



DEPARTMENT OF WATER AFFAIRS AND FORESTRY

NZIMAKWE WATER SERVICES PROVIDER CASE STUDY

**UGU Regional Council
KwaZulu Natal**

October 2000

Prepared for the Department of Water Affairs and Forestry by

**NETWORK
COMMUNITY DEVELOPMENT SERVICES**

8242A-17522

PREFACE

Network Community Development Services (NETWORK CDS) was contracted by the Department of Water Affairs and Forestry to examine Community-Based Water Services Provider institutional arrangements within a number of case studies. The purpose of the study is to:

- Document and analyse the institutional arrangements for water services provision between Water Services Authorities and selected community-based water services providers (CBO WSPs)
- Assess the performance of the different CBO WSP models
- Identify the strengths and weaknesses of the different case study examples
- Identify success factors
- Make recommendations concerning CBO WSP models
- Prepare guidelines for Water Services Authorities concerning CBO WSP models

This case was researched and written up by Jean de la Harpe. The research component was facilitated by the Ugu Regional Council who provided background information and introduced Network CDS and representatives from the Department of Water Affairs and Forestry to the community-based water services provider in Nzimakwe.

ACKNOWLEDGEMENTS

Without the support, assistance, information and interviews from the Ugu Regional Council and Nzimakwe Water Services Provider, this case study would not be possible. In particular special acknowledgement is due to Paul Watson of the Ugu Regional Council who facilitated access to the case study and key informants.

Assistance from Abri Vermeulen and Sanjay Wijesekera of the Department of Water Affairs and Forestry is also gratefully acknowledged.

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1 Key Institutional Lessons from this Case Study

- ◆ With the right capacity building and support, community-based organisations can deliver affordable, reliable and sustainable water services
- ◆ Local government fulfilling a support services role to a CBO WSP enhances the legitimacy and 'authority' of the CBO WSP in the eyes of the community
- ◆ The type of support services required by a CBO WSP include: major maintenance, preventative maintenance, technical advice, financial mentoring and monitoring, and support when communicating controversial issues to the community
- ◆ A proactive and committed WSP committee is a critical to the success of a CBO WSP
- ◆ Prepaid meters together with CBO WSP responsibility for revenue management ensures a coherent 'water services business' within the CBO WSP and contributes to financial and overall sustainability
- ◆ A formal WSP office within the community legitimises and enhances the status of the CBO WSP. Proper office equipment and systems facilitates efficiency
- ◆ A two tier CBO WSP structure which includes a representative 'governance' committee and employed officials/ staff provides an effective model for accountability, WSP-community communication, and efficient and effective fulfilment of the WSP functions
- ◆ Regular 'audits'/ review of financial records by a support services agent / WSA enhances accountability and community trust in the WSP
- ◆ Good communication systems with both the community and the support services agent are essential

2 Introduction

This case study focuses on institutional arrangements for water services provision to the Nzimakwe community in Kwa-Zulu Natal. The case study is one in a set of case studies towards identifying different community-based water services provider (WSP) institutional configurations and those factors that contribute towards the success or failure of CBO models in terms of ensuring sustainable, reliable, affordable, cost efficient and effective water services. This case study is an example of a community-based WSP with local government fulfilling the role of support services agent (SSA). This CBO WSP model is the same as the Izingolweni CBO WSP model, however it is not as successful as the Izingolweni CBO WSP as it lacks the strong management of the Izingolweni CBO WSP manager.

3 Nzimakwe

Nzimakwe is part of the Kwacele tribal area and is located within the Ugu Regional Council area of jurisdiction. The Nzimakwe community comprises approximately seven thousand people. Nzimakwe is a rural area where the community are predominately poor.

Ugu Regional Council fulfilled the role of Implementing Agent (IA) when water services were extended to the Nzimakwe community. Funds came from the DWAF CWSS Capital Programme. As part of the project implementation, the RC contracted consultants to address ISD issues.

Water is supplied from a bulk system where the Ugu Regional Council is the Bulk Water Services Provider. Bulk water is sold at R3.56 per kilolitre to water services providers. The tariff for reticulated water is R10.00 per kiloliter, which was set by the Ugu Regional Council.

There are 34 prepaid standpipes, 16 household connections, 1 private connections to a farmer and 2 connections to schools. Of the 34 prepaid standpipes, 29 are operational. 2 standpipes were vandalised and still need to be repaired, whilst the other 3 standpipes require repairs to the pipes.

The decision to install prepaid meters was based on consultation with the community during the project planning phase. The household connections are sent computer-generated bills each month based on monthly consumption as per meter-reading.

The scheme was operational from June 1998.

Nzimakwe was identified by the Ugu Regional Council as a successful community-based WSP model.

4 Methodology

The methodology used in the research comprised interviews with representatives from the Ugu Regional Council in their capacity as Implementing Agent, WSA and SSA and interviews with the committee and officials of the Nzimakwe WSP. Similar questions were put to the RC and the WSP. The questions focussed on:

- the roles and functions of the RC (as WSA, SSA and IA), in particular the nature of support that the RC provides to Nzimakwe CBO WSP
- the role, functions and structure of the Nzimakwe CBO WSP, how it was established, and how it fulfils its WSP responsibilities
- the nature of the contract between the WSA and the WSP
- cost recovery
- sustainability issues (operations, maintenance, communication, health awareness, access to support, etc.)

The study team interviewed the Nzimakwe CBO WSP at their office and thus was able to look at the financial records, resources, equipment, systems, etc. of the Nzimakwe WSP.

The focus of this case study is on the WSP institutional arrangements towards ensuring sustainable water services to the Nzimakwe community. This study does not provide technical details of the infrastructure or details of the processes to implement the scheme as a project. Whilst cost recovery and financial management were issues included in the study, it did not conduct a detailed examination into the finances of the WSP. Both the WSA and the WSP provided information concerning operational costs, revenue and the approximate annual surplus whereby the ballpark amounts corresponded.

The interviews were conducted in an informal manner based on the questions outlined in Annexure 1.

4.1 Limitations

Time and budget constraints of the project did not allow interviews of community members - thus the study was dependent upon the interviews with the WSP committee and representatives of the WSA to determine customer satisfaction. From these interviews it appears that there *may* have been some dissatisfaction related to the tariff being viewed as too high. Vandalism of the prepaid meters could be an indication of opposition to the prepaid metering system - however since the vandalism was limited, such opposition is likely to be a small group of individuals rather than representative of any significant portion of the community.

The interviews did not go into detail concerning the overall approach and methodology that was used to establish the community-based WSP. However, the Ugu Regional Council as the Implementing Agent indicated that an ISD consultant was contracted to facilitate community participation, the setting up of a project steering committee (PSC), and the transformation of the PSC into a representative WSP committee. The approach drew on the the Department of Water Affairs and Forestry's *Institutional and Social Development Package for Water Supply Projects (ISD Package)*, which was streamlined to the specific needs of the project.

5 Overall Assessment

The representatives from DWAF national office and the researcher from the project concluded that the Nzimakwe CBO WSP with the support of the Ugu RC as SSA, is an example of a *successful CBO WSP institutional arrangement* delivering sustainable, reliable, and affordable water services. The overall management of Nzimakwe CBO WSP could be strengthened whereby the overall service could become more efficient.

The Nzimakwe WSP is providing water services that would have been far more costly if an alternative institutional arrangement / partnership had been put in place to service the Nzimakwe community. Consequently the CBO model has benefited the

consumers through a lower tariff as well as reliable services. In addition, the CBO model has ensured access by the consumers to the WSP with good customer relations and communication mechanisms.

Critical to the success of the Nzimakwe CBO is the technical, ISD and mentoring support services provided by the Ugu Regional Council.

6 Decisions concerning WSP arrangements

Institutional arrangements were established as part of the overall project process when the scheme was built. The Ugu Regional Council as the WSA made the decision to establish a CBO WSP.

The project steering committee was transformed into a water committee. The officials of the water committee were trained as to what their role is as a WSP. On the day of commissioning the water committee was constituted as a CBO WSP. The officials employed by the committee were also appointed and trained to fulfil the various WSP functions. In the first year following commissioning, Ugu RC monitored the performance of the CBO WSP. Once the Council was satisfied that the CBO WSP was able to successfully fulfil their WSP functions and overall WSP role, they signed a WSA-WSP agreement with the Nzimakwe CBO WSP.

6.1 Why a community-based WSP model for Nzimakwe?

The Ugu RC's primary objective was to ensure cost-effective, affordable and sustainable water services for the Nzimakwe community. A model based on community management was viewed as the most appropriate option towards ensuring community ownership and responsibility for the scheme and was likely to be the most cost efficient institutional option. The CBO WSP option also provided employment to local community members, skills development of both the WSP committee and the officials as well as a means of ensuring that the community takes responsibility for their own development.

7 Institutional Arrangements

The institutional arrangements for provision of water services to the Nzimakwe community can be described as follows:

Ugu Regional Council (a category C municipality) is the Water Services Authority as well as the Bulk Water Services Provider. It also fulfils a support services function to Nzimakwe WSP.

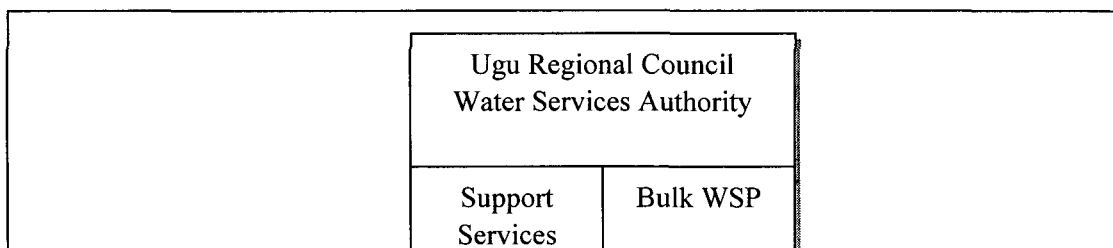


Figure 1: Diagrammatic representation of the water services provision institutional arrangements for Nzimakwe community

8 Features of the Contract

The contract is based on the Mvula Trust Model Contract (Model Water Services Agreement Between Local Level Government (Water Services Authority) and a Community-Based Association Acting as a Water Services Provider¹), where it has been aligned to the specific conditions of Nzimakwe. The CBO WSP carries the risk for revenue management.

9 Role and Responsibilities of Ugu RC

9.1 Ugu RC as WSA

Ugu RC sets the tariffs and monitors the performance of the Nzimakwe CBO WSP.

9.2 Ugu RC as Bulk WSP

¹ Developed by Mvula Trust, DWAF, DCD

The Ugu Regional Council provides bulk water to Nzimakwe WSP at R3.52 per kilolitre, which is currently the ruling tariff.

9.3 Ugu RC as Support Services Agent (SSA)

Ugu Regional Council provides support services to the Nzimakwe WSP. The support services include:

9.3.1 Technical Support

Technical support includes access to technical staff within the Council, as and when required. This is primarily related to major repairs, and operations and maintenance mentoring, the cost of which is covered through the bulk tariff. The WSP may also request technical support in terms of minor repairs to the reticulation lines, however Ugu Regional Council charges a fee for this type of support.

The Council also provides a service to the CBO WSP in terms of 'preventative maintenance' whereby an electrician and plumber check the scheme (filter, purification, etc.). It is not entirely clear whether the bulk tariff fully covers the cost of this service or whether it is subsidised by the Council.

9.3.2 Financial Support

Financial support includes monthly audit of the financial records, whereby a visit is made to the WSP office. This visit may also include advice concerning the finances. The cost of this support is included in the bulk tariff.

9.3.3 Institutional and Social Development (ISD) support

ISD support is provided as and when requested. It includes mentorship concerning communication and customer relations, administrative issues, health and hygiene awareness, dealing with disputes, etc.

10 Role and Responsibilities of the Nzimakwe CBO WSP

Nzimakwe CBO WSP is responsible for the following functions:

- Operations
- Communication
- Customer relations
- Revenue collection and financial management
- Administration
- Monitoring
- Reporting
- Requesting maintenance support as and when required

10.1 Operations and Maintenance of the Assets

The Nzimakwe CBO WSP has to ensure that the assets are fully operational and properly maintained. This includes standpipes, reticulation lines as well as installation of private connections. Nzimakwe CBO WSP accesses maintenance support through Ugu RC.

10.2 Financial Management, Revenue Collection and Billing

The CBO WSP is responsible for issuing coupons for the prepaid meters as well as for issuing bills to those households and businesses that have private connections. It is also responsible for revenue collection, and managing receipts and payments.

Payments include the bulk water tariff (payable to Ugu RC), staff salaries, purchase of office equipment, purchase of spare parts, office supplies, petrol for the scooter, electricity, telephone, stationery, etc. Nzimakwe WSP has a bank account with Ithala Bank, as well as a savings account with Standard Bank in Margate.

10.3 Customer Relations and Communication

Through the CBO WSP office and the ward representatives on the CBO WSP Committee, customers have direct access to the CBO WSP. Communication between customers and the Nzimakwe CBO WSP also takes place through the CBO WSP office staff and the Committee.

10.4 Reporting

Nzimakwe CBO WSP reports to Ugu RC on a monthly basis concerning the overall operation of the scheme, customer relations, financial management and revenue collection, the quality and quantity of water supplied and any specific problems that they may be experiencing.

11 Structure of Nzimakwe CBO WSP

The Nzimakwe CBO WSP is a model comprising a 'governance' committee that is *representative of the community*, and officials who are responsible for fulfilling the WSP functions. The committee appoints the officials who are directly accountable to the committee.

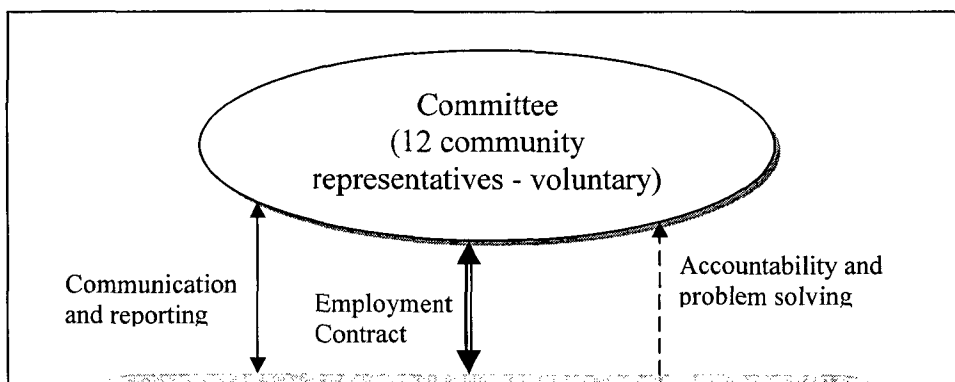


Figure 2: Structure of the Nzimakwe CBO WSP

11.1 The Committee

Nzimakwe CBO WSP comprises a committee of 12 members consisting of the following portfolios:

- Chairperson
- Deputy Chairperson
- Secretary
- Deputy Secretary
- Treasurer
- Plus 7 additional members

The members of the committee are nominated, whereby each ward has an elected representative. There are 10 wards in Nzimakwe, however due to the size of two of the wards, these wards have two representatives each.

The committee is a voluntary committee and thus is not paid for its services. It meets twice a month to review the work of the officials and deal with any problems raised by the officials. It also meets with the community as and when required.

11.2 The Officials

The Nzimakwe WSP Committee employs 3 full time staff, namely a manager, an administrative clerk and one maintenance officer. It also employs two part-time meter readers who are employed two days per month.

The **manager** is responsible for the overall management of the scheme including allocation of tasks to the maintenance officer, monitoring, customer care, providing progress and financial reports to the Committee, and dealing with queries and complaints. The manager earns R1 500 per month.

The **administrative clerk** is responsible for revenue collection (selling coupons, issuing bills to those with household connections), bookkeeping and fulfilling a reception function (answering the phone, taking messages, etc.) The administrative clerk earns R900 per month.

The **maintenance officer** is responsible for the operation and maintenance of the standpipes, and for installing private connections. The maintenance officer earns R800 per month.

The **meter readers** are responsible for reading the meters of all the household and other private connections.

12 Features of the Nzimakwe WSP

12.1 Constitution

The Nzimakwe WSP has a constitution, which is based on the Mvula Trust model. The Ugu Regional Council ISD personnel workshopped the constitution with the Nzimakwe CBO WSP and modified the Mvula Trust model accordingly.

12.2 Official Office

The Nzimakwe WSP has an office, which clearly bears the name of the Nzimakwe WSP. The office has a meeting room, a store room, and a payment office with a 'window' to facilitate interactions with customers, such as issuing tokens, receipt of payments, addressing complaints, etc.

The office is well equipped with a computer, various office furniture, fax facilities and telephone lines.

The officials have a uniform bearing the name Nzimakwe WSP. The office, uniform and proper financial documentation all serve to institutionalise the WSP as an 'official' institution with authority and legitimacy.

12.3 Customer Relations and Communication Mechanisms

Customer relations are addressed through a range of mechanisms. Firstly the representatives from each ward on the WSP Committee facilitate communication within their wards. Complaints, problems, issues to be addressed, recommendations are made to the representatives who then the issues within the Committee. Report backs to the community also take place through the ward representatives.

Customers also have access to the Nzimakwe CBO WSP Office where they can report problems, etc. Officials in the CBO WSP Office either deal with the issue or the matter is reported to the committee through the manager. The relevant ward

representative is then responsible for reporting back to the customer concerned as appropriate.

From time to time community meetings are held to report on progress and to address relevant issues. These meetings are held on a ward by ward basis. In the case of more serious problems, for complaints concerning the tariff, the WSP contacts Ugu RC to address the community.

Telephone and fax facilities also facilitate easy communication with Ugu Regional Council as well as other stakeholders.

12.4 Staff Procurement

Procurement of staff included a process of advertising (through notices in the shopping center and in the tribal court), interviews and formal appointments. Staff are appointed on permanent contracts. Whilst there are no written job descriptions, staff understand their tasks and responsibilities which were explained to them verbally during the procurement process. A training agent as part of the project implementation process facilitated the procurement process.

12.5 Relationship with Ugu RC as Support Services Agent

The Nzimakwe CBO WSP contacts the Ugu RC as and when they require support.

12.6 Financial Efficiency and Accountability

Accounting records are kept. The overall management of the finances has not always been very efficient, and from time to time there have been queries concerning the accuracy of the financial records. In order to ensure greater financial accountability and transparency, the Ugu RC undertakes regular reviews of the financial records.

12.6.1 Revenue Collection

Bills are sent out on a monthly basis. Revenue collection from the standpipes is by means of prepaid tokens. Community members purchase their tokens from the Nzimakwe WSP Office.

12.6.2 Payment of Accounts

Payments are made by means of cheque and cash. Cheques are requested from Ithala Bank for payments such as the telephone, electricity, bulk water, etc. Salaries are paid in cash. The total monthly expenses are approximately R3 500.

12.7 Cost Recovery and Affordability

12.7.1 Cost Recovery

The bulk water tariff is R3.52 per kilolitre. The reticulated tariff is R10.00 per kilolitre. The Nzimakwe WSP reported that it has an annual surplus of approximately R18 000. Their costs are therefore fully covered, with a surplus.

Income varies from the summer to the winter months. During summer the average monthly income is approximately R4 000. During winter the income increases to approximately R6 000 per month. This variance in income is due to rain water harvesting during the summer months.

At the time of interview (October 2000) the accumulated surplus was approximately R23 000.

12.7.2 Affordability and Indigent Policy

The tariff is affordable to the community on the whole. The Ugu Regional Council does not have an indigent policy at the time of this study, however they are currently working on a policy which will be in place following the local government elections. The Nzimakwe WSP will attend workshops concerning the new indigent policy and how it affects them. Currently extended family members assist those community members who cannot afford water.

12.8 The Prepaid System

There is general support within the community for the prepaid system. Incidents of vandalism have been isolated. However, Ugu Regional Council officials are not entirely satisfied with the system backup, namely the aquanova system on the technical side.

12.9 Approach to Vandalism and Non-payment

There is no clear action that is taken to deal with vandalism, or non-payment for services in terms of those who have private connections. Those who default on payments are not disconnected. The lack of mechanisms to deal with non-payment probably accounts for the 20% revenue due that is not collected.

There are no unauthorised connections in the Nzimakwe community.

13 Risk

Both Ugu Regional Council as the Bulk WSP and the SSA, and Nzimakwe WSP share risks related to consumption, but these risks are minimal since existing consumption (even at its lowest point) is sufficient to cover overheads and maintenance costs.) An abnormal drop in the consumption would result in a loss to

the RC and Nzimakwe CBO WSP, but only if the overheads are too high. In this instance it would have to be a very large decrease in consumption. The Nzimakwe overheads are generally low.

13.1 Risks for Ugu RC

13.1.1 Cost of Support Services

A potential risk for Ugu RC is the cost of the support services. Whilst there is no existing analysis to illustrate whether the bulk tariff paid by the Nzimakwe WSP covers the full costs of the support services provided by Ugu Regional Council, the Council is confident that their costs are being covered. (Cost of bulk for the RC is R1.50 per kilolitre. Nzimakwe WSP pays R3.52 per kilolitre.)

13.1.2 Free Water Policy

Free water' was cited by the committee as being cause for concern since their existence is dependent on collecting tariffs to cover their costs. However this concern is likely to be addressed through a subsidy from Ugu Regional Council. The Ugu Regional Council expressed concern about how they would implement the free water policy from the point of view of *identifying those that qualify for free water*.

Additional controls would need to be developed in terms of the token system to prevent households from continually accessing free water through purchasing a number of tokens or through rebooting tags.

Other concerns from the RC in relation to free water include:

- access to *sufficient* funds to subsidise the policy (the current equitable share is insufficient to cover water costs, let alone other services)
- increased consumption (current consumption is approximately 2.5 to 3 kilolitres per month which is likely to increase if 6 kilolitres when provided free)
- increased wastage
- impact on ground water in terms of increased grey water back into the system and increased purification costs

13.2 Risks for Nzimakwe Water Services Provider

13.2.1 Revenue management

The primary risk carried by Nzimakwe WSP is that of revenue management. The prepaid metering system has served as a reliable revenue collection mechanism. A further risk is insufficient consumption whereby alternative water sources are utilised. However, despite decreased consumption during the rainy season, revenue on a monthly basis is still sufficient to cover average monthly expenditure.

13.2.2 Private Connections

Nzimakwe CBO WSP carries the risk of non-payment by households/businesses with private connections. Currently one of the schools they are servicing is not paying for the water services received.

The Ugu RC is guaranteed payment for bulk water, regardless of whether the Nzimakwe CBO WSP is able to collect the tariff.

13.2.3 Water Loss

Nzimakwe WSP also carries risk in relation to water loss. To date this has not been a problem. The preventative maintenance support from the Ugu Regional Council also minimises this risk.

13.2.4 Free Water Policy

The Nzimakwe CBO WSP is concerned about the impact of a free water policy since it will reduce income from the standpipes. At the time of the study, the CBO WSP was already experiencing a drop in revenue collection related to the President's statement that the government would provide 'free' water.

13.3 Consumer risks

13.3.1 Utilisation of surpluses

Consumers carry potential risk related to the future reliability of the scheme since the CBO WSP intends utilising the surpluses to extend the services to un-served households rather than treating the surpluses as retained income for shortfalls, future maintenance and repairs. However, Ugu Regional Council as the Water Services Authority would play a role in terms of monitoring and auditing the decisions of the Nzimakwe CBO WSP to ensure that such decisions do not have a negative impact on sustainable water services to the community.

13.3.2 Cost of Vandalism

Consumers also carry risk where prepaid meters are vandalised. Vandalised prepaid meters have not been replaced and thus the communities in the vicinity of the vandalised meters no longer have access to RDP level of service.

13.3.3 Free Water Policy

The free water policy may result in risks to the consumer if insufficient funds are available to finance the policy at the Ugu Regional Council level.

14 Success Factors

- ✓ Access to strong support services from Ugu RC
 - Monthly financial audit and visits from the RC
 - Technical support
 - ISD support
- ✓ Political credibility of SSA
 - Since the support services role is fulfilled by the Ugu RC which is the WSA, it is able to assist with social problems and questions concerning the level of service and tariffs
- ✓ Cost recovery through prepaid meters
- ✓ Coherent institutional arrangements from project implementation
 - Ugu RC was the implementing agent for this scheme and thus the RC took responsibility for effective institutional arrangements from the project implementation stage. In addition the RC has ensured that the WSP has access to the necessary support required from the RC as both a WSA and a SSA.
- ✓ Representivity and accessibility of the WSP
 - each Ward is represented on the WSP Committee
 - consumers have easy access to the committee members and the WSP officials
- ✓ Employed staff with clear roles and responsibilities
- ✓ Secure employment created for three members of the community including skills development
- ✓ An 'official' and accessible WSP Office

15 Potential Threats and Weaknesses

There did not appear to be any serious threats to the effective and ongoing functioning of the Nzimakwe WSP.

15.1 Weak overall management of the CBO WSP

The management of the CBO WSP has not been as strong as it could have been. Support from the Ugu RC has contributed towards strengthening the overall operation of the Nzimakwe CBO WSP, however in the past there have been concerns related to financial management and accountability.

The CBO WSP manager has not implemented mechanisms to deal with defaulters or vandalism. These problems remain unaddressed which has had a consequence on the level of service for some parts of the community as well as reduced the income from revenue collection.

However, despite these weaknesses, the Nzimakwe CBO WSP is still providing water services that on the whole are reliable, affordable and sustainable.

15.2 Powers and functions: Category C and Category B municipalities

Since Ugu Regional Council is the WSA, it is the municipality with which Nzimakwe WSP enters into a WSA-WSP contract. There is a lack of clarity concerning the future relationship between Nzimakwe CBO WSP and the Category B municipality.

15.3 Timeframes of Employee and WSP contracts

The employees indicated that they are full time permanent employees of the WSP. However the WSP contract with the WSA is for a specified timeframe. Whilst it is unlikely that the Ugu RC will choose to appoint an alternative WSP at the end of the contract period, it is important that there are no dis-junctures between the WSA - WSP contract and the WSP employee contracts. The Ugu Regional Council indicated that even if there was a change in WSP, the Nzimakwe CBO WSP staff would be treated in the same way as other government officials and would thus retain their jobs. If necessary they would be transferred to the new WSP.

15.4 Utilisation of surpluses

The Water Services Authority - Water Services Provider contract allows for surpluses be to utilised for extensions. The Nzimakwe CBO WSP committee and staff indicated that they intend utilising the surplus to extend water services to parts of the village that were not covered in the original scheme. Issues of standards, sufficient water resources, etc. would be regulated, monitored and audited by the Ugu Regional Council. Those households whose tariffs and water bills have contributed towards the surplus may legitimately argue that the surplus should be invested towards covering future maintenance costs or towards upgrading their services rather than servicing additional sections of the community.

16 CONCLUSION

CBO WSPs with the right support are a viable institutional vehicle for providing water services to rural communities. Inzingolweni WSP together with Ugu Regional

Council as a support services agent is able to provide cost efficient, affordable, reliable and sustainable water services.

This case study illustrates that CBO models have both the capacity and willingness to manage water services and are a suitable institutional option for less accessible rural communities.