

# Case Study of Successful Reform in eThekweni Water and Sanitation

Neil Macleod

Durban









Informal settlements within 5 km of world-class facilities









# Durban in context

- We are a water stressed country with rainfall distributed very unevenly (desert in the west)
- A city of 3,5 million people, up from 3,0 million in 2001
- High levels of poverty with 40% of residents earning less than \$2 a day and unemployment levels of about 30%, depending on the method of measurement used
- Rapid urbanisation and an inward migration of people
- The city of 'three, one millions' in 2000

# The 3 'one millions'

- The water and sanitation challenges that we faced in Durban in 2000 were huge:
- 1 million people without municipal water and sanitation services
- 1 million people with severely run down services
- 1 million people with first world services
- Inward migration to the metro has continued at a high rate and has added 500 000 people in 12 years

# A business approach to management

- Developed a regular strategic planning and review process
- Set measurable kpi's that are reported on and reviewed monthly (3 per manager)
- Make use of independent market surveys to measure performance and gauge perceptions
- Encourage innovation and allow mistakes to be made but learned from
- Ring fenced, audited, accounts with tariffs set to cover both operating and capital costs

Asset Management	Customer Management
Network Expansion	Revenue Management

Human Resources Management

# Human resources management

- Ensuring that the organisation has competent key staff in place for now and for the future. Avoiding nepotism and appointing the best people possible
- Standard Operating Procedures to retain institutional memory and ensure effective training
- Talent management for succession planning and staff development
- Regular reviews of the organisational structure
- Build an organisational culture based on the values of integrity and excellence

# Asset management

- Maintaining assets which already exist. Most water services businesses in developed countries spend over 90% of their capital budget on asset replacement
- We still don't know exactly what assets we have or what their condition is in every case.
- Our non-revenue water is at 35%, down from 42% in 1996 but up from 29% in 2010
- Rapid urbanisation coupled with good network coverage makes illegal connections easy

# Revenue management

- Remove all excuses for customers not to pay
- Bill regularly on accurate reading information that is gathered by small businesses using hand held devices fitted with a camera and GPS
- Ensure that the monthly accounts are easy to read
- Make access for queries and account payments easy: many places to pay, easy call centre access (preferably toll free), accessible information and escalation procedures
- Payment results in a managed demand for water and least wastage

# New infrastructure

- We have extended basic water services to more than 1,3 million people in the past 10 years and basic sanitation to more than 700 000 people in the past 7 years
- Infrastructure solutions have to be affordable and sustainable (financially, environmentally and socially): R60 billion (\$5 billion) to sewer eThekwin
- We have had to strike a balance between funding for new and existing assets



# Levels of service

- Customers need options, with a range of costs
- The levels of service for water and sanitation on any property must be balanced to avoid operational and public health problems
- Customers need to understand the implications of the choices they make, both financially and operationally

# Customer management

- We receive more than 1,2 million calls a year in our contact centre
- We have a toll-free centre, so that poor families can afford to contact us
- We go to poor customers who cannot come to us, using customer services agents
- The system in the centre is designed to be operated by staff who are not technically skilled
- We use a sophisticated management system in the centre

# Customer management (contd)

- Happy customers are paying customers, so we do everything possible to make customers happy
  - Focus groups and user platforms
  - Radio programmes
  - Street theatre
  - Service level standards linked to a customer services charter
  - A detailed policy document covering every aspect of our relationship with customers

# The role of the private sector

- All functions that could be performed more efficiently and effectively by the private sector have been outsourced
- The Durban Water Recycling PPP is a good example of this
- Others include meter reading, grass cutting, certain operations and maintenance functions, most capital works, certain engineering project design, non-core call centre staffing.....

# Private sector support

- The use of management contracts has proved successful as a turnaround intervention. The private sector management contractor is able to bring in good managers and systems to build the capacity of the utility and leave behind a transformed operation

# Financing

- EWS has an operating budget for the current financial year of more than R5,5 billion (40 billion Kenya shillings)
- Capital budget is over R1,1 billion
- Current collection rate is over 100%
- This is funded partly by government subsidies but mainly by debt financing from commercial banks
- This would not be possible without a strong cash flow, a healthy balance sheet and a good credit rating (AA long term)

# Stakeholder management

- Customers are vital for any business to succeed
- Political leadership is an essential partner and stakeholder– cultivate the relationship and invest time and effort to build their trust in the management team so that well informed decisions are taken
- Build trust in small steps (200 l to 300 l example)
- Present options from which to choose rather than a single proposal
- Manage the media effectively by being responsive and open to them
- Understand the needs of potential financiers, lenders or donors

# Stakeholder management

- Secrecy is the enemy of good governance
- Effective communication can improve performance, overcome conflict and limit interference
- Treat policy makers as a company board
- Present options from which to choose rather than a single proposal
- Build trust in small steps (200 l to 300 l example)