

KOPANO YA METSI

PUBLIC PERCEPTION OF WATER PROVISION THROUGH PPPs

SUPPORTED BY



**MINISTRY OF
FOREIGN AFFAIRS
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IN PARTNERSHIP WITH



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Voluntās
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KOPANO YA METSI

“THE WATER AND SANITATION SECTOR IS CURRENTLY NOT FINANCIALLY SUSTAINABLE”
National Water and Sanitation Master Plan, 2018¹

WATER MANAGEMENT IN SOUTH AFRICA REQUIRES URGENT ACTION

Drought and poor water service delivery is already constraining economic growth and hampering livelihoods. The water sector funding gap is R330 billion over the next ten years, with major infrastructure refurbishment and improved maintenance required. At least a third of the municipalities delivering water services are considered to be dysfunctional. Many water institutions are not credit-worthy and accumulated municipal water debt is now over R13 billion.

The National Water and Sanitation Master Plan states that a ‘turn-around towards financial sustainability is not optional’ and calls for enhanced revenues, cost reductions, an analysis of alternative service delivery models and increased private sector investment.

Kopano ya Metsi (‘meeting for water’ in Sesotho) was initiated in 2017 by the National Business Initiative (NBI) in partnership with the Confederation of Danish Industry (DI) and Voluntas Advisory, to understand how water investment can be unlocked in South Africa.

Kopano ya Metsi speaks directly to the need to investigate alternative delivery models and ways to improve the sector’s financial viability, as outlined in the National Water and Sanitation Master Plan.

THROUGHOUT ITS DURATION KOPANO YA METSI HAS SOUGHT TO UNDERSTAND 4 ISSUES:

- **How can water finance be unlocked?**
- **What is the potential role of formal Public Private Partnerships?**
- **How can municipal water management be strengthened?**
- **How can we solve for a specific challenge, wastewater treatment?**

Over a period of 18 months, Kopano ya Metsi has engaged with hundreds of water experts in South Africa through 8 major roundtables, conferences and workshops held across 4 cities (Durban, Pretoria, Johannesburg and Cape Town), as well as a series of individual meetings. Participants have included civil society partners, national government, local government, industry bodies, local government associations, researchers, private sector implementers, development banks, commercial banks and investors. The findings of Kopano ya Metsi are a reflection of this consultation process.

www.yametsi.co.za

www.nbi.org.za

¹ DWS (2018) *National Water and Sanitation Master Plan, Volume I: Call to Action*. Version 10.1, October 2018, p48

KOPANO YA METSI REPORT SERIES

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- 01 UNLOCKING WATER INVESTMENT IN SOUTH AFRICA**
Paper 1 summarises the main challenges to be addressed in the water sector from a financing and investment perspective, outlines key solutions and charts a course for the future.
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- 02 STRENGTHENING SOUTH AFRICA'S WATER SERVICES AUTHORITIES**
Paper 2 provides recommendations on how municipal water management can be improved over time, with an emphasis on revenues, finance and institutional capacity.
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- 03 AN INTRODUCTION TO PPPs IN SOUTH AFRICA**
Paper 3 provides a primer on formal PPPs, introducing their main characteristics, potential benefits, key success factors and governing legal framework.
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- 04 WATER PPP OPPORTUNITIES IN SOUTH AFRICA**
Paper 4 assesses where the main opportunities for formal water PPPs are likely to be located at both a geographic and value chain level.
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- 05 PUBLIC PERCEPTION OF WATER PROVISION THROUGH PPPs**
Paper 5 considers the findings of a public perception survey conducted among urban households in 2017, including the implications for a PPP approach to water provision.
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- 06 BARRIERS AND SOLUTIONS TO IMPLEMENTING MUNICIPAL WATER PPPs**
Paper 6 identifies the key barriers to implementing water PPPs within local government and outlines relevant solutions to address these challenges.
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- 07 SOLVING FOR MUNICIPAL WASTEWATER TREATMENT**
The final paper applies the findings of Kopano ya Metsi to improving the state of municipal wastewater treatment in South Africa.
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EXECUTIVE SUMMARY

This report focuses on the findings of a public perception survey conducted using a representative sample of South African urban households in 2017.

The paper captures household satisfaction levels with current water service delivery, as well as their opinion of a potential change towards a Public Private Partnership (PPP) approach to water provision.

PPPs require buy-in from all relevant stakeholders to ensure that water supply and sanitation needs are met in an acceptable manner. The survey results demonstrate that current municipal and national water provision methods are preferred to either a private company or PPP approach.

At the time of this survey there was not a strong consumer demand to involve the private sector in meeting South Africa's household water supply challenges. Therefore, significant stakeholder engagement is required if the private sector is to be successfully involved in water provision.

I METHODOLOGY

For this survey, Ipsos Public Affairs conducted a perception survey with 2 689 survey respondents from across South Africa.

The respondents were sampled based on South Africa's national population and household census data. The sampling approach was stratified to reflect a nationally representative sample according to provincial population size.

Primary Sampling Units (PSUs) were selected using probability proportionate to population size. However, as the survey focused on respondents from urban areas, it put greater weight on these target respondents in the sampling. The survey employed a household cluster method with four household interviews within each PSU. The individual respondents were randomly sampled, using a Kish grid method to avoid selection bias.

The survey used a scale from 1 to 5, where 1 is extremely dissatisfied and 5 is extremely satisfied. The survey's four questions were:

- 01 On a scale of 1 to 5, where 1 is extremely dissatisfied and 5 is extremely satisfied, how satisfied would you say you are with the following: **the water services you currently receive from your municipality?**
- 02 On a scale of 1 to 5, where 1 is extremely dissatisfied and 5 is extremely satisfied, how satisfied would you say you are with the following: **the national government's provision of the water that you use?**
- 03 Using the same scale, how satisfied would you be with: **having a private company supplying your water?**
- 04 Using the same scale, how satisfied would you be with: **having your municipality working with a private company to provide your water?**

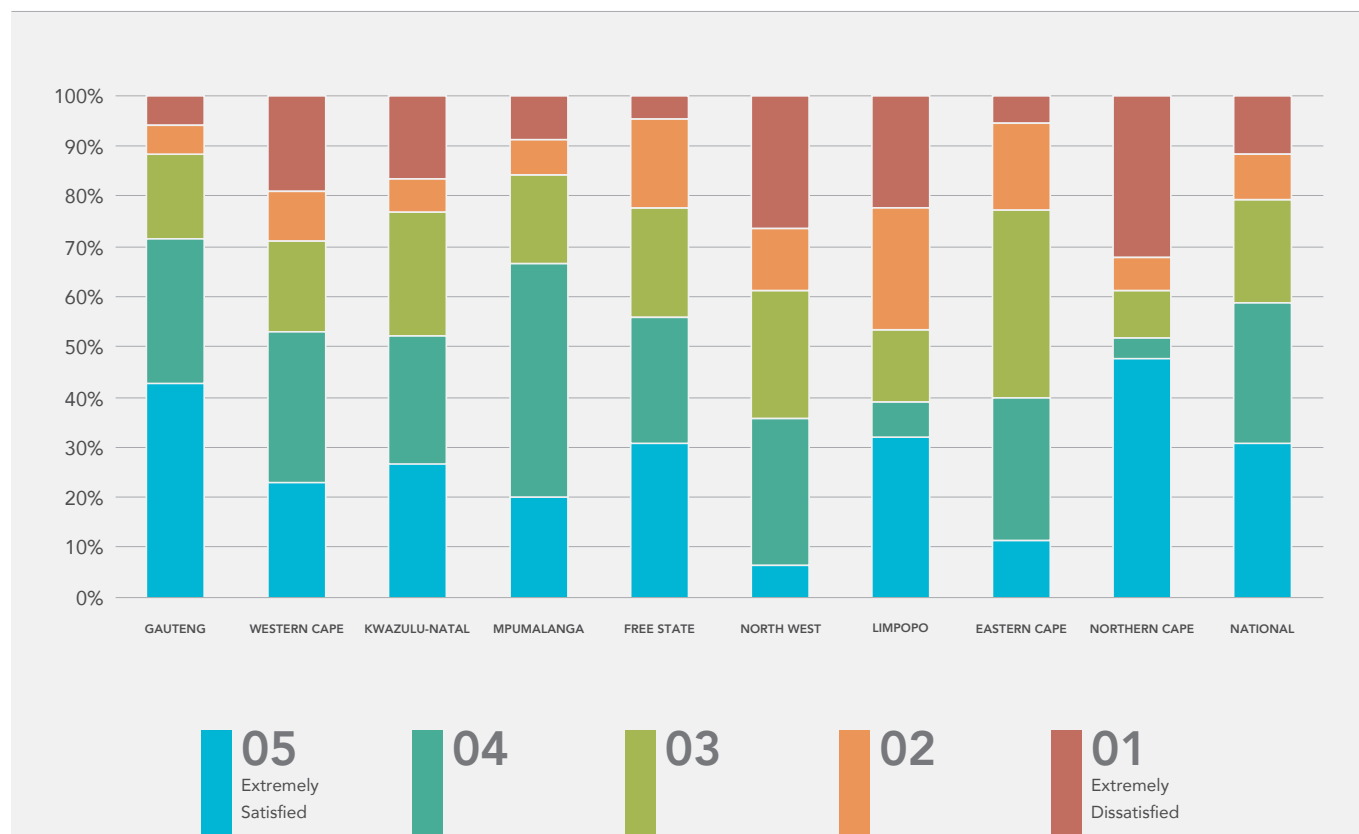
For the purposes of simplification, survey Question 4 above was used as a proxy for a PPP approach, where a municipality works with a private company to provide water services.

I FINDINGS

KEY SURVEY RESULTS BROKEN DOWN PER PROVINCE

Figure 1 below indicates household satisfaction levels with the water services **currently received from their municipality**, broken down per province:

FIGURE 1: SATISFACTION WITH CURRENT MUNICIPAL WATER SERVICE PROVISION



As indicated in Figure 1, nationally close to 80% of survey respondents rated their current municipal water service as either a 3, 4 or 5, with 31% of households extremely satisfied.

In contrast, only 12% of survey respondents were extremely *dissatisfied* with their current municipal water provision. The North West, Limpopo and Northern Cape Provinces contained the highest percentage of extremely dissatisfied respondents.

Figure 2 below indicates current satisfaction levels with **national government's role in water provision**, broken down per province:

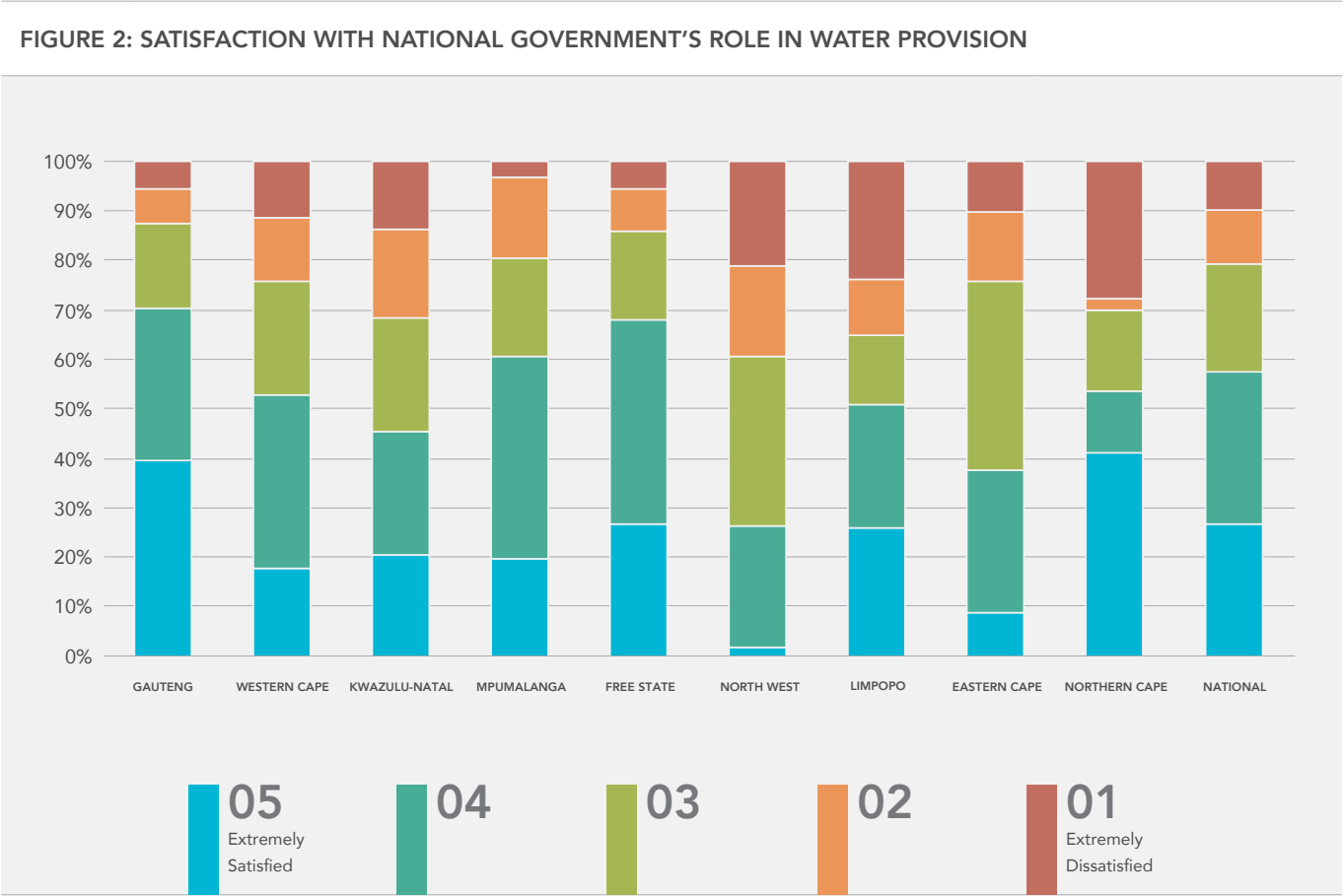
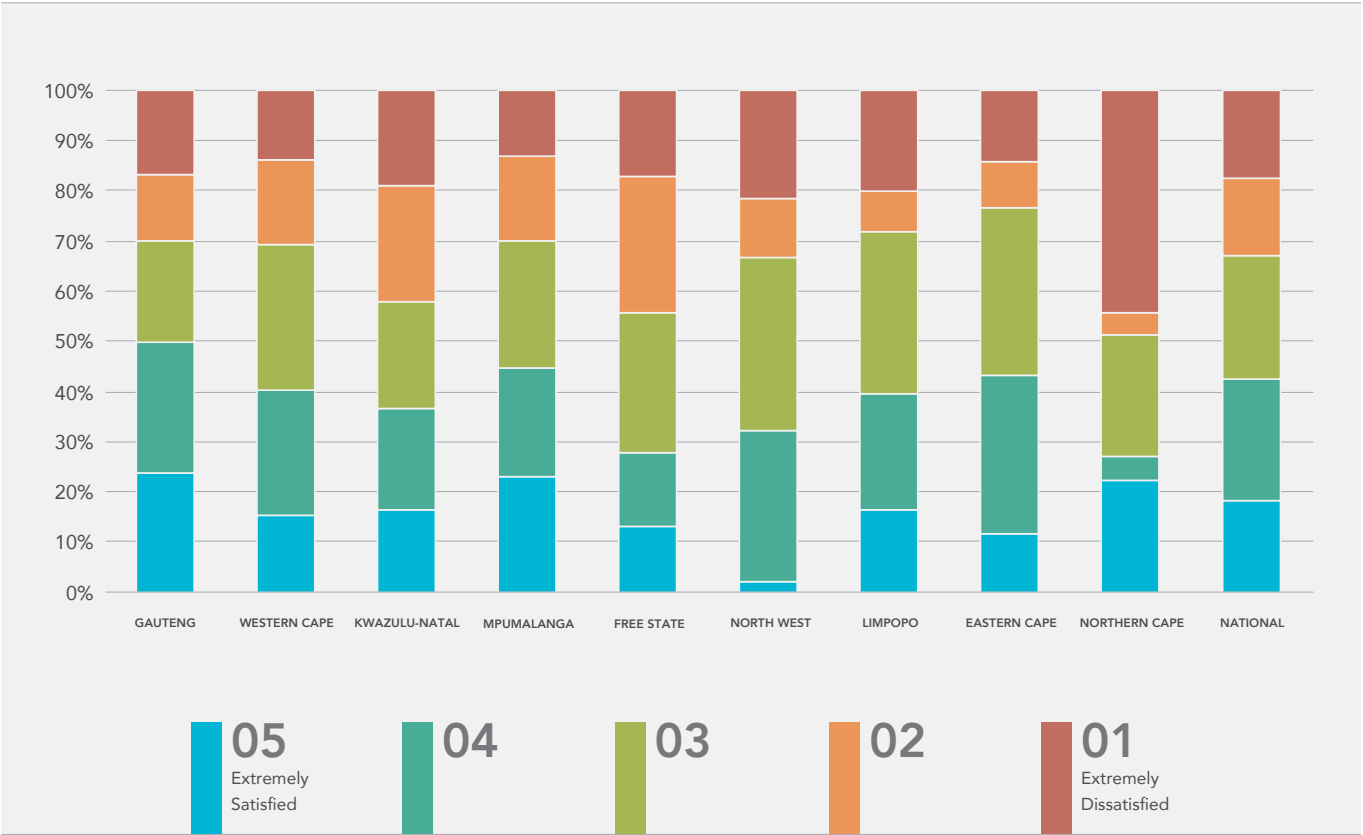


Figure 2 above demonstrates similar levels of household satisfaction for national government as that for municipalities. **Close to 80% of survey respondents ranked national government's role in water provision as either a 3, 4 or 5, with 27% of households extremely satisfied.**

In addition, only 10% of survey respondents were extremely *dissatisfied* with national government's role in water provision. Once again the North West, Limpopo and Northern Cape Provinces contained the highest percentage of extremely dissatisfied respondents.

Finally, Figure 3 below reflects satisfaction levels **should a municipality work with a private company to provide water to households** (i.e. a PPP approach).

FIGURE 3: SATISFACTION WITH PPP APPROACH TO MUNICIPAL WATER PROVISION



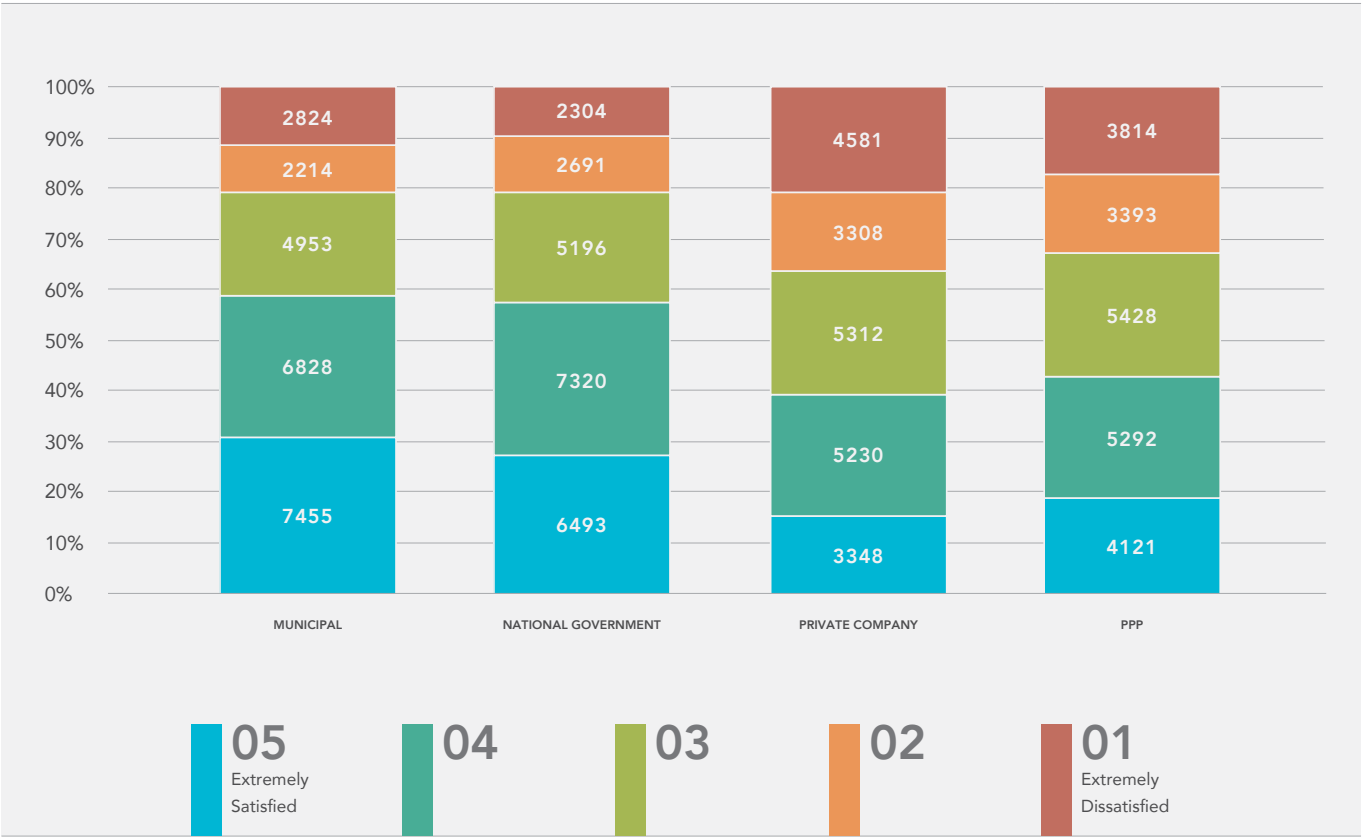
As indicated in Figure 3, only 67% of survey respondents nationally gave a PPP approach to water a 3, 4 or 5 rating, with 19% of households extremely satisfied with this approach. Extreme satisfaction levels are thus lower under a PPP approach (19%), compared to for municipalities (30%) or national government (27%).

Equally important, the number of extremely dissatisfied respondents increases from 12% for municipal water provision to 17% under a PPP approach.

SUMMARY OF SURVEY RESULTS AT NATIONAL LEVEL

Figure 4 below consolidates all the survey responses at a national level. Figure 4 also includes the actual number of respondent ratings per question.

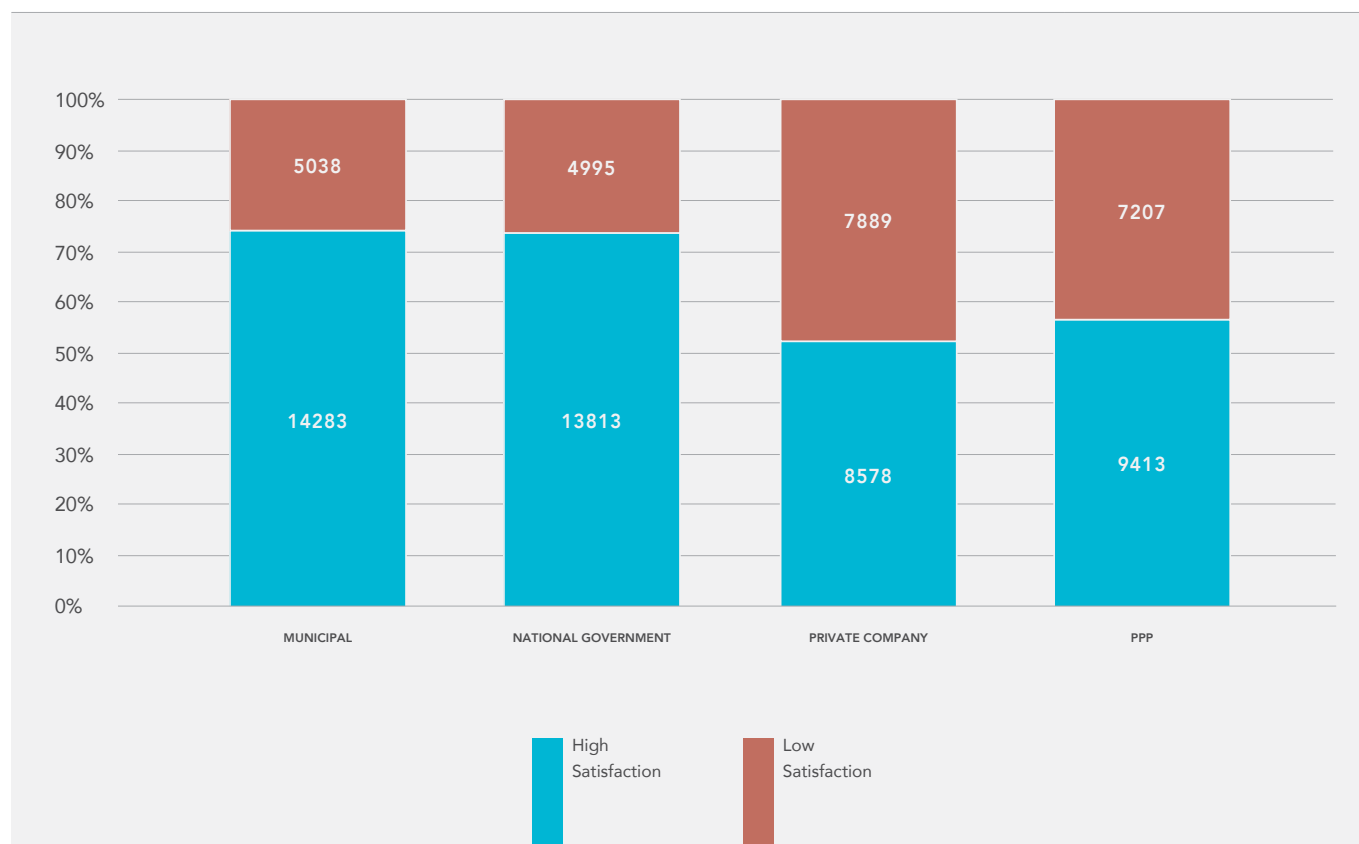
FIGURE 4: SUMMARY OF HOUSEHOLD SURVEY RESULTS



- Figure 4 above illustrates a number of key points:
- Overall satisfaction levels are lowest for a purely private company approach to water. In other words, approaches where the private sector alone is responsible for water provision are least favoured by urban households
 - Satisfaction levels are higher for a PPP when compared to a purely private company approach to water provision
 - Satisfaction levels for a PPP are not as high as they are for either municipal or national government water provision

It is also important to consider the extent to which high satisfaction levels (a 4 or 5 rating) and low satisfaction levels (a 1 or 2 rating) change, depending on the water provision approach adopted. The results of this analysis are provided in Figure 5 below:

FIGURE 5: SUMMARY OF HIGH VS LOW SATISFACTION LEVELS



As illustrated in Figure 5 above, levels of high satisfaction are highest for municipal water provision. For municipal provision 74% of respondents are in the highest satisfaction categories, with only 26% in the bottom 2 ratings. This is followed closely by national government's role in water provision, where the percentage of respondents in the highest satisfaction categories is 73% and the bottom 2 ratings is 27%.

While high satisfaction levels for a PPP (57%) are greater than for a private company (52%), this percentage is considerably lower than for either municipalities (74%) or national government (73%).

In addition, low satisfaction increases from 26% for municipal provision to 43% under a PPP approach. This represents a marked increase in dissatisfaction levels when moving from municipal water provision to a PPP.

CONCLUSION

At the time of this survey there was not a big appetite amongst urban households for water PPPs in South Africa.

The analysis undertaken indicates that satisfaction levels for municipal and national government water provision are both rated significantly higher than for private company or PPP approaches.

The key implication of this analysis is that when considering a PPP, the potential benefits must be very clear and proactively communicated. These benefits would need to be clearly communicated, given that a PPP approach is likely to be negatively perceived by a greater proportion of households relative to existing municipal water provision.

Active and effective stakeholder engagement is needed to make an alternative procurement mechanism, such as a PPP, a success.



APPENDIX I: REGRESSION ANALYSIS

A detailed regression analysis was undertaken, including variables such as age, gender, work status, education levels and household income. However, no statistically significant trends or findings could be discerned and hence the results of the regression analysis are not incorporated in this paper.

The National Business Initiative (NBI) is an independent and voluntary coalition of South African and multinational businesses launched in 1995 by former President Nelson Mandela. Today we have over 100 member companies that work together towards sustainable growth and development in South Africa.

**FOR MORE INFORMATION ON
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