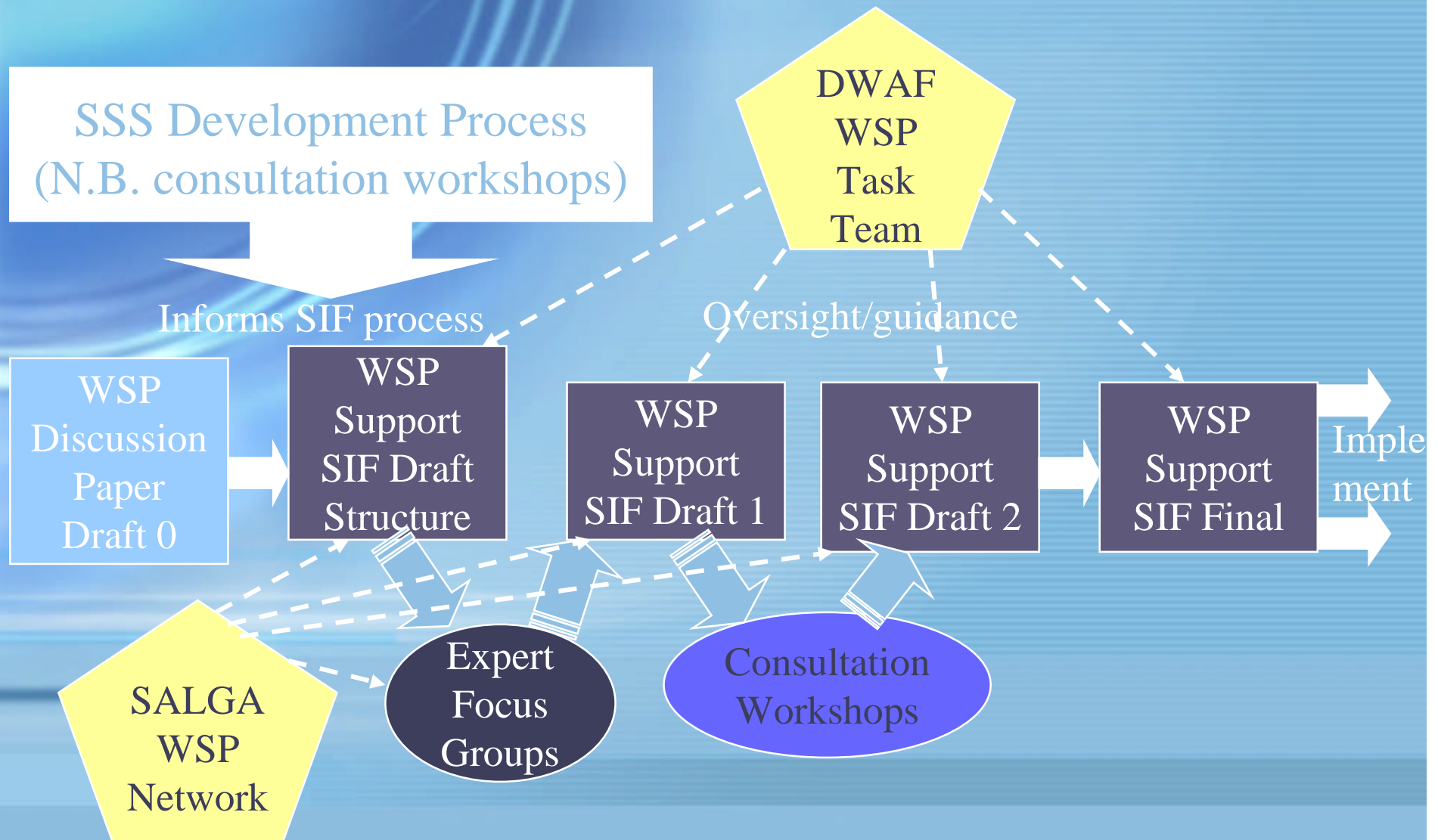


Towards a Water Services Provider Support Strategic Implementation Framework Findings of the Expert Focus Groups

PREPARED BY:
Wilson and Associates
International

ASSISTED BY:
One Circle International
Boloka Development
Consultants
Jean de la Harpe

Proposed Process to Develop WSP Support Strategic Implementation Framework



Expert Focus Groups Held

- Experts identified via an informal networking process
- A conscious attempt was made to get a diverse and rich mix for each group
- Some 68 experts attended
 - 28 private sector
 - 18 local government
 - 8 water boards
 - 5 parastatals
 - 2 academic
 - 3 DWAF (not including observers)
 - 3 civil society
 - 1 other government departments
- In general, the process was very well received
- It is a powerful medium

Expert Focus Groups

- Nine EFGs held to date, tenth planned for 12 June
- Subject areas:
 - Water leakage and demand management
 - Customer relationship management
 - WSP Models and Business planning
 - Water treatment
 - Wastewater treatment
 - Best practice O and M
 - Revenue management
 - HR development and retention
 - Rural water services
 - Asset management (to follow)
- Standard agenda: current status, what needs to be done to assist WSPs, how, who and how much will it cost?

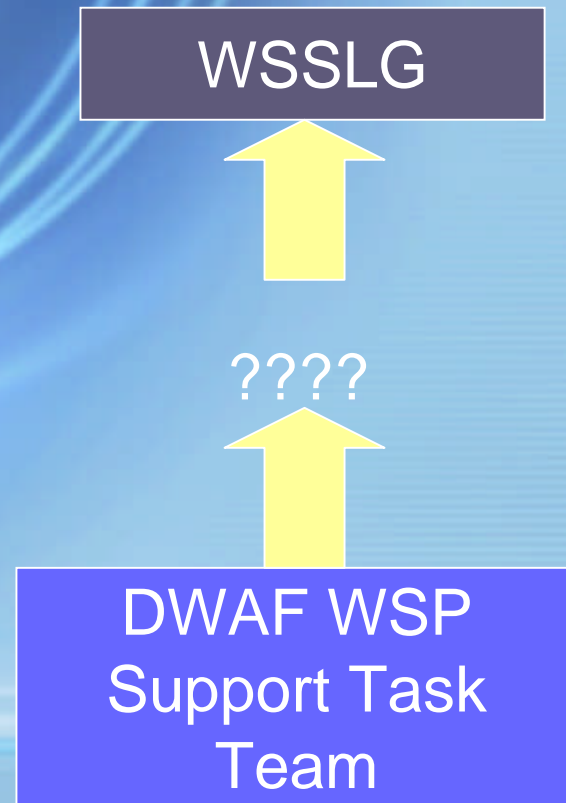
Expert Focus Groups – Overall Trends and Themes (1)

- The state of play
- Information systems
- Regulation
- Funding for sustainability interventions
- The political interface
- Clustering
- Multi-disciplinary task teams
- Institutional support business plans
- Business orientation

Expert Focus Groups – Overall Trends and Themes (2)

- Institutional roles
- Human resource development and retention
- Horses for courses
- Networking and lesson learning
- The role of the private sector
- Benchmarking
- Budgeting for O and M
- Asset management

WSP Support Strategic Implementation Framework: Project Governance Arrangements



WSP Support Strategic Implementation Framework: Project Governance Arrangements



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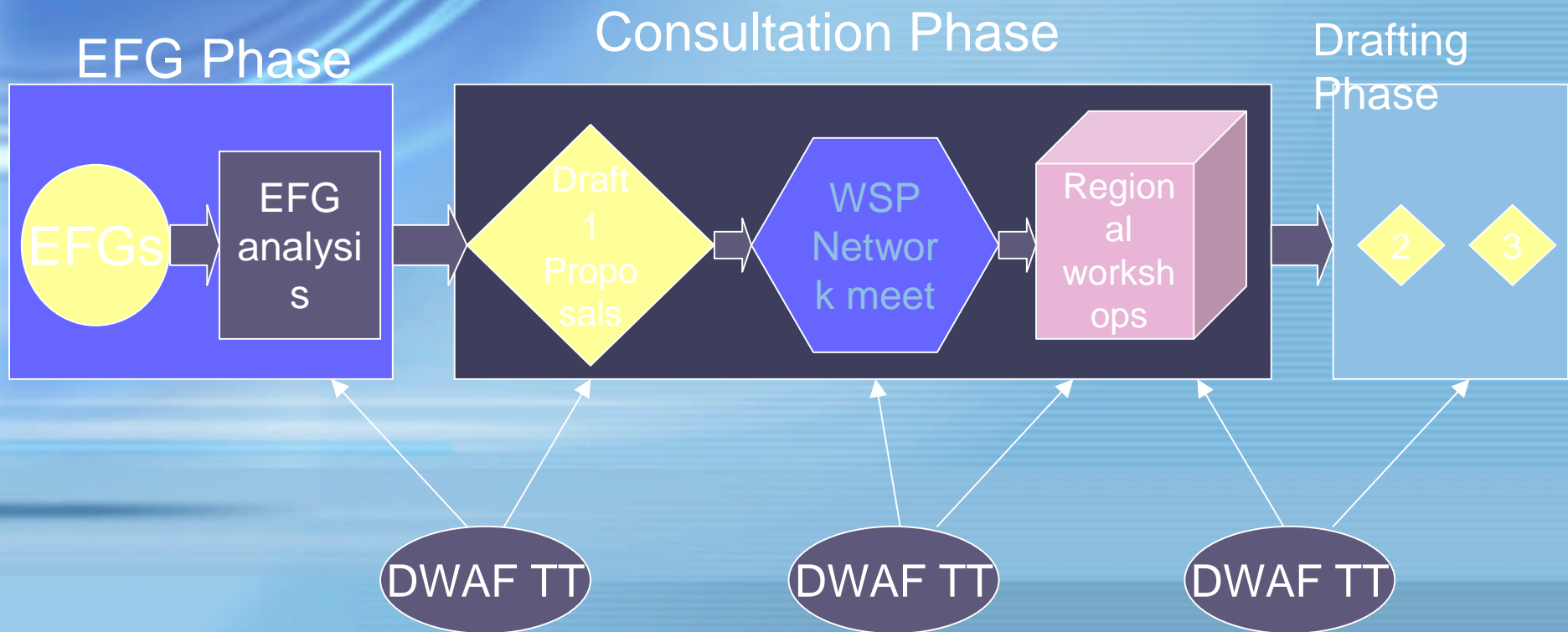
SIF Development Process

- Discussion paper developed Aug 05
- WSP Support SIF draft structure prepared Nov / Dec 05
- **Expert Focus Groups: January - April 06 (and one in June)**
- Draft WSP Support SIF being developed
- Consultation / Workshops is the next phase
- Refinement of the SIF
- Implementation

Possible Hierarchy of Sector Support Strategy and Frameworks



Proposed process for consultation phase



Expert Focus Groups - Key Findings

Water Leakage and Demand Management (01)

- There is a general lack of expertise within the sector to effectively deal with water leakage and demand management
- There is little or no political buy-in
- There is a lack of funding for interventions
- Poor design and construction of new systems
- There is a serious lack of information on water systems
- Lack of information on infrastructure:
- DWAF regulations to do water audits – DWAF needs to assist
- Lack of capacity to operate and maintain systems

Expert Focus Groups - Key Findings

Water Leakage and Demand Management (02)

- Municipalities should be forced to spend 2% on maintenance
 - Mechanism to enforce maintenance
- No culture of payment
 - Tackle through education/communication
- Lack of awareness of legislation, policies etc.
- Regulatory framework on sustainability monitoring is lacking
- More frequent interventions around WSDPs – follow ups
- Look at demand side management (DMS) model by Eskom
 - work on PPP models
- Need a champion in each municipality
- DWAF needs to start at top – political will – provide funding:
 - For situational assessments
 - Pilot rollouts

Expert Focus Groups - Key Findings

Customer Relationship Management (01)

- Councillor participation is important
- CRM is driven by people and supported by technology - 50% is culture, 30% business planning, 20% technology
- Different customer management practices for different customers – poorer communities without access to the telephone, customers that cannot even afford the cost of a call
- Stepped tariff system of prices is one way of dealing with this issue
- WSPs don't have the critical data to understand their customer profile, their breakeven points, the degree of implementation of free basic services – they try to provide free basic services and find themselves in an unsustainable situation. The information is available but not combined in a way that can be drilled down and analysed.
- WSPs don't see water provision as a business, they see it as providing a service
- Councillors can be used as champions in the process – can be a powerful positive force

Expert Focus Groups - Key Findings

Customer Relationship Management (02)

- CRM is a long term approach – the changing of Councils every 5 years doesn't help as you constantly have to build up capacity
- Tackle the issue of CRM more broadly – bring in other services
- Specify benchmarks so that WSPs could have elements to strive towards (benchmark international standards – this is being done)
- Work with private sector organisations to learn good CRM practices
- There should be a specific budget for CRM
- Resell Batho Pele at ministerial level (DPLG, SALGA, DWAF)
- Guiding standard
- Must have stringent back-up measures or policies for disconnections and enforcement mechanism

Expert Focus Groups - Key Findings

WSP Models and Business Planning (01)

- Regulatory roles need to be defined – DWAF vs WSA - implementation of regulation is lacking
- Skills are lacking in the sector
- Municipalities need help to think through:
 - What size of organisation is optimal?
 - Economies of scale
 - Geographic factors
 - Density of population
 - Strategic planning
- Bring in councillors for capacity building
 - Councillor – understanding the business
 - People on ground – skills
- How do we engage with municipalities that are pushing ahead?

Expert Focus Groups - Key Findings

WSP Models and Business Planning (02)

- Key factors – has council bought into the decision?
 - Long term commitment
 - Recognise need for specialist support (doesn't exist in municipalities)
 - Driver/champion – must be a local person with background and experience
 - The mechanism – councils to work together
- Learn from practice
 - Lessons from Western Highveld
 - Lessons from other areas
 - What are the lessons saying to whom – not only local government?
- Facilitate discussions at local level – area of co-operation
- DWAF's role as a supporter and regulator needs to be teased out and understood

Expert Focus Groups - Key Findings

WSP Models and Business Planning (03)

- Look at linkages with WSDP?
 - Capital requirements
 - Cost of service
 - Economic modelling?
- Look at paying/non paying customers
- Start simple:
 - income and expenditure
 - value of assets
- MFMA implications – legal
 - Must allocate responsibility for WSP BP
- Different levels of ring fencing “notional ring fencing”
- Models/levels of business plans
- SLA between WSA and WSP

Expert Focus Groups - Key Findings

Water Treatment

- Councillor education on water treatment – there needs to be a basic understanding on what's involved
- Technical expertise lost, especially artisans and operators
- Small systems do not work well in general but require the same, if not higher, skilled staff
- Water is competing for funds from other services
- There is also the divergence of views where the National Water Act is centralised and the Water Services Act is decentralised
- Budget for O&M is often too little – little funds left for material supply
- Basic equipment for laboratory tests are non-existent
- Plants being operated by general assistants with little or no training
- Motivation is low – no career-pathing
- Communication facilities in some outlying areas is non-existent
- We have the right technology but:
 - High tech in inappropriate places
 - Lack of right chemicals
- Shared responsibilities for operators – water treatment and waste water treatment – staff should rather have a focus
- Regulation is inadequate: if you don't comply, what happens?

Expert Focus Groups - Key Findings

Wastewater Treatment

- Infrastructure maintenance is a key component - budgets are inadequate
- Design documents and operating manuals are not available
- Appropriate technology but inappropriate design
- Asset management (transfer knowledge and skills)
- Monitoring quality, standards and effective plant operation problematic
- Regulating - what should the discharge standards be?
- HR Personnel – now and in 5 years time - need to think about this??
 - Shortage/lack of champion
- Understand implications of poor wastewater management
- Look at different institutional models/options to maximise on expertise (sharing e.g. lab)

Expert Focus Groups - Key Findings

Best Practice Operation & Maintenance

- Investment for O and M critical
- Stronger regulatory framework required, supported by enforcement
- Councilor buy-in and support key for the allocation of sufficient budget for O&M
- Guidelines and assistance required to budget for O&M
- Key tools / processes should be used for planning e.g. S78, WSDP
- Awareness and importance of O&M not widely understood - current focus on capital infrastructure and building evaluation
- Monitoring to be done through business plan
- Technical training required - artisan, operator and management level

Expert Focus Groups - Key Findings

Revenue Management (01)

- High level of indigents in the country
- High dependency on Equitable Share by municipalities
- Conventional approach to revenue management does not work in areas where the level of indigents is very high
- One has to have a good database all customers registered on the system, including those which are indigent
- There is a technical skills shortage within the country
- Councillors often lack understanding on the issue and capacity building in this area is required

Expert Focus Groups - Key Findings

Revenue Management (02)

- National benchmarks need to be established/confirmed
- Provide information to managers and also councillors (e.g. UAW, data collection)
- Scorecard and performance management in WSPs
- Provide more technical skills
- Understanding of non-revenue water needs to be developed
- Practice good customer management principles
- DWAF to help with SLA between WSA/WSP
- Support required around billing systems

Expert Focus Groups - Key Findings

HR Development and Retention (01)

- Skills development is a critical challenge for the sector
- Found 29% resignations, high level of skills outflow, relative increase at lower level
- Huge difficulties in skills replacements either by recruitment and or by skills development
- High level of skills outflow at NQF 4, 5 and 6 (management and professionals)
- Total lack of any procedure manuals – so everything becomes very arbitrary
- Municipalities are not keeping appropriate staff records
- Municipalities are restricted to 32% of their operational budget for salaries

Expert Focus Groups - Key Findings

HR Development and Retention (02)

Proposal to integrate human resource strategic thrust into water services sector support strategy

- HR should be another major strategic thrust within the SSS and not a subset of the WSP Support
- Task team work needs to be debated with key decision makers
- Need a process to bring SALGA, the SETAs, etc. in to give more context and buy in to the Skills Development and Training Strategy for Municipal Water Services
- HRD – development and retention side
- Define a process of broadening the Skills Development and Training Strategy into an HR Strategic thrust in the Water Services Sector Support Strategy
 - In terms of broadening it for HR, we need to know what other initiatives are happening
 - How do we deal with it effectively with realistic dates?
 - Needs to take on board issues such as retention, filling posts – all issues captured in the ‘What’ table

Expert Focus Groups - Key Findings

Rural Water Services Provision (01)

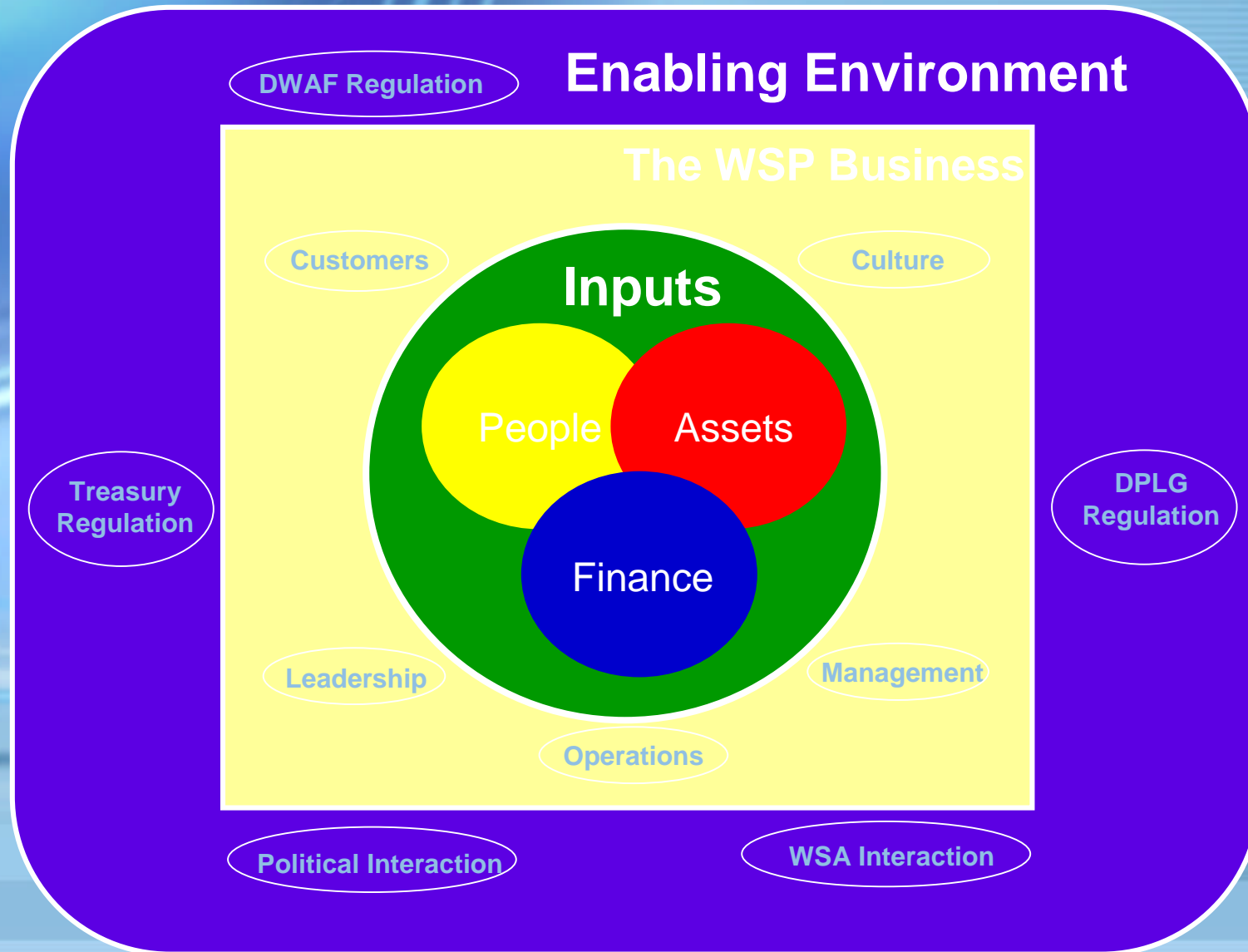
- Most rural based WSPs (Municipalities) are heavily reliant on Equitable Share
- There is extensive use of CBOs in some municipalities
- The mindset in providing rural water services is very different to urban provision
- Tariff models are lacking or not well understood
- MIG constrains funding per family/household – this needs to be revised
- Institutional arrangements (ISWIP needs to be re-established)
- Section 78 (the how) - not being enforced
- Immediate interventions looking at current status, water quality etc. can be implemented

Expert Focus Groups - Key Findings

Rural Water Services Provision (02)

- New politicians in Councils – is there a training programme in place?
- Knowledge sharing with “good” WSPs should be encouraged
- Asset management/asset replacement: need to start putting money aside
- Division between WSA/WSPs needs to be clarified – look at contract between WSAs/WSPs
- People/skills lacking in the sector is an issue – knowledge loss in sector is detrimental – get apprentice schemes going to build artisan base
- Technical and financial support to be provided
- Need to establish a feedback mechanism from DWAF, MIG and other higher level structures that develop policies and guidelines which affect WSPs / Municipalities

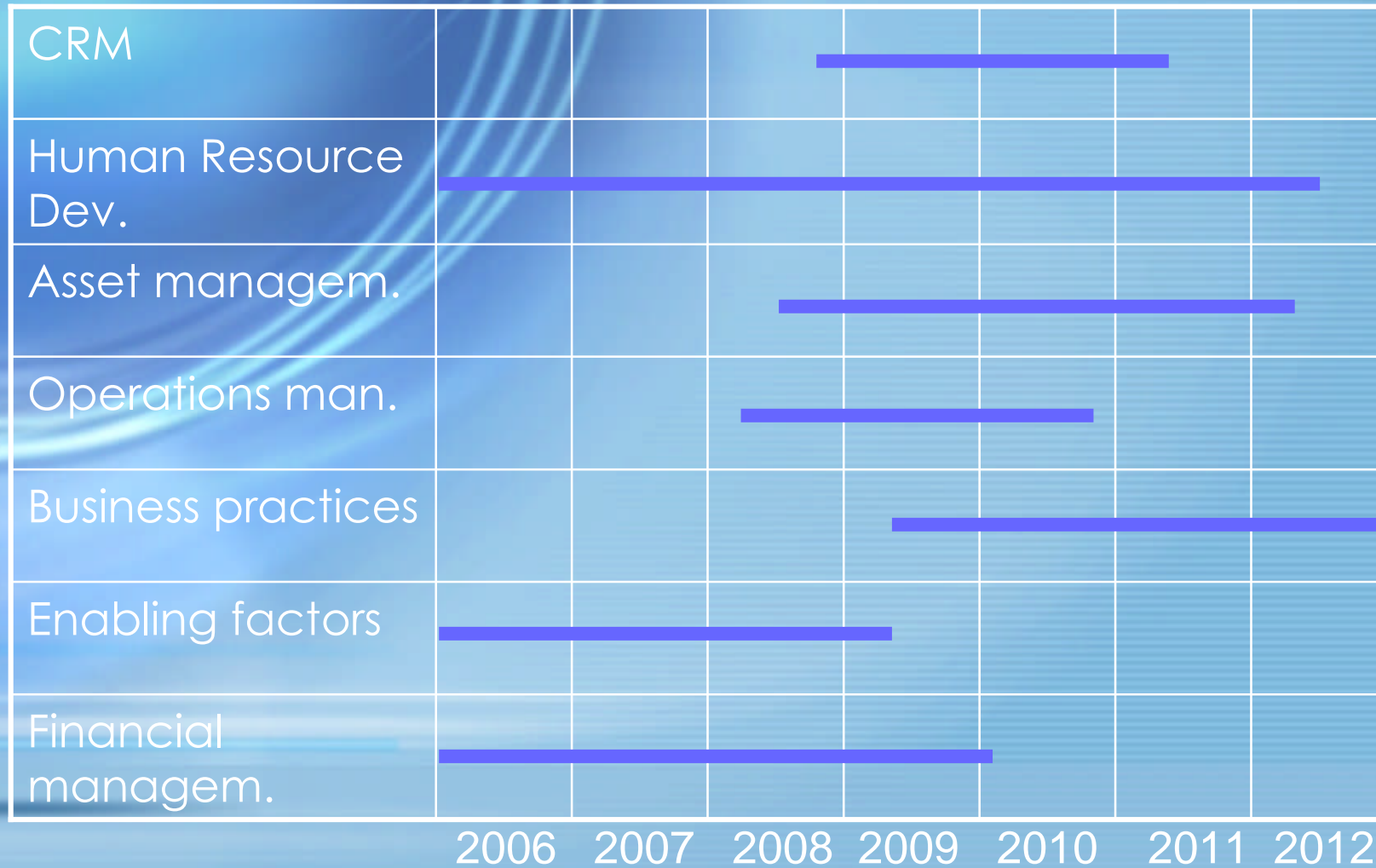
WSP SUPPORT CONCEPTUAL MODEL



Draft Long Term Goals

- Goal 1 : Assist WSPs to gain a much better understanding of their water services infrastructure and how better to manage it
- Goal 2 : Assist WSPs to gain a much better understanding of their customers and how best to serve them
- Goal 3: Assist WSPs to manage their finances more effectively
- Goal 4 : Assist WSPs to access the appropriate skills to enable them to function effectively
- Goal 5 : Assist WSPs to put in place the appropriate operating systems and practices needed to run their businesses
- Goal 6 : Assist WSPs to put in place the appropriate management systems and practices needed to run their businesses
- Goal 7 : Facilitate an enabling environment which will allow WSPs to operate more effectively

Conceptual programme for WSP support (1)



Conceptual programme for WSP support (2)

