

The Odi agreement

an alternative to privatisation?

'If this one fails, there is no way we are going to be given a hearing by anyone in this country.' Tom Ngobeni, assistant general secretary, SAMWU

In recent years, SAMWU has campaigned vigorously against the privatisation of water. Since the Water Services Act of 1997 mandated local authorities to take over responsibility for service delivery, many municipalities (often with the support of national government) have opted for public-private partnerships or PPPs. However, there is now a public sector alternative – the Odi agreement, signed on 11 September 1999.

Background

Odi, formerly part of Bophuthatswana, has a population of about 400 000. It includes three main towns: Ga-Rankuwa, Winterveldt and Mahopane. A number of rural councils that fall under the Eastern District Council are also parties to the agreement. The average household income is R1 760 per month. Development of water infrastructure is minimal. When the agreement was signed, only about 30 000 of the 110 000 households in Odi had inside taps. Nearly all of these were in urban areas.

Historically, parastatal water boards have taken responsibility for the delivery of bulk water to municipalities. These water boards now face the challenge of

John Pape explores how the Odi agreement can ensure continued state delivery of water services.

upgrading and extending delivery to previously unserved areas. Some water boards have looked to partnerships with private companies to enhance their services.

Initially the Rand Water Board, as the designated structure for Odi, followed suit. In 1995, Rand Water proposed setting up a Section 21 company to handle delivery of water services. This would probably have been a step towards privatisation.

SAMWU opposed the Section 21 company and instead demanded public sector delivery. After several rounds of meetings between the Water Board, the councils, SAMWU and community structures, the participating organisations decided to set up a plenary steering committee to drive forward a process of developing the public-public partnership. As Rowan Duvel of Rand Water Board put it: 'We abandoned the Section 21 company because of the opposition from SAMWU and because they convinced us to do it in a different way.'

The plenary steering committee included a wide range of participant

organisations. A technical working group of about half a dozen representatives from the various sectors managed the details of the initiative. But at the community level, Rand Water Board and SAMWU organised structures such as civics and other *community-based organisations* to promote the 'buy in' of the community. Part of the problem that had to be overcome was, according to the Rand Water Board's Jo-Anne Ferreira, that 'people never associated water delivery with local government'.

Sam Shabalala, Business Transformation Officer for Rand Water Board, noted that each and every village or community elected their own project steering committees as well.

These steering committees were involved in a range of water-related *management issues, including* refurbishing the existing system, dealing with illegal connections and promoting cost recovery.

The success of these structures was partly evidenced in the vast increase in payment for services during the run-up to the signing of the agreement. By September 1999, monthly collections had surpassed R2-million, up from a mere R500 000 in April of 1998. The increased payment was largely the result of two important steps:

- billing systems were improved to ensure proper statements were sent to all consumers;
- the so-called culture of non-payment was addressed by building a relationship with communities before discontinuing service.

As Shabalala put it, the water authorities could cut off legitimately with 'credible input from the community side'. For the Rand Water Board, cost recovery became a question of establishing legitimacy - not harshly disciplining non-payers.

Agreement details

The parties to the agreement are the local councils in Odi and the Rand Water Board. While not a signatory, SAMWU will play a major role in ensuring implementation. The agreement put in place a three year transition period for the Rand Water Board to hand over water delivery to local authorities. A number of elements have been put into place to make the hand over possible.

Firstly, there was financial support from both national and local government. The Department of Water Affairs and Forestry agreed to provide R42-million to subsidise low income users for three years. This will allow the municipality to seek other sources of funding and build up their own capacity to collect service charges. Other funding will come from the grant from national government known as 'equitable share'.

The municipalities who are party to the agreement have agreed to contribute 20% of their equitable share to the initiative. This is the first time that any municipality has agreed to allocate such a portion of their grant to direct service delivery.

Secondly, the Rand Water Board promised to set up a wide range of capacity-building programmes in water services management. According to the plan, skills will be transferred to both the municipality and the communities that are being served. The major structure for overseeing the capacity building will be a Water Services Forum. This forum, according to Shabalala, will be 'an inclusive body of civic structures in the area'.

During the three year transition period, water services will be extended to a number of previously unserved or underserved areas. At the time of the signing of the agreement, pipes were in place to service 11 000 new households in

Winterveldt. There is also hope to reach the 5 000 peri-urban households in the area which are without any service. Further expansion will come when a pipeline will be constructed to Madidi – a previously unserved rural area.

A key component of the transition is the job guarantees for workers. Employees of the old water authorities will be seconded to the Rand Water Board for three years. After that, they will be employed by the Eastern District Council. No workers will be retrenched and they will maintain their wages and benefits.

In terms of sustainability, the agreement calls for the gradual increase of fees for services during the transition. However, it is anticipated that further financial gains will come from effective control of water that is not being accounted for now.

Implications of the agreement

Nearly all participants agreed that the main achievement of this partnership was to show that 'it was possible' to find an alternative to privatisation. Nonetheless, there are a number of questions that lurk behind the Odi agreement. To begin with: What made it possible in this particular community?

Lance Veotte, national water co-ordinator for SAMWU, summed it up in two words: 'political will'. He also noted that none of the parties was linked to the



The Odi agreement will extend delivery of water services.

old regime, thereby making consensus on transformation and delivery easier to achieve. In his view many of the 'old officials are hell-bent on privatising at the cost of the poor'.

A key component of the political will in Odi was the role of the Department of Water Affairs and Forestry. As noted above, the department promised a three-year subsidy that was essential to the functioning of the transition plan. The department's efforts were complemented by a presidential lead project for water taps which began in Winterveldt in 1995 and installed taps for some 250 000 households.

A second key question is: Can this be

replicated in other municipalities? Surely in communities where there is equal political will, the Odi example could be a precedent. Both the Rand Water Board and SAMWU, which operate in dozens of municipalities, are keen to promote such partnerships.

For Korbie Mare, operation engineer at Rand Water Board, the project has clear benefits: 'A private company would not be willing to go into a three-year agreement and then withdraw. [It] would typically go for a 30-year agreement by which time the local government would have lost all capacity to deliver.'

Mare is proud of what will be in place after three years: 'We feel quite confident that at the end of the day we can leave behind people that can do the best anyone could have done without external interference.'

SAMWU's Veotte agrees, noting that this initiative 'fits perfectly with our vision of building the capacity of disadvantaged municipalities so that they can deliver good quality, affordable services to the people instead of throwing in the towel to a multinational company'.

The role of unions

Apart from the implications for water services, the Odi process also raises the issue of the political parameters of trade unions in such initiatives.

Progressive critics of the labour movement often claim that unions ignore broad questions of development and focus solely on jobs and wages. However, in this initiative, SAMWU has looked at the position of workers and has clearly been a driving force in facilitating the delivery of water to historically oppressed communities. In the long run, such an approach may have the potential to forge broader alliances between labour and civil society on a range of issues.

Despite this optimism, there are clear constraints to engaging in the process with other municipalities. The Department of Water Affairs and Forestry has stated that they will not repeat the offer of a three-year subsidy to other municipalities. Given the present lack of municipal capacity for water delivery, it is highly unlikely that other local governments could complete a transition period without extra financial support from national coffers.

A further obstacle is the present Municipal Systems Bill. If passed, the bill will require municipalities to tender for all service contracts. In such a scenario, public-public proposals would probably have to compete directly with private companies on a cost basis. This could mean that the benefits of building up local capacity could be ignored in the quest to find the cheapest provider.

Lastly, there is the question of the political will of the water boards themselves. At the moment, Rand Water appears extremely committed to public-public partnerships. But in the long run, the boards may find it more advantageous to continue their role in delivery rather than actually completing the hand over to local authorities. Such a process could ensure greater power and sustainability for the water boards, albeit at the expense of community-based delivery.

Despite these looming questions, in a period where private sector interests seem to be dominant in nearly every instance, the Odi public-public partnership is a ray of hope to those who still argue that the state, not the market, should be responsible for meeting the basic needs of the people. ★

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