

The Nelspruit water concession

In 1999, the Nelspruit Transitional Local Authority contracted the British-based multinational BiWater to provide its water services for the next 30 years. This arrangement, known as the Nelspruit Water Concession, is the first contract of its kind in the South African water sector.

The Municipality

After the restructuring of local government in 1994, this historically white town became a new municipality, known as the Nelspruit Transitional Local Council. Overnight, Nelspruit inherited the former homeland of KaNgwane and the massive service responsibilities associated with this area. The 1994 demarcation of Nelspruit increased the population from 24 000 to 230 000 and significantly changed the profile of the communities to be serviced by local government.

Many of the newly incorporated areas had never received water and sanitation services, and the council's official system of infrastructure service provision was suddenly inadequate. For example, the number of residents per length of water pipe increased from 110 to 601, and the number of residents per length of sewer pipe from 96 to 830. Although the population grew tenfold, the total income of the new municipality only grew by 38%.

Nelspruit's infrastructure challenge provided an opportunity that national authorities hoped could prove the country's viability for international investment in the water sector.

In this instance, private sector investment was promoted by national institutions, such as

the Development Bank of South Africa (DBSA) and Municipal Infrastructure Investment Unit (MIIU), as the only option for financing Nelspruit's infrastructure needs. After four years of tendering processes, contract drafting processes and difficult negotiations with massive community and labour protests, a 30-year concession was signed in 1999.

During the demarcation process preceding the local elections in 2000 the Nelspruit area was once again renamed and consolidated into the Mbombela Municipality. The re-demarcation dramatically increased the size of what had been the Greater Nelspruit Area. Within several months of signing the contract, the concession only encompassed 50% of the territory in the newly-created Mbombela.

It is precisely because of the magnitude of the service delivery challenges in this enlarged area, much of which is rural and poor, that local municipalities in Mbombela have become increasingly desperate to see the concession succeed in order to be relieved of the responsibility for delivering water and sanitation.

As is the case in many cash-strapped municipalities across the world, the local authority wants to wash its hands of the responsibility of water services in order to focus its attention on other areas of service delivery that are worse off than water, such as roads and refuse collection.

The service provider

The concessionaire is a joint venture between Nuon, a Dutch utility company, and BiWater, a British multinational water company, forming Cascal. This company is called the Greater Nelspruit Utility Company (GNUC). BiWater is responsible for operations and maintenance and is the most visible player among the private sector entities that form the consortium.

Despite the promise of private sector invest-

ment, the primarily source of financing for this concession has come from DBSA through a R150 million loan promised over a seven-year period.

To date, the concessionaire has drawn R56 million of the loan, primarily for capital investments.

The most significant service delivery challenge facing GNUC is non-payment for services.

BiWater has enforced strict credit control measures to improve payment levels, which include water cut-offs, removing meters and portions of pipes to prevent illegal reconnections, and reducing the recent achievement of the 24-hour supply to these areas to intermittent hours.

These credit control measures have had the negative consequences of increasing household resentment against the service provider's hard-line tactics with the consequence, in turn, of increased levels of illegal reconnections and intimidation of BiWater workers.

Free basic services

Another challenge that has confronted the concessionaire is the nationally announced mandate to local municipalities in 2001 to provide a basic lifeline of free water. As this policy was not part of the service delivery agreement, the local municipality has used about 30% of their equitable share for this purpose.

The problem underlying the free water policy relates to how the policy was announced to the community by politicians as part of their election campaign: politicians failed to mention that it was only the first six kiloliters of water that would be free.

Communities were not adequately informed – or perhaps chose not to hear – that anything consumed over the first six kiloliters would be

charged at a higher cost than they had previously paid for that amount of water.

The effect of this poor communication gave the impression to township residents that water was free, and that they did not have to pay their service bills.

Dispelling the myth of unlimited free water proved to be a formidable task for BiWater, which has admitted that its strengths are in operations and maintenance rather than in customer relations.

The effect of low payment rates has nearly brought the concession to a premature close only four years into a 30-year contract.

The two townships where payment problems are experienced are Matsulu (which has an 8% payment rate) and KaNyamanzane (which has a 35% payment rate).

From last year, Cascal, the primary shareholder, put a moratorium on capital expenditure to extend services to new households within the concession area.

GNUC has narrowed its focus to operations and maintenance of existing infrastructure, but high levels of community intimidation of BiWater workers hamper even these activities. For instance, workers are impeded from opening and closing valves in order to distribute water more evenly throughout Matsulu, and are also unable to regularly read meters.

The impact of this community resistance both in terms of non-payment and the intimidation of workers is having severe financial implications for the ability of GNUC to recover its costs, let alone operate water services properly.

Cascal has said that it will not provide more capital investments to BiWater to resume new infrastructure spending until payment levels in the townships have reached 50%.

This may well take a massive effort, considering the myriad community concerns with their water services and their relationship with their service provider.

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Service users

A vital aspect of any service delivery arrangement is the service user. Many township residents that had historically been excluded from accessing water services received a 24-hour supply for the first time due to the infrastructure investments made by GNUC. These residents enjoyed the newfound dignity of accessing services and receiving bills, but without sufficient understanding of how the service delivery process works, such as what their rights and responsibilities are as service users.

Issues of non-payment are rooted in economic, political and social reasons. Regarding the economic situation of these two townships, both Matsulu and KaNyamanzane have a poverty rate of 62% with unemployment rates of 36% and 30% respectively. Considering the socio-economic situation of these townships, in many instances people are simply too poor to pay. Even though service users can access the first six kilolitres of water free, many household water bills are still very high, at times reaching R300 to R500 a month.

Politically, many residents oppose the presence of BiWater because of the credit control measures being used against service users for non-payment, such as water cutoffs and the removal of water meters from people's property to prevent illegal reconnections. Many claimed they did not want to pay, as a form of civil protest. Others that fall within this category simply believed that water should be free.

The overwhelming impression was that there was a desire to pay for services if bills were 'reasonable'. The inability to pay, the lack of understanding of why household bills are so high and the difficulties in knowing who and where to go to in order to resolve these issues, highlight the importance of township residents being educated as to what their rights and responsibilities are in this regard.

This is where the role of politicians is critical in mediating the difficult relationship between GNUC, as a service provider, and township residents, as service users.

The politicians

Political representation has been in crisis since the beginning of the concession. Politicians passed on the responsibility of governance to a private sector entity and have been minimally involved in trying to address problems in the provision of water. Greater political involvement is an important element in resolving the communication problem with township residents and by extension, in addressing the issue of non-payment. Politicians admit that they have not been able to increase the community buy-in, nor have they been able to raise payment levels. Councillors may have had difficulty in addressing these issues because they have been minimally involved in working with communities to better understand the complexity of the non-payment problem.

What have we learnt?

The main lesson learnt from this concession is that when communities have been excluded from access to quality services, it may take some time to ingrain the social attitudes of being aware of one's consumer and citizen rights. Developing this level of awareness is, unfortunately, a much more difficult and slow task for the service provider than putting in place the infrastructure to open and close a water tap.

The introduction of a concession in a new democracy undermines the building of an already weak local municipality. Lessons learnt in this process to date have taught both the concessionaire and the local municipality that technical solutions do not solve the political problems of poverty. Payment for services is not simply a technical matter of getting clear bills out to service users and establishing kiosks for customer care within township areas. It is a political issue when it comes to poor people's ability to pay. The history of

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apartheid and the historical context of service delivery to townships matters should shape an understanding of how to resolve the non-payment problem.

A starting point is to involve communities more widely in the service delivery process so that they can better understand how service delivery works, what it means to be a responsible service user and how to hold their provider accountable. These steps are part of democratising service delivery and must be steered more conscientiously by local government via its political representatives.

A concession claims to be a useful service delivery alternative in offering much needed financial services and technical expertise to the state, but not if it is at the cost of eroding the governance of the local municipality and undermining the ability of low income communities to access water.

This is where the concession presents a paradox as a service delivery model. It may set out to meet the needs of the poor but the logic of profit and efficiency that drive the management of concessions does not lend itself to the patience and flexibility required to deliver services to low income households.

Furthermore, the management style of concessions is to concentrate power and the decision-making processes of water distribution into an autonomous entity that is above the reach of political intervention – a trend that moves counter to the democratisation processes that are vital if services are to be delivered in a socially just manner.

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