

MSB III Mid-Term Review

**Institutional Management & Planning
skills of WSA's**

3

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contents

Introduction	2
<i>Relevance</i>	2
<i>Effectiveness</i>	5
<i>Efficiency</i>	9
Conclusion	10

figures

Figure1: NWSSS strategy – Programmatic Support	3
Figure 2: Council Approved WSDPs	7
Figure 3: Review and Reporting on WSDPs	7

Introduction

In terms of the financing agreement, the objectives of KPI 6 focus on the institutional management and planning skills of Water Services Authorities such that WSA's may fulfill the goal of being "accountable to their citizens, have adequate capacity to make wise choices (related to water services providers) and are able to regulate water services provision effectively" (Assessment for Release of the First Variable Tranche of Funding 2007/2008). The two specific KPIs to be measured under this consist of the following:

- KPI 6.1: Percentage of total number of WSA's reporting annually on progress against their WSDPs;
- KPI 6.2: WSA's with Council approved supplier and provider arrangements in place where appropriate.

Relevance¹

Main Findings (KPI 6: Institutional Management and Planning Skills of WSA's):

According to DWAF objectives, supporting institutional management and planning skills is aimed at maintaining a legislative and policy framework that ensures adequate governance through coordinated planning and management of service delivery. This is to be achieved by making sure that WSA's respond to the planning requirements as specified by DWAF through the relevant WSA legislation; the strategic framework for water services; and the regulatory strategy for water services. Monitoring WSDPs is one of the ways of making sure that WSA's respond to these requirements. (Note that several other regulatory requirements for which WSA's are responsible are dealt with in the O&M section of this review).

While KPI 6 falls under the broader target area of Institutional Development and Performance of the Financing Agreement with the EU, support to WSA's is also well entrenched in the *Joint National Water Services Sector Support Strategy*. The WSSS strategy advocates a "Programmatic Support to Water Service Authorities," and under this, the **WSA Support Program** is aimed at "strengthening the existing support programmes and improving coordination"². The point of departure for the strategy is an emphasis on the distinction between the *authority* and *operational* functions of a water services authority as set out in the Water Services Act. The *authority* functions of WSA's are the focus of this programmatic support approach. The purpose is to build capacity to fulfill authority functions and to develop strategic leadership related to the provision of water services. The objective of the WSA Support Programme is to ensure that "municipalities are proficient in their designated water resource management and water services role." KPI 6.1 of the

¹ The extent to which the objectives of MSB III are consistent with beneficiaries' requirements, country needs institutional priorities. It also entails an assessment of project coherence in achieving its objectives. I.e. how relevant is what MSB III doing in this area to SA's needs? And how relevant are the activities being performed in this area to what was intended under MSB III?

² Joint National Water Services Sector Strategy 2007

EU financing agreement is thus specifically in line with this key relevant programme (see Figure 1 below).

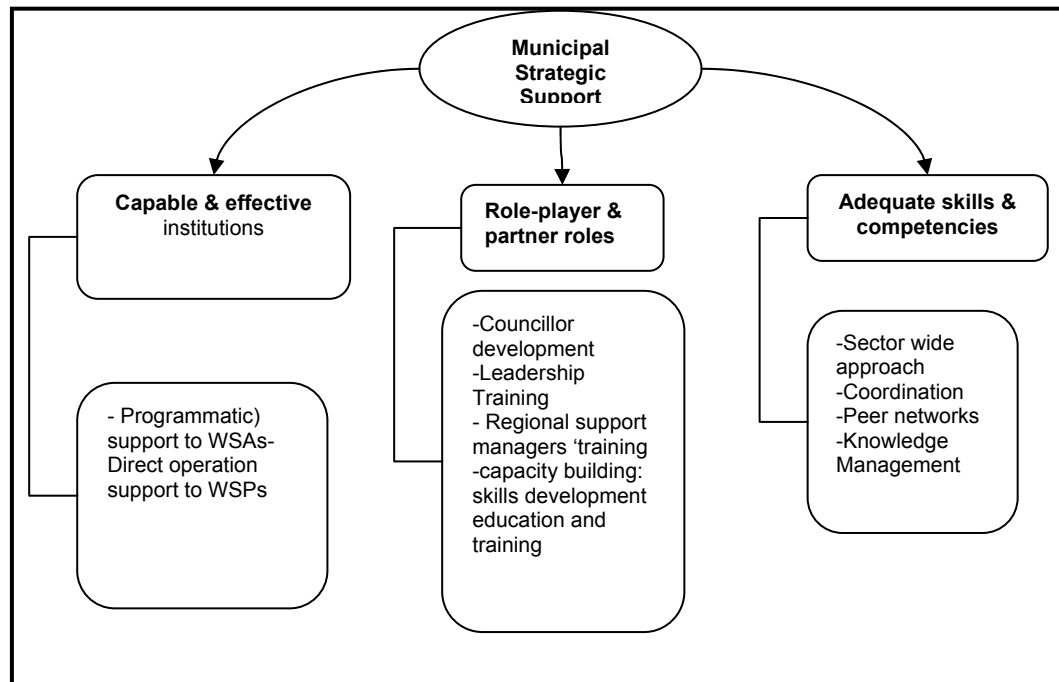


Figure1: NWSSS strategy – Programmatic Support

The WSA Support Programme is largely driven by the challenges identified within municipalities in terms of meeting their regulatory and water services provision requirements. The programme enables municipalities to identify challenges relating to legislative compliance and to develop Municipal Support Plans that serve as a basis for prioritization and resource allocation. Overall, a majority of municipalities have challenges in the following areas:

- Regulation and performance management of WSPs;
- Decision-making that is informed by proper research and an understanding of the municipal functions (particularly at Council level);
- Awareness of the distinction between WSA and WSP roles and responsibilities;
- Non-compliance with legislation at the WSA level coupled with difficulties in interpreting and implementing legislation;
- Inadequate (or lack of) Water Service Development Planning at WSA/WSP level that leads to failure in:
 - Operation and maintenance of water service infrastructure;
 - Business planning: implementation and reporting;
 - Billing and tariff/revenue management;
 - Water conservation and water demand management.

(Note: These four areas are dealt with in detail in the O&M annexure of this mid-term review).

The WSA Support Programme is in line with other sector strategies. Its relevance to the sector is indicated by its direct alignment to the objectives and targets of the *Strategic Framework for Water Services (2003)*. The relevant targets to WSA support in the SFWS that were identified to measure institutional development and compliance include the following:

- Annual report on progress against WSDPs;
- Free basic water policy;
- Free basic sanitation policy;
- Municipal by-laws – including by-laws on provision of municipal services, tariffs, credit control and debt collection;
- Contracts for bulk water supply;
- WSA /WSP arrangements – performance management contracts.

Ultimately, compliance with regards these targets will develop WSA institutional capacity, and thus enable WSA's to deliver services to the citizens within their areas of jurisdiction.

There is also alignment with DWAF's institutional priorities in relation to WSA's as reflected in the National Water Services Regulatory Strategy (April 2008). The NWSRS is aimed at strengthening the role of DWAF as a water sector regulator and focuses on the following areas:

- Increased regulatory efforts to address compliance and performance challenges in priority municipalities;
- Adequate institutional governance through coordinated planning and management of service delivery;
- A national drinking water quality regulatory initiative, to manage risks associated with unsafe drinking water;
- A national wastewater discharge regulation initiative;
- Through the Refocused Local Government Support Model, support functions within DWAF have been streamlined to improve quality and flow of information on specific compliance challenges facing municipalities.

Improvement in these regulatory areas will result in improved WSA functioning, which in turn will benefit the citizens within the municipal jurisdictions.

While these findings indicate the relevancy of the Masibambane programme KPIs as related to WSA's, it should be noted that there are gaps that were identified as challenges. In relation to the JNWSSS strategy there were concerns that its implementation currently focuses primarily on the *operational* support challenges for local government, leaving out, or giving less support to, *institutional* capacity support. This is the case when considering the MSPs and their priority focus areas for support. However, small but important achievements have been made on institutional support, e.g. the Councillor training programme.

The other challenge related to relevance centers around varied interpretations of the key objective of developing functional municipalities. Instead of there being a

clear understanding that the overall goal of institutional development is to create efficient municipalities, it is sometimes viewed simply as a means of responding to legislative requirements. There should therefore be effective communication of the intended outcomes to the municipalities.

Key Recommendations:

Issue	Recommendation
Poor communication in institutionalizing programme objectives and priority targets	<ul style="list-style-type: none"> Effective communication is required in order to facilitate institutionalization of programme objectives and priority targets.
Lack of clarity and agreement on alignment of programmes / vision with other sector partners, particularly on the implementation priority areas.	<ul style="list-style-type: none"> Firm agreement and practical alignment of the programmes to those of the other key sector leaders (e.g. SALGA) is needed.

Effectiveness³

Main Findings (KPI 6: Institutional Management and Planning Skills of WSA's):

The effectiveness of MSB III with regards KPI 6 from the EU Financing Agreement can be assessed based on the challenges experienced as well as the achievements attained thus far through support to local government. Before considering the individual KPIs under Institutional Management and Planning Skills of WSA's, however, several points that apply generally are noted.

The 2008 Consolidated Report (the Consolidated Water Sector Report 4th Quarter 2007/2008) demonstrated that feedback on indicators in each reporting area has been hampered by a lack of appropriate monitoring systems by partner departments. The challenges that were observed in the first report related to effectiveness in reporting for the Masibambane programme are still applicable as follows:

- The regulator is dependent on the data collection and reporting systems of its key partners – this leads to an information lag due to the variable reporting systems.
- The quality of reporting is compromised due to the incremental addition of new indicators – e.g. at the time of reporting not all information is available.

It should therefore be stated upfront that, when it comes to figures / statistics, DWAF does not have single verified figures on various areas and WSDPs are one of them. It should also be noted that the figures indicated below may not be the same as figures on other reports (e.g. the Consolidated Water Sector Report 4th Quarter 2007/2008) The figures indicated herein are based on the documents reviewed as well as the interviews conducted with DWAF officials as part of this

³ The extent to which MSB III's objectives were achieved, or are expected to be achieved, taking into account their relative importance. Basically is MSB III delivering?

mid-term MSBIII review process. Therefore there is a need to further verify the figures below as the limited time available for the mid-term review did not allow time for this.

KPI 6.1: % of total no. of WSA's reporting annually on progress against their Water Services Development Plans:

The WSDPs are an important tool in that they are used by the DWAF for reporting; regulating; and supporting local government with water services functions. Based on interviews with officials currently only 10% of municipalities are reporting on their WSDPs. However it should be noted that the 10% are WSDPs that are deemed to be at an acceptable level and are meeting the DWAF reporting requirements. Otherwise the number of WSA reporting on WSDPs is higher. Refer to the chart below for progress on the various provinces. It should further be stated that local government also responds to a number of reporting requirements that have the same targets as the WSDPs by DWAF, e.g. reporting to DPLG through Comprehensive Infrastructure Plans (CIP), reporting to the Auditor General, reporting to National Treasury, etc. Within these reports, there is generally an improvement on water services function by the municipalities.

The finding of this review was that reporting by municipalities on WSDPs varies. In this regard, it must first be noted that the ability to report against approved WSDPs depends largely on the availability of managerial and planning capacity in municipalities. Secondly it should be noted that WSDP reporting has been enhanced to include additional information that was not included previously e.g. reporting on water services audit information. This information is passed on to the regulator to feed into DWAF's Regulation Performance Management System (RPMS), which is up and running. Since the system is new it is developing slowly, however it is anticipated that it will improve as more and more WSA report on the progress and performance.

The bar charts below indicate the number of WSA's that have council approved WSDPs per province, as well as the number of WSA's that are reviewing and reporting on their WSDPs per province. Note that some of the latter do not include reviews and reporting on WS audit information. Also note that in Figure 2 below, there is an indication that some of the provinces have made zero progress with regards reviewing and reporting on their WSDPs -- this does not indicate that they have not done their WSDPs but rather that the information has not been submitted to DWAF.

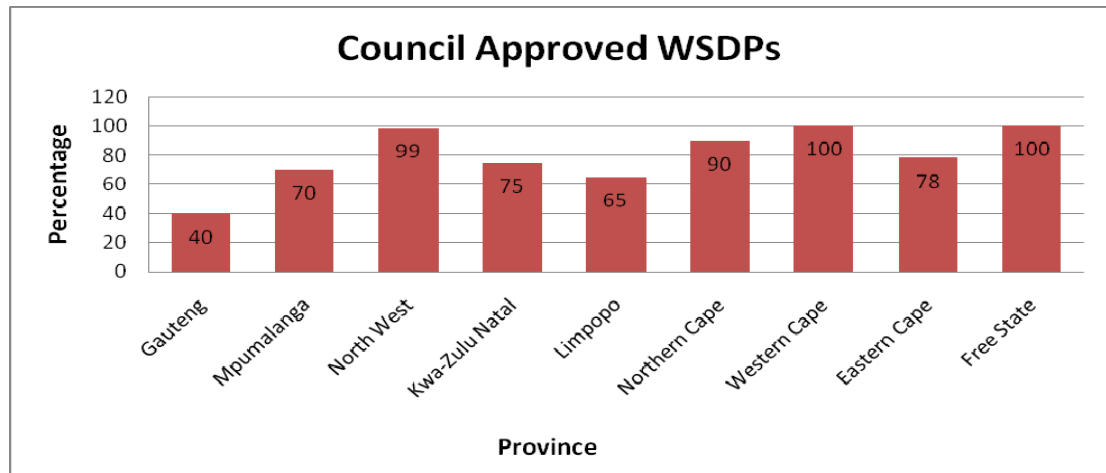


Figure 2: Council Approved WSDPs

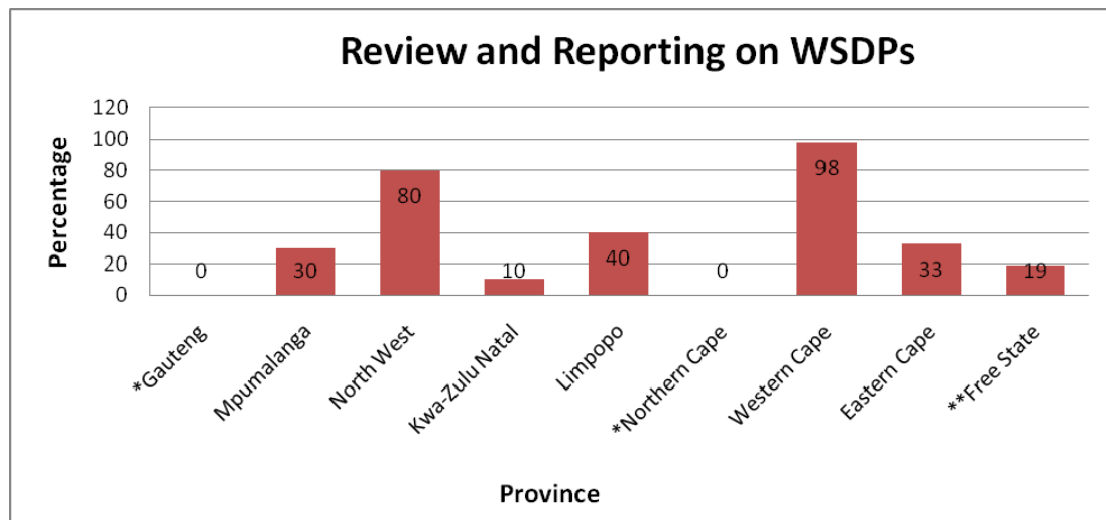


Figure 3: Review and Reporting on WSDPs

**information not submitted ** work in progress*

Part of the objectives in terms of the MSB III Financing Agreement related to this KPI is an assessment of the implementation of projects prioritized under the WSDPs. According to the interviews conducted as part of this review, there is general consensus that municipalities are improving in terms of the implementation of prioritised projects. The indication is that most of the projects get implemented through the MIG programme. It is estimated that 65% of the WSDP projects are implemented through MIG funding.

The figures above indicate that some of the provinces have not achieved well, or at all, in terms of reporting. This is sometimes as a result of vacancies within DWAF regional offices of WSDP coordinators to liaise with the municipalities. In other

instances, it is the municipalities who do not submit their information on WSDP progress.

While this section gives an indication of the progress so far on the WSDPs, it should be noted that the work done in this regard has been through the DWAF budget and not the Masibambane programme. There were no funds that were received from Masibambane for WSDP support. Therefore the next tranche of financial support should specifically cover WSDP support, particularly due to the fact that DWAF is using WSDPs as a tool for annual reporting on water services functions.

KPI 6.2: WSA's with council approved supplier and provider arrangements in place where appropriate:

The key objective of this KPI is to have external WSP arrangements in place, where appropriate, that will render water services on behalf of a WSA based on a contract. This process starts with a Section 78 assessment, the end result of which should indicate the most appropriate arrangements for water services provision within the WSA municipal jurisdiction. The finding from this review is that for the most part, municipalities have completed their Section 78 assessments, and on this basis, have taken decisions on WSP arrangements. This is confirmed to be the case broadly in Mpumalanga, Eastern Cape, North West and KZN provinces. Information in this regard on other provinces is still being compiled. It should be noted that not all municipalities have successfully managed these processes. The finding is that these municipalities have not implemented Section 78 decisions for different reasons. In some cases, the Councils of these municipalities have not agreed with the decisions reached through the Section 78 process and therefore refuse to implement it. In other instances, capacity challenges lie behind the lack of success.

In cases where WSP arrangements are in place, there has been improvement according to the Checklist Reports. As at the end of March 2007, the results of the WSA Checklist Assessment pertaining to WSA/WSP Functionality, reported that of the 150 WSA's that responded, 57 WSA's (i.e. 38%) had Service Delivery Agreements in place to monitor and regulate WSP's and 80 (i.e. 53%) had performance management contracts in place with senior WSP managers. The latest checklist report, 2007/2008 and the Consolidated Report 4th Quarter 2007/2008 indicates that 62% of municipalities have WSP contracts in place, and that 62% of municipalities are monitoring and regulating performance management of the WSP contract. Despite the results indicated in the Checklist Reports, the interviews with DWAF officials conducted as part of this review suggested that very few, or no, municipalities are reporting on their WSP contracts as per regulatory requirements. The finding from this review is that DWAF officials "have to beg municipalities to provide copies of the contracts for the purposes of the review in terms of regulation".

The finding of this review is therefore that WSA/WSP functionality is not strong due to the following challenges:

- The relevant roles and responsibilities are not clear;
- In many cases, municipalities are failing to collect revenue, and therefore fail to honour their contract terms;

- In limited cases there is no formal agreement -- the WSA/WSP relationship is based on "gentleman's agreement" without a formal written contract.

This finding contradicts the results of DWAF's Checklist Reports. This confirms the broader finding of this review that different sources provide different information on water services. This is a challenge that should be addressed. (It should be noted that the contradicting information gathered as part of this review is based on reports from DWAF regional offices. There is still a need to confirm the information provided).

Key recommendations:

Issue	Recommendation
Work done on WSDPs was not funded from the Masibambane budget	<ul style="list-style-type: none"> • The next tranche of funds should include support of WSDPs.
Vacancies within DWAF affect the effectiveness of their programmes	<ul style="list-style-type: none"> • DWAF should consider filling the vacancies to achieve the intended objectives on their programmes.
Differing views on information / statistics	<ul style="list-style-type: none"> • DWAF should consider streamlining / coordinating the information that is provided through the different reporting from various programmes.

Efficiency⁴

Main Findings (KPI 6: Institutional Management and Planning Skills of WSA's):

The support provided to local government (WSA's) has been through the DWAF budget. It is therefore not possible to assess the efficiency in monetary terms for Masibambane in this regard, particularly in terms of WSDP support. On the human resources side the findings are that there are vacancies in DWAF to support WSDP. The vacancies have an effect on the efficiency of the programme.

The increase to 62% of municipalities managing performance and regulating WSPs that is reported in the latest Checklist Report indicates that there is work being done in this area and that it is improving. However, the finding of this review is that there is no clear coordination of information that is being reported on by municipalities. While it appears that work is being done at municipal level, this is not clearly reflected in the relevant reporting, and yet funds are being spent. These gaps are illustrated by the different information that is provided by different sources. A further point on this, is that national office does not have a full or clear picture of progress based on verified information. Therefore, if there could be better coordination of reporting between municipalities and DWAF (HO&RO), more efficiency could be achieved.

⁴ A measure of how economically resources/inputs (funds, expertise, time, etc.) are converted into results. Issues to look at might include, for example, what are the costs of the outputs; is the cost ratio of inputs to outputs acceptable; what are the administrative costs per output; what factors account for the efficiency/inefficiency of MSB III.

Key Recommendations:

Issue	Recommendation
Programmes are less efficient than they could be as a result of vacancies	DWAF needs to fill these vacancies.
Efficiency is undermined by the lack of coordination and information-sharing between institutions	Mechanisms for better coordination of information between institutions as well as reporting procedures should be considered.

Conclusion

Responding to regulatory requirements is one of the ways to ensure that WSAs are accountable to their citizens and that they develop adequate capacity to make appropriate decisions for sustainable water services provision. DWAF should consider implementing the recommendations indicated in the various sections of this review. This does not underplay the achievements made so far with regards this KPI. The recommendations, if taken forward, will only improve what has already been achieved.