



Municipal Compliance:
A challenge for Water Security
By Laila Smith

DBSA WATER WEEK
October 28th

Outline

- Brief review of the state of municipal compliance in four areas of regulation (social, economic, environment and public health)
- Review of some of the regulatory challenges regarding municipal compliance
- Suggestion for the way forward regarding the limits to the decentralization of the regulatory function

1. Economic Regulation

Definition

- Norms and standards for price setting by municipalities
- Main objective is to balance affordability and cost-reflectiveness in tariff determination

Reality check:

- Only 8 out of 168 WSAs are financially ringfenced
- Municipalities are in large part unaware of the cost inputs required for running water services sustainably
- Non-revenue water losses are high and rising largely through administrative and billing errors.
- Weakness in billing and collection systems has led to under collecting of revenue and large write-offs of consumer debts
- Emphasis on trying to make tariffs 'affordable' has been at expense of raising sufficient revenue to run services sustainably, i.e.: neglect of O&M

Finding: weak revenue management has puts the financial viability of municipal water services at risk



2. Social Regulation

Definition: to provide universal access to affordable basic water and sanitation services. Must have a free basic water policy in place.

Financial arrangement for basic service provision comes through:

- 1) Municipal Infrastructure Grant covering basic infrastructure provided by DPLG (4.7bn 08/09)
- 2) Equitable Share covering operations and maintenance by Treasury (24bn 08/09)
- 3) cross-subsidies through tariffs



Progress in addressing backlogs in water services

	Water	Sanitation
2001 households	2.5m	4.5. m
People	13.1 m	20.5m
2008 households	.5 m	3.3 m
Population	6.5 m	13.3 m
Total population served since 1994	18.7 m	7m

Reality Check on rush to address backlogs

- Top down, supply-driven approach to eradicating backlogs has led to municipal performance being assessed in quantitative terms regardless of quality
- Municipal comfort in easy access to capital grant money from national has delayed developments in sourcing longer-term locally-based revenue
- Greater ease in accessing capital grants has led to replacement of infrastructure rather than attention to operations and maintenance (deferred maintenance)
- Operations and maintenance fractionally covered through equitable share as opposed to being integrated into tariff structure
- Sustainability of what goes into the ground is not being factored in



3. Water Resource/Environmental Regulation

Definition: This arena of regulation mainly deals with wastewater discharges and ensuring that effluent quality standards are met

Reality check:

- Many small and medium size sewage treatment plants have difficulty in producing a properly treated effluent for discharge to a stream or lake
- National Survey of WWTW shows that only 4% of micro, small and medium size WWTW are being run sustainably
- Many WWTW lack the skilled staff needed to maintain the plants



4. Public Health: Water Quality Regulation

Definition: Ensuring a drinking water quality programme is in place to ensure safe drinking water for the public

Reality Check:

- 30% of water samples across country only complied with Class 2 limits of the national standard
- Irregular monitoring by WSAs
- Increasing levels of bacterial contamination has a result of discharge of poorly treated effluent



Summary of state of compliance

- **Economic:** Tariffs are not reflective of costs of provision and are not generating revenues required to cover services, let alone subsidize other non-tradable services
- **Social:** Sustainability has not been factored into eradication of backlogs-neglect of quality and maintenance
- **Environment:** Skills shortage to be able to adequately maintain WWTW means serious need for alternative technologies
- **Public Health:** Demand for higher services will increase strain on existing WWTW simultaneous to declining skills situation. Will result in declining water quality.

Challenges of regulation

- Current regulation framework assumes it is feasible to decentralise regulatory oversight to the local level
- Assumption that skills exist to populate 168 WSAs to regulate 300 odd WSPs
- Unrealistic expectations of WSAs has strained the national regulator's ability to effectively monitor performance at the local level
- Ability to assess performance at national is difficult if quality of data provided at local is weak or non-existent
- Weak capacity at national to enforce results in munics having little incentives to comply
- Current situation results in poor levels of public accountability
- Tragedy is that in this context of poor levels of public accountability, the public has few mechanisms for recourse

Recommendations

- 1, Need to be realistic about where existing capacity exists and assign powers and functions where the WSA can be carried out effectively
 - Centralizing the WSA function to the District Municipality level where capacity does not exist at the local level

2. Need to strengthen public accountability through bottom up approach to regulation
 - Need to dramatically increase councilors' understanding of water service issues to facilitate better decision making amongst existing WSAs.
 - Need to strengthen oversight role of the public
 - Legislate user platforms in the amendments to the National Water Service Act so that the public has a vehicle to ensure recourse when it is ignored at the local level.