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IMPROVING SERVICE DELIVERY

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PREFACE

The ANC councillor capacity building programme

During the twelve months preceding the 5 December 2000 local government elections, the African National Congress (ANC) conducted an assessment of the performance of each of its councillors. Many felt that this process was flawed, as it was never clearly outlined to councillors what would be expected of them. The ANC and the Friedrich Ebert Stiftung (FES) then decided to develop a capacity building programme for all ANC councillors. This programme would ensure that councillors had access to the information they needed and knew what would be expected of them.

The ANC 2000 Local Government Elections Manifesto provided a guide to the issues that needed to be addressed in the support materials. These included:

- improving services to all communities;
- providing a free basic level of services like water and electricity to every household;
- creating jobs in communities where people live;
- working for social and economic development;
- building safety and security in our communities; and
- fighting the spread of HIV/AIDS .

The Manifesto went on to state that councillors should regularly report back to their constituencies, should fight corruption in tendering, hiring and other government functions, and that they were obliged to declare all their assets and business interests. If councillors violate any of the above or the code of conduct for councillors, they will be recalled.

Stages of the project

The first step in the development of the programme was the development of a set of materials based on the issues highlighted in the Elections Manifesto. The following modules have been developed:

- The Legislative Framework of Local Government;
- Free Basic Municipal Services;
- Improving Service Delivery;
- Local Economic Development and Job Creation;

- Social and Economic Development;
- Safety and Security;
- Fighting HIV/AIDS;
- The Political Role of the Councillor;
- Gender; and
- Budget and Finance.

The second step would be to publish the above materials and make them available to councillors as a guide to performance.

Conclusion

The ANC is currently setting up local government accountability structures which are meant to provide, in a structured manner, opportunities for ANC councillors to remain accountable and in touch with ANC structures and voters. During the course of the year, the ANC will also finalise the process for councillor performance audits in time for a mid-term performance review of all ANC councillors. Some of the issues that will be considered during the performance assessments are:

- How has the council performed in terms of meeting its development objectives: integrated development planning? the budget? financial viability? and local economic development?
- How has the individual councillor performed in terms of: implementation of ANC policy and programmes? loyalty and discipline as a cadre of the organisation? participation in council and caucus? constituency work? accountability to ANC structures? observation of the code of conduct for councillors?

The process has not yet been finalised, but would comprise a combination of strategies including data collection, self assessment, peer assessment and assessment by ANC constitutional structures.

1 INTRODUCTION

One of the legacies of apartheid is the enormous infrastructure backlog that it created for the vast majority of the population. Under-investment in municipal infrastructure in black areas under apartheid deprived millions of people of access to basic services including roads, water, sanitation and refuse collection.

In 1998 the government's Investment Review Team estimated the total infrastructure service backlog for a period of five to ten years to be roughly R50 billion, with an average annual deficit of R10,6 billion. The provision of infrastructure services such as water, sanitation, electricity, roads, storm water drainage and solid waste removal is necessary for economic growth and improved quality of life. Delivery remains the big challenge. Local government, in conjunction with national and provincial government, has to address this backlog.

Basic services enhance the quality of life of citizens, and increase their social and economic opportunities by promoting health and safety, facilitating access to work, education and recreation, and stimulating new productive activities.

Municipalities face serious challenges in implementing service delivery options that will enhance existing structures in the sphere of local government. The need to strategically assess and plan the most appropriate forms of service delivery is of utmost importance. Administrations need to be geared to implement the chosen delivery options in the most effective manner and so ensure maximum benefit to communities. According to the Constitution, the executive and legislative authority of a municipality is vested in its municipal council. The Constitution gives municipal councils the obligation to ensure that services are delivered to their municipalities in a sustainable way.

Municipalities must plan service delivery so that their communities receive maximum benefit.

2 MUNICIPAL SERVICES

Municipal services are those services identified in Schedules 4 and 5 of the Constitution, as well as other services that may be assigned to a municipal council by national or provincial legislation. Schedule 4 services are those over which national and provincial government have concurrent legislative competence. They include:

- air pollution;
- building material;
- child care facilities;
- electricity and gas reticulation;
- fire-fighting services;
- local tourism;

- municipal airports;
- municipal planning;
- municipal health services;
- municipal public transport;
- municipal public works;
- pontoons;
- ferries;
- jetties;
- piers and harbours (excluding the regulation of international and national shipping);

Municipalities are responsible for a wide range of services.

- storm water management systems in built-up areas;
- trading regulations; and
- water and sanitation (limited to potable water supply, domestic waste and sewage disposal systems).

Schedule 5 services are those over which provincial government has exclusive legislative competence. They include:

- beaches and amusement facilities;
- billboards and the display of advertisements in public places;
- cemeteries, crematoria, and funeral parlours;
- cleansing;
- control of public nuisances;
- control of undertakings that sell liquor to the public;
- facilities for the accommodation, care and burial of animals;
- fencing and fences;
- licensing of dogs;
- licensing and control of undertakings that sell food to the public;
- local amenities;
- markets;
- municipal abattoirs;
- municipal parks and recreation;
- municipal roads;
- noise pollution;
- pounds;
- public places;
- refuse removal;
- refuse dumping and solid waste disposal;
- sports facilities;

- street trading;
- street lighting; and
- traffic and parking.

3 OVERVIEW OF POLICY AND LEGISLATION

- *White Paper on Local Government*: The White Paper (DPLG, 1998) is the first detailed policy statement to explore how local government can meet its constitutional obligation to be developmental. It defines developmental local government as “local government committed to working with citizens and groups within the community to find sustainable ways to meet their social, economic and material needs and improve the quality of their lives”. The White Paper maintains that the central contribution of local government to social and economic development is the provision of basic household infrastructure – services like water, sanitation, electricity, roads and storm water drains. The starting point must be to prioritise the delivery of at least a basic level of services to those who currently have little or no access to them. The White Paper recommends that municipalities look for innovative ways to provide and accelerate the delivery of municipal services. It further states that municipalities need to seek an appropriate mix of service delivery options. Choices about delivery options should be guided by clear criteria such as coverage, cost, quality and the socio-economic objectives of the municipality. The White Paper promotes Integrated Development Plans (IDPs) as a key tool to improve delivery in a local area. IDPs are meant to provide a holistic and participatory approach for short-term and long-term local government planning. The White Paper also suggests that key performance indicators should be developed to measure the performance of the municipality against human development indices and value-for-money in service provision.

The *White Paper on Local Government* explores how local government can meet its constitutional obligation to be developmental.
- *ANC Local Government Elections Manifesto* (ANC, 2000): This document states that “the public sector remains the preferred provider of core municipal services.” It goes on to say, “[I]n that context public, private or community partners may be introduced to assist in supplying and extending municipal services. Local governments shall develop the capacity to oversee private sector providers to achieve this end.”
- *Municipal Service Partnership (MSP) Policy*: This policy aims to provide a clear framework within which to leverage and marshal the resources of public institutions, community-based organisations (CBOs), non-governmental organisations (NGOs), and the private sector towards meeting the country's overall development objectives. The MSP Policy has been derived from the principles of *Batho Pele* (People First). It actively promotes an ethos of participation by consumers and other stakeholders through the process of determining and implementing service delivery options. The MSP Policy also endorses universal access to basic services, progressive improvement in service standards, and openness and transparency in the processes used for selecting service providers. Underlying this is the core principle that services should be affordable and delivered efficiently. Finally, the MSP Policy supports and encourages better information flows, value for money, avenues for citizens’

redress and, importantly, courtesy in service delivery.

This paper provides an overview of the legal and regulatory environment regarding service delivery, and identifies areas where problems exist.

The current legal and regulatory environment relating to MSP activities is unclear in several respects. This creates risks for councils and service providers alike. These risks increase the projected cost of MSP arrangements, thereby reducing the present viability of many potentially useful MSP projects. This paper provides an overview of the present legal and regulatory environment, identifies where actual and potential problems exist and indicates where legislative reform is necessary to operationalise the MSP Policy.

4 MECHANISMS AND OPTIONS FOR SERVICE DELIVERY

4.1 Introduction

In assessing the appropriateness of different service delivery mechanisms, it is important to note that the choice is not between public and private provision. Rather, the real issue facing each municipality is to find an appropriate combination of options, one which can most effectively achieve its policy objectives.

Municipalities and councillors should embrace innovative new approaches to delivering core municipal services by inviting non-municipal groups and interests to participate in this sphere of local government. The development of new capacities and approaches should go hand in hand with measures to enhance the accountability of the administration and to build relationships of mutual respect and confidence between councillors and the administration. The adoption of any option should be based on a critical review of existing service delivery mechanisms, the requirements for service delivery put forward in the municipal IDP, and a comparative assessment of the performance of other municipalities or other service providers.

An overall plan for the way in which the municipality will provide services (the institutional plan which forms part of the municipal IDP) should be developed. The municipal council should consult with all affected stakeholders in the development of their institutional plan, particularly consumers of the relevant service and the workers involved in providing the service.

National and provincial government will collaborate on the development of a major capacity-building initiative to assist municipalities to develop and implement plans to improve service delivery systems. Municipalities can access advice regarding different service delivery options, as well as their overall approach to transforming administrative systems. Plans to launch the Municipal Infrastructure Investment Unit (which will provide advice to municipalities on private sector investment in municipal infrastructure) are already at an advanced stage. Appropriate support for other approaches to transforming delivery systems will also be established.

Involvement by all councillors at municipal level is of the utmost importance because they will provide much-needed leadership for administrative transforma-

All municipal councillors must be involved in the process of improving service delivery.

tion, promoting new attitudes and approaches, and managing the implementation of programmes and policies that will improve service delivery.

4.2 Principles for safe delivery

In choosing the delivery options for their areas, municipalities should be guided by the following principles. These criteria can also be used to improve existing service delivery options:

- accessibility of services;
- affordability of services;
- quality of products and services;
- accountability for services;
- integrated development and services;
- sustainability of services;
- value-for-money;
- ensuring and promoting competitiveness of local commerce and industry; and
- promoting democracy.

4.3 Elected representatives

4.3.1 The councillors

Councillors are the representatives of the people and owe their primary loyalty to those who voted for them. This may be in their personal capacity and/or because of their political affiliation if they are ward councillors, and/or as members of a particular party if they are elected from their party lists. Whatever the case, it is the duty of councillors to act at all times in the best interests of the residents and the municipality as a whole.

Once elected, ward councillors must realise that they represent all the individuals and stakeholders in their wards, no matter what their background or political views. This includes businesses, community organisations, religious organisations, schools, youth groups and associations representing the elderly.

It is the duty of councillors to act in the best interests of the municipality and its residents.

The responsibilities of councillors are described in the Local Government Municipal Structures Act (often referred to simply as the Structures Act), which also contains a Code of Conduct. The main role of councillors is to ensure that the objectives set out in the Section 152 of the Constitution are achieved. The council is also obliged to review annually the needs of the community, its priorities, how it goes about meeting these needs, and its overall performance in achieving its targets. It also has to develop mechanisms for consulting communities and community organi-

sations to find out what the priorities and needs of residents are. In short, the responsibility for good governance, participatory democracy and effective implementation of programmes lies with the elected councillors.

4.3.2 The role of councillors

The Constitution, the Local Government Municipal Structures Act, and other local government legislation spell out the role of councillors in service delivery. Other sectoral legislation, such as the Water Services Act, also advises on how councillors should participate in delivery. The Structures Act gives councillors the following roles:

- identifying and prioritising the needs of communities living within the area of jurisdiction of the municipality;
- developing strategies and programmes to address their needs, taking into account the financial and economic implications of the desired services;
- determining the methods/mechanisms for delivering services; and
- developing criteria for and evaluating performance in service delivery.

In addition, laws addressing internal systems in a municipality require that in performing these roles councillors should consult with communities, officials local businesses, CBOs, ratepayers' associations, residents and other stakeholders. Councillors should also consider the involvement of other organisations in service delivery, especially in cases where the council itself does not have the money or the expertise to provide services speedily and at low cost. Examples of these organisations include other municipalities, national and provincial governments, service utilities owned by the municipality, private sector organisations, NGOs and CBOs, and traditional authorities. These options should be considered during the planning process, when new services or service up-grades are being considered, or when services are being reviewed.

To ensure effectiveness, councillors need to review service provision systems and to align them with the municipality's broader social and economic development objectives. In particular, municipalities should facilitate job creation and promote entrepreneurship, especially for disadvantaged groups such as emerging contractors, women, youth, black people and people with disabilities. Councillors should proactively revamp rules and regulations that exclude these groups from economic participation. Some of these relate to tendering, zoning and business approval processes. Transparency, accountability and enforcement are key ingredients in the success of this approach.

Councillors must align service provision systems with broader social and economic objectives.

4.3.3 Customer care

Viewing residents as customers is one of the new approaches developing in local government. It suggests that residents need to be served and should be regarded as clients. This is in line with the adoption of the Batho Pele principles, which advocate a culture of good, effective public service. In the past civil servants, including those who worked for municipalities, did not

always see themselves as being employed to serve the people. This is changing and bringing about a new realisation that customer care is a vital part of providing an effective service.

Meeting the needs of consumers does more than make life easier and more pleasant for residents; it also contributes to economic growth and development. For example, if the process for getting building plans approved is time-consuming and laborious, this will not encourage building and will not help contractors, including small businesses in the building industry, to get work. In order to meet its new social and economic development roles, local government is obliged to facilitate economic growth. If businesses or potential investors are unable to interact easily and efficiently with the council they will look for other places in which to invest and spend their money.

The standard of customer care given by the municipality will impact directly on councillors. They can expect to hear from constituents if the telephones are not being answered at the municipality, if bills are inaccurate, if tender procedures are not followed and if complaints about services are not being attended to. Councillors have an important role to play in feeding this information back to council staff and following up to ensure residents are kept happy.

By viewing residents as customers, the municipality as a whole is encouraged to increase professionalism and to provide a good service. However, there has also been criticism of this new term for describing residents. Some people say that the word "customer" excludes poor people who may not be paying customers. They fear that the use of this word marks a shift within local government, which sees wealthier people as more important than less well-off residents. While the concept of customer care and service excellence is important, municipalities can never lose sight of the fact that they exist to serve all residents. Whether they are rich or poor, all residents are customers of the council, and staff must treat them accordingly.

The role of local government has expanded since

South Africa became a democracy.

4.4 Efficient service delivery

4.4.1 The functions of local government

The major contribution that local government can make to development is the delivery of basic services to everyone, particularly those who currently have little or no access to services. The White Paper on Local Government notes, "Good basic services, apart from being a constitutional right, are essential to enable people to support family life, find employment, develop their skills or establish their own small businesses". Effective delivery is at the heart of the local government function and makes this the sphere of government closest to the people.

4.4.2 Alternate approaches to service delivery

In many parts of the world new approaches to the delivery of municipal services are emerging, with many municipalities no longer providing services themselves. There has been a shift from

local government as service provider to local government as service assurer or guarantor. This means that while local government takes responsibility for ensuring that services are delivered, they are not necessarily responsible for carrying out all services themselves.

How, then, are services rendered and what is the thinking behind this move?

In South Africa the role of local government has expanded considerably since the country became a democracy. Its traditional role has been broadened to suggest that local government must play a greater role in the social and economic development of the areas it serves.

Huge service backlogs and prohibitive costs have forced governments world-wide to rethink how they deliver services. Many have shifted away from owning, building and operating large infrastructure and other projects, to managing and regulating the private sector which is contracted to carry them out. Another reason for this shift is that local government administrations are not able to meet these challenges, as their internal structures are inadequate. There is also a line of thinking that argues that because local government administrations have not been structured like businesses, they are sometimes inefficient, wasteful and unable to meet the new demands that confront them. In order to redress this, new ways of delivering services are developing. Some of the new mechanisms are:

- *corporate entities or public utilities:* These public agencies are given semi-autonomous status in order to promote effective operation along business lines. The public agency is then separated and operates at arm's length from the council bureaucracy. This does not mean that the entity is no longer accountable to the council, as policy direction can still be set by the council. Utilities can be established in the big tariff-funded services like water and electricity, as these are self-funding or even profitable.
- *ring-fenced entities:* These can be formed from municipal functions that are funded from rates and are not profitable entities. They could include cemeteries, abattoirs or any other discrete services. Ring-fencing means that the service, although subsidised, operates independently from other parts of the municipality. This allows for greater transparency by exposing the extent to which the council

Consultation and transparency are vital in the new approach to service delivery.

privatisation: Privatisation of local government assets in South Africa has been limited to the sale of non-essential assets. In Johannesburg, for example, the council has sold an airport as well as Metro Gas, a service which was used by only 12 000 people and was running at a loss. Current thinking seems to favour only limited privatisation of local government assets, preferring to seek partnerships in order to ensure that municipalities retain policy control over how a service is being delivered.

As municipalities begin to explore new and better ways of delivering services to everyone, they will have to do so with the needs of the community in mind. Consultation and transparency will be vital, and there is a need to consult widely before whole-scale changes are made. In addition, it will be important to ensure that various kinds of service providers are brought into the net, including small, medium and micro enterprises and black and women-owned businesses.

4.4.3 Sustainable service delivery

Municipal services must be sustainable. This is particularly important against a backdrop of fiscal prudence and scarce financial resources. A clear link must be established between service provision and cost – only then will future continuation of the service be ensured. The municipality and the community must work together to ensure efficient and effective provision, operation and maintenance of the services at an affordable cost

4.4.3.1 *affordable, appropriate services*

The impact of services on the environment must be taken into account before implementation.

The Reconstruction and Development Programme (RDP) provided a benchmark for ascertaining the sustainable levels of services for communities and municipalities. In terms of the RDP Guidelines, services such as water supply, sanitation, electricity, roads, storm water drainage and solid waste removal are grouped into three categories – basic services, intermediary services and full services. Basic services are those at a level adequate to ensure the health and safety of the consumers. The other levels provide a higher degree of convenience, but not necessarily an increase in health and safety despite the higher cost implications.

Rather than viewing services in isolation, current best practice calls for a comprehensive “package” approach. This allows for cross-subsidisation between services that generate income and those that do not. This approach works best in urban areas, where the full complement of services is rendered.

The inter-relationship of services should also be taken into account. For example, it makes little sense to provide waterborne sewerage if the water supply is insufficient. It is equally senseless to develop a system of full waterborne sanitation without upgrading the wastewater treatment works to accommodate the anticipated increase in effluent.

Occasionally, a service provided by another sphere of government impacts on a municipality's ability to render services. The provision of housing is an example. Housing development requires the municipality to provide a package of all or some of the above-mentioned services. Although the capital cost of services is usually included in the price of the stand, it is doubtful that current housing subsidies (at present a maximum of R16 000) are sufficient to pay for the completed house, the stand and the services. Furthermore, the homeowner has to continue paying for the operation and maintenance of the services.

The impact of certain services on the environment is also important. Although in many instances pit latrines may be the most appropriate level of sanitation, they often pose a threat to the underground water in the area. The proper treatment of wastewater through disposal works is absolutely necessary to ensure that the water released back into surface water sources has been purified to acceptable levels. The proper management of landfill sites where solid waste is dumped is equally important for the protection of the environment and the prevention of health hazards.

4.4.3.2 *operation and maintenance of services*

When considering the real cost of services, the capital cost is often taken as the full and only cost of providing the service. However, if operating and maintenance costs over the expected life span of the service are considered, the full life cycle cost easily rises to as much as 250% of the initial capital outlay. The operation and maintenance of infrastructure projects that are funded through grants or other more economic ways of financing may very well prove unsustainable over the long term. Suffice to say that municipalities and communities need to consider very carefully and thoroughly the full financial impact of a particular service or package of services before it is implemented.

4.5 Creating partnerships

The idea of partnership is key to the post-apartheid dispensation in South Africa. This is clear from constitutional and other legislative obligations for consultation and ongoing public participation. In addition, there is a global recognition that effective governance requires that business and the non-governmental sector work together with the different structures of government to meet the challenges of the twenty-first century.

Some of the world's most successful towns and cities owe their success partially to strong community involvement in civic life and partnerships with different stakeholders. In South Africa, partnership is becoming increasingly central to effective local governance. Public involvement in planning and policy decisions helps to ensure that municipal services are meeting needs, and the private and non-profit sector is becoming increasingly involved in municipal service delivery partnerships.

Partnerships
are becoming
increasingly
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effective local
government.

4.5.1 Building partnerships to ensure delivery

Partnerships with stakeholders are built in different ways, but what they have in common is that they require the formal attention of the municipal administration.

A database of organisations that represent residents – including ratepayer and civic associations, development committees and RDP forums – should be built up to facilitate contact with bodies that represent many people. Representative organisations should be used to reach a wider audience. In order to meet the statutory requirements, they should be invited to participate in IDP and other planning processes.

Councillors play an important role in building these partnerships by building personal links with organisations working in their ward and facilitating their access to council decision-making. Strong relations between organisations and the municipality can also help to ensure that service delivery and development programmes are effective.

As municipalities prepare for the changing and growing challenges that face cities, towns and rural areas, the role of the private sector will also become increasingly important. It is essen-

tial that strong and formal ties are built between municipalities and business, as important stakeholders and facilitators of economic development. In Johannesburg, for example, a quarterly meeting takes place between the leadership of the city and its main property owners, and in many towns and cities there are similar regular contacts.

It is also important that councillors build partnerships with trade unions. Since the advent of democracy in South Africa, labour relations in the national and municipal contexts have changed dramatically. Today trade unions are an integral part of the institution of labour relations, and the rights of workers and organised labour are enshrined in the Constitution. Trade unions have a long history in municipal life and many municipalities are highly unionised environments; some members of management also belong to trade unions.

Municipalities
can augment
their resources
by forming MSPs.

Trade unions representing staff in local government in the present context are confronted with multiple challenges. On the one hand, it is their duty to represent municipal workers; on the other hand, workers are often members of disadvantaged communities that in the past have not received services. Municipal workers thus have a real stake in effective service delivery, and it is in their interests to ensure that the best and most effective service delivery options are in place.

As new and alternative service delivery mechanisms are explored, councillors may find themselves in robust debate with trade unions who fear that new ways of delivering services, such as the creation of utilities and corporate entities, are a front for eventual privatisation and job losses.

4.5.2 Municipal service partnerships

4.5.2.1 *What are MSPs?*

An amount of R7-R12 billion in new municipal services investment is required per annum over the next five to ten years to begin to systematically remedy the deficits and disparities in municipal service delivery that are among the legacies of apartheid. However, the timely achievement of the required level of investment is constrained by limited government resources. Satisfying their obligations under the Constitution, and achieving the RDP objectives within a reasonable time frame, will require municipalities to consider augmenting their own resources by forming municipal service partnerships (MSPs).

MSPs can be defined as contractual arrangements for the delivery of municipal services. An MSP may take one of several forms:

- a public-public partnership (between a municipal council and another public entity);
- a public-private partnership (between a municipal council and a private organisation); or
- a public-NGO/CBO partnership (between a municipal council and an NGO or CBO).

An MSP contractual arrangement may be a service contract, management contract, lease, build/operate/transfer agreement, concession, or any other contractual relationship between a municipal council and an MSP service provider.

4.5.2.2 *managing municipal service providers*

The debate around municipal service providers is often presented as an attempt by government to promote the private sector at the expense of the public sector. Many feel that the MSP option is not an end in itself, but simply one of the means available to councils to address the improvement of municipal infrastructure and service backlogs.

In the White Paper on Municipal Service Partnerships (DPLG, 2000), it is stated that MSPs are not intended to be a substitute for traditional methods of direct service delivery nor should they be viewed as an alternative to ongoing efforts to improve the efficiency and accountability of service delivery by the council itself. "Instead, MSPs are intended to provide municipal councils with greater flexibility in addressing service delivery needs." This view is often met with resistance, as is the current situation, with COSATU vehemently opposing inclusion of the private sector in service delivery.

It will be instructive to look at the Cape Town Unicity as a case study.

The document, *Cape Metro at the Crossroads* (tabled in the Unicity Commission in July 2000), paints a picture of a collection of local authorities, soon to merge, as ill-equipped to deal with the simultaneous challenges of reducing poverty and making the city "globally competitive" (Fine, 2000). Management structures and systems and human resources are described as inadequate. Financial resources are said to be scarce, particularly given increases in personnel costs, contributing to "a squeeze on the maintenance of existing assets". One set of recommendations refers to the non-controversial but crucial upgrading of skills, information and other systems. The most heated debate at the time, however, revolved around two other recommendations – firstly, redefining the role of the Unicity with the aim of "assuring the provision of municipal services" (rather than necessarily providing those services), and secondly, defining a "core package of services" to be delivered to all citizens, and providing a range of other services to address the special needs of different constituencies.

For the Democratic Party (DP), which is operating on its own in the context of a developing alliance between the African National Congress (ANC) and the New National Party (NNP) in the Unicity, outsourcing and privatisation are the key to alternative service delivery.

The document takes what sounds like a less ideological, more pragmatic view of "competitive, best-value delivery" – in other words, to deliver services in the most efficient and effective way possible, be it through council operators, public-private partnerships or outsourcing. Of course, the DP would say that its way is, by its very nature, intent on efficiency and effectiveness. In practice, the three parties may not be far apart on this issue.

The unions would also assert their commitment to high delivery standards and a commitment to citizens' needs. However, they seem likely to oppose vigorously any drastic change. At the time the independent chairman of the Unicity Commission, Nico McLachlan, sought to pacify the unions, assuring them that the strategic plan contained no proposals for the privatisation of city assets. McLachlan also pointed to a passage in the document referring to service provision for all, and to the need to ensure basic services for even the indigent. However, "the optimal use of manpower is important", he said.

MSPs are seen by some as an attempt to promote the private sector at the expense of the public sector.

MSP contractual arrangements can take a number of forms, involving greater or lesser degrees of control by partners.

In the case of Cape Town, it is less a matter of ideology and more a matter of real constituency interests. On the whole, the DP will seek a relatively narrow definition of what a core package should comprise. The larger the “core” package, the more will their relatively well-to-do constituents have to cross-subsidise the ANC and NNP supporters in black and coloured townships.

4.5.2.3 MSP contractual arrangements

A contractual agreement between a municipality and an external service provider may take any number of forms. The most typical forms of MSP contractual arrangements and their characteristics are explained below:

- *contract management*: The service provider is responsible for the overall management of all aspects of a municipal service, but without the responsibility of financing its operation, maintenance, repair, or capital costs. Management contracts are typically for three to five years. They generally specify the payment of a fixed fee plus a variable component – the latter being payable when the contractor meets or exceeds specified performance targets. The service provider normally does not assume the risk for collecting tariffs from residents; however, high collection rates could be a trigger for incentive payments to the service provider. An example may be contracting the management of a water utility.
- *service contract*: The service provider receives a fee from the council to manage a particular aspect of a municipal service. Service contracts are usually short-term (one to three years). Examples include repair and maintenance or billing and collection functions. Evidence suggests that this type of arrangement is a starting point for involving CBOs and NGOs in municipal service provision, with capacity and experience developing over time.
- *lease*: The service provider is responsible for the overall management of a municipal service, and the council's operating assets are leased to the contractor. The service provider is responsible for operating, repairing, and maintaining those assets. In some cases the service provider may be responsible for collecting tariffs from residents, and assumes the related collection risk. The service provider pays rent to the council for the facilities, which may include a component that varies with revenues. Generally, the service provider is not responsible for new capital investments or for replacement of the leased assets. Leases are typically for eight to fifteen years. Examples include the lease of a municipal market, port or water system.
- *build/operate/transfer (BOT)*: The service provider undertakes to design, build, manage, operate, maintain, and repair, at its own expense, a facility to be used for the delivery of a municipal service. The council becomes the owner of the facility at the end of the contract. BOTs may be used to develop new facilities or to expand existing ones. In the latter case, the service provider assumes the responsibility for operating and maintaining the existing facility, but may or may not (depending on the contract) assume responsibility for any replacement or improvement of the facility. A BOT typically requires the council to pay the service provider a fee (which may include performance incentives) for the services provided, leaving responsibility for tariff collection with the council.
- *concession*: The service provider undertakes the design, construction, financing,

The Department of Constitutional Development monitors performance and contract compliance in MSPs.

management, operation, repair, maintenance and replacement of a municipal service facility or system. The service provider often assumes responsibility for managing, repairing, and maintaining related existing facilities. The contractor collects and retains all service tariffs, assumes the collection risk and pays the council a concession fee (sometimes including a component that varies with revenue). The municipality remains the owner of any existing facilities operated by the concessionaire, and the ownership of any new facilities constructed by the concessionaire is transferred to the municipality at the end of the concession period. A concession contract usually runs for 20 to 30 years, depending on the level of investment and the payback period needed for the private operator to recover investment costs.

4.5.2.4 *additional institutional functions*

The MSP policy contemplates the establishment of two new institutional functions, one at the national level and the other at the municipal level.

The national MSP regulatory support unit within the Department of Constitutional Development (DCD) is aimed at supporting post-contract regulation, performance monitoring and contract compliance activity

- the democratic process of local elections. The principal formal check on how they exercise their executive, legislative and administrative powers occurs only when a new council is elected.

However, the White Paper on Local Government advocates a more accessible system of participatory governance, partly reflecting the fact that service delivery affects consumers on a day-to-day basis. Failures of service delivery occur from time to time, and municipal councils and council officials need to be responsive in promptly addressing and remedying such failures. The absence of an effective mechanism for communicating and addressing residents' concerns with respect to municipal services can lead to a variety of responses, ranging from individual frustration to widespread consumer refusal to pay for municipal services. No matter how effectively a council may be monitoring and enforcing an MSP contract, enhanced participatory processes through ward committees, mechanisms for feedback from residents, and dealing with customer complaints in a sympathetic and responsive manner, are all essential parts of ensuring that consumers receive satisfactory day-to-day service.

Feedback from residents is crucial in enabling councils to deliver municipal services.

Councillors and officials must advocate the Batho Pele principles and ensure that residents are:

- *consulted* about the level and quality of their public services;
- informed about what level and *quality of public services* to expect;
- provided with *equality of access* to services;
- treated *courteously* and given full and *accurate information* about service standards and performance;
- entitled to *openness and transparency* in the operations of government;
- able to seek *redress* when services are not delivered; and

- provided with *value for money* by all service providers.

Feedback from residents is crucial in enabling municipal councils to fulfil their constitutional obligations to ensure the delivery of municipal services and to comply with the principles of Batho Pele. Residents require timely and effective ways to express to the council their opinions regarding service delivery and to obtain redress where appropriate, both with respect to services delivered directly by the council and those delivered through MSPs. Such mechanisms can promote resident empowerment, help curb possible abuses of monopoly positions by service providers, and enhance local processes of governance and democracy.

A council may choose (on its own initiative or based on political pressure from its constituents, local NGOs or CBOs), to provide such mechanisms by creating the position of a municipal services public protector, whose terms of reference should include:

- actively soliciting resident and consumer opinion on municipal service provision, including the performance of the municipal council and MSP service providers;
- collecting, analysing, and evaluating resident and consumer complaints regarding municipal service delivery;
- after consultation with the service provider, meeting with the complainants and advising them regarding the validity of their complaints and potential solutions;
- advocating the valid complaints and proposed solutions to the council or municipal officials;
- advising the complainants of the council's decision and the council's proposed remedial actions; and
- monitoring the implementation of the council's remedial actions and informing residents and consumers.

A municipal services public protector should complement and support the council, rather than replacing its functions.

In carrying out these roles, the municipal services public protector may be either an official appointed by the council and within its administrative structure, or directly elected by the same constituency that elects the council. For a municipal services public protector that is directly elected, the advantage of a separate and independent mandate will strengthen the role of the office.

The municipal services public protector's role is intended to complement and support the functioning of the council and of judicial and regulatory institutions, not to be a substitute for those institutions. Therefore, to preserve the processes of democratic governance, the municipal services public protector would not be empowered to overturn a decision of the council or to force it to make or carry out a particular decision. However, councils would be obliged to consider complaints and proposed remedies put to it by the municipal services public protector and to consider suitable actions that would remedy the causes of the complaint.

4.6 Performance management systems

South African municipalities have very different levels of administrative capacity. Approaches which build on existing capacity must be based on an evaluation of the skills, capacity and potential of the existing administration.

<p>Municipalities must evaluate existing skills and potential before they can improve administrative capacity.</p>	<p>Management reform involves building a commitment to results and value-for-money. It also involves a service orientation where labour is a partner in delivering services to the community. This stands in sharp contrast to the bureaucratic culture of budget maximisation, centralisation and control, and the emphasis on inputs which is prevalent in many municipal administrations.</p>	<p>Feasibility studies examine the technical and financial viability of MSP projects.</p>
	<p>With the workforce comprising mainly semi-skilled or unskilled black workers, management still predominantly white and schooled in authoritarian and outmoded management practices, two approaches for improving internal efficiency are management reform and worker empowerment. Both imply wide-reaching changes in the way the municipality is organised and operates. Management reform measures include (but are not limited to):</p>	
	<p>the introduction of performance-based contracts for senior staff: Performance-based contracts can improve accountability and induce a focus on outputs. The possibility of performance-based contracts for the first two or three reporting levels of senior officials is suggested in the White Paper on Local Government. These posts would remain professional appointments, but employment contracts would specify job outputs (results to be achieved) and performance standards. Contracts would be renewable based on an assessment of performance against specified targets. The introduction of performance contracts would need to be in accordance with fair labour practice.</p>	
	<p>revising or developing codes of conduct: Existing codes of conduct tend to emphasise the prohibition of certain actions, such as corruption or financial and ethical misconduct. While these prohibitions are important and must remain in force, codes of conduct should also bind employees to proactive action. For example, codes of conduct could oblige management to act in the interests of the community, to consult relevant stakeholders and to develop staff within their departments.</p>	
	<p>affirmative action: Municipalities need to ensure that the gender and racial composition of management reflects the composition of South African society. Municipalities should develop affirmative action programmes in line with the National Labour Relations Forum framework, and develop mechanisms to support and monitor the implementation of their programmes.</p>	
	<p>Management reform goes hand-in-hand with worker empowerment. The central thrusts of worker empowerment are human resource development and the decentralisation of operational responsibility. In many municipal administrations hierarchical grading systems and narrow job definitions have deskilled jobs at the front-line level. Combined with inadequate training, the lack of opportunities to influence job content and organisation, and poor management practices, the result is a demoralised and inefficient workforce. Mechanisms to improve performance include (but are not limited to):</p>	
	<p>empowering and enhancing the skills of the front line: Front-line workers interact with the community and end-users of services on a daily basis. As such, they need to be empowered to provide information, services and advice to the community. The front line needs to be reskilled, and encouraged to play a more active role in building co-operative relations between municipalities and communities. Strategies to develop the skills of front-line staff should be included in the integrated human resource development strategies of municipalities, which should cover capacity building, training, staffing, and labour relations.</p>	
	<p>decentralisation of operational management responsibility: Within an organisational framework</p>	

Potential MSP projects should be an integral part of a municipality's IDP.

which specifies clear objectives, outputs and performance standards, the decentralisation of operational management responsibility encourages innovation and commitment. Decentralisation can take different forms, from increasing the discretion of operational management to the creation of self-managed work teams. Decentralisation of management responsibility should be accompanied by training, and should be situated within a programme of organisational development.

developing strategies together: Ongoing consultation and communication ensures that the workforce is informed about and contributes to the development of organisational strategies and vision. Mechanisms to facilitate consultation range from regular meetings between organised labour, management and councillors, to breakaways to discuss specific issues.

Training and capacity-building is an essential part of both management reform and worker empowerment. Joint training programmes for managers from different line functions, or for management and workers, can be particularly effective in building a common vocabulary, in encouraging an understanding of concepts, issues and problems, and in developing approaches to service transformation.

Whichever combination of alternative service delivery mechanisms is adopted, municipalities will need to invest in restructuring and reorienting their existing administrative capacity and systems if service delivery is to be improved.

4.7 Implications for financial viability

The use of feasibility studies is one way of examining the technical and financial viability of MSP projects. This also includes an examination of a project's environmental sustainability, and its probable risks and benefits for the municipal council, residents and other key stakeholders.

There have been claims that government has failed to provide the kinds of institutional and financial backing necessary for a proper dialogue. Countless seminars and conferences "are mainly about creating a better environment for the private sector's role in water and other municipal services" (McDonald, 2000).

McDonald also states that part of the problem lies in donor funding. "Much work done on service delivery options (and the improvement thereof) in South Africa has been funded by donor agencies, which have private sector participation or cost recovery as a prerequisite. The Municipal Infrastructure Investment Unit, for example, has as its mission 'to encourage and optimise private-sector investment in local authority services'. Funded by the US International Development Agency, the unit has spent tens of millions of rands on private-sector consultants."

5 HUMAN RESOURCES

Any MSP – and ultimately any councillor's capacity – depends on its management and systems resources. Attention focused on capacity enhancement will lead to improved service delivery by strengthening the development of feasible service delivery goals and implementation strategies.

A municipality's Integrated Development Plan sets out the overall strategy for achieving its developmental objectives. The IDP includes strategies for mobilising resources and capacity, and for transforming its service delivery mechanisms.

As part of its IDP process, a council should consider which services can best be provided directly by the council, and which services may be candidates for MSPs. Candidate MSP projects should be an integral part of a municipality's IDP. The results of this process must then form part

of the council's Municipal Infrastructure Investment Plan (MIIP).

Continuing support for capacity enhancement is essential to achieving sustainable improvement in municipal service delivery. Whether municipal services are delivered directly by councils or through MSP arrangements, councils require functional capacity to:

Good municipal capacity requires many specialised skills.

- determine appropriate service levels;
- prepare an IDP;
- plan for service delivery on a sector-by-sector basis;
- marshal management, human and financial resources to ensure service delivery;
- determine tariffs and promote effective and efficient tariff collection;
- monitor performance so that service delivery goals and standards are achieved – manage and conduct stakeholder consultation;
- co-ordinate service delivery activity with other spheres of government; and
- adjust service delivery activities over time.

Municipal capacity in these areas requires many specialised skills, including:

- governance skills*: identifying community needs, setting priorities, exercising political leadership, decision making;
- facilitation skills*: identifying stakeholders, eliciting their views, consensus-building, resolving conflicts, developing and implementing consultative processes, communicating with stakeholders; and
- management and administrative skills*: planning, preparing, and reviewing financial analyses, budgeting, accounting, ensuring legal and regulatory compliance.

Given the importance of capacity for the achievement of improved service delivery, the Department of Provincial and Local Government (DPLG) should continue to facilitate the enhancement of local government capacity by:

- preparing and issuing advisory guidelines to assist municipal councils to determine and implement suitable and effective practices in service delivery programmes;
- co-ordinating the provision of technical assistance to councils for the preparation, procurement and post-transaction management of projects; and
- seeking complementary donor initiatives to support training and related capacity enhancement activities in support of these activities.

6 LABOUR ISSUES

The Labour Relations Act (LRA) requires employers to consult with employees on matters relating to the workplace and changes in work practices. It also binds employers to future national or provincial collective agreements that provide for consultation with labour on matters in addition to those described in the LRA, or for more extensive joint decision making than is implied in the LRA.

Because the improvement of service delivery would in some cases involve MSPs, this would in effect open the door to workplace restructuring; consultation with labour should be an integral part of this process. However, the LRA does not specify the timing and the scope of the consulta-

tion process. The interpretation of such decisions would, therefore, be subject to constitutional and common law requirements of fairness and reasonableness. This creates uncertainty for stakeholders (and investors in particular) until such time as a body of case history has been established.

Correctly choosing, planning and effecting appropriate delivery options requires high-level strategic capacity and a commitment to meeting community needs in a consultative manner. However, these capacities must be underpinned by a qualitatively different set of employer-employee relations within each municipality.

Approaches to improving service delivery efficiency and quality, which build on existing capacity, are most likely to succeed if they are structured as a partnership between council, management and labour. Other partnership approaches have implications for the position of workers in the administration, and no amount of capacity to plan, effect and administer them will bring success unless the real concerns of labour are recognised and addressed.

While the successful transformation of municipal administrations depends on recognising the particular interests of labour, labour's interests cannot stand in the way of transformation or delivery to communities. The South African Local Government Bargaining Council is a critical forum for shaping the partnership between labour, management and councils around new service delivery and development objectives. Such national negotiations must take into account the specific problems of individual municipalities, including their ability of any municipality to afford enforcement of national or provincial agreements.

Key issues that need to be addressed by the South African Local Government Bargaining Council include:

- ensuring greater flexibility in the retraining and re-deployment of staff, in order to enable a redistribution of administrative resources;
- introducing a more customer- and performance-oriented service system;
- ensuring that wage negotiations and conditions of service support fair and equitable labour practices, and do not undermine the need to prioritise service delivery to communities and to sustain viable local government, particularly in smaller municipalities; and
- improving the level of accountability and commitment to delivery within municipal administrations.

In order to achieve this, the capacity of the South African Local Government Association (SALGA) as an employer's organisation and the capacity of municipal trade unions must be enhanced.

7 CASE STUDIES

7.1 South African case studies

7.1.1 Nelspruit: a municipal service partnership

Before 1994, Nelspruit had a population of about 24 000 people. Shortly afterwards, the area of jurisdiction of the Nelspruit Transitional Local Council (TLC) was expanded from about 4 000 km² to about 34 000 km², encompassing at least 240 000 people. As a result of this increase, the Nelspruit TLC found itself unable to cope with the demand for new and improved services such as water and sanitation. It became a municipality in crisis.

In 1995, the TLC estimated that the provision of basic water and sanitation services to all Nel-

Nelspruit's TLC decided that it needed outside help to meet its service delivery obligations.

spruit's residents would cost about R250 million. At that point, Nelspruit's annual capital budget for all services was R21,7 million. The TLC was allowed 6% annual growth on its capital budget

Various aspects of the Nelspruit MSP should be noted by councillors.

-Syria defined in a request for proposals, the TLC announced in October 1997 that BiWater-Metsi a Sechaba was the successful bidder.

In terms of the contract, BiWater-Metsi a Sechaba would undertake for and on behalf of the Nelspruit TLC the supply of water and sanitation services within the municipal area. The company would deliver this service subject to the conditions of the contract, the approved tariffs and in accordance with all applicable legislation. BiWater-Metsi a Sechaba would also undertake all the investment necessary to improve and expand the existing water and sanitation works to ensure the supply of water and sanitation services to prescribed performance standards.

The private contractor had overall responsibility for the services it was contracted to provide, including operation, maintenance and management, as well as the capital investment necessary for the expansion of services. All fixed assets, however, remained the property of the municipality, although they were entrusted to the contractor for the duration of the concession contract.

The advantage of combining responsibility for operations and investments in the same entity is that it provides an incentive to the operator to make efficient investment decisions. It also provides an incentive for technological innovations, because the operator will benefit directly from any efficient improvements. Penalties in concession contracts are levied if the contractor fails to meet either the targets for service coverage or the quality of services specified in the contract.

Councillors should be aware of certain questions and answers with regard to this project:

Has the Nelspruit TLC abdicated its responsibility to provide water and sanitation services to its residents?

No. The activities and performance of BiWater-Metsi a Sechaba will be monitored by the TLCs in accordance with the provisions of the contract and the applicable legislation. In other words, the TLC will approve the tariffs levied for water and sanitation services. It will also monitor the way in which these services are provided. If the contractor stops the supply of these services to a resident, the TLC is entitled to investigate the circumstances. The TLC will also monitor the impact that supplying these services may have on the environment.

Was organised labour consulted before the contract was awarded?

Yes. Both unions recognised by the Nelspruit TLC – IMATU and the South African Municipal Workers' Union – were consulted. IMATU and its members are currently participating in the process of negotiating the terms and conditions of employment with BiWater-Metsi a Sechaba. IMATU has expressed no objection to the public-private partnership. Initially SAMWU participated fully in the consultation process, but later decided to object to the involvement of the private sector in the provision of basic services. In the early stages, consultations focused on the different service-provision options and the identification of the concession route as a solution. In later stages the focus shifted to employees' interests. Numerous consultations have taken place in an effort to accommodate the concerns of the unions, particularly SAMWU, and to ensure that the interests of all TLC staff are protected. The project has subsequently been discussed in a number of high-level meetings between COSATU, SALGA and then Minister of Constitutional Affairs and Provincial Government Valli Moosa. A framework for evaluating such projects has been agreed between government and COSATU. COSATU has reviewed the draft contracts for the project, and their comments have been incorporated.

Has the public-private partnership process been consistent with government's rules and

regulations for integrated development plans, as per the Local Government Transition Act, 1993?

The Department of Water Affairs and Forestry strives to strengthen its commitment to transformation.

Yes. A formal integrated development planning process is still under way in Nelspruit. The TLC has followed and is following all relevant rules and regulations associated with this process.

Has Nelspruit acted in accordance with the Department of Constitutional Development's guidelines for public-private partnerships?

Yes. These guidelines were published in mid-1997, at least a year after the Nelspruit public-private partnership process had begun. Despite this, the Nelspruit TLC has substantially complied with the guidelines.

Nelspruit acted in accordance with Department of Constitutional Development guidelines.

Has the Nelspruit TLC's decision contravened the Water Services Act of 1997, because public water providers were not "utilised before municipal companies were chosen"?

No. The Nelspruit TLC consulted the Minister of Water Affairs, who is comfortable with the process followed in Nelspruit.

The South African Local Government Bargaining Council agreed on 30 June 1997 to "improve and extend service delivery within the public sector before privatisation is even considered". Does the project contradict this agreement?

No. The resolution clearly does not apply in circumstances where massive new infrastructure development is required, and where it is obvious from the surrounding circumstances and budgetary constraints that a municipality does not have the resources or finances to deal with the magnitude of the problem. It would lead to absurd results if municipalities were first required to give their own departments an opportunity to exercise functions with which they are clearly not able to cope.

Will the Nelspruit public-private partnership threaten the job security of workers?

No. Workers will not be retrenched, and workers' benefits will be as good or better than before. In terms of the Nelspruit TLC's agreement with BiWater-Metsi a Sechaba, all municipal workers involved in the provision of water and sanitation services must be employed on the same or better conditions of service; this is an essential condition of the contract. All bidders were required to put forward innovative proposals regarding staff training and development, as well as remuneration policies such as equity schemes, support for the education of workers' children, funding of community development programmes, youth and women development programmes, and so on. All bidders were also required to include proposals in their bids for the development of small contractors, the enhancement of local businesses and professionals, and the development of and support for small enterprises.

Will tariff increases resulting from the Nelspruit TLC's decision mean that poor people and workers will have less access to services?

No. The average combined water and sanitation tariff proposed by private operators bidding for contracts in Nelspruit reflect a price that allows for substantial capital investments over 30 years, with no significant increases in tariff levels.

Will the public-private partnership mean that local councils will lose control over the quality, manner and extent of water provision?

No. The Nelspruit municipality is responsible for setting standards and targets for water delivery as part of its planning process.

Will the public-private partnership mean that disadvantaged areas will not be served?

Nation building, transformation, and problems of diversity impact on service delivery.

No. The whole purpose of the public-private partnership is to extend services to disadvantaged and under-serviced areas.

7.1.2 Department of Water Affairs and Forestry: an attempt to improve service delivery

The Department of Public Service Administration declared 22 June Public Service Worker's Day. In partnership with the Government Communication and Information System, all government Departments were called on to participate in the campaign to celebrate the public service worker and to improve service delivery. The Department of Water Affairs and Forestry (DWAF) saw this as an ideal opportunity to give impetus to the Department's *Batho Pele* campaign, to strengthen the commitment to transformation, and to contribute to the process of nation building.

In terms of the public service campaign, departments were to start a process of consultation with employees to gauge concerns around service delivery, how these obstacles could be overcome, and how improvements could be made. Departments were advised to take this process of consultation right down to regional levels and across all staff levels. This process was to produce not only employee views but also staff representation from all levels, taking into consideration cultural background, gender and disability status.

In furthering the *Batho Pele* campaign, the Department decided that October 2001 would be celebrated as service delivery month, with the emphasis on customer care. For the DWAF, the purpose of the campaign is to:

ensure a greater sense of morale and pride in being a public servant;
create a platform where public servants can engage their Executive;
allow public servants to raise issues that are hindering service delivery;
listen to public servants suggest ways of removing obstacles; and
improve service delivery by promoting the principles of *Batho Pele*.

The DWAF has adopted the principles of *Batho Pele* and has communicated them to all its employees. Many of them are still to be implemented in branches, and clients of DWAF are as yet unaware of the expected standard of service delivery. Internal audits indicate that there is also much to be done to improve service delivery to public service workers themselves. The Department has yet to create opportunities to allow employees to raise issues about their duties, their working environment and their role as state employees. Nation building, transformation, and problems of diversity are all issues that impact on service delivery.

Communication objectives include the following:

Design and produce communications products to publish, promote and enhance the campaign, and to educate the target market about issues of the campaign, and to canvas the views of employees regarding service delivery.

Ensure that this campaign is distinguishable from other internal campaigns.

Ensure that the campaign and its principles are communicated to the external market.

Brand the campaign and ensure consistency in all communication products as well as high visibility for the slogan of the campaign.

The message the campaign should promote is that public service workers are proud to serve

each other, the public and the state. This is encapsulated in the slogan, "Department of Water Affairs and Forestry: Proud to be of service to you."

In 1994, Hungary began to privatise parts of its energy industry.

To begin the process, DWAF declared October 2001 to be Public Service Month. Frontline staff, reception, security officials and the like will be trained and changing and creating a better image for all who come in contact with DWAF officials will be called on to enhance the public image of DWAF by doing their service to external and internal clients. To promote this campaign aims, the Chief Directorate of Communication Services was asked to produce *Batho Pele* principles and branding the campaign, banners for all regions to promote the campaign, and sticker badges for all staff.

The privatisation process in Hungary did not go smoothly, with recriminations on all sides.

The DWAF intranet was used to provide easy access to campaign information, DWAF used its internal publications like *Shotha* (a weekly update) and *Hlathi Manzi* (a monthly magazine) to promote the campaign, to give information on how service could be improved, and to keep DWAF employees informed.

7.2 International case studies

7.2.1 Hungary: energy privatisation

The Hungarian government embarked on a programme of privatisation of parts of their energy industry in 1994. The programme proved politically controversial, and was delayed for a number of reasons. Two ministers of privatisation resigned during this period. The political and economic issues debated included:

how far the industry should be broken up before privatisation;
how rapidly energy prices would be allowed to rise following privatisation; and
what rate of return on capital should be used as a benchmark.

The Hungarian energy trade unions raised a number of concerns about the social impact of privatisation on employees. These included concerns about:

loss of jobs;
retraining and redeployment for displaced workers;
a collective labour contract for the electricity industry;
the future administration of social and welfare facilities in the industry; and
opportunities for employees to buy shares.

The Hungarian government consulted with the trade unions before and during the privatisation of the energy sector. However, the trade unions felt that they were not always being properly consulted and involved. Strike action was threatened on at least one occasion. International organisations became involved in asking the Hungarian government to negotiate. In July 1995 the government reached agreement with the trade unions on all the issues that had been raised. The agreement included three specific points:

A percentage (5%) of the money received for the shares would be used to create a fund for retraining and redeployment of displaced workers.
The observation of the industry collective labour contract would be a contractually binding condition of the share sales; employment levels in the privatised companies would be protected.
The companies would be allowed a rate of return of 8%. (The status of this has since been disputed, with the companies arguing that it was a guaranteed minimum.)

The first stage of privatisation was introduced at the end of 1995. The privatisation agency sold shares in regional electricity distribution companies, gas distribution companies, and some electricity generating companies. In each case, the shares sold represented less than

50% of the companies' share capital.

The attempt by Buenos Aires to privatise municipal services has also faced problems.

The shares were sold to a number of foreign energy companies, including Tractebel, Electricité de France and RWE. The new owners said they were pleased with their purchases, and many of them declared their intention of investing more money in the Hungarian companies. In the case of RWE, German managers and trade unionists advised Hungarian colleagues on how to set up works councils and bargaining arrangements that reflected those operating in Germany.

Nearly all the purchasers were continental European companies. Both UK and the USA energy companies were concerned that the likely rate of return was neither high enough nor guaranteed enough.

The following year, 1996, the Hungarian government decided that it could not allow energy prices to rise as much as had been anticipated at the time of sale. The reason was simple political concern over the impact on the cost-of-living of Hungarian citizens. The foreign companies protested very strongly, and in some cases threatened to withdraw their investments. In the end a compromise was reached.

At the same time, the Hungarian trade unions accused some of the companies of not observing the collective agreement on pay and conditions. The companies had not implemented the increase in pay, which was due under those agreements. First RWE and then Tractebel said that they wanted to withdraw from the national agreement.

The Hungarian energy union appealed for support from international trade unions, especially in the home countries of the multinational energy companies with which they were in dispute. This resulted in extra pressure being brought to bear on these companies to observe the national agreement in Hungary. Following this domestic and international pressure, the companies did eventually implement the pay rises.

7.2.2 Argentina: water and sewerage in Buenos Aires

One of the most quoted examples of improvement in the municipal services sector is Buenos Aires. The water and sewerage services in the Argentine capital were handed over in 1993 to Suez Lyonnaise des Eaux on a 30-year contract. This French firm has a stake in Johannesburg's recent private management contract for water and waste.

Suez Lyonnaise des Eaux has been actively lobbying for water and waste contracts in South Africa, using Buenos Aires as a selling point. As a result, there have been at least two evaluation trips to Buenos Aires by groups of South African municipal officials. They returned enthusiastic – not only was the firm making large profits, but water reticulation and sewerage provision had burgeoned.

However, a report released on 3 May 2001 showed that the Buenos Aires experiment has been anything but an unalloyed success. The report, compiled by the Municipal Services Project (2000) is highly critical of this supposed flagship of water privatisation.

The Municipal Services Project, a joint venture involving the University of the Witwatersrand in Johannesburg and Queens University in Canada, undertook a six-week survey in Buenos Aires. Among other things, researchers discovered that the increase in water and sewerage connections listed had little to do with an increase in service provision. A large number of connections came under the control of the local firm when the municipal boundaries were extended. Existing water and waste connections were simply added to the figures.

The MSP report has been taken up by the trade unions as further evidence that privatisation is not a solution.

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9 LIST OF ABBREVIATIONS

ANC	African National Congress
BOT	Build/Operate/Transfer
CBO	Community Based Organisation
DCD	Department of Constitutional Development
DP	Democratic Party
DPLG	Department of Provincial and Local Government
DWAF	Department of Water Affairs and Forestry
IDP	Integrated Development Plan
LRA	Labour Relations Act
MIIP	Municipal Infrastructure Investment Plan
MSP	Municipal Service Partnership
NGO	Non-governmental Organisation
NNP	New National Party
PPCP	Public-Private-Community Partnership
PPP	Public-Private Partnership
RDP	Reconstruction and Development Programme
SALGA	South African Local Government Association
TLC	Transitional Local Council