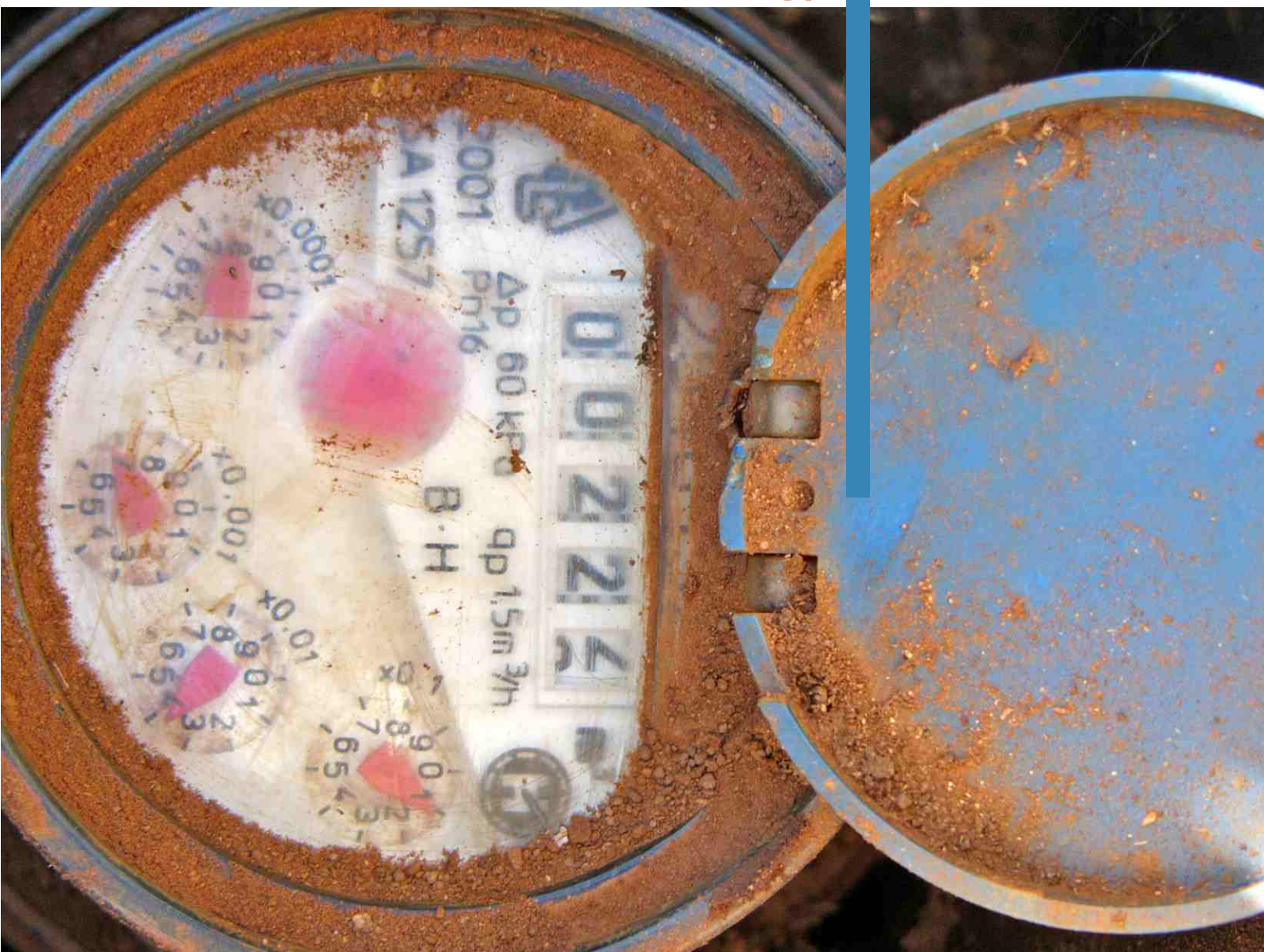


Free Basic Services lesson series

the greater **giyani**
turn-around strategy



the dplg

Department:
Provincial and Local Government
REPUBLIC OF SOUTH AFRICA

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**Free Basic
Services**



Free Basic Water and Cost Recovery

Cost recovery is important for the delivery of free basic water in two ways:

1. Reducing excessive consumption of water
2. Increasing revenue available for improving services

The reality of water supply is that most people will not conserve water unless this has a direct impact on the household budget. Therefore by ensuring that consumers pay for the water that they use, (over and above their allocation of free basic water) the demand for water will be reduced. This means that without building more dams or treatment plants, more people can have access to water. This is particularly important because most municipalities still face backlogs in terms of water supply.

Improving cost recovery requires that municipalities improve their systems around water services. The more organised municipalities are, the more effective they will be in collecting revenue. This results in what is called a virtuous circle. As more money is collected, there is more available to improve the system. It is vital that the money collected is efficiently spent on building the water supply system.

After an initial capital outlay for improving administrative systems and problems with infrastructure, the cost of providing the service will decrease, particularly if proper operations and maintenance systems are put in place.

Improved efficiency means less wastage. Less wastage means that it costs less to supply free basic water on a sustainable basis.

Location

Greater Giyani Local Municipality lies in the north-east of Limpopo Province, near the Kruger National Park. It is one of five local municipalities making up the Mopani District Municipality. Like so many municipalities that have inherited a legacy of underdevelopment from the homeland system, Greater Giyani is faced with high levels of poverty. The municipality's integrated development plan (IDP) quotes 2001 Census figures indicating more than 60 percent of the people in Greater Giyani are without employment. Supplying free basic services, and particularly water, is therefore very important in this local municipality, as many people are not able to afford services.

Population

According to Census 2001 figures quoted in Greater Giyani's Integrated Development Plan (IDP), the population of the municipality is 236 862, with just more than half the population living in rural villages. The rest live in Giyani town and the surrounding townships and informal settlements.

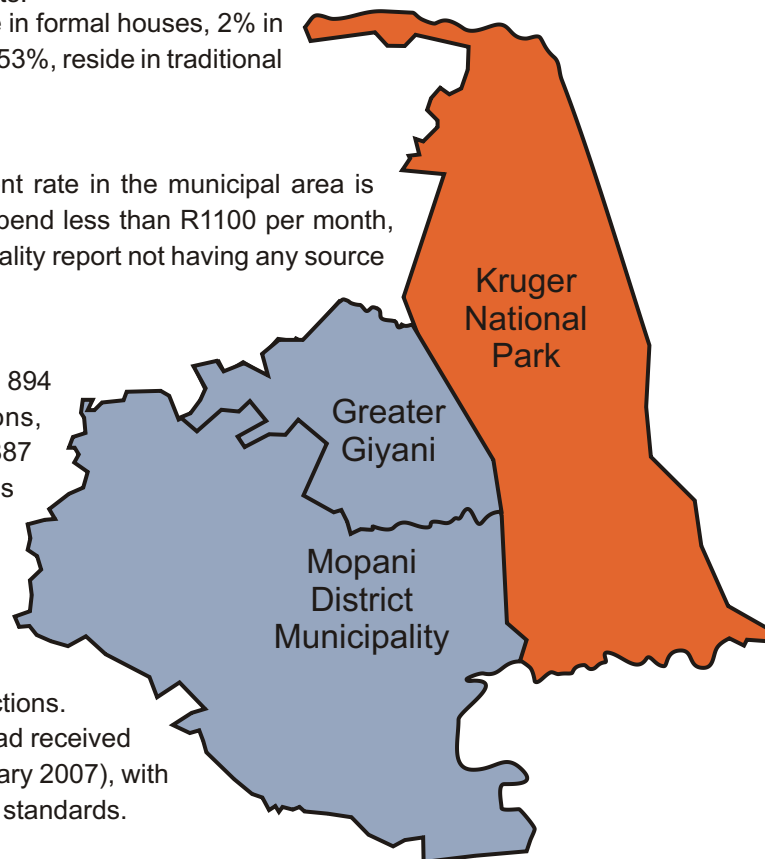
In terms of dwelling type, 45% of the population live in formal houses, 2% in informal settlements and the remainder, representing 53%, reside in traditional dwellings, which are mainly in rural areas.

Indigency

According to Census 2001 data, the unemployment rate in the municipal area is about 60%. Approximately 16% of the households spend less than R1100 per month, while about 78% of the households within the municipality report not having any source of income at all.

Water services

According to Census 2001 data, a total of 16 894 households are provided with yard connections, representing 32% of the total households. 5 887 households have in-house connections which is approximately 11% of the total households. More than 22 391 households, representing 43%, are below the basic service levels for water provision. According to Khuvultu Water, Consulting, Roads and services and Cost Recovery Solutions all households in Giyani town are supplied with metered yard connections. In the rural villages about 20 percent of the villages had received metered yard connections at the time of writing (January 2007), with the remaining villages receiving water at or below RDP standards.



The Greater Giyani

Turn-around strategy

Delivering free basic water requires a sustainable and efficient water supply system. Cost recovery is an important part of sustainability and can contribute to increased efficiency. The experience of Greater Giyani Local Municipality points to the importance of improving cost recovery to extend basic services.

Greater Giyani Local Municipality lies in the east of Limpopo Province, near the Kruger National Park. It is one of five local municipalities making up the Mopani District Municipality. Like so many municipalities that have inherited a legacy of underdevelopment from the homeland system, Greater Giyani LM is faced with high levels of poverty. The municipality's integrated development plan (IDP) quotes 2001 Census figures indicating more than 60% of the people in Greater Giyani LM are without employment. Supplying free basic services, and particularly water, is therefore very important in this local municipality, as many people are unable to pay for services.

When Mopani DM assumed the responsibility of water services authority for the district in 2003, it was faced with a challenging situation in Greater Giyani LM. Many households in the villages surrounding the town of Giyani were still without access to a basic level of water service and these backlogs needed to be addressed urgently. At the same time the existing water supply system was in crisis.

In parts of Giyani town and the surrounding townships the taps had run dry. People living in the high lying areas of the town were forced to fetch water in buckets and containers from residents in the lower areas, whose taps still flowed. Only at night would there be sufficient pressure in the system for people to get water in their yards. There was a widespread belief within the community that the municipality was only opening the taps at night.

In the rural areas surrounding the town, some of the villages that had been supplied with water were also battling with an erratic supply. If the system was failing where it was already installed, what hope was there to bring water to the villages where people had not yet received water?

At the same time there was an almost total refusal by

Giyani Water Treatment Works



people to pay for water services. The people who did not receive a reliable service refused to pay because of this. Those that did have water 24 hours a day refused to pay, claiming that they had to supply water to those who did not get. Of the 6 347 customers who were billed by the municipality, only 200 paid regularly.

Understanding the problem

Initially the problem seemed to be that the Giyani Water Treatment Works, which draws water from two large dams, was simply not providing enough water to provide for the needs of all the people of Greater Giyani LM.

An application was made to the Department of Water Affairs and Forestry to upgrade the treatment plant. This was however refused after research revealed that the output from the treatment plant was sufficient for the needs of Greater Giyani LM. The water leaving the treatment works was enough to supply every person in Greater Giyani LM with more than 100 liters of water per day, well above the basic amount of 25 liters per person per day.

"The people around town were using a lot of water. They could water their gardens 24 hours a day, without any problem because it was not going to hit their pockets, but the person at the end of the pipeline would receive nothing. We learned a lesson from Polokwane. When they introduced proper and effective cost recovery within Seshego, consumption went down by almost 70%, so we said let's give it a try." Thivho Ralulimi, Water Services Manager, Mopani District Municipality.

Further investigation revealed however that more than half of the water that left the treatment works was unaccounted for. This meant that more than 50% of the water, abstracted and purified, disappeared in the system, either through leaking and broken pipes, or through illegal connections. It was becoming clear that the reason there was not enough water for all people in Greater Giyani LM did not lie with the source. It lay with the use of water.

Culture of non-payment

Because the culture of non-payment was strong, people did not control their use of water. The result was that in the low-lying areas, where there was good pressure, people were using so much water that there was not enough pressure in the system to get water to the people in the higher lying areas.

"The situation was as a result of many factors, including excessive use of water by some consumers, lack of sufficient management capacity in the municipality, a culture of non-payment, as well as infrastructural problems. The Giyani turn-around strategy put in place interventions to address these problems." FR Nangambi – Engineering Manager, Greater Giyani Municipality

People in the high pressure areas grew large lawns, with sprinklers spraying the whole day. Orchards, flowers and vegetable gardens flourished with potable water. The



Green lawns in Giyani Town

average consumption in these areas was 94 kiloliters per household per month, enough to supply 15 households with the free basic allocation of 6 kiloliters per month.

A similar situation existed in the rural villages. A network of illegal connections in the villages closer to the treatment works meant there was not sufficient pressure in the system for water to reach the outlying villages. Again, the excessive and irresponsible abuse of the water system by some meant that other people got no access at all.

Tackling the problem

An intervention was required. Mopani DM contracted a management support company – Khuvutlu Water and Cost Recovery Solutions – to provide hands-on management support to assist Greater Giyani LM to turn the corner.

"As the district municipality, our job is to support the locals so they can stand on their own and begin to run with water services. So we started with this concept of the turn-around strategy, which is basically water demand management and water conservation and making sure that people start to pay for services - those that can afford to." Ngoako Ramathoka, Director of Technical Services, Mopani DM

In keeping with the desire to build capacity in the municipality, the management support team moved into the municipal offices, working with municipal staff and developing a clear understanding of where the problems lay. The management team set about devising a turn-around strategy centred on three key objectives.

The first objective was to improve water supply services in Greater Giyani LM, the second was to improve the collection rate in relation to accounts billed, and the third was to increase the billing coverage.

Improving the service

The turn-around had to begin with improving the service offered by the municipality. The municipality could not expect people to start paying if there were problems with the service. A clear signal had to be sent to customers that the municipality was going to do all it could to improve the service they received. At the same time, customers needed to realise that their consumption and payment patterns had

a direct impact on the service they received. The situation could only be solved if consumers and the municipality saw themselves on the same side. The municipality needed to make the first move.



Municipal customer care office

"When we started we were not ready to face the customers. We had to improve the service first. You cannot expect a person to pay for the same service he has been getting for free. It just won't work. People have to see improvements." Stanley Makondo, Khuvutlu Water and Cost Recovery Solutions

A customer care office was opened to deal with complaints and problems reported by the public and the municipality set itself the goal of attending to all faults within 24 hours of reporting during the week and weekends.

In addition, proper management and record keeping systems were put in place. When a problem was reported, a job card was opened. All activity towards fixing the problem was recorded on the job card. In this way useful management information was collected. During this first phase – which took about nine months - faulty meters were replaced and illegal connections removed.

Using the municipal employees who delivered the bills to households, direct communication with each household was possible. These people were able to receive comments and complaints from customers, as well as report illegal connections and tampering with meters. In addition a customer information update form was sent to all customers once a year in order to keep the customer database updated.

By June 2006 the number of meters installed by the municipality had increased to 7 537. According to Khuvutlu, all households in Giyani town were metered. In addition meters had been installed in about 20 percent of villages by the end of 2006. In the other villages households received water at or below RDP standards.

Another key activity during this initial phase was improving the customer database and the indigent register. Time and effort were invested in checking records and getting people to register on the indigent register. Notices were placed in municipal offices, at community centres, tribal offices and at shopping centres, to encourage people who qualified to register. In order to be registered, a household had to spend less than R1100.00 per month.



Newly installed water meter in Thomo Village

Being registered as indigent qualified the household to receive six kiloliters of water free per month and a 50% rebate on the R2.10 per kiloliter charge for water used in excess of the six kiloliters, in other words R1.05 per kiloliter.

Social awareness campaign

After nine months the project moved into its second phase – an awareness campaign. The first step was to sell the strategy to the council of Greater Giyani LM and to explain what the problems were and how the integrated strategy would be implemented.

The second step was to sell the strategy to community structures. Meetings were held with water committees, women's groups, church groups, civics and traditional leaders.

Finally a series of mass meeting were held to give people an opportunity to raise all their issues with water services. The key aim of these meetings was to get consumers to realise that they had the power to improve the service they received through the responsible use of water. Consumers were encouraged to voice their frustrations and problems.

"We have a challenge to make our people understand that services must be paid for. Communities must be educated around services broadly, that municipalities cannot survive without proper revenue collection strategies. This must be supported by politicians because we are the face of the municipality." Councillor Sam Manganyi, Finance Portfolio, Greater Giyani Local Municipality

Preparing bills in Greater Giyani municipal offices



Improving cost recovery

Almost everybody claimed to have a problem with their water supply and therefore refused to pay. Either they did not have access to a reliable supply, or, if they did, they were supplying water to people who did not receive it.

To address this, temporary communal standpipes were installed in the areas where people had been collecting water from private yards. People could no longer claim that they had to supply others, and were told that they would be held responsible for the water that was used through their meters.

The council then offered to write off 50% of the debts owed for water services to customers who came forward and signed an acknowledgement of debt and made arrangements to pay. Customers were then required to pay 10% of their remaining debt and then make arrangement to pay off the balance over a period of up to 36 months.

The municipality did not offer a full amnesty because it wanted to signal that water had to be paid for. This was not negotiable. It had to recover at least some of the costs of supplying the water, or it would not be able to continue providing the service.

Following the 50% write-off, the municipality began to implement credit control measures.

Starting at home

The approach was to make sure that the ordinary consumers did not feel that they were being targeted unfairly, so the credit control measures began in the municipality's own backyard.

All people connected to the municipality were approached to settle outstanding bills. This included councillors, officials of both the LM and the DM staying in Giyani, as well as all employees of Khuvutlu and DWAF.

This was a bold move and the project champions had to weather the storm of unhappiness that resulted from this. But they were confident that it was the right approach. If the municipality had tried to enforce payment on members of the public, while officials and councillors were known to owe money for water services, the turn-around strategy would lose all credibility.

The next customers to be targeted were businesses. These were both the business premises as well as the homes of business owners. As with the municipal employees, the idea was to first target those people who could not claim not to have the money to pay. Then the campaign moved on the general public, beginning with people in areas known to have 24-hour water supply.

A series of standard letters and notices were developed to deal with customers who had defaulted on payment and not made arrangements to settle their debt. Firstly a final demand letter was issued. If this did not result in the arrears being settled, then either a restriction notice (for households) or a discontinuation notice (for businesses) would be sent out within 14 days of the final demand letter. Lastly a final reminder would be sent before restriction or discontinuation was done.

Restrictions

Defaulting households had their water restricted through replacing the normal water meter with a programmable meter. This device limits the water supply flowing through the meter to the daily free basic allocation of water of 200 liters.

"When I have a right to use water I also have a responsibility not to abuse water. I must also give a chance for the person next door, the village next door, to get water. We still have a huge backlog in terms of making sure that all our villages get a 24-hour water supply. So when we are restricting, it is not a punitive measure, but a reminder to say let us be responsible." Councillor Sam Manganyi

The restriction devices were aimed at making people change their water use patterns. If they were unable to pay for more than the free basic allocation, then they needed to adjust their use of water to live within this allocation. The water restrictions were aimed to be educational, not just punitive.

It was to be expected that the enforcement of the municipal by-laws on paying for water would not receive support from all in the community. In 2006 a court challenge was launched against the municipality around restrictions and the scrapping of the debt. This challenge was unsuccessful and the court ruled in favour of the local government. The month following this ruling saw record levels of payment from customers, who had been waiting to see the outcome of the trial.

The benefits

The turn-around strategy has seen a steady improvement in both the quality of service and the levels of payment in Greater Giyani LM. The average monthly payment for water when the project started in 2003 was R102 000.00. By late 2006 this figure had risen to in excess of R720 000.00. In return consumers were benefiting from a more reliable water service and a municipality that responded promptly to problems.

"We are seeing a lot of capacity issues being addressed in our own municipality through this programme. People are now gaining confidence in the municipality." Councillor Brena Baloyi, Infrastructure Portfolio, Greater Giyani LM.

The average consumption of consumers in the low-lying, high pressure areas of Giyani town had dropped from 97 kiloliters to 45 kiloliters by 2006 as a result of the turn-around strategy and this has had a significant impact on the flow in other areas.

In terms of the numbers of customers paying, the situation improved significantly. In July 2003, the month before the turn-around strategy began, the number of customers who paid their bills was 119. The number of customers paying in 2006 averaged between 2000 and 2500.



Municipal maintenance team inspect illegal connection

At the time of writing the metering and billing system was being rolled out to the surrounding villages and problem of illegal connections was being addressed through a consultative process with community leadership structures. In addition, the money generated through the cost recovery initiative had paid for the extension of the reticulation system in four villages in 2006.

Through the turn-around strategy the Greater Giyani LM has both increased its revenue flow and decreased the amount of water used by consumers. The improvements in consumer awareness of the importance of responsible water use, together with the improved billing and cost recovery system mean that the municipality is earning more revenue, yet supplying less water to existing consumers. This translates to less strain on the infrastructure, lower chemical costs and more revenue available for improving and extending the service. This has put the municipality in a far stronger position to extend the provision of free basic water to all who need it.

Questions & Answers

What is the Giyani turn-around strategy?

The Giyani turn-around strategy is a holistic response to the water services crisis in Greater Giyani LM, initiated by the Mopani District Municipality and Greater Giyani LM. The turn-around strategy is being driven by a management support company, which has seconded managers to work and build capacity within Greater Giyani LM. The strategy is fundamentally aimed at ensuring that all people in Greater Giyani have access to a basic supply of water. This is being done by improving water demand management through cost recovery, as well as improving the municipality's capacity to respond to problems within its infrastructural and administrative systems.

Why was the turn-around strategy needed?

Water services provision in Greater Giyani LM was faced with serious challenges. Many rural villages did not have access to a free basic service of water and parts of Giyani town did not have a reliable water supply. This was despite the Giyani Treatment Works producing sufficient potable water to meet the needs of the LM. The situation was the result of many factors, including excessive use of water by some consumers, a lack of management capacity in the municipality, a culture of non-payment, as well as infrastructural problems. The Giyani turn-around strategy put in place interventions to address these problems in order to improve sustainable services.

How does cost recovery assist delivering free basic water?

The implementation of a cost recovery programme was an effective way to address irresponsible use of water by consumers. This excessive use by some, meant that others could not access their free basic allocation of water. The architects of the turn-around strategy believed that consumers would restrict their use of water only if it hurt their pockets. Making sure that people paid for the water that they used (over and above a free basic allocation) meant that water was available to those who previously had no access.

Don't the costs of bringing management support cripple the municipality?

Improving the management systems of a municipality will result in less expenditure and more revenue. This will enable a municipality to provide an improved service at a lower cost. While bringing in outside expertise will cost, this cost will reduce in relation to the revenue that is earned. In the case of Greater Giyani, the cost of paying for the management service has steadily declined in relation to the amount of money recovered. At the time of writing the amount paid to the management company stood at 35 percent of revenue collected. This was set to decrease further as the levels of collection improved and capacity within the municipality increased. The important thing is to ensure that the outside assistance builds capacity within the municipality.

Technical Report

The aim of the lesson is to outline the methods and mechanisms used by the municipality to deal with challenges around the provision of free basic water. The aim of this technical report is to identify key lessons learnt from the Greater Giyani turn-around strategy and demonstrate the approach that was used to develop innovative and successful mechanisms to implement the turn-around strategy.

Challenges / Problem Statement

- o Culture of non-payment in the community
- o Illegal connections
- o Inconsistent water supply system
- o More that 60% unemployment in the community

The experience of the Municipality

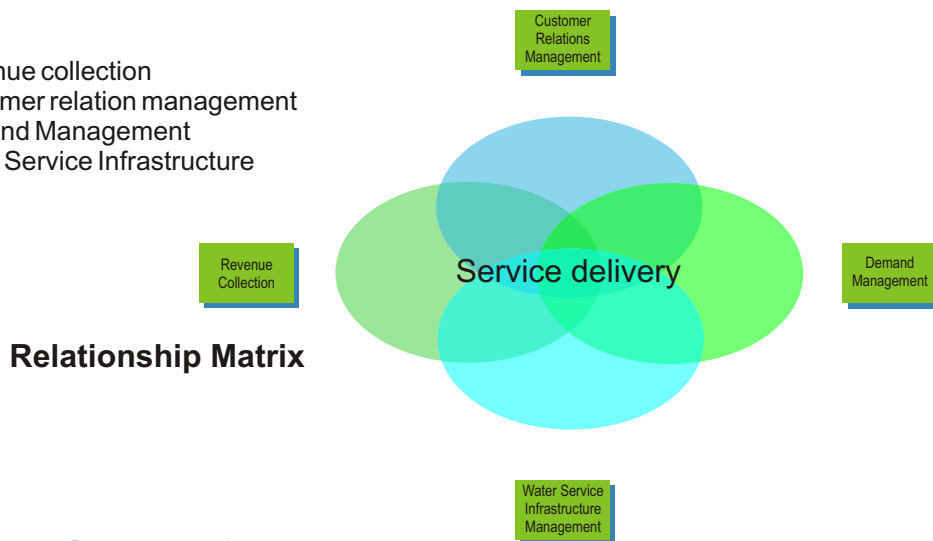
The culture of non-payment was firmly entrenched within communities as a result of historical reasons. This was a major cause for tension between communities and the municipality.

The Approach

This section outlines the approach that was taken by the municipality to deal with the challenges it faced. This report will focus on four strategic areas that were pivotal in ensuring that the turn-around strategy was a success.

Focal Areas

1. Revenue collection
2. Customer relation management
3. Demand Management
4. Water Service Infrastructure



Revenue Collection

The Goal

To ensure that the municipality has a reliable revenue collection and cost recovery system in place. The effectiveness of this system can be demonstrated with the improved revenue collection by the municipality.

Tools used that contributed to the improvement revenue collection strategy were the following:

Indigent Register

Regular update and maintenance of the register to ensure that those who could afford to pay did so and those who could not afford were not unnecessarily punished

- o Maintenance and regular updating of the indigent register, using community development workers and Officers
- o The enforcement of policies and by-laws to make sure there is overall compliance

Billing system

The existing system was effective but the automation of some of the activities such as collection of meter readings could reduce the cost and also improve the reliability of the readings collected by council officials and reduce or minimize human intervention.

Meter Readings

Use of programmable meters for those not willing to pay also ensured there was scientific proof that the billing and consumption was correct and the municipality was able to enforce restrictions as a result of this. These meters could be used for all consumers to ensure that there is uniformity and consistency when enforcing the municipal by-laws and this is not just seen as used against “defaulters”.

- The use of programmable meters to enforce compliance with those who did not come forward to acknowledge their debts and commit to pay
- Regular meter readings by municipal officials ensure that the readings are collected timeously and in the presence of the consumers and to instill confidence in the system

Communal taps

The use of these taps also ensured that there was no excuse for defaulters in areas that did not have water supply problems. There was no longer a need for households receiving a regular water supply to provide water to consumers from high lying areas where water supply was erratic.

Customer Relations Management

Improved communication to the community by using community-based forums to communicate municipal action plans.

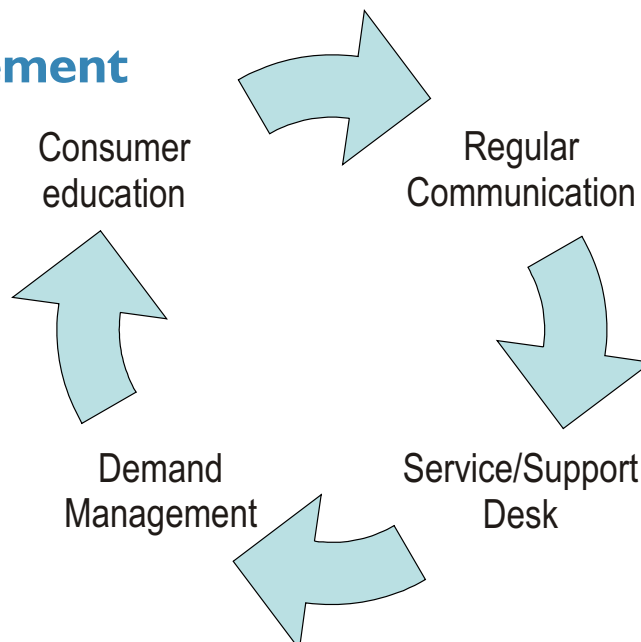
Service Desk

The establishment of a customer care office contributed positively by providing the municipality with business enabling management information that was collected during community customer interaction sessions to assess the response of the community and document their needs around the provision of free basic water. The continuous education of consumers about the benefit of paying for services will ensure that there is enough revenue to improve the system and reduce losses due to illegal connections and faulty systems.

Communication

Community meetings and another forms of community-based gatherings organized by the municipality to communicate system improvements, challenges and also advocate the need to encourage payment of services have contributed positively. The municipality can also investigate other forms of communication to enable it to measure the impact of service delivery and also measure its success rates. A number of technology solutions are available to assist in this regard and investigation would be able to guide on the type of system that would be suitable for the community.

Demand Management



Water Service Infrastructure

The state of the water service infrastructure clearly contributed to more than 50% of water lost through the system. It is clear that if the infrastructure was not improved the service levels would have remained the same and municipality would not have realised any returns in terms of payments and improving the quality of service offered.

Lessons drawn from the report

Customer relations management

- Understanding the challenges facing the community has helped the municipality develop a tailor made solution, or intervention, to solve the problem at hand
- Community participation has demonstrated transparency from the municipality and this contributed positively to the increase in payments as a result of the partnership with the community
- Enforcement of control measures in partnership with the community also made sure that whatever “enforcement “ mechanisms were used to encourage defaulters to pay, the community was informed and given an opportunity to comply with the demand for payment
- The municipality went out of its way to write off 50 percent of the debts and that was seen as goodwill and it contributed positively to the payment for services as demonstrated in the statistics collected
- Through customer education the consumers realised that they needed to use their water correctly and efficiently since they were going to have to pay for it

Quality of service

- The quality of service delivered by the municipality to the community or consumers improved vastly as a result of increased payments that were realised as a result of the improved maintenance of the water supply infrastructure to deal with broken and leaking pipes
- There were fewer complaints from residents living in high lying areas due to lack of sufficient pressure

Culture of non-payment

There has been a vast improvement because clearly the community was unhappy with the erratic and unreliable supply of water and this resulted in the loss of confidence in the supply. As a result consumers, especially in high lying areas, resorted to non payment.

Partnership

The municipality tackled the problems together with the consumers and therefor the core water supply problems were understood by all parties and there was less confusion and finger pointing.

Customer service

The customer care hotline also made sure that enough information was collected from the community and other stakeholders in relation to the following:

- Needs of the consumers were collected based on the call registered in the system
- The state of the infrastructure and the problem associated with it were reported and management information was available to make sure that the municipality dealt with reported problems or faults effectively and efficiently
- Collection of information on faults/problems reported and the turn-around times to fix the problems were recorded and this resulted in the increased customer confidence in the system and the municipality

Free Basic Water Model

Develop mitigation actions that will ensure Revenue Collection, Billing and good Customer Relationship Management (CRM) by addressing issues such as:

- Appointment of a Subject Matter Expert: They provide a neutral advisory service that is easily accepted by both the municipality (and its officials) and the community
- Understand the Problems Facing the Municipality: Each municipality, due to its political environment, tends to experience different problems
- Improvement of Service Delivery: This is a lobbying strategy that will influence and ensure that the local community pays for the services rendered by the municipality
- Development of Effective Awareness Campaigns (Marketing Strategies): Improved communication methods always demonstrate that all concerted efforts undertaken by the municipality are centered around community hand-holding (i.e. community is involved throughout the process)
- Lead by Example: The municipality should ensure that mitigation actions or plans put in place are demonstrated to be feasible and practical by first implementing them internally with the municipal officials. This illustrates municipal commitment and will influence the culture of payment for services rendered by the municipality

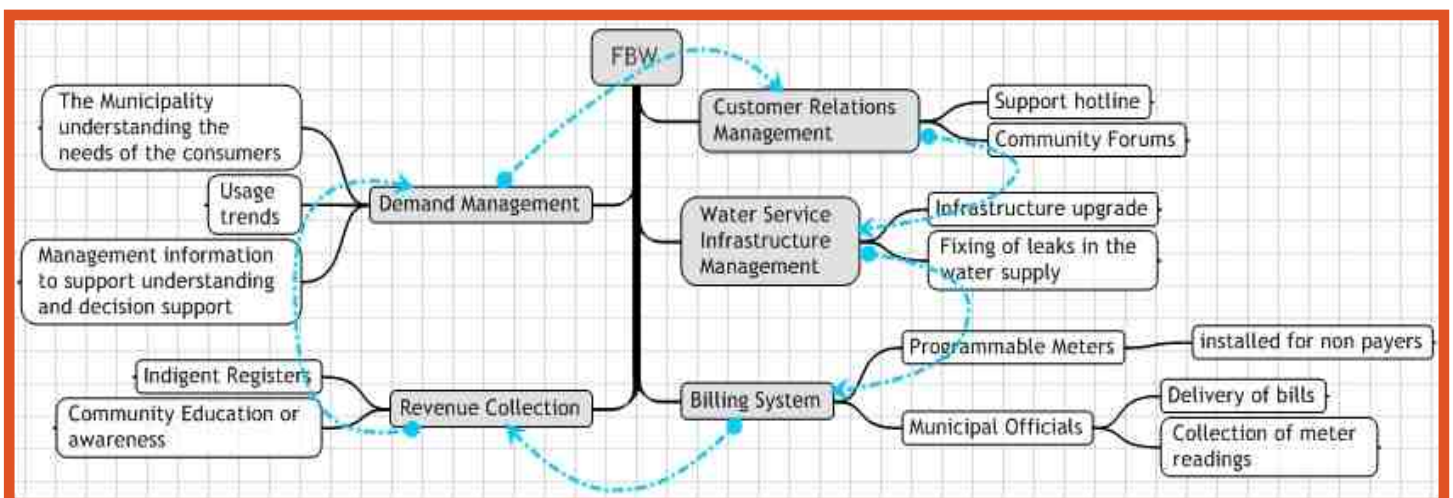
Successes

- Improved quality of service rendered by the municipality, including high customer confidence and improved CRM methods by the LM
- Improved levels of payment in the GGLM i.e. an average of R102 000.00 (in 2003) to an average of R720 000.00 (in 2006). This was followed by increased number of customers paying their bills from 119 to an average of between 2000 and 2500 in the year 2006
- Reduced consumption that dropped from 97 kilolitres to 45 kilolitres by 2006
- Improved roll-out of water infrastructure in terms of metering, billing and reticulation systems
- Reduced number of illegal connections
- Due to all of the above points, the GGLM could extend the provision of Free Basic Water to all who needed it.

Innovations

- Use of incentives to encourage payments
- Consumer education
- Customer relation management community talks / forums

FBW Model relationship matrix



Conclusion

The lesson has demonstrated that regular customer education and targeted awareness programmes are critical to increased community participation. This exercise increased the credibility of the municipality by making sure that the system was transparent and people understood what the challenges were and how they can be resolved.

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The Free Basic Services Lesson Series showcases municipal projects aimed at the accelerated implementation of government's Free Basic Services policy. Each of the booklets in the series captures the experience of a particular municipality, with the aim of providing practical illustrations of how local government is tackling the challenges associated with delivering Free Basic Services.



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