs. The existence of a considerable body of experience with CBPs is also evident. That said, the indications are that, with the exception of a few DMs, the practical application of the institutional model is limited. Since the late 1990s there has been a ‘thinning’ of support for this approach by municipalities.

Of the 15 districts where the team was able to conduct interviews, CBPs are reportedly utilised in seven, while eight districts reported that they currently do not implement any community-based models for rural water provision.

The seven districts that do utilise CBPs are generally optimistic about their future and have seen tangible benefits from their usage, particularly in terms of managing operations, reporting of leaks and bursts and maintenance of hard-to-reach rural schemes. However, the research suggests that political support for the CBPs is fundamental to their survival.

In districts where CBPs are not currently being utilised the reasons for this range from a perceived lack of skills of local communities, insufficient revenue flows to cover costs and the perceived inefficiencies of CBPs as well as political drivers. While some of these DMs were positive about the role of CBPs, many cited financial constraints as a reason why the future of CBPs in their district is not positive. The introduction of the FBW policy has been raised a number of times and there is a general sense that CBPs are more costly and that these costs seem to outweigh the benefits. This is certainly an issue worth exploring further as the understanding of the financial considerations and implications of CBPs is an important factor in determining the viability and future potential of CBPs in rural water provision in South Africa.

# 5 FINANCIAL ANALYSIS

This section provides the financial analysis of the cost of rural water supply options and provides the financial implications of the use of CBPs.

## 5.1 On overview of cost drivers and an analysis of costs of rural water supply schemes

For the purposes of this analysis schemes are divided into two broad groups:

- Stand-alone schemes which typically use boreholes, springs or river bed abstraction all of which avoid the use of treatment other than for disinfection.
- Schemes linked to larger scale bulk infrastructure where the source is typically a dam or run-of-river and where water treatment using sedimentation and filtration is usually required.

In considering these options the bulk and distribution system is considered separately.

The structure of a water supply system is important in considering the role of CBPs as CBPs are best able to provide a service relating to local systems: distribution in individual settlements and small scale bulk supplies associated with stand-alone schemes. For this analysis the primary emphasis is placed on water distribution arrangements primarily as it is here where the system management shortcomings are greatest. Further, the trend is for bulk systems to get greater attention from municipalities and water boards and this is, therefore, where CBPs can add most value.

The variability of water supply systems, technically, is recognised. But some 'indicative' or typical figures are needed to illustrate the points in this analysis. In order to do this a village with a population of 3,500 people is used, one which is largely hypothetical but where the layout of the settlement and the distribution system is realistic. Demographic and service unit features assumed in the analysis for this water supply system are given below:

- Number of households: 700 (5 people per households).
- Number of Consumer Units[19] (CUs): 450 (1.6 households per consumer unit).

Service levels

Service level decisions are critical for the success of water scheme, particularly in rural areas where the step up in cost of higher service levels, specifically 'in-yard' supply is so great. The analysis takes four types of service level into consideration:

- Public standpipe within 200 metres (so called 'RDP' standard).
- Yard connection with some means of limiting flow (yard tank or Durban type flow limiter on pipe at the connection point).
- Yard connection with no flow limitations (no metering – or no meter reading, if the meter is in place – no community-based arrangements to ensure equity in the way water is used and no censure if water is taken from the system with no authorisation).

[19] A consumer unit is a group of people, typically more than just a single household, sharing one yard-based water supply point. In the case of public standpipes the term 'consumer unit' is not necessarily relevant as it becomes more about the number of individuals sharing the standpipe. But the term is used consistently in this analysis for comparative purposes: for 'consumer units' using a public standpipe this refers to the number of people in that consumer unit grouping who use the standpipe.

- House connection which assumes a higher level of use that a single yard tap and with the assumption that this will be metered with some variability in the extent to which this also means effective billing and credit control.

The analysis is focused on the impact the service level mix and management arrangements have on the viability of the water supply scheme. In order to do this three scenarios are assumed:

***Table 2: Three scenarios for a village scale water supply system with varying levels of service***

| Level of service | Numbers with services indicated | | |
|---|---|---|---|
| | Scenario 1 (all public standpipes) | Scenario 2 (30% with yard tanks; 5% house connections) | Scenario 3 (30% yard connections with no flow limiter; 5% house connections) |
| Public standpipes | 452 | 294 | 294 |
| Yard tanks | 0 | 135 | 0 |
| Yard taps | 0 | 0 | 135 |
| House connections | 0 | 23 | 23 |
| **Total** | **452** | **452** | **452** |

Water consumption and water requirements

Service levels have a direct impact on water consumption per consumer unit. The following figures are assumed:

***Table 3: Water consumption per consumer unit for each service level***

| **Level of service** | **kl/CU/month** | **l/cap/day** |
|---|---|---|
| Public standpipes | 3.0 | 13 |
| Yard tanks | 6.0 | 26 |
| Yard taps (unmanaged) | 15.0 | 65 |
| House connections | 25.0 | 108 |

Good data on the water consumption with unlimited yard connections is not available but field experience indicates that this number is high (Gibson, 2012) and the figure of 15 kl/CU/month is assumed for this analysis.

In order to convert water consumption in to bulk water requirements which drive the size of the bulk water system, provision needs to be made for technical loses in the distribution system. While figures of 10% to 20% are typically used in system designs, this assumed properly managed systems and the reality is that losses are much higher with figures of 50% and above reported by Still and Houston (2006). With the level of technical losses in distribution systems being strongly correlated to pipe length and management capacity it is clear that systems with unmanaged yard supplies will have higher losses. Figures of 15%, 25% and 35% for scenarios 1 to 3 respectively are assumed for this analysis.

Capital costs and capital finance

While capital costs are not directly relevant to this report, it is important to understand the relationship between the extent to which effective management arrangements will limit the need for excessive capital expenditure. This occurs for two reasons:

- Better management at settlement level means lower levels of water losses and less requirement for bulk and connector infrastructure.
- Management of water use by consumers through the use of yard tanks, flow limiters, metering and billing reduces wasteful and unauthorised water use which again reduces the requirement for bulk and connector infrastructure.

This is illustrated in the figure below:

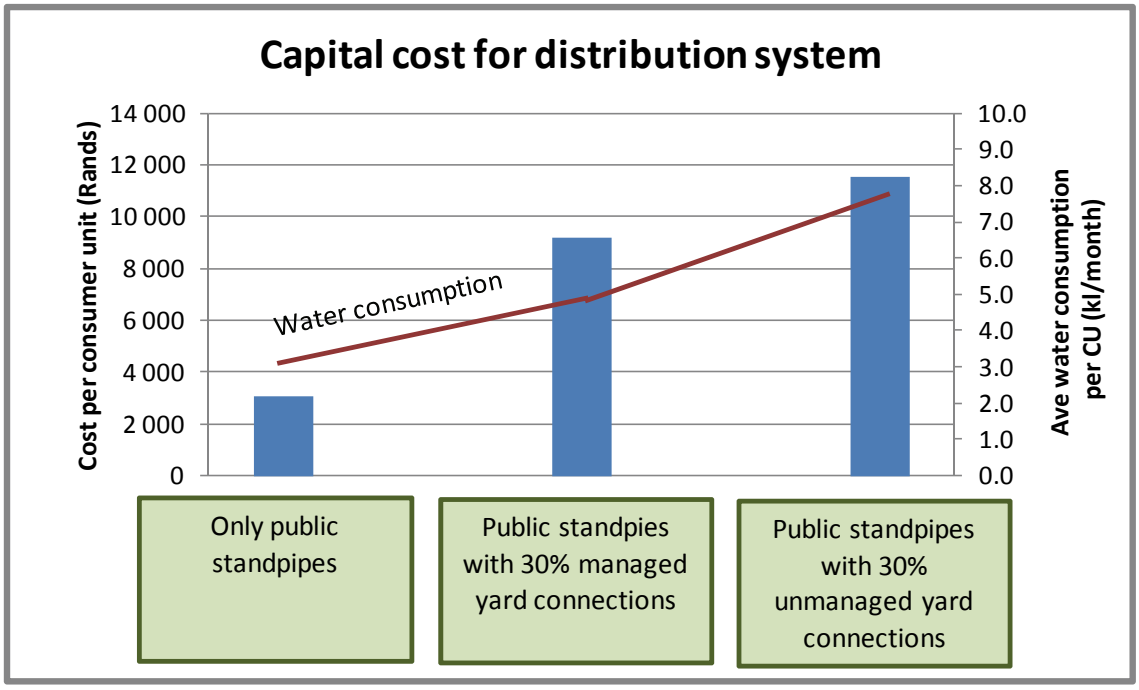



***Figure 3: Water consumption and capital cost results from analysis***

As the service level increases and the degree of management decreases, the average consumption of water in the settlement increases from 3 to 8 kl/CU/month. In the case of scenario 3 the consumption of water well exceeds the 6 kl/hh/month free basic water limit. The impact of this is that the capital cost of the system increases dramatically in order to provide for high consumption patterns. Note that this is only for distribution systems which typically represent only half of the capital cost of a full supply system. Therefore at the upper end one is looking at expenditure of the order to R25, 000 per consumer unit[20]. This is well beyond what is available with current levels of grant finance. This calls into question the current practice with regard to rural water supply: the political demand for higher service levels combined with rapidly increasing costs of schemes, particularly large regional bulk water schemes, is unsustainable from the point of view of capital availability unless national government is willing to apply much higher levels of capital grant finance.

[20] In fact this number is probably on the low side. Experience in KwaZulu-Natal suggests that numbers in the range of R30, 000 to R100, 000 per consumer unit are envisaged (Still, 2012).

Operating costs – distribution systems

The analysis of the typical water supply system considered here indicated that operating costs of distribution systems to be of the order of:

- R18/CU/month for Scenario 1.
- R40/CU/month for Scenario 2.
- R46/CU/month for Scenario 3.

The big jump from a modest system using only public standpipes, which is the current minimum service level to which Government has committed, to systems with even 35% of yard connections is striking. This is associated with high levels of management in the case of scenario 2 which is based on constraining water use to the 'free basic' limit of 6 kl/hh/day. In the case of Scenario 3 it is also based on effective management arrangements so that a 'benchmark' cost can be established. However, the real purpose of having this scenario is to show what happens when management arrangements are not put in place which has the rather dubious benefit of dropping costs to cover only emergency interventions. In this case distribution costs could be as low as R14/CU/month.

In considering the way these costs are split a division is made between ***'Municipal wide' expenditure*** which is incurred by people working from the municipal head office or based on urban centres from which they may travel to a settlement to undertake water supply related work. This expenditure grouping includes:

- ***Overheads*** relating to water supply which includes water services authority and water services provider overheads. These are typically office related costs, including technical oversight, but include travel costs for supervisory visits. In this analysis they are costed based on a percentage of asset value (0.15% for a well-managed system and half that for one that is poorly managed).
- ***Major maintenance*** includes repair of pipelines, reservoirs and distributions stations (in the case of yard tanks); and replacement of meters and flow limiting devices (including yard tanks if applied). For this analysis a percentage of asset value is also applied (0.15% for a well-managed system and half that for one that is poorly managed).
- ***Community support services*** include the costs of advising water committees, ensuring people who are undertaking tasks are properly appointed and remunerated, dispute resolution, etc. This is costed at R5/CU/month for a public standpipe service and R10/CU/month for a service based on a yard connection. It does not apply to an 'unmanaged' service (Scenario 3).

The second grouping of expenditure is that incurred at settlement level. This is associated with payments made to members of the community for services rendered. They include:

- ***Stipends paid to water committee members*** (set at a modest R200 a month for this analysis).
- Payments for ***operational costs*** (checking taps, pipes, reservoir levels, etc.) with some minor maintenance (replacing tap washers, for example).
- Payments for ***'customer liaison'***: Visiting individual members of the community to assess their satisfaction with the service; checking for unauthorised connection;, making arrangements for yard connections where individual CUs can afford them; meter reading, where required.

The number of people engaged is estimated for this analysis as shown in the table below. It is assumed that they are paid a stipend of R700 per month.

***Table 4: Assumptions made regarding number of people engaged at settlement level***

| Service level | Public standpipe systems | Systems with yard connections and flow limiters | Yard connections and house connections with meters |
|---|---|---|---|
| **No of people per CU** | | | |
| Operational activity | 1.0 | 2.0 | 2.0 |
| Customer service activity | 2.0 | 8.0 | 4.0 |

The assumptions made for this analysis clearly have a major bearing on the results and they need to be debated with people who have practical experience of field conditions and refined. However, they serve here to provide an indicative indication of the operating costs associated rural water supply systems. The results are summarised in the graph below.

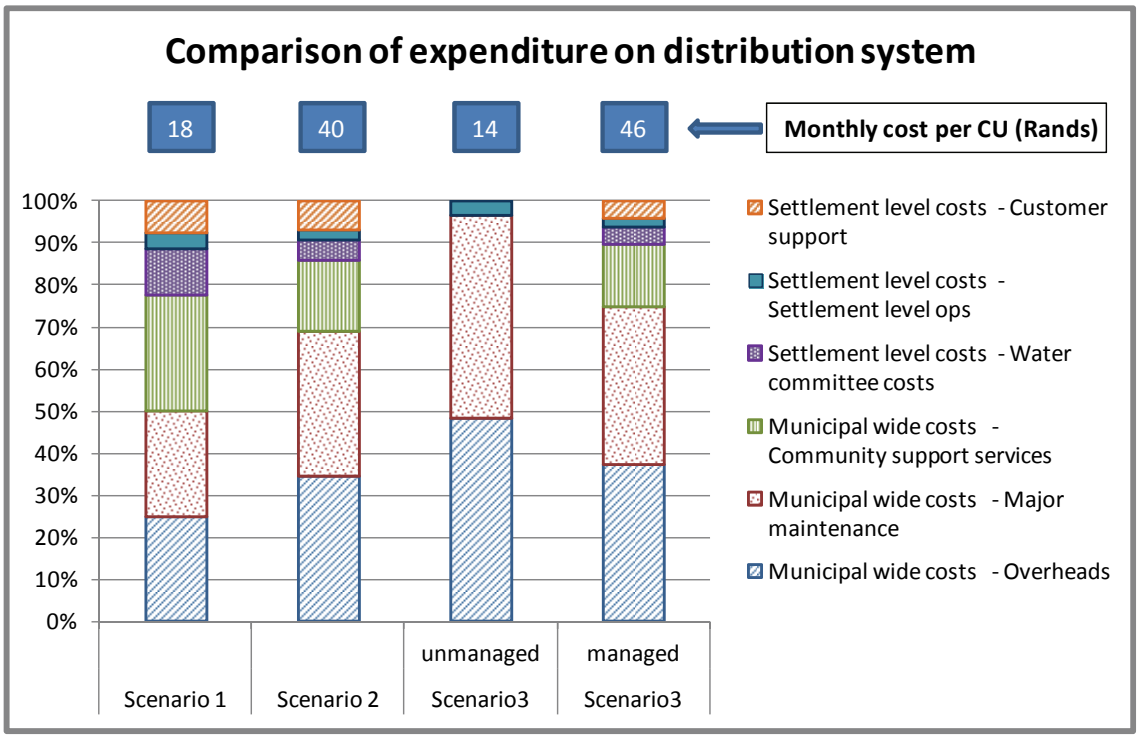



***Figure 4: Graph showing breakdown of expenditure of distribution system operating costs***

The analysis shows that a relatively small proportion of the money spent stays in the community, something which is discussed later in this report.

Operating costs – bulk supply

It has been noted at the start of this section on costing that the specific arrangement for managing the bulk system is not addressed. Therefore, for the purposes of this analysis it is assumed that the bulk water is being costed as a cost per kilolitre. This may be structured either as an internal cost within the municipality, if the municipality is operating the bulk supply system, or as payment made to an external bulk supplier such

as a water board. In doing this it is not intended to diminish the importance of community-based management of stand-alone bulk water supply schemes, typically borehole or spring based. In fact such arrangements have been successfully applied in many situations where settlement scale bulk and distribution systems are managed together and the costs of bulk water in such situations may be significantly lower compared with bulk water supplied from a large scale system. As mentioned above intention is rather to focus on distribution and to have an analysis which can be applied to a variety of bulk water supply options.

For the purpose of this analysis a cost of R7 per kilolitre is assumed which is held to be reasonable for rural water supply systems where the full cost of a well-managed bulk water supply system is included. There is, of course, considerable variability in these costs with some of newer planned bulk water schemes having costs above R20/kl.

Operating revenue

Revenue for rural water supply schemes is raised from two main sources:

- The local government equitable share (ES) which is paid to the municipality, part of which is for water supply.
- Tariffs raised from consumers.

The way the ES gets allocated to services and to individual settlements is a complex matter and is seldom done based on sound principles. Often the allocations are made to cover the most immediate items of expenditure without a sound rationale for allocating this money to benefit the poorest households in a municipality, many of whom are living in rural areas. Policy and practice for applying ES finance is not addressed here in any detail and is covered in several references (see Palmer development Group, 2006, for example).

The assumptions made for this analysis are given in the table below.

***Table 5: Basis for deciding on Equitable Share allocation to sample village used in this analysis***

| | |
|---|---|
| ES received by municipality per capita (all services) | 48 |
| % poor households | 78% |
| ES per poor household | 62 |
| Percentage allocated to water supply | 20% |
| Amount per poor household/month | 62 |
| Amount per poor CU/month | 96 |
| No. of poor CUs in settlement | 350 |
| Amount allocated to settlement | R21,700 |

Note:

1. The overall figure for what is received by the municipality is assumed to be for a municipality providing all services or, in effect, for that received by the local and district municipality combined.

2. A figure of 20% allocated to water supply is low, but evidence from research projects indicates that this is close to reality. (PDG, 2006).

In considering revenue from tariffs, evidence suggests that municipalities are collecting little, if any revenue from consumers in rural areas, even though they may not be poor and are using well above the free basic water limit. It is shown below that this leads to an unsustainable situation as there is no constraint on the amount of water used and the

requirement for bulk water supply will thus continue to increase. This is illustrated under two of the scenarios (See Table 2 for description of scenarios):

- Scenario 2 illustrates a situation where managed flow limiting arrangements are in place with metering of those who want to use water at beyond the free basic water limit of 6 kl/hh/day.
- Scenario 3 (unmanaged) represents a situation where there is minimal management but with some revenue collected from those with house connections.

The operating cost to revenue balance

The results of this analysis on the operating account are illustrated in the figure below:

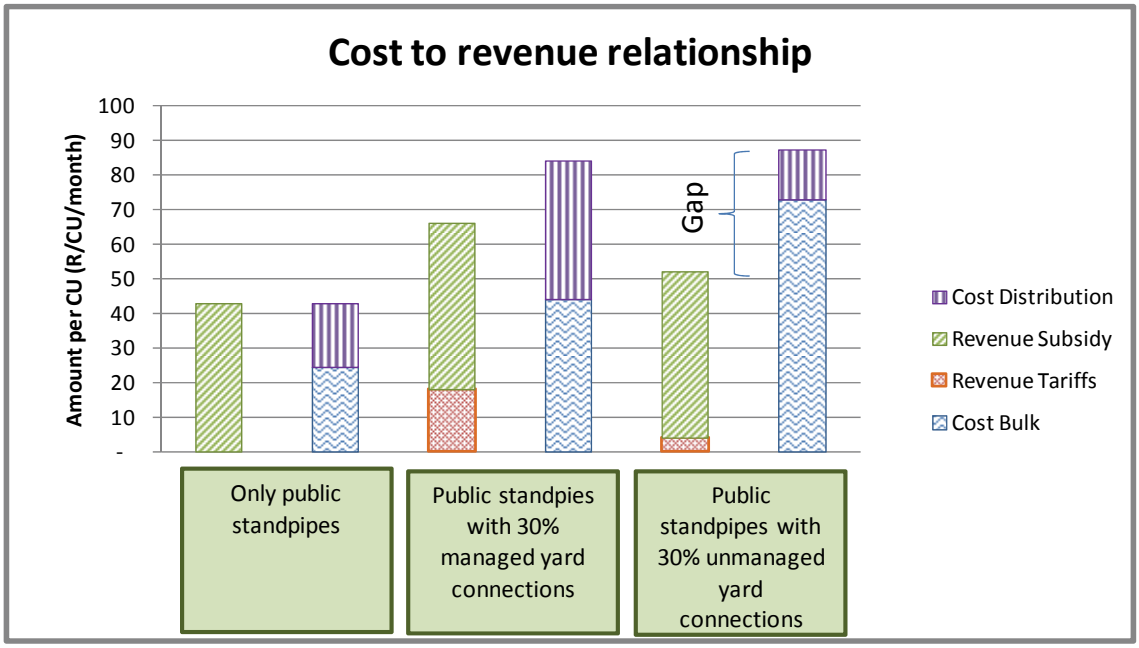



***Figure 5: Graphical illustration of cost to revenue relationship for typical rural water supply system***

The results from this analysis show:

a) Scenario 1, based on public standpipes only is shown to be viable (ES revenue is sufficient to cover costs).

b) Under scenario 2 costs increase due to higher level of service and associated greater bulk water requirement. The emphasis with yard connections is to limit consumption to the free basic water requirement, with those that use more being metered and billed. The results show that costs exceed revenue but to a relatively small extent.

c) Under scenario 3 costs are not much greater than for scenario 2 but now they are concentrated on paying for bulk water with very little provision for managing the distribution system. The funding gap is now substantial and the system if not sustainable[21].

The results from this analysis are taken forward into a broader discussion on the financial issues associated with community-based water system management.

[21] This scenario has rather alarming implications for a bulk water provider such as a water board as the there is insufficient funding to cover the costs of bulk water.

## 5.2 The financial picture of district municipalities as a whole

A look at the financial data provided by municipalities to National Treasury provides an interesting view of their financial profiles. For this purpose the figures reported for the 2010/11 year as 'forecasts' for the whole year are analysed. This is data reported during the course of the year where actual expenditure figures are used to assess the likely financial position at the end of the year[22].

The analysis shows:

a) On average expenditure by these DMs on 'governance and administration' amounts to 33% of total operating expenditure. This ranges from 18% for uThungulu, which happens to be the best performing DM according to DCoG criteria, to 50% for Mopani which is in the bottom 25% in terms of performance.

b) 36% is spent on water supply which is the core activity for these DMs.

c) While some DMs with stronger urban cores, such as Ugu and Uthukela collect substantial revenue from water supply tariffs 65% and 73% of total revenue respectively, others, such as Mopani, Sisonke and Greater Sekhukhune collect very little (0%, 8% and 5% respectively).

d) On average, DMs raise 26% of their revenue from water supply and rely on ES transfers for 70% of their expenditure.

While these results are based on a balanced budget and indicate the obvious fact that a municipality can function financially with only grant finance the reality is that many are doing it by spending far too little on water supply systems and far too much on 'governance and administration'.

In order to assess what should be spent to provide effective water services and what this requires in terms of revenue raising, modelling work undertaken for the Municipal Infrastructure Investment Framework (MIIF) can be applied. Interestingly this indicates that it is possible for DMs to be financially viable while providing a proper service to their citizens. But this is dependent on them, on average, covering 65% of their costs through tariffs paid for services. This is based on an assumption that increasing number of households will get yard connections and that these households will have to pay for the water they use beyond the free basic water limit.

## 5.3 Financial implications for the use of CBPs

The primary conclusion from this analysis is that if service levels are limited to public standpipes and sound management arrangements are in place, rural water supply systems can be viable. This does not require the application of tariffs and the collection of money related to these tariffs from consumers of water. However, this is related to an important associated conclusion: if yard connections occur, whether these be planned or unauthorised, it is not possible for the system to be viable unless a well-developed management arrangement is put in place to limit water use to the free basic water limit and to meter and bill those who use above the free basic limit[23].

In looking at the cost of a well-managed system, the financial implications for using CBPs become an important consideration. The figures estimated for the analysis reported earlier in this report indicate that a properly managed system using public standpipes will require up to 50% of distribution costs spent on CPP related activity (21% of total including bulk water cost). This will reduce to 30% for a system incorporating yard connections (15% of total including bulk water cost as the proportion paid for bulk water

[22] Data also exists in audited figures for 2009/10. But this is not detailed enough to assess water account information.

[23] It is important to note here that the indications are that this is typically not feasible as the capital costs of the system increase dramatically and there is unlikely to be enough capital funding to provide for this.

increases). The amount spent on CBP activity is split more-or-less equally between money paid to community members and the cost of support provided to CBPs. (10% to community members and 11% in the case of the public standpipe scenario and 7% and 8% respectively in the case of the managed yard connection scenario).

As evident from the scan of DMs reported above, many argue that this cost is too high. Others have shown that it is possible to cover these costs and run an effective rural water supply programme. In the end it is about assessing both costs and benefits and, of course, looking at the costs of alternatives. If a CBP institutional model is not used the typical alternative is to use conventional municipal water supply arrangements with municipal employees undertaking all the work. It has not been possible to cost this option for this study but the costs of managing full time municipal workers based at village level are likely to be high. They too, require a support structure which will not be too different to that applied for a CBP.

There are considerable difficulties to be faced in 'proving' that one option is more or less costly than the other. It then becomes important to look at the benefits and the practical possibilities, which are addressed in the final section of this report.

# 6 SUMMARY OF THE PROBLEM STATEMENT

Based on the legal, institutional and financial reviews the problem statement is summarised below. The research points to the importance of CBPs who in the immediate post-apartheid period had a critical role to play in assisting government with the implementation of projects at community level. CBPs have given organised expression to the needs of communities and they have supported government to achieve its developmental democratic objectives. Their value is that they operate at the coalface, that is, at the grassroots where service provision has been most vulnerable.

## 6.1 The state of rural water supply in South Africa

There have been several assessments recently – referred to in the research report – on the state of rural water supply in South Africa. In this regard there is recognition of the achievements of the water sector, with access to services increasing dramatically over the past 15 years. However, there are still 3.2 million people in South Africa who do not have access to a basic water supply service, most of these in rural areas. Further:

- Many of the water supply systems that have been provided (historically or as part of the backlog eradication programme) are no longer functional or are unreliable in rural areas[24].
- Untreated, or inadequately treated, drinking water poses a significant threat, as is evidenced by the incidents of cholera (and its spread), typhoid and diarrhoea (in the latter case implicated in the deaths of infants in Ukhahlamba District)[25].

[24] This finding is backed up by a 2007/08 review by CSIR on the functionality of 500 rural projects to assess the quality and standard of (complete and incomplete) MIG funded infrastructure projects, the study indicated that rural water and sanitation projects were either: partially non-compliant (B-rating) or non-compliant (C-rating). Many of the concerns related to technical design flaws, poor quality, poor operation and maintenance and the need for rehabilitation. In addition, the lack of proper management around metering, billing and revenue collection were highlighted.

[25] A case study was documented by PDG for the Water Information Network of South Africa (WIN-SA) on identifying underlying and systemic causes that resulted in failures in water quality in Ukhahlamba District Municipality in the Eastern Cape. The case study is exemplary of the outcome of systemic challenges in the sector that were present in each sphere of government (national, provincial and local) and in the institutional arrangements. WIN-SA (2010) *Lessons Learned from Ukhahlamba District Municipality.* WIN-SA: Pretoria.

- Rural water supply systems are being used in ways different to that which they were designed for. In some cases, a small proportion of households are using disproportionate amounts of water (compared to the system design; typically without payment) at the expense of a reliable supply to all households, which are meant to be supplied from the system. In other cases, systems are being used for "multipurpose use" such as small enterprises, stock watering, community gardening, etc. The result is that the demand exceeds the capacity of the system creating shortages.
- Maintenance and replacement of existing municipal water supply and wastewater infrastructure is inadequate. This is contributing to poor quality wastewater effluent discharges (not meeting the required standards) posing immediate water quality and health threats. In addition, these systems will need to be rehabilitated at a later date at much greater expense than would be the case with adequate maintenance and timely replacement of infrastructure.
- Many of the municipal water supply and sanitation systems are not financially viable under current management arrangements with income (from both customers and government grants) that is insufficient to cover the required expenditures.
- Levels of customer service are very low in many cases, with little interaction and engagement between service providers and consumers/customers/citizens.

## 6.2 Municipalities and their role in water supply

Municipalities will remain the authority for water services and hence be central to the process of providing water, regardless of the way they engage with others who assist them. But, considering the 21 districts that are the authorities for most rural areas, they have performed poorly in many – not all – cases. Reasons include the following:

- ***Poor governance***, as evidenced by political instability and the politicisation of appointments of senior officials, contributes significantly to poor performance in many cases.
- ***Weak accountability*** for poor performance operates at a number of levels:
    - At the ***authority – provider level***, there is often little clarity on roles and responsibilities, the absence of clear service level agreements and little prospect of enforcement of agreements (typically due to political constraints).
    - At a ***citizen level***, there is little accountability for poor performance to citizens. This applies particularly to district municipalities who are not as close to consumers as local municipalities.
- ***Managerial and technical capacity*** is weak in many municipalities. This is exacerbated by a general managerial and technical (particularly engineering, technician and artisan) skills shortage in South Africa. Rural municipalities, in particular, find it hard to attract and retain skills.

Poor choices in relation to how services are provided can exacerbate the above systemic factors.

## 6.3 CBPs as an institutional option

History of CBOs in rural water supply: rise and fall

In mostly rural municipalities, particularly those in former homeland areas, there is not a long history of local government delivering infrastructure. Over the 1990s, after the demise of the homeland system but prior to the establishment of local authorities in all rural areas, rural water supply and sanitation was, in reality, left to national government,

the private sector and civil society with relatively good experience in leveraging capacity from community action in infrastructure delivery and operations. With the un-banning of the ANC, opportunities opened up for NGOs to become more active in the water sector, supported strongly by donor organisations with the provision of basic services topping the agenda. The establishment of Mvula Trust in 1993 was a key step in the promotion of the CBP model for water supply in South Africa[26].

After 1994 the Department of Water Affairs and Forestry at national level took a much stronger direct role in the provision of water services and drove the formulation of policy which culminated in the White Paper on Water and Sanitation Policy in November 1994. This marked the launch of the Community Water Supply and Sanitation Programme (CWSSP) which included principles of community-driven development. The CWSSP upheld the 'some for all' rather than 'all for some' approach[27] and supported user charges – however minimal – as a means to promote sustainability. This led to the 'golden era' for community involvement with managing rural water supply systems, as evidenced by several independent evaluations. While this was not entirely successful with the implementation of people-centred approaches and the utilisation of CSOs in water service delivery, the programme experience did underline the critical importance of these methods for sustainability. Building on this learning, and recognising the pitfalls of an overemphasis on construction of infrastructure without proper emphasis on sustainability, in 1999 and 2000 DWAF initiated a new approach aimed at bringing greater support for CBOs from NGOs and the private sector, referred to as the 'CBO-Support Services Agent (SSA) model' which involved the establishment of community-based water services providers which were to be supported by a support services agent[28].

After 2000, the local government transformation process got underway with municipalities mandated to take on full operational responsibility for water and sanitation. But local government responsibility only became entrenched after the final structure of local government was established with 22[29] new district municipalities given the water supply and sanitation responsibility in the 'mostly rural' areas. To some extent this signalled the end of the 'golden era' for CBO water systems management. The reasons for this are complex but have much to do with the political determination of new municipal councils to take responsibility for water services provision. Clearly this was, and is, their right and municipalities remain at the centre of the water services sector. But there was an unfortunate consequence in that the role of CBOs was downplayed, with the consequent loss of village scale organisational capacity to assist with the management of water services.

This is not to say the support for the community-based approach has completely faded: in 2001 DWAF introduced the Masibambane Water Services Sector Support Programme and Mvula Trust and other NGOs continued with work to support communities but with a new focus on linkages with local government. But the hope that municipalities would be able to manage water services in rural areas largely on their own has not materialised and hence a serious lack of capacity remains and the emphasis towards technically oriented delivery approaches has largely continued with the potential for negative impacts on sustainability.

---

[26] This model was based on the provision of funds directly to selected water committees who were required to form their own relationships with consultants. The funding arrangement was based on a fixed subsidy amount per household.

[27] "To give expression to the constitutional requirements, priority in planning and allocation of public funds will be given to those who are presently inadequately served." (Department of Water Affairs and Forestry (1994). Water Supply and Sanitation Policy White Paper).

[28] This model was piloted with Alfred Nzo District Municipality. While it worked well, the criticism of this model was that it was too expensive.

[29] Subsequently this number has been reduced to 21.

We are now at a point where there is a new belief by most of the remaining 21 district municipalities responsible for water services to rural areas that CBP involvement in water supply (and sanitation) is important.

Current difficulties

There have been some major set-backs recently for the CBO model:

- Section 78 in the Municipal Systems Act requires competitive procurement procedures to be applied to appointments of service providers and this has been interpreted to include CBOs. This has acted as a barrier to setting up a negotiated arrangement with a community.
- There have been efforts by the unions to prevent informal employment arrangements to be applied in community managed schemes. But in formalising these employment arrangements costs increase substantially, employment arrangements are more complex and the suitability of the CBO option declines.
- The free basic water policy has meant there are no payments made by the community members (although some do this voluntarily). While this remains manageable in the case of public standpipe service levels, the extent of yard connections has increased and the 'free basic' water supply policy all too often becomes 'free water' with consumption volumes increasing with little or no revenue to cover the cost of water use beyond the free basic limit.
- The formalising of ward committees may well have taken away some of the volunteer spirit which was there previously. On the other hand ward committees may also provide a good basis to build new initiatives in the future.

The result is, in many cases, a fairly 'top down' approach with a sense that everything needs to be done by the municipality. If a more decentralised, 'demand driven' approach is to be applied, there are a number of additional constraints:

- Lack of capacity to support a decentralised system. This is the case where there is no trust in local communities, or no desire for people driven development, or there is a lack of skills to do it (even though participatory democracy at local level is required by many constitutional provisions and in the National Development Plan)[30].
- Implementation is difficult if appropriate skills and attitudes are missing, because this approach implies relating to many committees in terms of supervision, training, ongoing support and payment systems. However, municipalities are required to engage with communities in any event and what is desired are appropriate structures for doing this and getting work done at village level.
- CBOs may be seen as political competition. In some cases they are seen as alternative centres of power from where challengers to local councillors can emerge. This 'competition' may also apply to ward committees and traditional leadership structures. This reality needs to be addressed through proper organisational structures and negotiation with local leaders.
- CBOs can be undermined by a lack of authority. Combined with constant tensions with local government, they may not be in a position to successfully enforce policy decisions, for example compliance in cases of unauthorised connections, especially by locally powerful people.

[30] At the regional workshops statements were made that 'communities do not have the capacity to do the necessary work'. However, the nature of this work is quite simple and the view taken as part of this strategy is that there is great merit in a community centred approach and people do have the basic skills required to do the work, with some training.

## 6.4 Legal

Legal form of a water services CBO

The White Paper on Municipal Service Partnerships (2000) sets out that municipalities should require CBOs to adopt a formal constitution and code of good practise consistent with those set out by the Minister of Local Government (now CoGTA). In addition, CBOs need to be registered in terms of the Non-Profit Organisations Act. These conditions can be onerous.

Section 78 of the Municipal Systems Act

Whilst the legislative intent in setting out CBOs as a delivery mechanism was to provide for a community-based, cost effective service delivery option suited to rural areas, the provisions of the Systems Act do not provide special rules for procuring or contracting with CBOs, hence the provisions of section 78 of the Municipal Systems Act would apply equally to CBOs. It has been argued that subjecting CBOs to competitive bidding in the same light as private sector WSPs may be unfair to CBOs considering the policy objectives of enabling CBOs to play a role in providing water supply and sanitation services.

Terminology with respect to CBO relationships

If a CBO is used as a full water service provider, the formalities of setting up contracts with such a partner need to be considered. But, as noted above, it is more likely in the current circumstances that the CBO is a partner with the municipality in providing some element of the service. Therefore the term ***Community-based Partner*** (CBP) is used.

Competitive Bidding

The requirements for competitive bidding also stand in the way of appointing CBPs. It is difficult to create a structure for competitive bidding when the key condition is for effective village scale management.

Implications for employment of people in communities

Trade unions have been resisting the use of contractual arrangements with individuals which fall short of full employment. This has a negative impact on the extent to which members of the community can be employed as there is often not sufficient work to justify full time employment.

## 6.5 Financial

Operating expenditure

The analysis undertaken for this study illustrates a commonly occurring occurrence with respect to rural water supply: too little is spent on managing water supply systems and specifically on customer relations and management of distribution systems. While this saves money there are long term consequences as systems become unsustainable with associated increase in technical efficiency and lack of revenue to cover costs.

Operational factors relating to raising revenue through tariffs

In considering revenue from tariffs, evidence suggests that district municipalities are collecting little, if any, revenue from consumers in rural areas, even though these consumers may not be poor and are using well above the free basic water limit. The

analysis undertaken for this study illustrates that this leads to an unsustainable situation as there is no constraint on the amount of water used and the requirement for bulk water supply will thus continue to increase. There are several associated consequences in this regard:

- Equity in the allocation of water is affected as those with more money install unauthorised yard connections but do not pay for the water they use. This can lead to situations where there is insufficient bulk water to provide for the poorest.
- Capital requirements for new bulk and connector increase beyond what is required for an efficiently managed system.
- The shortage of revenue means that there is insufficient funding to cover maintenance costs and hence the state of infrastructure declines at a faster rate that would be the case with a well-managed system. This, in turn, leads to the requirement for more capital for rehabilitation.

Free basic water

While the free basic water policy needs to be supported in its intent to ensure that the poor have access to basic services, it has, as mentioned above, been a setback for the management of rural water supply systems as it has been used as an 'excuse' for not collecting any revenue at all and hence for ignoring consumer interests.

Use of the Local Government Equitable Share

The analysis also supports the well-recognised and well-researched point that the Equitable Share is not properly allocated to water supply, with too much of it being used to fund often governance and administration systems (overheads) which are all-too-often inefficient.

Access to capital

The Municipal Infrastructure Investment Framework (MIIF) analysis has shown that there is a serious shortage of capital for the provision of new municipal infrastructure (including water supply infrastructure) and the rehabilitation of what is there. There appears to be a preference on the part of municipalities to allocate money for higher levels of service (house connections and flush toilets in more urban areas; and yard connections rather than communal water supplies in rural areas), and to upgrade people from basic services to these higher services, rather than allocate money for a basic service. This political demand for higher service levels combined with rapidly increasing costs of schemes, particularly large regional bulk water schemes, is unsustainable from the point of view of capital availability unless national government is willing to apply much higher levels of capital grant finance. Even though it is likely that more grant finance will become available, it is equally likely that capital constraints will always exist and the implies that great care is needed in using what capital is available.

What do these financial aspects mean for community-based service provision?

All of the above factors point to the need for much greater attention to be paid to customer care, to equity of access to water at village level and to better operation and maintenance of distribution systems. Community-Based Partners can play a big role in bringing the required improvements.

# 7 ASSESSMENT OF OPTIONS

This section sets out the thinking that informed the set of strategic options that were considered for achieving a large scale increase in the involvement of CBPs in water services delivery and management. Below are the proposed options that were discussed and debated with the aim of coming closer to what the viable and realistic options are for municipalities.

## 7.1 Institutional options

A 'Community-Based Organisations as Water Services Providers Guideline' was published by DWAF in 2001 that provides a detailed framework for the legal establishment and functioning of community-based organisations as WSPs. Further, various models have been developed to support Community-Based Partners (CBPs), to work within the existing barriers in the legislation and regulation that aim for sound financial management of public sector institutions and efforts to remove the exploitation of workers. CBP members could become municipal employees, or contractors or community workers, volunteers, or small businesses (SMMEs or co-ops) and in a franchising partnership. These options have been considered as part of the research undertaken for this strategy. They all remain as options with their place in the proposed strategy.

Key success factors

On the whole, the research suggests three elements which are critical factors to the success of the model:

a) **Demand-based approach.** The project process must include a means to determine the community's commitment and organizational capacity. This is in line with international experience which shows that community involvement in the design, implementation and maintenance of infrastructure delivery builds a sense of ownership and is thus critical to sustainability.

b) **Sound arrangements for managing finances.** In the South African situation with a free basic water policy it is required that transfers of funds from the national fiscus reach communities in the form of payment for work done. Further, as mentioned above, money needs to be collected from those consumers who use more that the free basic limit. In both cases – using money sourced from outside the municipality and collecting money locally – sound financial administration is required.

c) **Effective support to community-based organizations.** If community involvement is critical, then support to community-based organisations as the structured manifestation of community involvement is necessary. Municipal-NGO-CBP partnerships achieve greater success when the local municipality and/or support service organisation have officials trained, capable, and experienced in working at community level in a respectful and participatory manner.

Criteria relating to the use of CBPs

In considering CBPs as an option the following criteria are taken into consideration:

- ***Sustainability***: For rural water services to be sustainable the community must be a partner in the planning, construction and operation of the infrastructure and resulting service.
- ***Local government effectiveness***: Municipalities gain through the relationship with CBPs as due to sharing of responsibility.

- ***Demand management:*** The CBPs go beyond narrow operation and maintenance of water supply schemes to deal with demand management, including illegal connections, as well as water resources management, in the approach known as multiple water use systems.
- ***Employment at village level:*** The CBP arrangement has the great benefit of employing people at village level and hence improving livelihoods and creating economic opportunities within communities.
- ***Local economic development:*** The terms of reference for CBPs can be expanded to more water issues that include projects using productive water, e.g. food gardens, rain water harvesting, raw water allocation. They can be expanded even further to apply to other municipal services, solid waste management, for example.

Structure of CBPs in practice: scan of 21 districts

Perhaps the most striking conclusion from the scan of the district municipalities which are WSAs, and the workshops which have been held as part of this initiative, is the extent to which there is a positive attitude towards using CBPs. The existence of a considerable body of experience with CBPs is also evident. That said, the indications are that, with the exception of a few DMs, the practical application of the institutional model is limited. Since the late 1990s there has been a 'thinning' of support for this approach by municipalities.

Of the 15 districts where the team was able to conduct interviews, CBPs are reportedly utilised in seven, while eight districts reported that they currently do not formally implement community-based models for rural water provision.

The seven districts that do utilise CBPs are generally optimistic about their future and have seen tangible benefits from their usage, particularly in terms of managing operations, reporting of leaks and bursts and maintenance of hard-to-reach rural schemes. But the research indicates that for this to be successful, political support for the CBPs is fundamental to their survival.

In districts where CBPs are not currently being utilised the reasons for this range from a perceived lack of skills of local communities, insufficient revenue flows to cover costs and the perceived inefficiencies of CBPs as well as political drivers. While some of these DMs were positive about the role of CBPs, in theory, many cited financial constraints as a reason why the future of CBPs in their district is questionable. The introduction of the Free Basic Water policy has been raised a number of times and there is a sense that CBPs are more costly and that these costs seem to outweigh the benefits.

This issue of balancing costs with benefits is dealt with further in the financial assessment below.

## 7.2 Technical options

Service levels

Service level decisions are critical for the success of water schemes, particularly in rural areas where the step up in cost of higher service levels, specifically 'in-yard' supply is so great. The analysis has taken four types of service level into consideration:

a) Public standpipe within 200 metres (so called 'RDP' standard).

b) Yard connection with some means of limiting flow (yard tank or Durban type flow limiter on pipe at the connection point).

c) Yard connection with no flow limitations (no metering – or no meter reading, if the meter is in place – no community-based arrangements to ensure equity in the

way water is used and no censure if water is taken from the system with no authorisation).

d) House connection which assumes a higher level of use than a single yard tap and with the assumption that this will be metered with some variability in the extent to which this happens in terms of effective billing and credit control.

The results of the analysis show, firstly, that properly managed public standpipe water supply systems in rural areas can be viable. Secondly, the proliferation of unauthorised yard connections with no flow control is not sustainable. Thirdly, there is not the capital available to provide for free yard connections to all in rural areas. This leads to a fundamentally important conclusion: ***A rural water supply arrangement which allows for high levels of yard connections, whether these be authorised or unauthorised, and where there is no control over water use from these connections is not viable.***

Water consumption and water losses

Good data on the water consumption with unlimited yard connections is not available but field experience indicates that this number is high, driving unsustainable levels of bulk water requirement. The figure of 15 kl/CU/month is assumed in the analysis to prove this point, well above the commonly accepted basic amount of 6 kl/CU/month.

In order to convert water consumption into bulk water requirements which drive the size of the bulk water system, provision needs to be made for technical loses in the distribution system. While figures of 10% to 20% are typically used in system designs, this assumes properly managed systems and the reality is that losses are much higher, with figures of 50% reported in practice. The analysis shows that such high technical losses also create an unsustainable situation. This leads to the conclusion that much better management of water distribution systems is needed, with CBPs having an important role to play in this regard.

Water resource and bulk water supply arrangements

Finally, it is recognised that the risks of failure and the risk of inequity in water supply at village level is reduced if a local water source is used with a small scale bulk water supply system which can be managed locally. While larger scale regional water supply systems are necessary in some places they bring with them the tendency to focus on management of the bulk system with the distribution system and community interests neglected.

## 7.3 Legal options

Legal form of a water services CBO

Research has indicated that most appropriate legal form for a CBO is a voluntary association which is relatively easy to establish. Further it has been ascertained that registration with the Non Profit Organisations Act is not a pre-requisite for a CBO.

Section 78 of the Municipal Systems Act

The extent to which Section 78 of the Municipal Systems Act is a hindrance in using CBOs is raised in the problem statement. However, Section 78 need not be complied with in instances where the services being performed are not ‘a municipal service’ as defined in the Act. This term ‘municipal service’ relates primarily to the appointment of a provider to take full responsibility for running the operations and maintenance of a water supply system and collection of revenue from consumers. But the option of using CBOs

as part of the water supply arrangements does not necessarily mean that they are a full water service provider. Therefore:

a) CBOs in the current water supply institutional environment are seldom providers of a 'municipal service' as defined in the Act. They are typically part of an institutional structure with the municipality, in effect, remaining the WSP.

b) Even if a formal Section 78 process is contemplated, with CBOs as a WSP option, it is necessary to consider costs as well as benefits. All too often a view dominates that this option is 'too expensive' without a proper understanding of the benefits which are, typically, considerable.

c) As was the case for Alfred Nzo, this option should be considered for the municipality as a whole and it is possible for a municipality to set up a long term arrangement through a 'once off' district wide assessment where CBOs are built into the institutional structure.

Competitive Bidding

While it is important for municipalities to ensure that they get the best deal in setting up arrangements with service providers (not necessarily Water Service Providers). However, there are special circumstances which apply to CBOs. For example, the Preferential Procurement Policy Framework Act 5 of 2000 provides that municipalities may determine a preference for categories of service providers in order to advance the interest of persons who have been disadvantaged by unfair discrimination. Research suggests that there is some room for creativity in applying the provisions of this Framework and points to the example of the Alfred Nzo District Municipality who engaged in competitive procurement processes with CBOs only, given that it was unlikely that other service providers were keen to provide water services in remote areas.

Implications for employment of people in communities

There are certainly advantages to individuals to becoming full employees of a legally constituted organisation with associated legal rights. However, there is also a considerable body of experience which indicates that full employment of all people assisting with the provision of a service at 'village' level is not feasible. Payment of individuals a sum for a specific service rendered may be the best way, or even the only way, of ensuring that systems can be effectively operated and maintained. This also promotes the sharing of scarce resources at village level. Current evidence suggests that this is not illegal.

## 7.4 Financial options

Implications of the scale of the bulk system

The structure of a water supply system is important in considering the role of CBPs as CBPs are best able to provide a service relating to local systems: distribution in individual settlements and small scale bulk supplies associated with stand-alone schemes. However, where large scale bulk systems are used the role of CBPs in managing distribution systems remains important.

Another factor to consider when large scale bulk water supply systems are in place is that their costs may be high. For example the purpose of the analysis undertaken for this project a cost of R7 per kilolitre is assumed which is held to be reasonable for rural water supply systems where the full cost of a well-managed bulk water supply system is

included[31]. There is, of course, considerable variability in these costs with some of newer planned bulk water schemes having costs above R20/kl.

Operating costs of distribution systems using CBPs

Where CBPs are used the following costs need to be provided for:

- ***Stipends*** paid to water committee members, assuming that the municipality agrees that this is appropriate[32].
- Payments for ***operational costs*** (checking taps, pipes, reservoir levels, etc.) with some minor maintenance (replacing tap washers, for example).
- Payments for ***'customer liaison'***: visiting individual members of the community to assess their satisfaction with the service; checking for unauthorised connection; making arrangements for yard connections where individual CUs can afford them; and meter reading, where required.

In addition, it is well understood that costs of support services to CBPs need to be included, either from within the municipality or through an external ***support services agent***. These costs may be high but there is considerable experience with this arrangement and good contracting arrangements can keep costs down.

The analysis shows that with appropriate levels of payments made for these activities the direct CBP activity may cost 20% or less of the cost ***of the distribution system***, depending on the nature of the system. This may need to be supplemented by expenditure of 25% or less on support services, with the rest going to municipal expenditure on major maintenance and overheads. There is a view that these costs are high and that a municipally managed system will be less expensive. However, it needs to be recognised that managing relatively remote and scattered distribution systems through a centralised municipal organisational structure also generates high costs due to cost of employment of municipal staff and the travel requirements to visit dispersed settlements often on poor roads.

Further, it is important to assess the benefits along with costs and the benefits of having a presence in the community and paying money to community members are substantial.

The necessity for collecting revenue

The primary conclusion from the analysis is that if service levels are limited to public standpipes and sound management arrangements are in place, rural water supply systems can be viable. This does not require the application of tariffs and the collection of money related to these tariffs from consumers of water. However, this is related to an important associated conclusion which has been stated above: if yard connections occur, whether these be planned or unauthorised, it is not possible for the system to be viable unless a well-developed management arrangement is put in place to limit water use to the free basic water limit and to meter and bill those who use above the free basic limit[33].

This finding for a typical water supply system can be played up to a district level: various research initiatives have shown that it is possible for DMs to be financially viable while

[31] More recent information indicates that the average cost of bulk water in the country is currently R5.50 per kilolitre. But with large scale bulk water supply systems this will be higher and with small scale local systems it will be lower. The figure of R7 per kilolitre in rural areas remains suitable for illustrating viability for a typical rural system.

[32] A figure of R200 per month is provided for in the analysis undertaken for this project.

[33] It is important to note here that the indications are that this is typically not feasible as the capital costs of the system increase dramatically and there is unlikely to be enough capital funding to provide for systems with a high proportion of yard connections.

providing a proper service to their citizens. But this is dependent on them covering the costs of providing services to the non-poor through tariffs paid for services. It is also dependent on them properly allocating equitable share finance to water services.

Allocation of Equitable Share finance

The way the ES gets allocated to services and to individual settlements is a complex matter and is seldom done based on sound principles. Often the allocations are made to cover the most immediate items of expenditure without a sound rationale for allocating this money to benefit the poorest households in a municipality, many of whom are living in rural areas.

Conclusion on financial implications of using CBPs

As evident from the scan of DMs reported above, many argue that this cost is too high. Others have shown that it is possible to cover these costs and run an effective rural water supply programme. In the end it is about assessing both costs and benefits and, of course, looking at the costs of alternatives. If a CBP institutional model is not used the typical alternative is to use conventional municipal water supply arrangements with municipal employees undertaking all the work[34]. It has not been possible to cost this option for this study but the costs of managing full time municipal workers based at village level are likely to be high. They too, require a support structure which will not be too different to that applied for a CBP.

There are considerable difficulties to be faced in 'proving' that one option is more or less costly than the other. It then becomes important to look at the benefits and the practical possibilities, with CBPs offering a solution with considerable benefits and a good track record in terms of ability to implement.

# 8 SUMMARY OF THE STRATEGY FOR UPSCALING COMMUNITY-BASED PARTNERSHIPS IN SOUTH AFRICA

The research presented above, along with much other research referenced in the reports, has contributed to the motivation for using community-based partners, which is at the core of this strategy document. In considering this as a ***strategy*** it is recognised by the WRC and other stakeholders participating in the steering committee for the study, that a strategy is only meaningful if it has buy-in from key stakeholders. Therefore the following efforts have been made to promote such buy-in:

- Two study steering committee meetings have been held.
- A national stakeholder workshop was held to discuss strategic options that included representatives of civil society, development institutions, Department of Water Affairs, Department of Cooperative Governance, National Planning Commission and other sector partners.
- Three regional workshops were held (i.e. one in each of the three provinces), in the Eastern Cape, KwaZulu-Natal and Limpopo provinces. Representatives of provincial government, municipalities, civil society and development institutions attended.
- A meeting was held with National Treasury to discuss the concept.

Further, the publication of the final draft of the National Development Plan (NDP) became available during the course of the study and this strategy has been reviewed in the light of the recommendations of this plan.

[34] The option with private sector as a service provider also exists with uThungulu DM as an example.

Based on the research and having the benefit of the debate with a large cross-section of stakeholders, the strategy was refined. In the final analysis, the success of the strategy will depend on the extent to which ownership of it is taken by key national departments.

Note: The complete strategy has been included as Appendix A.

## 8.1 Overall vision and objectives

Vision

The vision is for every household, and enterprises requiring potable water, in rural areas to have access to a safe and reliable water supply, and to ensure that CBPs can be used wherever possible.

In order for this vision to be realised the importance of a focused national rural water support programme is required. As part of this, the key role to be played by Community-Based Partners is recognised.

Objectives

The vision will only become reality if the following objectives are met:

a) National departments agree on rural water supply support arrangements.

b) National Treasury agrees to allocate appropriate budget for a new rural water supply intervention.

c) Municipalities acknowledge the importance of CBPs and are willing to support CBPs and allocate the necessary resources from their budgets.

d) Private sector partners, NGOs and water boards engage with municipalities in partnerships to set up new or improved water systems and set up support arrangements for CBPs.

e) Communities themselves participate through organising themselves and working actively to improve water supply arrangements in their settlements.

## 8.2 Key features of Community-Based Partnerships

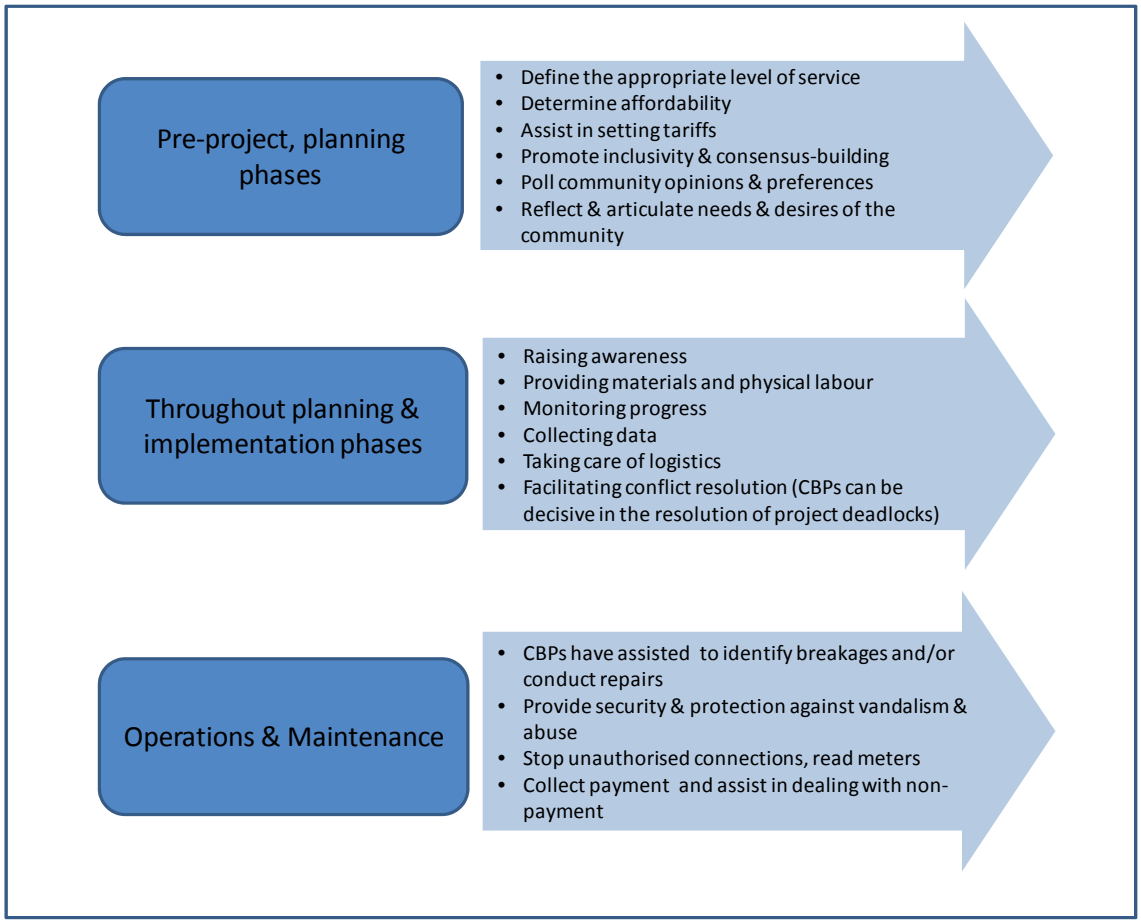
Definition

The term 'Community-Based Partner' is used in this strategy as it implies an emphasis on community level activity functioning in partnership with a municipality[35]. The legal and organisational nature of a CBP will depend on the option which is applied, as described below. However, it will typically be a small organisation functioning at the level of a village or group of villages with people on the governance structure and those undertaking the work being part of the communities located in the village or villages.

[35] Other names have been used or proposed. The term Civil Society Organisation (CSO) is considered too generic covering all community-based and non-government organisations. The term Community-Based Organisation (CBO) remains valid but is also generic, covering the full range of community organisations. The term 'local government community-based service agents' has been proposed but may be too 'wordy'.

## Role of CBPs

The diagram below provides a summary of the possible roles of CBPs.




Adapted from Mvula Trust

***Figure 6: Role of Community-Based Partners***

## Accepting a range of options

Taking the various roles which a CBP can play, there are a range of arrangements for involving the community with water supply. This strategy does not propose that only one option should be used. Rather it is up to the municipality, in consultation with stakeholders, to choose an appropriate arrangement which suits their circumstances. However, it is also recognised that some guidance is needed for municipalities and hence the strategy does include recommendations on a 'core' option which will suit most circumstances, which is included in the proposals below.

In making the decision on the option, this will depend on what mix of activities is to be included. In this regard, the full set of reporting which forms the background to this strategy and which draws on a large body of research on the topic contains an assessment of all the options for using CBPs[36]. In considering the options in terms of the

[36] For example, Mvula Trust has prepared guidelines which deal with different implementation models for community-based Operations and Maintenance (O&M) based on whether the provider function is done by the WSA or by another organisation.

institutional form for a CBP the following is a summary of the most widely considered arrangements:

***Table 6: Summary position on CBP institutional form***

| No. | Option description[37] | Evidence of success based on findings of the research reported here | Future possibilities |
|---|---|---|---|
| 1 | Centralised municipal management with employees located at village level. | Working where municipality has well developed management systems, typically based on a substantial urban core. | Feasible where municipalities have the capacity to manage dispersed operating activity. |
| 2 | As for Option 1 but with CBP at village level but only as consultative structure | Fairly widely applied but with relatively low impact. Assumption is that CBP members do this voluntarily. | |
| 3a | Autonomous CBP responsible for village scale operating and customer liaison activity; with municipal CBP support service, money transactions directly with municipality. | Effective option currently being applied in Chris Hani. But concerns over capacity of municipalities to provide necessary support. | Can be successful where municipality(s) already has considerable capacity. |
| 3b | As for Option 3a but with external support services agent (SSA). | Has had fairly good track record in Chris Hani, Joe Gqabi and Alfred Nzo. | Probably the option with the greatest chance of success. |
| 4 | As for Option 3a but with CBP collecting income associated with tariffed services. | Some evidence of collection of money by CBPs. But limited success in current environment. | The inclusion of revenue collection by CBPs it is potentially an important function. But in the current environment it is difficult to do and probably can be addressed as a progression from options 3a and 3b. |
| 5 | As for Option 4 but with external support services agent (SSA). | Historically applied prior to FBW policy; no application currently? | |
| 6 | Franchise model | Being tested in E Cape; some potential. | Ongoing work with this option is important. |
| 7 | CBP set up as an SMME or Cooperative | Some potential | |

The application of Option 3b as a core option in the future has the following advantages:

a) It can work where municipalities have limited capacity currently as management expertise to support community-based service provision can be contracted in as an external SSA.

b) Creates a possible transition towards revenue collection.

c) Creates a transition towards municipal support arrangements, should this be the preferred approach in the longer term.

[37] Options 8 and 9 in the preliminary discussion document (conventional leases and management contracts) are not included here are as they do not specifically involve CBPs.

Support services options

The options 3 to 6 above all include an arrangement to support CBPs either through an 'in house' unit, an external support services agent or a franchiser. If a municipality wishes to use an external agent it may:

1. Set up a single contract with a single SSA to provide support services to service providers in the entire jurisdictional area.
2. Enter into contracts with different SSAs, each SSA being responsible for providing support services to the service providers in certain regions.
3. Contract different SSAs for different types of support: maintenance, training, social development, etc.

CBP support centres

Another arrangement for supporting CBPs, tested in Chris Hani District, is to set up a CBP support centre where a group of specialists can be located to provide advice to CBPs. This may have the benefit of being relatively easy to establish. But, in comparison to the typical Support Services Agent concept, there is no contractual obligation for such a centre to provide a specific service to CBPs with performance assessment in relation to such an obligation.

Promoting an option that has shown success

It is considered important for Government to have an option upon which to base a national strategy. This is an option that has been explored further and has demonstrated success where and when it has been utilised. This is proposed as Option 3b which has the following primary characteristics:

- CBP established at appropriate scale as a legal entity (with a voluntary association being the most applicable).
- CBP has an elected committee which will, in turn, select a chairperson.
- CBP committee closely engaged with ward committee member(s) in the area.
- Committee members paid a stipend for their services.
- Village level operations and customer relations work done by people from the community paid a fixed sum for their service and under the day-to-day supervision of the committee but with the oversight of the municipality.
- Support services provided by an external organisation (Support Service Agent) which is responsible for supporting CBPs, setting up systems and ensuring that village level activity is properly undertaken. This may include managing contractors doing major maintenance[38].
- Flow restrictors or meters on all yard connections with tariff-based payments made to municipality typically based on meter readings taken by CBP.

But as noted above, the application of other options is accepted where municipalities have demonstrated their willingness and capability to implement these options.

[38] The option of the municipality doing this is not excluded (Options 3a and 4)

Integration with sanitation and other services

While the emphasis with this strategy is on water supply, the integration with sanitation is recognised and typically the CBP activities will also be expanded to include sanitation, health and hygiene promotion. On the other hand existing committees set up to facilitate a sanitation project could be reoriented to include water supply. If a CBP is well established and successful with water and sanitation the possibility exists to expand its mandate to other services, perhaps solid waste management or low volume roads maintenance.

# 9 CONCLUSIONS OF THE RESEARCH

In summary, the research undertaken in this study presents an approach for how local and national government can respond to water service provision in largely rural areas using community-based operators. The findings from this research can also be used to target the support strategy for the 21 presidential districts. Whilst the research has not provided all the answers it has achieved the objective of proposing a strategy for the large scale roll-out of community-based service provision.

This research, along with other related research referenced in this study, has contributed to the motivation for using community-based partners which is at the core of this strategy document, however this strategy is only meaningful if it has buy in from key stakeholders. In the final analysis, the success of the strategy will depend on the extent to which ownership of it is taken by key national departments.

The implications of the strategy for the sector are summarised below.

## 9.1 Integration into a national Rural Water Support Programme

For a rural water supply arrangement to be successful it requires a set of interventions at community, municipal, regional and national level. CBPs can only be effective if they are properly contracted and supported at municipal level. In turn, the relatively new municipalities serving rural areas can only be effective if they are properly supported through regional and national structures. Without a major national intervention, with the necessary political backing, the chances of success are small.

Establishing a national Rural Water Support Programme[39]

The most substantial intervention with regard to rural water supply provision is the proposal made as part of the DWA Institutional Reform and Realignment (IRR) initiative to establish a ***Rural Water Support Facility (Programme).*** This 'facility' is intended to provide support to the 21 districts to set up contractual arrangements with external partners to provide the necessary support. It is predicated on a ***partnership*** at national, regional and municipal level between national government, municipalities, water boards, the private sector and civil society. The involvement of the private sector and civil society is based on the understanding that the necessary capacity to manage rural water supply systems cannot be built within the public sector over the medium term. This is a long term effort which will perhaps take 20 years and, in the interim, water supply systems must be constructed, rehabilitated, operated and maintained to ensure that everyone gets access to a well-functioning water supply service.

Such a programme requires the support of SALGA and key national departments: Department of Water Affairs, Department of Cooperative Governance, Department of Rural Development and Land Reform and National Treasury. DWA is best placed to be

[39] As noted earlier in this document, the term Rural Water Support Programme is used here but has been referred to as Rural Water Support Facility in other DWA documents.

the lead department. At this stage there is a degree of buy-in to the concept from SALGA, DWA, DCoG (through MISA) and National Treasury although further engagement with the strategy by these organisations is required. But it is understood that DRDLR has not been engaged and they have not responded to the request to attend the national workshop held as part of the WRC study. The Programme remains at conceptual stage and has not yet been designed in any detail. This places limitations on the extent to which arrangements for incorporating CBPs into the programme structure can be made. Nevertheless, key elements of the Programme can be identified, based on preliminary work done through DWA institutional reform proposals and through proposed interventions by MISA. These are summarised below:

- Set up a national implementing agent, with the options being MISA, a specialised unit within DWA or a private sector partner.
- Establish regional scale management support arrangements with the emphasis on setting up operating and maintenance systems within municipalities. The option for doing this through 5 year management contracts[40], set up at regional scale, with private sector organisations or water boards has been investigated by MISA and has considerable merit. It will allow for systems to be set up and managers to be contracted into municipalities to work with existing municipal managers.
- Establish support services arrangements for community-based service provision. This is consistent with the proposals made as part of this CBP Strategy with the NGOs, water boards or private sector organisations which will be the contracted parties will act as Support Services Agents.

Financing the programme

This will only be successful if the intervention is funded from the national fiscus with the recommendation made by DWA and DCoG (as part of the MISA recommendations) that this should happen through a ***transitional capacity building grant***. While this grant will need to be oriented towards all municipal services the component of it which is aimed at rural water supply is referred to as here as the ***Rural Water Finance Facility*** which is provided for as part of the DWA Water Sector Investment Framework.

The extent to which these proposals are incorporated into the national budget for 2013/14 remains uncertain.

Supplementary interventions

Aligned with these proposed interventions by national government, the following supplementary interventions are proposed as part of this strategy:

a) While the indication from the financial analysis is that the Equitable Share (ES), supplemented by tariff income, is sufficient to cover the costs of rural water supply in all but the most extreme situations, the way in which the ES is allocated is critical. DWA and National Treasury need to support municipalities to improve the financial resources that are used by municipalities.

b) DWA, working with the Municipal Infrastructure Support Agency (MISA) needs to strengthen its support for the agreed core option for incorporating CBPs into local institutional arrangements.

c) Existing guidelines associated with CBP options should be updated with agreement reached on key financial parameters.

[40] The requirement to contract in technical expertise is based on the evidence from Municipal Demarcation Board data that there are currently no more than 20 registered professional engineers in these 21 districts responsible for R80 billion in assets and for water supply to 15 million people.

d) Specific attention needs to be given in guidelines to procurement procedures which are consistent with CBP approached.

e) Each of the 21 DMs should be required to demonstrate either that they have an effective system in place, if they choose not to apply the core option, or how they will implement a structured rural water supply programme based on the core option. While the provision of new infrastructure must continue the emphasis of this initiative should rather be focused on getting what infrastructure exists, together with associated systems and management arrangements, working properly so that households get access to good quality water without interruption while, at the same time, applying fundamental water demand management and water conservation measures.

## 9.2 Setting up arrangements within municipalities

Clearly the success of this strategy, and the associated success of a water supply programme, requires a strong role to be played by water service authorities, the 21 districts in this case[41]. This role can be seen in several parts:

1. Get political buy-in from Council.
2. Engage with traditional leaders and other local stakeholders to promote the concept.
3. Set up the financial systems which are required to meter, bill and collect revenue from those consumers that are not poor and use above the free basic amount of water.
4. Establish a set of procurement procedures that conform to the CBP approach.
5. With regard to CBPs, set up contractual relationships with CBPs, oversight, allocation of financial resources, etc. In this regard this strategy is based on the assumption that participating municipalities will:
   a) Obtain the necessary advice from DWA, NGOs or consultants.
   b) Undertake an assessment of the options for using CBPs, noting that this does not require a 'Section 78' investigation.
   c) Include in this assessment the most appropriate arrangement to be used for support services.
   d) Assess costs and allocate the necessary financial resources to rural water supply including the management of the distribution system (and small scale bulk infrastructure) using CBPs.
   e) Assess the level of revenue which needs to be raised from rural water consumers and set up structures for metering and revenue collection, using CBPs where appropriate.
   f) Enter into long term contracts (preferably 10 years) with CBPs and medium term contracts (preferably 5 years) with support services agents, where the latter is selected as an option.
   g) Set up internal support services arrangements where external support agents are not selected.

The support for doing this can be provided as part of the Rural Water Support Programme. However, until this Programme is functional, district WSAs can, and should,

[41] These districts may have appointed external Water Services Providers, with the customer interface and revenue raising role delegated to the WSP. In this case the WSP will become an additional partner in a relationship with CBPs. This arrangement is not give specific attention in this strategy.

proceed with the advice they can obtain from DWA, MISA, provinces, NGOs and consultants.

## 9.3 Benefits

The benefits of having a national programme to support community-based management have been alluded to in the research documents associated with this strategy and in the strategy described above. These can be summarised as follows:

a) The proposed additional funding for capacity building represents only a relatively small amount of additional funding from the national fiscus, in relation to the overall expenditure on rural water supply. Yet a large increase in the development impact of funding can be achieved as households and enterprises in rural areas get better access to water.

b) The economic benefit for village scale activities is substantially improved both because money for providing services is retained in the community, through community work, associated jobs and because water availability is improved with more equitable access to water.

c) Capital expenditure on rehabilitation is reduced as maintenance arrangements are improved.

d) Capital expenditure on new infrastructure is reduced as technical losses are reduced.

e) Revenue to municipalities is increased.

Finally the impact of community-based initiatives on rural development more generally needs to be acknowledged: initiatives such as this, oriented at community scale, promote engagement of citizens, build confidence, build skills and create linkages with other rural development initiatives.

## 9.4 Risks

Unfortunately, the risks to a programme to rapidly improve rural water supply through community-based initiatives are great:

a) Perhaps most significant is the difficulty in getting buy-in from national departments to a programme of this nature with the necessary allocation of resources.

b) Regarding resources, the provision for funding of a national rural water support programme, as part of a new capacity building grant, may not materialise.

c) Municipalities may not buy into the community-based service provision concept for various reasons, even if this is properly promoted at national scale.

d) Even with buy-in municipalities may not have the capacity to enter into the necessary contracts and allocate Equitable Share funding appropriately.

e) Finally, at community scale there may not be sufficient cohesion within communities to make village scale water supply arrangements effective.

## 9.5 Implementation

The implementation needs to be set up with the participation of the key national partners: DWA, MISA, DCoG, DRDLF, National Treasury and SALGA.

## REFERENCES


Alfred Nzo District Municipality Integrated Development Plan (IDP), 2010/11

Blaxall, J., Morgan, P., and Schultzberg, G. (1996). *External Evaluation of the Mvula Trust*, Volume 1: Main Report.

Botshelo Water Board Annual Reports 2008/9 and 2009/10

Cain, J., Ravenscroft, P., and Palmer, I. (1998). *Case Study of Management System for Rural Water Supply: Matatiele District (February 1998).* Prepared for the Water Research Commission.

City of Johannesburg (2008). *Free Basic Water in the City of Johannesburg, with particular focus on the inner city.* Report compiled by PDG for the Infrastructure and Services Department.

De La Harpe, Jean (2003). *Scaling Up Community Management In South Africa: The Alfred Nzo District Municipality Case Study*. Available from IRC website at http://www.irc.nl/content/download/14277/192577/file/Alfred_Nzo-Case_Study.pdf

Department of Cooperative Governance and Traditional Affairs (DCoG) and Development Bank of Southern Africa (DBSA). 2010. *The Municipal Infrastructure Investment Framework (MIIF) – Water Services Sector Report.* Final Report prepared by PDG. 4th October 2010

Department of Water Affairs (2007). *Summative evaluation of the Masibambane II Programme: Project Evaluation Report, August 2007.*

Dlamini, TT (2011). Interviewed Dlamini, TT from ANDM on 21 November 2011

Gibson, J (Maluti GSM Consulting Engineers). (2012). *Personal interview*.

Gibson, J. (2010). *Operation and maintenance costs of rural water supply schemes in South Africa.* Paper presented at IRC Symposium, 2010.

*Hearing on Bushbuckridge Water Board, Magalies Water Board and Botshelo Water Board's Annual Reports,* 2011 [online] PMG. 14 September 2011. Available from http://www.pmg.org.za/report/20110914-hearing-bushbuckridge-water-board-magalies-water-board-and-botshelo- water-board

Masondo, J., Klarenberg, G., and Harris, K. (2006). *Good Practice in CSO involvement in water services delivery.*

Morrison, Lindy. 2012. Interviewed Morrison, L from Mvula Trust on 16 January 2012

Munnik, V, Zuma, K, Wilson I and Davids, P (2010). *People Centred Operations and Maintenance: Final Report.* WRC Project K5/1815/3.

Mvula Trust (2011). *People Centred Operations and Maintenance*. WRC Project No: K5/1815/3, Deliverable No. 9. Prepared by V. Munnik, K. D. Zuma, I. Wilson and P. Davids for Water Research Commission.

Mvula Trust (2010). *Using a People-Centred Approach to Water and Sanitation Delivery. Guidelines for Water Services Authorities.*

Mvula Trust (1998). *Evaluation of the Community Water Supply and Sanitation (CWSS) Programme.* Synthesis. Report for Department of Water Affairs and Forestry.

Ngaka Modiri Molema Municipality Integrated Development Plan (IDP), 2010/11

Ntlabezo, Luzuko. 2011. Filled in questionnaire by Ntlabezo, L on 2 December 2011

Palmer Development Group. 2006. *Investigation into the sustainability of rural water financial flows*. Report prepared for the Water Research Commission. June 2006

PDG (2009). *MIG Policy Review – Draft Discussion Document.* Prepared for the Department of Cooperative Governance.

Pholoto, T. 2012. Interviewed Pholoto, T on 1 February 2012

Raith Foundation (2009). *Overview of water issues in South Africa: Research Paper.* Compiled by PDG.

Still, David (Partners in Development cc). (2006) *Understanding real leakage rates from water reticulation: implications for the planning and design of rural water supply systems.* Paper presented at the WISA Conference, Durban 2006.

Still, David and Houston, P.C. (Partners in Development cc). (2002). *The real cost of rural water supply – an introduction to the WRC rural water supply cost and tariff model.* Water Institute of Southern Africa, Biennial Conference, Durban, May 2002

Still, David. (2012). *Personal communication.*

Unpublished reports generated as part of this study

WRC (2011). *Preliminary Strategy Discussion Document: Research Paper*. Compiled by PDG and The Mvula Trust.

WRC (2012). *Research Report: Institutional, Legal and Financial Review*. Compiled by PDG and The Mvula Trust.

WRC (2012). *Review Report on the Analysis and Findings of the Scan of the 21 District Municipalities*. Compiled by PDG and The Mvula Trust.

WRC (2012). *Strategy for Upscaling Community-Based Partnerships in South Africa: National Workshop Report*. Compiled by PDG and The Mvula Trust.

WRC (2012). *Strategy for Upscaling Community-Based Partnerships in South Africa: Regional Workshops Report*. Compiled by PDG and The Mvula Trust.

WRC (2013). *Strategy for Upscaling Community-Based Partnerships in South Africa*. Compiled by PDG and The Mvula Trust.

# APPENDIX A: Strategy for Upscaling Community-Based Partnerships in South Africa

# Introduction: background and purpose of this document

We are faced with a calamity with respect to rural water supply arrangements in South Africa. While there has been good progress in providing infrastructure for potable water in rural areas, effective organisational and financial arrangements required to keep new and existing systems functioning in a sustainable way are absent in most areas. This is amply demonstrated through several research projects undertaken over the past five years.

In order to deal with this and ensure that all South Africans in rural areas have access to a ***properly functioning*** water supply service, a new national initiative needs to be launched. This is referred to in this document as a ***Rural Water Support Programme***[42]. While there is not an agreed design or committed funding for this programme at this stage, the programme concept is strongly founded on the principle of partnership between national government, local government, private sector and civil society.

This strategy deals with what is seen to be a key success factor for this programme: the establishment and maintenance of partnerships with civil society organisations (CSOs) with specific focus on water and sanitation oriented ***Community-Based Partners***[43] (CBPs).

In support of this drive to bring a dramatic improvement in the way rural water supply systems are operating and maintained, the Water Research Commission commissioned a project to develop a ***Strategy for Upscaling Community-Based Partnerships in South Africa***. The initiative is based on the understanding that there is widespread support, at least conceptually, for community-based service provision in South Africa but that this is not adequately supported with two outcomes: firstly, the impact at community level is not felt sufficiently and, secondly, the overall effectiveness of water supply arrangements is compromised.

In order to better understand the factors which are constraining the larger scale application of community-based service provision, background research has been undertaken which is summarised in two documents:

- Research Report – Institutional, Legal and Financial Review.
- Review Report – Findings from survey of 21 districts and 'mini' case studies.

This research, along with much other research referenced in the reports, has contributed to the motivation for using community-based partners, which is at the core of this strategy document. In considering this as a ***strategy*** it is recognised by the WRC and other stakeholders participating in the steering committee for the project, that a strategy is only meaningful if it has buy-in from key stakeholders. Therefore the following efforts have been made to promote such buy-in:

- Two project steering committee meetings have been held.

[42] It has also been referred to as a Rural Water Support ***Facility.***

[43] The motivation for the use of this term is given later in this document.

- A national stakeholder workshop was held to discuss strategic options that included representatives of civil society, development institutions, Department of Water Affairs, Department of Cooperative Governance, National Planning Commission and other sector partners.
- Three regional workshops were held (i.e. one in each province), in the Eastern Cape, KwaZulu-Natal and Limpopo provinces. Representatives of provincial government, municipalities, and civil society and development institutions attended.
- A meeting was held with National Treasury to discuss the concept.

Further, the publication of the final draft of the National Development Plan (NDP) has become available over this period and this strategy has been reviewed in the light of the recommendations of this Plan.

Based on the research and having the benefit of the debate with a large cross-section of stakeholders, the strategy has been refined and is now described in this document which is referred to as 'Draft 2' of the strategy. ***The purpose of the document*** is to:

- Amplify the motivation for the strategy.
- Briefly describe the options which have been considered.
- Describe the key components of the strategy: what needs to be done, who will do it and how will it be funded.

In the final analysis, the success of the strategy will depend on the extent to which ownership of it is taken by key national departments.

# Summary of the problem statement

## The state of rural water supply in South Africa

There have been several assessments recently – referred to in the research report – on the state of rural water supply in South Africa. In this regard there is recognition of the achievements of the water sector, with access to services increasing dramatically over the past 15 years. However, there are still 3.2 million people in South Africa who do not have access to a basic water supply service, most of these in rural areas. Further:

- Many of the water supply systems that have been provided (historically or as part of the backlog eradication programme) are no longer functional or are unreliable in rural areas[44].
- Untreated, or inadequately treated, drinking water poses a significant threat, as is evidenced by the incidents of cholera (and its spread), typhoid and diarrhoea (in the latter case implicated in the deaths of infants in Ukhahlamba District)[45].

[44] This finding is backed up by a 2007/08 review by CSIR on the functionality of 500 rural projects to assess the quality and standard of (complete and incomplete) MIG funded infrastructure projects, the study indicated that rural water and sanitation projects were either: partially non-compliant (B-rating) or non-compliant (C-rating). Many of the concerns related to technical design flaws, poor quality, poor operation and maintenance and the need for rehabilitation. In addition, the lack of proper management around metering, billing and revenue collection were highlighted.

[45] A case study was documented by PDG for the Water Information Network of South Africa (WIN-SA) on identifying underlying and systemic causes that resulted in failures in water quality in Ukhahlamba District Municipality in the Eastern Cape. The case study is exemplary of the outcome of systemic challenges in the sector that were present in each sphere of government (national, provincial and local) and in the institutional arrangements. WIN-SA (2010) *Lessons Learned from Ukhahlamba District Municipality.* WIN-SA: Pretoria.

- Rural water supply systems are being used in ways different to that which they were designed for. In some cases, a small proportion of households are using disproportionate amounts of water (compared to the system design; typically without payment) at the expense of a reliable supply to all households, which are meant to be supplied from the system. In other cases, systems are being used for "multipurpose use" such as small enterprises, stock watering, community gardening, etc. The result is that the demand exceeds the capacity of the system creating shortages.
- Maintenance and replacement of existing municipal water supply and wastewater infrastructure is inadequate. This is contributing to poor quality wastewater effluent discharges (not meeting the required standards) posing immediate water quality and health threats. In addition, these systems will need to be rehabilitated at a later date at much greater expense than would be the case with adequate maintenance and timely replacement of infrastructure.
- Many of the municipal water supply and sanitation systems are not financially viable under current management arrangements with income (from both customers and government grants) that is insufficient to cover the required expenditures.
- Levels of customer service are very low in many cases, with little interaction and engagement between service providers and consumers/customers/citizens.

## Municipalities and their role in water supply

Municipalities will remain the authority for water services and hence be central to the process of providing water, regardless of the way they engage with others who assist them. But, considering the 21 districts that are the authorities for most rural areas, they have performed poorly in many – not all – cases. Reasons include the following:

- ***Poor governance***, as evidenced by political instability and the politicisation of appointments of senior officials, contributes significantly to poor performance in many cases.
- ***Weak accountability*** for poor performance operates at a number of levels:
    - At the ***authority – provider level***, there is often little clarity on roles and responsibilities, the absence of clear service level agreements and little prospect of enforcement of agreements (typically due to political constraints).
    - At a ***citizen level***, there is little accountability for poor performance to citizens. This applies particularly to district municipalities who are not as close to consumers as local municipalities.
- ***Managerial and technical capacity*** is weak in many municipalities. This is exacerbated by a general managerial and technical (particularly engineering, technician and artisan) skills shortage in South Africa. Rural municipalities, in particular, find it hard to attract and retain skills.

Poor choices in relation to how services are provided can exacerbate the above systemic factors.

## CBOs as an institutional option

History of CBOs in rural water supply: rise and fall

In mostly rural municipalities, particularly those in former homeland areas, there is not a long history of local government delivering infrastructure. Over the 1990s, after the demise of the homeland system but prior to the establishment of local authorities in all

rural areas, rural water supply and sanitation was, in reality, left to national government, the private sector and civil society with relatively good experience in leveraging capacity from community action in infrastructure delivery and operations. With the un-banning of the ANC, opportunities opened up for NGOs to become more active in the water sector, supported strongly by donor organisations with the provision of basic services topping the agenda. The establishment of Mvula Trust in 1993 was a key step in the promotion of the CBO model for water supply in South Africa[46].

After 1994 the Department of Water Affairs and Forestry at national level took a much stronger direct role in the provision of water services and drove the formulation of policy which culminated in the White Paper on Water and Sanitation Policy in November 1994. This marked the launch of the Community Water Supply and Sanitation Programme (CWSSP) which included principles of community-driven development. The CWSSP upheld the 'some for all' rather than 'all for some' approach[47] and supported user charges – however minimal – as a means to promote sustainability. This led to the 'golden era' for community involvement with managing rural water supply systems, as evidenced by several independent evaluations. While this was not entirely successful with the implementation of people-centred approaches and the utilization of CSOs in water service delivery, the programme experience did underline the critical importance of these methods for sustainability. Building on this learning, and recognising the pitfalls of an overemphasis on construction of infrastructure without proper emphasis on sustainability, in 1999 and 2000 DWAF initiated a new approach aimed at bringing greater support for CBOs from NGOs and the private sector, referred to as the 'CBO-Support Services Agent (SSA) model' which involved the establishment of community-based water services providers which were to be supported by a support services agent[48].

After 2000, the local government transformation process got underway with municipalities mandated to take on full operational responsibility for water and sanitation. But local government responsibility only became entrenched after the final structure of local government was established with 22[49] new district municipalities given the water supply and sanitation responsibility in the 'mostly rural' areas. To some extent this signalled the end of the 'golden era' for CBO water systems management. The reasons for this are complex but have much to do with the political determination of new municipal councils to take responsibility for water services provision. Clearly this was, and is, their right and municipalities remain at the centre of the water services sector. But there was an unfortunate consequence in that the role of CBOs was downplayed, with the consequent loss of village scale organisational capacity to assist with the management of water services.

This is not to say the support for the community-based approach has completely faded: in 2001 DWAF introduced the Masibambane Water Services Sector Support Programme and Mvula Trust and other NGOs continued with work to support communities but with a new focus on linkages with local government. But the hope that municipalities would be able to manage water services in rural areas largely on their own has not materialised and hence a serious lack of capacity remains and the emphasis towards technically oriented delivery approaches has largely continued with the potential for negative impacts on sustainability.

We are now at a point where there is a new belief by most of the remaining 21 district municipalities responsible for water services to rural areas that CBO involvement in water supply (and sanitation) is important.

---

[46] This model was based on the provision of funds directly to selected water committees who were required to form their own relationships with consultants. The funding arrangement was based on a fixed subsidy amount per household.

[47] "To give expression to the constitutional requirements, priority in planning and allocation of public funds will be given to those who are presently inadequately served." (Department of Water Affairs and Forestry (1994). Water Supply and Sanitation Policy White Paper).

[48] This model was piloted with Alfred Nzo District Municipality. While it worked well, the criticism of this model was that it was too expensive.

[49] Subsequently this number has been reduced to 21.

Current difficulties

There have been some major set-backs recently for the CBO model:

- Section 78 in the Municipal Systems Act requires competitive procurement procedures to be applied to appointments of service providers and this has been interpreted to include CBOs. This has acted as a barrier to setting up a negotiated arrangement with a community.
- There have been efforts by the unions to prevent informal employment arrangements to be applied in community managed schemes. But in formalising these employment arrangements costs increase substantially, employment arrangements are more complex and the suitability of the CBO option declines.
- The free basic water policy has meant there are no payments made by the community members (although some do this voluntarily). While this remains manageable in the case of public standpipe service levels, the extent of yard connections has increased and the 'free basic' water supply policy all too often becomes 'free water' with consumption volumes increasing with little or no revenue to cover the cost of water use beyond the free basic limit.
- The formalising of ward committees may well have taken away some of the volunteer spirit which was there previously. On the other hand ward committees may also provide a good basis to build new initiatives in the future.

The result is, in many cases, a fairly 'top down' approach with a sense that everything needs to be done by the municipality. If a more decentralised, 'demand driven' approach is to be applied, there are a number of additional constraints:

- Lack of capacity to support a decentralised system. This is the case where there is no trust in local communities, or no desire for people driven development, or there is a lack of skills to do it (even though participatory democracy at local level is required by many constitutional provisions and in the National Development Plan)[50].
- Implementation is difficult if appropriate skills and attitudes are missing, because this approach implies relating to many committees in terms of supervision, training, ongoing support and payment systems. However, municipalities are required to engage with communities in any event and what is desired is appropriate structures for doing this and getting work done at village level.
- CBOs may be seen as political competition. In some cases they are seen as alternative centres of power from where challengers to local councillors can emerge. This 'competition' may also apply to ward committees and traditional leadership structures. This reality needs to be addressed through proper organisational structures and negotiation with local leaders.
- CBOs can be undermined by a lack of authority. Combined with constant tensions with local government, they may not be in a position to successfully enforce policy decisions, for example compliance in cases of unauthorised connections, especially by locally powerful people.

[50] At the regional workshops statements were made that 'communities do not have the capacity to do the necessary work'. However, the nature of this work is quite simple and the view taken as part of this strategy is that there is great merit in a community centred approach and people do have the basic skills required to do the work, with some training.

## Legal

Legal form of a water services CBO

The White Paper on Municipal Service Partnerships (2000) sets out that municipalities should require CBOs to adopt a formal constitution and code of good practise consistent with those set out by the Minister of Local Government (now CoGTA). In addition, CBOs need to be registered in terms of the Non-Profit Organisations Act. These conditions can be onerous.

Section 78 of the Municipal Systems Act

Whilst the legislative intent in setting out CBOs as a delivery mechanism was to provide for a community-based, cost effective service delivery option suited to rural areas, the provisions of the Systems Act do not provide special rules for procuring or contracting with CBOs, hence the provisions of section 78 of the Municipal Systems Act would apply equally to CBOs. It has been argued that subjecting CBOs to competitive bidding in the same light as private sector WSPs may be unfair to CBOs considering the policy objectives of enabling CBOs to play a role in providing water supply and sanitation services.

Terminology with respect to CBO relationships

If a CBO is used as a full water service provider, the formalities of setting up contracts with such a partner need to be considered. But, as noted above, it is more likely in the current circumstances that the CBO is a partner with the municipality in providing some element of the service. Therefore the term ***Community-based Partner*** (CBP)[51] is used in the following discussions.

Competitive Bidding

The requirements for competitive bidding also stand in the way of appointing CBPs. It is difficult to create a structure for competitive bidding when the key condition is for effective village scale management.

Implications for employment of people in communities

Trade unions have been resisting the use of contractual arrangements with individuals which fall short of full employment. This has a negative impact on the extent to which members of the community can be employed as there is often not sufficient work to justify full time employment.

## Financial

Operating expenditure

The analysis undertaken for this project illustrates a commonly occurring occurrence with respect to rural water supply: too little is spent on managing water supply systems and specifically on customer relations and management of distribution systems. While this saves money there are long term consequences as systems become unsustainable with associated increase in technical efficiency and lack of revenue to cover costs.

[51] The term is discussed later in this document. But it is notable here that the acronym CBP is also used for 'Community-based Provider'. But, as the term 'provider' as specific connotations which do not necessarily apply to CBO options the 'partner' term is favoured.

Operational factors relating to raising revenue through tariffs

In considering revenue from tariffs, evidence suggests that district municipalities are collecting little, if any, revenue from consumers in rural areas, even though these consumers may not be poor and are using well above the free basic water limit. The analysis undertaken for this project illustrates that this leads to an unsustainable situation as there is no constraint on the amount of water used and the requirement for bulk water supply will thus continue to increase. There are several associated consequences in this regard:

- Equity in the allocation of water is affected as those with more money install unauthorised yard connections but do not pay for the water they use. This can lead to situations where there is insufficient bulk water to provide for the poorest.
- Capital requirements for new bulk and connector increase beyond what is required for an efficiently managed system.
- The shortage of revenue means that there is insufficient funding to cover maintenance costs and hence the state of infrastructure declines at a faster rate that would be the case with a well-managed system. This, in turn, leads to the requirement for more capital for rehabilitation.

Free basic water

While the free basic water policy needs to be supported in its intent to ensure that the poor have access to basic services, it has, as mentioned above, been a setback for the management of rural water supply systems as it has been used as an 'excuse' for not collecting any revenue at all and hence for ignoring consumer interests.

Use of the Local Government Equitable Share

The analysis also supports the well-recognised and well-researched point that the Equitable Share is not properly allocated to water supply, with too much of it being used to fund often governance and administration systems (overheads) which are all-too-often inefficient.

Access to capital

The Municipal Infrastructure Investment Framework (MIIF) analysis has shown that there is a serious shortage of capital for the provision of new municipal infrastructure (including water supply infrastructure) and the rehabilitation of what is there. There appears to be a preference on the part of municipalities to allocate money for higher levels of service (house connections and flush toilets in more urban areas; and yard connections rather than communal water supplies in rural areas), and to upgrade people from basic services to these higher services, rather than allocate money for a basic service. This political demand for higher service levels combined with rapidly increasing costs of schemes, particularly large regional bulk water schemes, is unsustainable from the point of view of capital availability unless national government is willing to apply much higher levels of capital grant finance. Even though it is likely that more grant finance will become available, it is equally likely that capital constraints will always exist and the implies that great care is needed in using what capital is available.

What do these financial aspects mean for community-based service provision?

All of the above factors point to the need for much greater attention to be paid to customer care, to equity of access to water at village level and to better operation and maintenance of distribution systems. Community-Based Partners can play a big role in bringing the required improvements.

# Assessment of options

## Institutional options

A 'Community-Based Organisations as Water Services Providers Guideline' was published by DWAF in 2001 that provides a detailed framework for the legal establishment and functioning of community-based organisations as WSPs. Further, various models have been developed to support Community-Based Partners (CBPs), to work within the existing barriers in the legislation and regulation that aim for sound financial management of public sector institutions and efforts to remove the exploitation of workers. CBP members could become municipal employees, or contractors or community workers, volunteers, or small businesses (SMMEs or co-ops) and in a franchising partnership. These options have been considered as part of the research undertaken for this strategy. They all remain as options with their place in the proposed strategy.

Key success factors

On the whole, the research suggests three elements which are critical factors to the success of the model:

d) **Demand-based approach.** The project process must include a means to determine the community's commitment and organizational capacity. This is in line with international experience which shows that community involvement in the design, implementation and maintenance of infrastructure delivery builds a sense of ownership and is thus critical to sustainability.

e) **Sound arrangements for managing finances.** In the South African situation with a free basic water policy it is required that transfers of funds from the national fiscus reach communities in the form of payment for work done. Further, as mentioned above, money needs to be collected from those consumers who use more that the free basic limit. In both cases – using money sourced from outside the municipality and collecting money locally – sound financial administration is required.

f) **Effective support to community-based organizations.** If community involvement is critical, then support to community-based organisations as the structured manifestation of community involvement is necessary. Municipal-NGO-CBO partnerships achieve greater success when the local municipality and/or support service organisation have officials trained, capable, and experienced in working at community level in a respectful and participatory manner.

Criteria relating to the use of CBPs

In considering CBPs as an option the following criteria are taken into consideration:

- ***Sustainability***: For rural water services to be sustainable the community must be a partner in the planning, construction and operation of the infrastructure and resulting service.
- ***Local government effectiveness***: Municipalities gain through the relationship with CBPs as due to sharing of responsibility.
- ***Demand management:*** The CBPs go beyond narrow operation and maintenance of water supply schemes to deal with demand management, including illegal connections, as well as water resources management, in the approach known as multiple water use systems.

- ***Employment at village level:*** The CBP arrangement has the great benefit of employing people at village level and hence improving livelihoods and creating economic opportunities within communities.
- ***Local economic development:*** The terms of reference for CBPs can be expanded to more water issues that include projects using productive water, e.g. food gardens, rain water harvesting, raw water allocation. They can be expanded even further to apply to other municipal services, solid waste management, for example.

Structure of CBPs in practice: scan of 21 districts

Perhaps the most striking conclusion from the scan of the district municipalities which are WSAs, and the workshops which have been held as part of this initiative, is the extent to which there is a positive attitude towards using CBPs. The existence of a considerable body of experience with CBPs is also evident. That said, the indications are that, with the exception of a few DMs, the practical application of the institutional model is limited. Since the late 1990s there has been a 'thinning' of support for this approach by municipalities.

Of the 15 districts where the team was able to conduct interviews, CBPs are reportedly utilised in seven, while eight districts reported that they currently do not formally implement community-based models for rural water provision.

The seven districts that do utilise CBPs are generally optimistic about their future and have seen tangible benefits from their usage, particularly in terms of managing operations, reporting of leaks and bursts and maintenance of hard-to-reach rural schemes. But the research indicates that for this to be successful, political support for the CBPs is fundamental to their survival.

In districts where CBPs are not currently being utilised the reasons for this range from a perceived lack of skills of local communities, insufficient revenue flows to cover costs and the perceived inefficiencies of CBPs as well as political drivers. While some of these DMs were positive about the role of CBPs, in theory, many cited financial constraints as a reason why the future of CBPs in their district is questionable. The introduction of the Free Basic Water policy has been raised a number of times and there is a sense that CBPs are more costly and that these costs seem to outweigh the benefits.

This issue of balancing costs with benefits is dealt with further in the financial assessment below.

## Technical options

Service levels

Service level decisions are critical for the success of water schemes, particularly in rural areas where the step up in cost of higher service levels, specifically 'in-yard' supply is so great. The analysis has taken four types of service level into consideration:

e) Public standpipe within 200 metres (so called 'RDP' standard).

f) Yard connection with some means of limiting flow (yard tank or Durban type flow limiter on pipe at the connection point).

g) Yard connection with no flow limitations (no metering – or no meter reading, if the meter is in place – no community-based arrangements to ensure equity in the way water is used and no censure if water is taken from the system with no authorisation).

h) House connection which assumes a higher level of use than a single yard tap and with the assumption that this will be metered with some variability in the extent to which this happens in terms of effective billing and credit control.

The results of the analysis show, firstly, that properly managed public standpipe water supply systems in rural areas can be viable. Secondly, the proliferation of unauthorised yard connections with no flow control is not sustainable. Thirdly, there is not the capital available to provide for free yard connections to all in rural areas. This leads to a fundamentally important conclusion: ***A rural water supply arrangement which allows for high levels of yard connections, whether these be authorised or unauthorised, and where there is no control over water use from these connections is not viable.***

Water consumption and water losses

Good data on the water consumption with unlimited yard connections is not available but field experience indicates that this number is high, driving unsustainable levels of bulk water requirement. The figure of 15 kl/CU/month is assumed in the analysis to prove this point, well above the commonly accepted basic amount of 6 kl/CU/month.

In order to convert water consumption into bulk water requirements which drive the size of the bulk water system, provision needs to be made for technical loses in the distribution system. While figures of 10% to 20% are typically used in system designs, this assumes properly managed systems and the reality is that losses are much higher, with figures of 50% reported in practice. The analysis shows that such high technical losses also create an unsustainable situation. This leads to the conclusion that much better management of water distribution systems is needed, with CBPs having an important role to play in this regard.

Water resource and bulk water supply arrangements

Finally, it is recognised that the risks of failure and the risk of inequity in water supply at village level is reduced if a local water source is used with a small scale bulk water supply system which can be managed locally. While larger scale regional water supply systems are necessary in some places they bring with them the tendency to focus on management of the bulk system with the distribution system and community interests neglected.

## Legal options

Legal form of a water services CBO

Research has indicated that most appropriate legal form for a CBO is a voluntary association which is relatively easy to establish. Further it has been ascertained that registration with the Non Profit Organisations Act is not a pre-requisite for a CBO.

Section 78 of the Municipal Systems Act

The extent to which Section 78 of the Municipal Systems Act is a hindrance in using CBPs is raised in the problem statement. However, Section 78 need not be complied with in instances where the services being performed are not ‘a municipal service’ as defined in the Act. This term ‘municipal service’ relates primarily to the appointment of a provider to take full responsibility for running the operations and maintenance of a water supply system and collection of revenue from consumers. But the option of using CBOs as part of the water supply arrangements does not necessarily mean that they are a full water service provider. Therefore:

a) CBOs in the current water supply institutional environment are seldom providers of a ‘municipal service’ as defined in the Act. They are typically part of an institutional structure with the municipality, in effect, remaining the WSP.

b) Even if a formal Section 78 process is contemplated, with CBOs as a WSP option, it is necessary to consider costs as well as benefits. All too often a view dominates that this option is 'too expensive' without a proper understanding of the benefits which are, typically, considerable.

c) As was the case for Alfred Nzo, this option should be considered for the municipality as a whole and it is possible for a municipality to set up a long term arrangement through a 'once off' district wide assessment where CBOs are built into the institutional structure.

Competitive Bidding

While it is important for municipalities to ensure that they get the best deal in setting up arrangements with service providers (not necessarily Water Service Providers). However, there are special circumstances which apply to CBOs. For example, the Preferential Procurement Policy Framework Act 5 of 2000 provides that municipalities may determine a preference for categories of service providers in order to advance the interest of persons who have been disadvantaged by unfair discrimination. Research suggests that there is some room for creativity in applying the provisions of this Framework and points to the example of the Alfred Nzo District Municipality who engaged in competitive procurement processes with CBOs only, given that it was unlikely that other service providers were keen to provide water services in remote areas.

Implications for employment of people in communities

There are certainly advantages to individuals to become full employees of a legally constituted organisation with associated legal rights. However, there is also a considerable body of experience which indicates that full employment of all people assisting with the provision of a service at 'village' level is not feasible. Payment of individuals a sum for a specific service rendered may be the best way, or even the only way, of ensuring that systems can be effectively operated and maintained. This also promotes the sharing of scarce resources at village level. Current evidence suggests that this is not illegal.

## Financial options

Implications of the scale of the bulk system

The structure of a water supply system is important in considering the role of CBPs as CBPs are best able to provide a service relating to local systems: distribution in individual settlements and small scale bulk supplies associated with stand-alone schemes. However, where large scale bulk systems are used the role of CBPs in managing distribution systems remains important.

Another factor to consider when large scale bulk water supply systems are in place is that their costs may be high. For example the purpose of the analysis undertaken for this project a cost of R7 per kilolitre is assumed which is held to be reasonable for rural water supply systems where the full cost of a well-managed bulk water supply system is included[52]. There is, of course, considerable variability in these costs with some of newer planned bulk water schemes having costs above R20/kl.

[52] More recent information indicates that the average cost of bulk water in the country is currently R5.50 per kilolitre. But with large scale bulk water supply systems this will be higher and with small scale local systems it will be lower. The figure of R7 per kilolitre in rural areas remains suitable for illustrating viability for a typical rural system.

Operating costs of distribution systems using CBPs

Where CBPs are used the following costs need to be provided for:

- ***Stipends*** paid to water committee members, assuming that the municipality agrees that this is appropriate[53].
- Payments for ***operational costs*** (checking taps, pipes, reservoir levels, etc.) with some minor maintenance (replacing tap washers, for example).
- Payments for ***'customer liaison'***: visiting individual members of the community to assess their satisfaction with the service; checking for unauthorised connection; making arrangements for yard connections where individual CUs can afford them; and meter reading, where required.

In addition, it is well understood that costs of support services to CBPs need to be included, either from within the municipality or through an external ***support services agent***. These costs may be high but there is considerable experience with this arrangement and good contracting arrangements can keep costs down.

The analysis shows that with appropriate levels of payments made for these activities the direct CBP activity may cost 20% or less of the cost ***of the distribution system***, depending on the nature of the system. This may need to be supplemented by expenditure of 25% or less on support services, with the rest going to municipal expenditure on major maintenance and overheads. There is a view that these costs are high and that a municipally managed system will be less expensive. However, it needs to be recognised that managing relatively remote and scattered distribution systems through a centralised municipal organisational structure also generates high costs due to cost of employment of municipal staff and the travel requirements to visit dispersed settlements often on poor roads.

Further, it is important to assess the benefits along with costs and the benefits of having a presence in the community and paying money to community members are substantial.

The necessity for collecting revenue

The primary conclusion from the analysis is that if service levels are limited to public standpipes and sound management arrangements are in place, rural water supply systems can be viable. This does not require the application of tariffs and the collection of money related to these tariffs from consumers of water. However, this is related to an important associated conclusion which has been stated above: if yard connections occur, whether these be planned or unauthorised, it is not possible for the system to be viable unless a well-developed management arrangement is put in place to limit water use to the free basic water limit and to meter and bill those who use above the free basic limit[54].

This finding for a typical water supply system can be played up to a district level: various research initiatives have shown that it is possible for DMs to be financially viable while providing a proper service to their citizens. But this is dependent on them covering the costs of providing services to the non-poor through tariffs paid for services. It is also dependent on them properly allocating equitable share finance to water services.

[53] A figure of R200 per month is provided for in the analysis undertaken for this project.

[54] It is important to note here that the indications are that this is typically not feasible as the capital costs of the system increase dramatically and there is unlikely to be enough capital funding to provide for systems with a high proportion of yard connections.

Allocation of Equitable Share finance

The way the ES gets allocated to services and to individual settlements is a complex matter and is seldom done based on sound principles. Often the allocations are made to cover the most immediate items of expenditure without a sound rationale for allocating this money to benefit the poorest households in a municipality, many of whom are living in rural areas.

Conclusion on financial implications of using CBPs

As evident from the scan of DMs reported above, many argue that this cost is too high. Others have shown that it is possible to cover these costs and run an effective rural water supply programme. In the end it is about assessing both costs and benefits and, of course, looking at the costs of alternatives. If a CBP institutional model is not used the typical alternative is to use conventional municipal water supply arrangements with municipal employees undertaking all the work[55]. It has not been possible to cost this option for this study but the costs of managing full time municipal workers based at village level are likely to be high. They too, require a support structure which will not be too different to that applied for a CBP.

There are considerable difficulties to be faced in 'proving' that one option is more or less costly than the other. It then becomes important to look at the benefits and the practical possibilities, with CBPs offering a solution with considerable benefits and a good track record in terms of ability to implement.

# Strategy

## Overall vision and objectives

Vision

The vision is for every household, and enterprises requiring potable water, in rural areas to have access to a safe and reliable water supply, and to ensure that CBPs can be used wherever possible.

In order for this vision to be realised the importance of a focused national rural water support programme is required. As part of this, the key role to be played by Community-Based Partners is recognised.

Objectives

The vision will only become reality if the following objectives are met:

a) National departments agree on rural water supply support arrangements.

b) National Treasury agrees to allocate appropriate budget for a new rural water supply intervention.

c) Municipalities acknowledge the importance of CBPs and are willing to support CBPs and allocate the necessary resources from their budgets.

d) Private sector partners, NGOs and water boards engage with municipalities in partnerships to set up new or improved water systems and set up support arrangements for CBPs.

[55] The option with private sector as a service provider also exists with uThungulu DM as an example.

e) Communities themselves participate through organising themselves and working actively to improve water supply arrangements in their settlements.

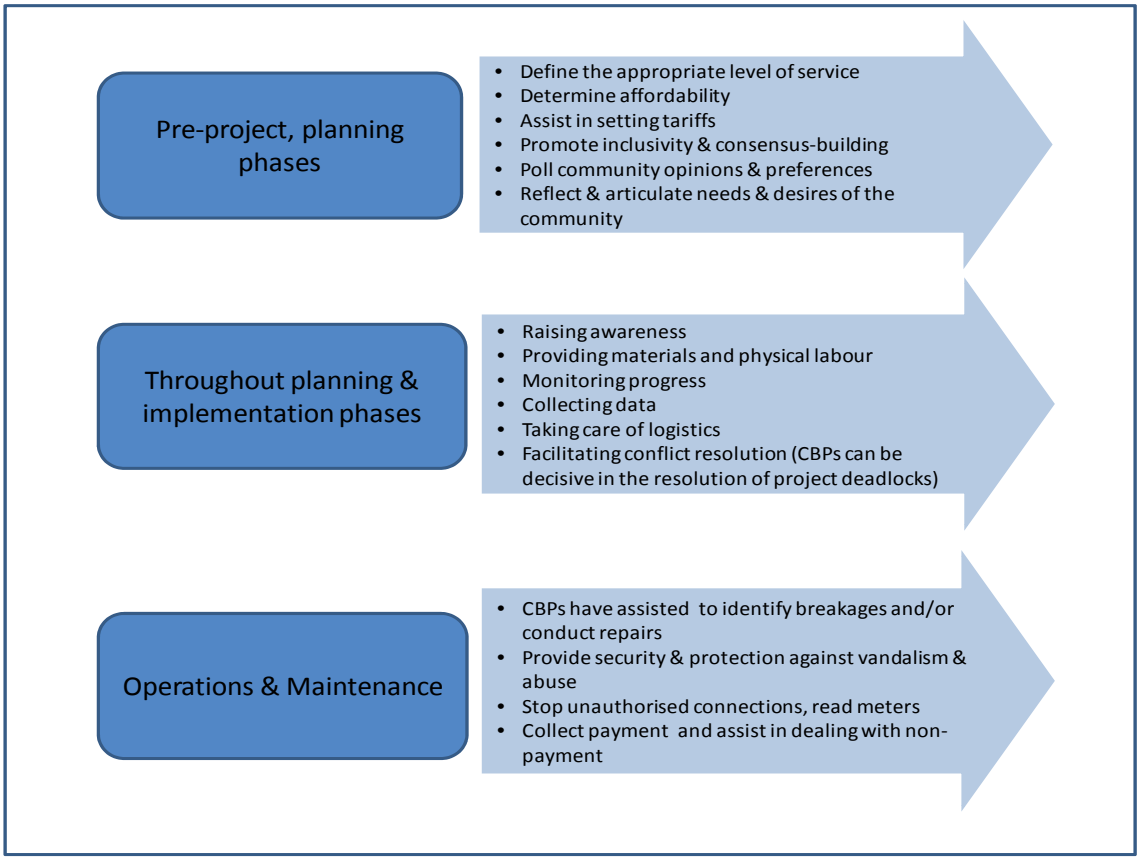
## Key features of Community-Based Partnerships

Definition

The term 'Community-Based Partner' is used in this strategy as it implies an emphasis on community level activity functioning in partnership with a municipality[56]. The legal and organisational nature of a CBP will depend on the option which is applied, as described below. However, it will typically be a small organisation functioning at the level of a village or group of villages with people on the governance structure and those undertaking the work being part of the communities located in the village or villages.

Role of CBPs

The diagram below provides a summary of the possible roles of CBPs.




Adapted from Mvula Trust

***Figure 7: Role of Community-Based Partners***

[56] Other names have been used or proposed. The term Civil Society Organisation (CSO) is considered too generic covering all community-based and non-government organisations. The term Community-Based Organisation (CBO) remains valid but is also generic, covering the full range of community organisations. The term 'local government community-based service agents' has been proposed but may be too 'wordy'.

Accepting a range of options

Taking the various roles which a CBP can play, there are a range of arrangements for involving the community with water supply. This strategy does not propose that only one option should be used. Rather it is up to the municipality, in consultation with stakeholders, to choose an appropriate arrangement which suits their circumstances. However, it is also recognised that some guidance is needed for municipalities and hence the strategy does include recommendations on a 'core' option which will suit most circumstances, which is included in the proposals below.

In making the decision on the option, this will depend on what mix of activities is to be included. In this regard, the full set of reporting which forms the background to this strategy and which draws on a large body of research on the topic contains an assessment of all the options for using CBPs[57]. In considering the options in terms of the institutional form for a CBP the following is a summary of the most widely considered arrangements:

***Table 7: Summary position on CBP institutional form***

| No. | Option description[58] | Evidence of success based on findings of the research reported here | Future possibilities |
|---|---|---|---|
| 1 | Centralised municipal management with employees located at village level. | Working where municipality has well developed management systems, typically based on a substantial urban core. | Feasible where municipalities have the capacity to manage dispersed operating activity. |
| 2 | As for Option 1 but with CBP at village level but only as consultative structure | Fairly widely applied but with relatively low impact. Assumption is that CBO members do this voluntarily. | |
| 3a | Autonomous CBP responsible for village scale operating and customer liaison activity; with municipal CBP support service, money transactions directly with municipality. | Effective option currently being applied in Chris Hani. But concerns over capacity of municipalities to provide necessary support. | Can be successful where a municipality(s) already has considerable capacity. |
| 3b | As for Option 3a but with external support services agent (SSA). | Has had fairly good track record in Chris Hani, Joe Gqabi and Alfred Nzo. | Probably the option with the greatest chance of success. |
| 4 | As for Option 3a but with CBP collecting income associated with tariffed services. | Some evidence of collection of money by CBPs. But limited success in current environment. | The inclusion of revenue collection by CBPs it is potentially an important function. But in the current environment it is difficult to do and probably can be addressed as a progression from |
| 5 | As for Option 4 but with external support services agent (SSA). | Historically applied prior to FBW policy; no application currently? | |

[57] For example, Mvula Trust has prepared guidelines which deal with different implementation models for community-based Operations and Maintenance (O&M) based on whether the provider function is done by the WSA or by another organisation.

[58] Options 8 and 9 in the preliminary discussion document (conventional leases and management contracts) are not included here are as they do not specifically involve CBPs.

| | | | |
|---|---|---|---|
| | | | options 3a and 3b. |
| 6 | Franchise model | Being tested in E Cape; some potential. | Ongoing work with this option is important. |
| 7 | CBP set up as an SMME or Cooperative | Some potential | |

The application of Option 3b as a core option in the future has the following advantages:

a) It can work where municipalities have limited capacity currently as management expertise to support community-based service provision can be contracted in as an external SSA.

b) Creates a possible transition towards revenue collection.

c) Creates a transition towards municipal support arrangements, should this be the preferred approach in the longer term.

Support services options

The options 3 to 6 above all include an arrangement to support CBPs either through an 'in house' unit, an external support services agent or a franchiser. If a municipality wishes to use an external agent it may:

1. Set up a single contract with a single SSA to provide support services to service providers in the entire jurisdictional area.
2. Enter into contracts with different SSAs, each SSA being responsible for providing support services to the service providers in certain regions.
3. Contract different SSAs for different types of support: maintenance, training, social development, etc.

CBP support centres

Another arrangement for supporting CBPs, tested in Chris Hani District, is to set up a CBP support centre where a group of specialists can be located to provide advice to CBOs. This may have the benefit of being relatively easy to establish. But, in comparison to the typical Support Services Agent concept, there is no contractual obligation for such a centre to provide a specific service to CBPs with performance assessment in relation to such an obligation.

Promoting an option that has shown success

It is considered important for Government to have an option upon which to base a national strategy. This is an option that has been explored further and has demonstrated success where and when it has been utilised. This is proposed as Option 3b which has the following primary characteristics:

- CBP established at appropriate scale as a legal entity (with a voluntary association being the most applicable).
- CBP has an elected committee which will, in turn, select a chairperson.
- CBP committee closely engaged with ward committee member(s) in the area.
- Committee members paid a stipend for their services.

- Village level operations and customer relations work done by people from the community paid a fixed sum for their service and under the day-to-day supervision of the committee but with the oversight of the municipality.
- Support services provided by an external organisation (Support Service Agent) which is responsible for supporting CBPs, setting up systems and ensuring that village level activity is properly undertaken. This may include managing contractors doing major maintenance[59].
- Flow restrictors or meters on all yard connections with tariff-based payments made to municipality typically based on meter readings taken by CBP.

But as noted above, the application of other options is accepted where municipalities have demonstrated their willingness and capability to implement these options.

Integration with sanitation and other services

While the emphasis with this strategy is on water supply, the integration with sanitation is recognised and typically the CBP activities will also be expanded to include sanitation, health and hygiene promotion. On the other hand existing committees set up to facilitate a sanitation project could be reoriented to include water supply. If a CBP is well established and successful with water and sanitation the possibility exists to expand its mandate to other services, perhaps solid waste management or low volume roads maintenance.

# Integration into a national Rural Water Support Programme

For a rural water supply arrangement to be successful it requires a set of interventions at community, municipal, regional and national level. CBPs can only be effective if they are properly contracted and supported at municipal level. In turn, the relatively new municipalities serving rural areas can only be effective if they are properly supported through regional and national structures. Without a major national intervention, with the necessary political backing, the chances of success are small.

Establishing a national Rural Water Support Programme[60]

The most substantial intervention with regard to rural water supply provision is the proposal made as part of the DWA Institutional Reform and Realignment (IRR) initiative to establish a ***Rural Water Support Facility (Programme).*** This 'facility' is intended to provide support to the 21 districts to set up contractual arrangements with external partners to provide the necessary support. It is predicated on a ***partnership*** at national, regional and municipal level between national government, municipalities, water boards, the private sector and civil society. The involvement of the private sector and civil society is based on the understanding that the necessary capacity to manage rural water supply systems cannot be built within the public sector over the medium term. This is a long term effort which will perhaps take 20 years and, in the interim, water supply systems must be constructed, rehabilitated, operated and maintained to ensure that everyone gets access to a well-functioning water supply service.

Such a programme requires the support of SALGA and key national departments: Department of Water Affairs, Department of Cooperative Governance, Department of

[59] The option of the municipality doing this is not excluded (Options 3a and 4)

[60] As noted earlier in this document, the term Rural Water Support Programme is used here but has been referred to as Rural Water Support Facility in other DWA documents.

Rural Development and Land Reform and National Treasury. DWA is best placed to be the lead department. At this stage there is a degree of buy-in to the concept from SALGA, DWA, DCoG (through MISA) and National Treasury although further engagement with the strategy by these organisations is required. But it is understood that DRDLR has not been engaged and they have not responded to the request to attend the national workshop held as part of the WRC project. The Programme remains at conceptual stage and has not yet been designed in any detail. This places limitations on the extent to which arrangements for incorporating CBPs into the programme structure can be made. Nevertheless, key elements of the Programme can be identified, based on preliminary work done through DWA institutional reform proposals and through proposed interventions by MISA. These are summarised below:

- Set up a national implementing agent, with the options being MISA, a specialised unit within DWA or a private sector partner.
- Establish regional scale management support arrangements with the emphasis on setting up operating and maintenance systems within municipalities. The option for doing this through 5 year management contracts[61], set up at regional scale, with private sector organisations or water boards has been investigated by MISA and has considerable merit. It will allow for systems to be set up and managers to be contracted into municipalities to work with existing municipal managers.
- Establish support services arrangements for community-based service provision. This is consistent with the proposals made as part of this CBP Strategy with the NGOs, water boards or private sector organisations which will be the contracted parties will act as Support Services Agents.

Financing the programme

This will only be successful if the intervention is funded from the national fiscus with the recommendation made by DWA and DCoG (as part of the MISA recommendations) that this should happen through a ***transitional capacity building grant***. While this grant will need to be oriented towards all municipal services the component of it which is aimed at rural water supply is referred to as here as the ***Rural Water Finance Facility*** which is provided for as part of the DWA Water Sector Investment Framework.

The extent to which these proposals are incorporated into the national budget for 2013/14 remains uncertain.

Supplementary interventions

Aligned with these proposed interventions by national government, the following supplementary interventions are proposed as part of this strategy:

a) While the indication from the financial analysis is that the Equitable Share (ES), supplemented by tariff income, is sufficient to cover the costs of rural water supply in all but the most extreme situations, the way in which the ES is allocated is critical. DWA and National Treasury need to support municipalities to improve the financial resources that are used by municipalities.

b) DWA, working with the Municipal Infrastructure Support Agency (MISA) needs to strengthen its support for the agreed core option for incorporating CBPs into local institutional arrangements.

c) Existing guidelines associated with CBP options should be updated with agreement reached on key financial parameters.

[61] The requirement to contract in technical expertise is based on the evidence from Municipal Demarcation Board data that there are currently no more than 20 registered professional engineers in these 21 districts responsible for R80 billion in assets and for water supply to 15 million people.

d) Specific attention needs to be given in guidelines to procurement procedures which are consistent with CBP approached.

e) Each of the 21 DMs should be required to demonstrate either that they have an effective system in place, if they choose not to apply the core option, or how they will implement a structured rural water supply programme based on the core option. While the provision of new infrastructure must continue the emphasis of this initiative should rather be focused on getting what infrastructure exists, together with associated systems and management arrangements, working properly so that households get access to good quality water without interruption while, at the same time, applying fundamental water demand management and water conservation measures.

# Setting up arrangements within municipalities

Clearly the success of this strategy, and the associated success of a water supply programme, requires a strong role to be played by water service authorities, the 21 districts in this case[62]. This role can be seen in several parts:

1. Get political buy-in from Council.
2. Engage with traditional leaders and other local stakeholders to promote the concept.
3. Set up the financial systems which are required to meter, bill and collect revenue from those consumers that are not poor and use above the free basic amount of water.
4. Establish a set of procurement procedures that conform to the CBP approach.
5. With regard to CBPs, set up contractual relationships with CBPs, oversight, allocation of financial resources, etc. In this regard this strategy is based on the assumption that participating municipalities will:
   a) Obtain the necessary advice from DWA, NGOs or consultants.
   b) Undertake an assessment of the options for using CBPs, noting that this does not require a 'Section 78' investigation.
   c) Include in this assessment the most appropriate arrangement to be used for support services.
   d) Assess costs and allocate the necessary financial resources to rural water supply including the management of the distribution system (and small scale bulk infrastructure) using CBPs.
   e) Assess the level of revenue which needs to be raised from rural water consumers and set up structures for metering and revenue collection, using CBPs where appropriate.
   f) Enter into long term contracts (preferably 10 years) with CBPs and medium term contracts (preferably 5 years) with support services agents, where the latter is selected as an option.
   g) Set up internal support services arrangements where external support agents are not selected.

[62] These districts may have appointed external Water Services Providers, with the customer interface and revenue raising role delegated to the WSP. In this case the WSP will become an additional partner in a relationship with CBPs. This arrangement is not give specific attention in this strategy.

The support for doing this can be provided as part of the Rural Water Support Programme. However, until this Programme is functional, district WSAs can, and should, proceed with the advice they can obtain from DWA, MISA, provinces, NGOs and consultants.

# Benefits

The benefits of having a national programme to support community-based management have been alluded to in the research documents associated with this strategy and in the strategy described above. These can be summarised as follows:

a) The proposed additional funding for capacity building represents only a relatively small amount of additional funding from the national fiscus, in relation to the overall expenditure on rural water supply. Yet a large increase in the development impact of funding can be achieved as households and enterprises in rural areas get better access to water.

b) The economic benefit for village scale activities is substantially improved both because money for providing services is retained in the community, through community work, associated jobs and because water availability is improved with more equitable access to water.

c) Capital expenditure on rehabilitation is reduced as maintenance arrangements are improved.

d) Capital expenditure on new infrastructure is reduced as technical losses are reduced.

e) Revenue to municipalities is increased.

Finally the impact of community-based initiatives on rural development more generally needs to be acknowledged: initiatives such as this, oriented at community scale, promote engagement of citizens, build confidence, build skills and create linkages with other rural development initiatives.

# Risks

Unfortunately, the risks to a programme to rapidly improve rural water supply through community-based initiatives are great:

a) Perhaps most significant is the difficulty in getting buy-in from national departments to a programme of this nature with the necessary allocation of resources.

b) Regarding resources, the provision for funding of a national rural water support programme, as part of a new capacity building grant, may not materialise.

c) Municipalities may not buy into the community-based service provision concept for various reasons, even if this is properly promoted at national scale.

d) Even with buy-in municipalities may not have the capacity to enter into the necessary contracts and allocate Equitable Share funding appropriately.

e) Finally, at community scale there may not be sufficient cohesion within communities to make village scale water supply arrangements effective.

# Key activities implementation programme

The implementation needs to be set up with the participation of the key national partners: DWA, MISA, DCoG, DRDLF, National Treasury and SALGA.