

**OPTIONS FOR URBAN SERVICE  
DELIVERY IN SOUTH AFRICA WITH  
SPECIAL REFERENCE TO THE  
TSHWANE METROPOLITAN  
MUNICIPALITY**

**By**

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## SUMMARY

The primary goal of all research is to discover knowledge. The objectives of this research were; firstly, to investigate and describe the previous (that is pre-1994) and the current (post 1994) status of local government. Secondly, to identify and describe problems with service delivery at local sphere with particular reference to the Tshwane Metropolitan Municipality (the unit of analysis for the research). Thirdly, to investigate and explore the various delivery options that can be used as tools to improve the delivery process by exploring. Fourthly, the extent to which they are used presently at the Tshwane Metropolitan Municipality and in the future. Finally, to provide guidelines and recommendations for implementation as a hypothetical model for use by The Tshwane Metropolitan Municipality and other municipalities in their efforts to improve/enhance service delivery.

The year 1994 ushered in a new era for South Africa. It saw South Africa become a democratic country after decades of apartheid rule. Apartheid as a government system was discriminatory in nature on racial lines since 1948. The results of which are still felt and can be seen today. The apartheid system was such that government spending was directed towards the development of White people and White areas. The Black people were neglected with little or no spending on basic services such as health, housing, education, roads and infrastructure, water and electricity. In some respects the current government inherited a first world infrastructure, however it is still faced with third world issues and imperatives namely social development, service delivery, unemployment and poverty. The problem of service delivery backlogs is not one unique to South Africa but a problem faced by many African and developing nations. Creating the good life for its citizens will remain the challenge for the South African government on all its spheres, but even more so for the local sphere since municipalities (that make up this sphere) are the government closest to the people and interact more closely with communities through the delivery of the various services as required by the *Constitution of the Republic of South Africa, 1996 (Act 108 of 1996)*. Municipalities, through

their administration, policies and actions play a critical role in reshaping communities.

Given the immense needs for service delivery particularly in previously neglected areas of the Tshwane Metropolitan Municipality area, the research question asked was;

*To what extent can alternative delivery options be used to solve service delivery backlogs and problems in the local sphere of government in South Africa with particular reference to the Tshwane Metropolitan Municipality?*

In the endeavour to answer the research question, a description of the current nature or status of local government in South Africa was given. An explanation was also given of the concept of alternative service delivery and the various alternative service delivery options that are available for application by municipalities such as the Tshwane Metropolitan Municipality to enhance service delivery. It is a decade since South Africa became a democratic state and despite promises and efforts to improve service delivery to the public there still exist backlogs in service delivery.

The research concluded that reform is obligatory to revitalise municipalities and enhance service delivery, thus ensuring access to services becomes a reality for all. It appears that based on this research, traditional institutional mechanisms and arrangements, and conventional management approaches have proved to be ineffective and inefficient to meet current realities of service delivery. Municipalities should remain true to the principle of a learning institution, continuously seeking to improve its performance by experimenting with new processes, approaches and ways of achieving its goals or by benchmarking. There is therefore, a need for innovative solutions, strategies *and* new ways of structuring institutions and delivering services. This implies a change in processes, a change in people and a change in culture. All municipalities including the Tshwane Metropolitan Municipality need to

constantly review and restructure their institutions in search for more effective ways of achieving goals and meeting service delivery needs of the communities they serve. However, a thorough institutional analysis of the status quo needs to be undertaken or else the restructuring endeavour is baseless and such an endeavour runs the risk of failure. Any restructuring endeavour is time consuming and complicated as all stakeholders have to be consulted and many circumstantial issues have to be considered. This study provides a recommended hypothetical model for reform that could be applied by municipalities wishing to reform for the purpose of enhancing service delivery. The model, though simplistic could serve as a basic guide that municipalities and municipal departments can use should they wish to undergo changes in order to improve service delivery.

## List of Contents

### Chapter 1: General introduction

1.1 General introduction	1
1.2 Frame of Reference	1
1.3 Problem Statement	2
1.4 The research question	3
1.5 Objectives of the research	3
1.6 Statement of hypothesis	4
1.7 Significance of research	5
1.8 Methodology	7
1.9 Limitations of research	8
1.10 Definition of terms	9
1.10.1 Local government	9
1.10.2 Municipal council	9
1.10.3 Local government management	10
1.10.4 Alternative service delivery	10
1.10.5 Partnerships	11
1.10.6 Privatisation	11
1.10.7 Corporatisation	11
1.10.8 Electronic service delivery	11
1.10.9 Private sector vs. public sector	12
1.10.10 Change and change management	12
1.10.11 Reengineering	12
1.10.12 Restructuring	12
1.10.11 Restructuring	12
1.10.13 Internet and the World Wide Web	13
1.10.14 E-commerce or e-business	13
1.10.15 Electronic democracy	13
1.11 Structure of Research: Chapter Summaries	14

## **Chapter 2: Local government in South Africa**

2.1 Introduction	16
2.2 Description of local government in South Africa	17
2.2.1 Characteristics of municipalities	18
2.3 Historical context of local government in South Africa	18
2.3.1 Local government transformation	19
2.3.1.a Local government negotiating forum	20
2.3.1.b Local Government Transition Act (Act 209 of 1993)	21
Local government in South Africa after 1994	22
2.4.1 Status of municipalities	22
2.4.2 Powers and functions of municipalities	23
2.4.3 Values and principles applicable to local government	23
2.4.4 Normative guidelines of public administration	24
2.4.4.a Batho pele principles	24
2.4.5 Categories of municipalities	26
2.4.5.a Metropolitan municipalities	27
2.4.5.b Roles and responsibilities of a metropolitan council	28
2.5 The general environmental framework for local government service delivery	30
2.5.1 The macro-environment	32
2.5.1.a The political environment	32
2.5.1.b The economic environment	33
2.5.1.c The social and cultural environment	34
2.5.1.d The technological environment	36
2.5.1.e The statutory legislative environment	38
2.6 The objectives of municipalities	39
2.6.1 Municipalities and service provision	40
2.8 Conclusion	43

## **Chapter 3: Alternative service delivery options**

3.1 Introduction	44
3.2 What is alternative service delivery	45

3.3 Rationale for Alternative service delivery: Pressures of Change	47
3.4 The legislative framework for alternative service delivery for South African municipalities	49
3.4.1 The Municipal Infrastructure Investment Unit(MIIU)	51
3.5 Alternative Service Delivery Options and Innovations	51
3.5.1 Partnerships as alternative service options	52
3.5.1.a The rationale for partnerships	54
3.5.2 Outsourcing or Contracting out	55
3.5.2.a Service contracts	57
3.5.2.b Management contracts	58
3.5.2.c Criticism and obstacles to effective contracting	62
3.5.2.d Leasing and franchising arrangements	63
3.5.2.e Partnerships with non-governmental organisations	66
3.5.2.f Public partnerships - shared delivery	67
3.5.3 Concerns regarding private public partnerships	68
3.6 Conclusion	69

#### **Chapter 4: Alternative service delivery options: Corporatisation, privatisation and electronic service delivery**

4.1 Introduction	70
4.2 Corporatisation as an alternative service delivery option	70
4.2.1 Rationale for creating separate entities	72
4.2.1.a Agencies	72
4.2.1.b Utilities	73
4.3 The Canadian Experience: Special Operating Agencies (SOAs)	74
4.3.1 Description of Special Operating Agencies	74
4.3.2 Underlying rationale for special operating agencies (SOAs)	75
4.3.3 Departments best suited for the SOA model	75
4.3.4 Framework document	76
4.3.5 Evaluation of the efficacy of creating separate entities	76
4.4 Privatisation as an alternative service delivery option	78
4.4.1 Divestiture or service shedding	79
4.4.2 Objectives of privatisation	81



4.4.3 Arguments in favour of privatisation and benefits of privatisation	83
4.4.3.a Efficiency	83
4.4.3.b Benefits of privatisation	83
4.4.4 Arguments against privatisation	84
4.4.4.a Displacement of public employees: job losses	85
4.4.4.b Fear of price increases	85
4.4.4.c Exclusion	86
4.4.4.d The efficiency of the private sector	86
4.4.5 Theoretical and practical underpinnings of privatisation as development strategy in less developed countries	86
4.4.6 Determining the feasibility of privatisation	87
4.5 E-Government/ Electronic Service Delivery as an alternative service delivery option	88
4.5.1 Reasons for electronic service delivery	89
4.5.1.a Developments in information and communication technology	90
4.5.1.b Citizen expectations	90
4.5.1.c Service enhancement	90
4.5.1.d Cutting costs and improving efficiency	92
4.5.2 Stages of electronic government	92
4.5.3 Infrastructure requirements for electronic government	94
4.5.4 Barriers to the implementation of electronic government	95
4.5 Conclusion	96

## **Chapter 5: Alternative service delivery options for the Tshwane Metropolitan Council and the need for organisational change**

5.1 Introduction	97
5.2 The Tshwane Metropolitan Municipality: A brief description	97
5.2.1 Strategic focus areas of the Tshwane Metropolitan Municipality	100
5.2.2 Services provided by the Tshwane Metropolitan Municipality	101
5.2.3 The Tshwane Metropolitan Municipality's system of government	105
5.3 The Tshwane Metropolitan Municipality and Service Delivery Problems	107
5.3.1 Key Problems: Pressures for reform	107

5.3.1.a Service backlogs	108
5.3.1.b Finance	108
5.3.1.c Institutional arrangements and bureaucracy	109
5.3.1.d Other	111
5.3.2 Extent of application of alternative service delivery options	111
5.3.2.a Partnerships	111
5.3.2.b Corporatisation	112
5.3.3. c Privatisation	112
5.3.2.d Electronic service delivery	113
5.3.3 Views on alternative service delivery options by Tshwane Metropolitan Council's senior personnel	113
5.3.3.a Restructuring grant	114
5.4 Need for municipal change and development	116
5.5 Conclusion	119

## **Chapter 6: A hypothetical model for municipal reengineering and reform for improved service delivery**

6.1 Introduction	120
6.2 The innovation imperative and municipal reengineering	120
6.2.1 Reengineering, restructuring, change and change management	121
6.2.2 Resistance to change	122
6.2.3 Communication and reengineering	124
6.2.4 Strategic management, integrated development plans and reengineering	125
6.2.5 Integrated Development Plans: core components	127
6.2.6 Leadership and reengineering	129
6.3 Recommended tools for decision making	130
6.3.1 Tool 1: Alternative service delivery framework test questions	130
6.3.2 Tool 2: Ring fencing	131
6.3.3 Tool 3: The public sector comparator	136
6.3.3.a Purpose and benefits of the public sector comparator	136

6.3.3.b Components of a public sector comparator	138
6.4 Introducing municipal reforms for improved service delivery	142
6.5 Conclusion	150
<b>Chapter 7 Conclusion and Recommendations</b>	<b>152</b>
<b>Bibliography</b>	<b>159</b>

## Tables and Figures

Table 2.1 Distribution of services in urban and rural areas in 1996	41
Table 2.2 Estimated cost of meeting service backlogs 1998-2007	42
Table 3.1 Key technical factors in outsourcing decisions	60
Table 3.2 Real applications of partnerships in South Africa	65
Table 4.1 Methods of selling off public assets	80
Table 4.2 Action plan or guideline for privatisation and commercialisation	82
Table 4.3 Benefits of electronic service delivery to the public and to government	91
Table 4.4 Stages of electronic government	92
Table 6.1 Recommended approaches and methods of dealing with resistance to change	123
Table 6.2 Alternative service delivery framework test questions	130
Table 6.3 Ring fencing focus areas	134
Figure 5.1 Organogram/Institutional Structure of the Tshwane Metropolitan Municipality	99
Figure 5.2 Approval/ resolution process	110
Figure 6.1 The ring fencing process	133
Figure 6.2 The public sector comparator process	137
Figure 6.3 Steps in Valuing risk	139
Figure 6.4 Steps in Valuing transferable risk	140
Figure 6.5 Introducing municipal reforms for improved service delivery	142

## **Annexures**

<b>Annexure A:</b> Sample of interview questions	169
<b>Annexure B:</b> Examples of possible risks and descriptions of each	182
<b>Annexure C:</b> Tables of direct consequences of risks and an illustration of risk matrix	183
<b>Annexure D:</b> Example of valuing transferable risk	185
<b>Annexure E:</b> Example of valuing retained risk	187

## CHAPTER 1 GENERAL INTRODUCTION

*“Public services are not a privilege in a civilised and democratic society. They are a legitimate expectation”*

*(Transforming Public Service Delivery White Paper, 1997:Foreword)*

### 1.1. INTRODUCTION

The year 1994 ushered in a new era for South Africa. It saw South Africa become a democratic country after decades of apartheid rule. Apartheid as a government system was discriminatory in nature on racial lines since 1948. The results of which, are still felt and can be seen today. The apartheid system was such that government spending was directed towards the development of White people and White areas. The Black people were neglected with little or no spending on basic services such as health, housing, education, roads and infrastructure, water and electricity to mention a few (van Niekerk *et al* 2001: 34).

When the *African National Congress* was voted into government in 1994, one of its goals has been to redress these past imbalances and ensure that the basic services can be accessible and enjoyed by all. And for the majority of citizens that voted into power the current government this is indeed a legitimate expectation. Government on all its spheres commitment to ensuring access to services and a “good life” is well documented in the *Constitution of the Republic of South Africa, 1996 (Act 108 of 1996)*, the *Reconstruction and Development Programme (RDP)*, *Growth Employment And Redistribution (GEAR)* and other policy documents. Despite government’s promise and efforts to better / improve people’s lives there still exists immense service delivery backlogs.

### 1.2 FRAME OF REFERENCE

The unit of analysis for this research is the Tshwane Metropolitan Municipality, which was established in 2000. The Municipality was chosen not only for its proximity to the researcher which will enable access to people and information but importantly it

appears that the Municipality has not yet embarked on a restructuring agenda with regard to how services are rendered. The Municipality is still traditionally structured and is the primary and sole provider of municipal services, but are considering alternative means of delivering services (Interview: Chief Operating officer, Tshwane Metropolitan Municipality. 2001). This state of affairs it provides the researcher with the opportunity to investigate how the alternative mechanisms can be implemented and why.

Although there are a myriad of alternative service delivery mechanisms, it is not the intention of this research to explain all of these. For the purpose of this research the following alternative service delivery options will receive in depth analysis:

- Partnerships
- Corporatisation in particular agencies, utilities, Section 21 Companies
- Privatisation
- Electronic service delivery

The hypothetical standpoint of the research is that these delivery options and many other delivery options not described herein, in the spirit of a learning organisation, can indeed serve as tools to enhance delivery.

### **1.3 PROBLEM STATEMENT**

The problem of service delivery backlogs is not one unique to South Africa but a problem faced by so many African and developing nations. Despite having acquired political equality the members of the South African society is still not equal. Other areas remain resourced and developed while others remain under-resourced, under serviced and with major developmental needs, hence the need for reconstruction and development. Although the current government inherited a first world infrastructure, it is still faced with third world issues and imperatives namely social development, service delivery, unemployment and poverty. A considerable number of areas under the jurisdiction of the Tshwane Metropolitan Municipality still remain under-serviced, lacking some of the most basic services.

## 1.4 THE RESEARCH QUESTION

Given the immense needs for service delivery particularly in previously neglected areas of the Tshwane area, the question that is asked is;

*To what extent can alternative delivery options be used to solve service delivery backlogs and problems in the local sphere of government in South Africa with particular reference to the Tshwane Metropolitan Municipality?*

In the endeavour to answer the research question the following secondary questions are asked.

1. What is the current nature or status of local government in South Africa?
2. What is alternative service delivery?
3. Which alternative service delivery options are available for application by municipal councils to enhance service delivery?
4. What framework model or guide can municipalities, wishing to apply these alternative service delivery options apply?

## 1.5 OBJECTIVES OF THE RESEARCH

The primary goal of research is to discover knowledge. The research goal or objective is particularly important as it outlines what the researcher wishes to attain with the research. There are three main goals of research namely, descriptive, exploratory and predictive. The purpose of exploratory research is to gain broad understanding of a phenomenon. In descriptive research the researcher observes with the intention to give the most accurate description of the state of affairs, for example the census. Explanatory research answers the why question of what is being investigated (Babbie *et al*, 2001:81). This research is descriptive of historical and present developments in municipal management as well exploratory or narrative in nature.



The objectives of this research are:

- to investigate and describe the previous (that is pre-1994) and the current (post 1994) status of local government;
- to identify and describe problems with service delivery at local sphere with particular reference to the Tshwane Metropolitan Municipality;
- to investigate and explore the various delivery options that can be used as tools to improve the delivery process by exploring;
  - the extent to which they are used presently at the Tshwane Metropolitan Municipality,
  - the extent to which they can be used in the future, and
  - the extent to which they will be solutions to the service delivery problems the Municipality faces and;
- to provide guidelines and recommendations for implementation as a hypothetical model for use by The Tshwane Metropolitan Municipality and other municipalities in their efforts to improve/enhance service delivery.

## 1.6 STATEMENT OF HYPOTHESIS

A hypothesis is defined in Brynard *et al* (1997:19) as a proposed potential answer to a problem, which must be tested “...empirically before it can be accepted as a concrete answer and incorporated into theory”. They argue that a “...hypothesis is actually that which one wants to know - based on the research question. It proceeds from a statement of the research problem”.

In Kumar (1996:65 *cf.* also Babbie *et al* (2001: 643) a hypothesis is similarly defined as a hunch, assumption or proposition that assumes the existence of a relationship between two or more variables but the true existence of that relationship still needs to be proven/tested or validated through scientific research. There is no consensus in research circles on the importance and necessity of a hypothesis for social research.

The hypothesis for this research centres on the need for innovation and change in municipal management given the immense challenges that municipalities face particularly with regards to service provision. These changes may be in terms of processes, people and culture. The statement of hypothesis for this research is:

*The level and quality of service delivery (as well as the effectiveness and efficiency of municipalities) could be enhanced if other innovative and alternative methods/modes of delivery are employed in an efficient and effective way.*

The use of the alternative service delivery options (ASD) in municipalities will undoubtedly depend on the various factors including; **firstly**, municipal managers' awareness of the alternative service delivery options available for use to aid/enhance service delivery; **secondly**, education and training in the use of ASDs as tools to enhance service delivery (for example, how to handle service contracts and the contracting process); **thirdly**, the current restructuring processes taking place at the local government sphere and more specifically the Tshwane Metropolitan Municipality can affect the extent to which the Municipality can explore and introduce these alternative service delivery mechanisms. **Fourthly**, the opinions, views and attitude of senior personnel and other stakeholders for example, employee unions and the community, towards the use of alternative service delivery methods may also influence the extent to which they will use the alternative service delivery mechanisms. **Lastly**, the existence or lack of enabling legal/ statutory environment may affect reform processes.

## 1.7 SIGNIFICANCE OF RESEARCH

As has been mentioned earlier, one of government's challenges is service delivery. Literature review, personal observation, interviews with officials at the Tshwane Metropolitan Municipality and the statistics given in the report entitled *Municipal Service Backlogs* (2001) published by the Department of Provincial and Local Government reveal that major service delivery backlogs exist. This research seeks to delve into this problem and seeks to propose solutions to this problem by

establishing the extent to which alternative service delivery options (ASDs) can serve as mechanisms to enhance service delivery.

For the past few years in South Africa there has been significant emphasis on the need for innovative strategies in order to redress the service delivery backlogs and ensuring that municipalities are effective and efficient in rendering services. These debates have centred on the use of the so-called Public-Private Partnerships (PPPs) as well as service delivery innovations (namely corporatisation, privatisation of certain services). The latter deviate from traditional mechanisms, the objective being to enhance delivery and make service delivery efficient and effective.

The application of alternative service delivery options (ASD) requires major and often complex restructuring processes. This research investigates the extent to which these mechanisms can be utilised to enhance service delivery as well as investigating the complexities of using these ASD options and the environmental pressures necessitating such changes.

The significance of this research also emanates from the fact that the literature that is available to date on alternative service delivery focuses primarily on the experiences of other countries, particularly developed countries such as, Canada, United Kingdom, and Sweden. Use of alternative service delivery methods is also a relatively new concept for South African municipalities and thus there is a need to investigate the local context to unravel and uncover local realities with regards to the use of alternative service delivery mechanisms. This dissertation is thus intended to become a reform source document for municipal practitioners and scholars.

The contribution the researcher will make to this ongoing problem will be to investigate the use of alternative service delivery innovations and options in South Africa's municipalities with reference to the Tshwane Metropolitan Municipality. This is what is being proposed by the Department of Public Service and Administration as the alternative approach and Chapter 8 of the *Local Government: Municipal Systems Act, 2000 (32 of 2000)* also refers to various service delivery mechanisms that municipalities can consider (and guidelines or principles on which this can happen.) outside the traditional strategy for service delivery where the municipality is the

primary and sole provider and producer of services. Since the mid 1990's debates on finding other mechanisms of delivery have been gaining momentum in South Africa. This was ultimately documented in the *Local Government: Municipal Structures Act, 1998 (117 of 1998)*, although other metropolitan municipalities such as the Johannesburg Metropolitan Municipality had already begun implementing alternative strategies such as the establishment of separate agencies, for example the Road Agency and the privatisation of municipal departments.

Mr Sydney Mufamadi, Minister for Provincial and Local Government, in a foreword to the *White Paper on Local Government Service Partnerships (2000 No. 21126)*, stressed the need for innovative ways of providing services. This research seeks to find out what these mechanisms are and whether these mechanisms or delivery options are practical solutions to the service delivery problems faced by municipalities, in particular the Tshwane Metropolitan Municipality. Chapter 7 of the dissertation proposes a model for municipal reform which will aid municipalities or municipal departments wishing to reform for improved service delivery.

## **1.8 METHODOLOGY**

Research can be defined as the systematic process of inquiry to discover knowledge about a phenomenon. Research methodology refers to "... the how of collecting data and the processing thereof within the framework of the research process" (Brynard *et al*, 1997:27). Thus methodology refers to the tools, procedures and techniques used in the process of inquiry (Babbie *et al*, 2001; 647).

Methods of data collection in research can be divided in qualitative and quantitative methods. Quantitative methods are used when the purpose of the research is to arrive at universal statement and when the research seeks to assign figures to observations (Brynard, 1997:29). Techniques used here are surveys, questionnaires, and opinion polls. This study made use of sources of both a qualitative and quantitative nature and both primary and secondary sources.

Qualitative methods "... produce descriptive data and no numbers are assigned" (Brynard *et al* 1997:29). Techniques used here are for example interviews. The

researcher through out the research process made use of qualitative methods such as interviews.

Sources of data can also be divided into primary and secondary. Primary data is data collected with the primary purpose of answering the research question posed by the researcher and gathering first hand data from respondents. Secondary data is data used in a study, although collected by a different researcher for the purpose of addressing a different research problem (Babbie *et al*, 2001:76).

The following **techniques** were used:

- (1) literature review of published and unpublished material
- (2) structured Interviews.
- (3) government documents such as legislation and policy documents.

## **1.9 LIMITATIONS OF RESEARCH**

The methodology chosen for data collection, in particularly the interviewing technique renders a few problems or disadvantages. Firstly, the lack of anonymity might make the interviewee reluctant to answer certain questions, which he or she believes if answered honestly will be self-persecuting. Secondly the demographics of the interviewer may also influence responses. Lastly interviewer bias may also occur (Zikmund, 2000:196). However interviews remain a superior technique for research because the researcher has the opportunity to ask more probing questions, thus allowing the researcher a deeper understanding of the issue at hand than would perhaps be achieved by a yes/no questionnaire. Interviews also allow for higher participation level on parties, namely the interviewer and interviewee, quick feedback is also possible (Zikmund, 2000:192).

Access to complete Tshwane Metropolitan Municipality information is one limitation as some information though pertinent to the research might not be made available to the researcher on the grounds that its privileged information. Lastly, as this study focuses only on the Tshwane Metropolitan Municipality, use of the findings by other municipalities might be limited.

## 1.10 DEFINITION OF TERMS

### 1.10.1 Local government

Local government can be defined as “...that level of government which is commonly defined as a decentralised representative institution with general and specific powers devolved to it by a higher tier of government within a geographical area” (Ismail *et al*, 1997:3). Under Section 40(1) of *Constitution of the Republic of South Africa, 1996 (Act 108 of 1996)*, local government is recognised as a distinct sphere of government and as such its powers are derived from the *Constitution, 1996 supra (Section 151)* and other statutes and not derived or devolved from provincial and national spheres. The national and provincial spheres may not compromise or impede a municipality’s ability to exercise its powers or perform functions. The local sphere of government consists of municipalities that must be created for the whole of South Africa (*Constitution, 1996 supra*).

### 1.10.2 Municipal council

A municipal council is a body created to serve a community and administer in a given geographical area. A municipal council is made up of elected and appointed persons that operate and govern the affairs of and provides services within a specific geographical area (Ismail *et al* 1997:3). Thus municipalities in South Africa have rights and powers to execute their duties according to their own initiative, but subject to constitutional and other legislative provisions. The municipal council consists of politicians who are democratically elected by local residents. Municipal councils exist to serve, represent and govern the people and affairs of a particular area. The municipal administration has to ensure the delivery of municipal services to local residents. It consists of officials who are employed by the municipality. The head of the administration is the municipal manager.

Of all the spheres of government namely national, provincial and local, local government is the government closest to the people. Under the *Constitution of the Republic of South Africa, 1996 (Act 108 of 1996, 151(1))* local government is one of the three spheres of government. One of the main functions of municipal councils is

the delivery of a myriad of services and being the government closest to the people its potential to impact meaningfully and change the lives of people cannot be overemphasised.

### **1.10.3 Local government management**

Local government management refers to "...the system of managing the affairs of a locally established authority. Local government management is the action of governing the affairs of a town or city through planning, directing, controlling and regulating business and industrial activities within a specific jurisdiction (Coetzee, 1985:27).

### **1.10.4 Alternative service delivery**

Alternative service delivery can be defined as (Kaul, 1998:116);

*...a creative and dynamic process of public sector restructuring that improves the delivery of services to clients by sharing governance functions with individuals, community groups and other government entities.*

Mohan Kaul, (2000:73) notes that due to harsh economic conditions many governments are forced to reconsider the services they render and how they deliver them, that is considering alternative methods of service delivery that are more responsive to the client's needs as well as cost efficient and effective. Even discontinuing some services. Undeniably for today's political leaders and public servants there is an urgent need for innovative solutions to service delivery problems (Kaul, 1998:7).

Similarly the *White Paper on Local Government* published by the *Department of Provincial and Local Government (DPLG)* in 1998 notes that achieving the *Reconstruction and Development Programme* objectives within a reasonable time frame requires that municipalities look at innovative ways of providing services. Government and indeed municipalities are now under immense pressure to, not only effectively deliver services but to do so efficiently.

### **1.10.5 Partnerships**

A partnership can be defined as an arrangement and agreement between a government institution and one or more parties (inside or outside government) where there is an agreement to work cooperatively to achieve public policy objectives (The Department of Public Service and Administration (DPSA), *Draft Framework for Improving Efficiency and Service Delivery (Draft) (Draft, 2000:15)*).

### **1.10.6 Privatisation**

The *White Paper on Privatisation and Deregulation (1987:8)* defines privatisation as follows:

*Privatisation means the systematic transfer of appropriate functions, activities or property from the public to the private sector, where service production and consumption can be regulated more efficiently by the market and price mechanisms.*

### **1.10.7 Corporatisation**

Buchanan and Bowman (1990:78) define corporatisation as the process whereby functions that were undertaken by government departments responsible to a minister are transferred to state owned corporations. This process change together with an emphasis on competition is intended to ensure management that make performance the prime objective and discourage political influence (*cf. Staal, 1994:19*).

### **1.10.8 Electronic service delivery**

Electronic service delivery can be defined as "...providing government services to clients (citizens, government departments, employees, legal entities), in innovative ways, in the networking economy using technologies like the Internet, Interactive Voice Response (IVR), kiosks"(E-Government, 2003).



### **1.10.9 Private sector vs. public sector**

The term private sector refers to organisations or institutions that exist for profit where as the term public sector refers to all government organisations and parastatals that are created by government through relevant laws to serve the community and are not profit making organisations.

### **1.10.10 Change and change management**

**Change** can be defined as any alteration/reform of activities within an institution in its structure, tasks, the introduction of a new product, new process or attitude and culture (Lewis *et al*, 1998:381). The alterations may be minor or large. Changes could be in structure (restructuring), changes in processes, changes in technology, changes in the physical setting of the working environment or in people or culture (Robbins, 2001: 543).

**Change management** refers to the process of managing such changes and reforms. Any reengineering or reform exercise is and requires proper change management (Lewis *et al*, 1998:381).

### **1.10.11 Reengineering**

Reengineering refers to the major redesign of an institution/municipality's processes; organisation and culture to achieve set goals and objectives (Kuczmarski, 2001:20).

### **1.10.12 Restructuring**

The term **restructuring** is often confused and used interchangeably with reengineering, but there is a marked difference as restructuring refers to just a change in structure or organisational design of an institution (Robbins, 2001:453).

### **1.10.13 Internet and World Wide Web**

Electronic government is made possible by the interactive capabilities the Internet. According to Schneider et al (2001:453) the Internet is a “global system of interconnected computer networks” (Schneider *et al*, 2001: 453).

The World Wide Web or the web as it is commonly known, is a “...subset of the Internet and connects computers and their contents in a specific way that allows for easy sharing of data using a standard interface” (Schneider *et al*, 2001: 453). Information is stored and displayed on electronic pages that can contain text, graphics, video and even sound.

### **1.10.14 E-commerce or e-business**

E-commerce refers to the buying and selling of services electronically or “online” in other words conducting electronic business transactions with customers and other business partners. Electronic commerce refers to the handling of business over computer networks. In comparison, the development of e-commerce both as a concept and practical process far precedes that of e-government (Holmes, 2001:3).

### **1.10.15 Electronic democracy (e-democracy)**

Broadly viewed, electronic democracy refers to the processes and structures that include all forms of electronic communication between the government and the citizen, the government and the governed or the electorate and the elected. The concept can according to Hague *et al* (1999:3) refer to “ ... a fairly wide range of technological applications including televised parliaments or citizen juries, email access to electronic discussion groups or public information kiosks”.

Richard K. Moore (in Hague *et al*, 1999:55) offers what he calls the radical definition of electronic democracy and defines the term as “ ...the use of electronic networking to bring about a more direct form of democracy, to short circuit the representative process and look more to net-supported plebiscites and official online debates in deciding issues of government policy”.

## 1.11 STRUCTURE OF THE RESEARCH

### Chapter 1

The objective of this chapter is to outline the research problem, research question, introduce a background to the issues to be researched and the research methodology applied.

### Chapter 2

The objective of this chapter is to define and describe the concept and nature of local government in South Africa and to describe the macro- environmental framework in which service delivery takes place. The following environments are described:

- The legislative environment
- The economic environment
- The political environment
- The social and cultural environment

### Chapter 3

The research question asked by this researcher is “to what extent can alternative service delivery mechanisms be used to enhance service delivery”.

Chapter 3 describes the concept of partnerships/public-private partnerships (PPPs) and the various manifestations of partnerships such as Service contracts and management contracts

### Chapter 4

Chapter 4 continues from Chapter 3 and proceeds to describe and explain in detail the other alternative service delivery mechanisms available namely; corporatisation, privatisation and electronic service delivery.

## **Chapter 5**

The objective of this chapter is to provide a description of the unit of analysis, the Tshwane Metropolitan Municipality. This chapter also provides an overview of the key findings and problems faced by the Municipality with a view to propose solutions and recommendations.

## **Chapter 6**

This chapter describes and explains aspects such as communication, leadership and strategic planning using the municipal integrated development plan, which are necessary for successful municipal reform.

This chapter also provides a model for municipal reengineering that municipalities or individual departments within a municipality can use. A description is also given, of various decision-making tools that can be applied by municipalities wishing to restructure or reengineer their systems for improved service delivery. These tools serve as guiding frameworks during that decision-making process.

## **Chapter 7**

Summary and concluding remarks

## CHAPTER 2

### LOCAL GOVERNMENT IN SOUTH AFRICA

*“Government closest to the people”(unknown)*

#### 2.1. INTRODUCTION

Local government under the *Constitution of the Republic South Africa, 1996 (Act 108 of 1996 Section 40(1))* is identified as one of the three spheres of government. The other spheres are national and provincial government. The local government sphere consists of municipalities in South Africa. Each sphere of government is distinctive yet the spheres are interrelated and interdependent (*Constitution, 1996 supra Section 40(1)*). Local government is often termed the government closest to the people and exist primarily to bring government to grass root level. Because of its position, it is often regarded as a mirror reflecting the successes and failures of national government. The role of local government in the Republic of South Africa is largely the delivery of a variety of services. One of the major challenges facing local government today is that of effective and efficient service delivery.

The objective of this chapter is to provide a description and explanation of the status of local government in South Africa. To properly define and describe local government, reference shall be made to aspects such as the characteristics of municipalities, types of municipalities in South Africa, powers of municipalities; purpose and duties of municipalities within the context of the *Constitution of the Republic of South African, 1996 (Act 108 of 108)*. A brief historical description of local government under the policy of apartheid is given, that the period before 1994. The environment within which municipalities function will also be explained, with particular reference to the influence that the environment has on their operations and performance.

## 2.2 DESCRIPTION OF LOCAL GOVERNMENT IN SOUTH AFRICA

Local government can be defined as “...that level of government which is commonly defined as a decentralised representative institution with general and specific powers devolved to it by a higher tier of government within a geographical area” (Ismail *et al*, 1997:3). Defined simply local government refers to administration of cities, towns, villages and geographically organised communities (Coetzee, 1985:26-27). It should be noted, however, that according to the *Constitution of the Republic of South Africa, 1996 (Act 108 of 1996:40(1))*, local government is recognised as a distinct sphere of government and as such its powers are derived from the *Constitution, 1996 supra* and other statutes and not derived or devolved from provincial and national spheres. This implies that municipalities are assigned original powers.

Lockhard (1968:451) concurs with the above descriptions and defines local government as a public organisation authorised to manage and govern affairs of a given territory. It should be noted that the term local government refers to a sphere of government and not to an individual municipality. The sum of all the individual municipalities make up the collective sphere, known as local government (Reddy, 1996:50). These municipalities are created for the whole of South Africa to render services in specific geographical areas/locality/jurisdiction (*Constitution of the Republic of South Africa, 1996 (Act 108 of 1996:Section 151)*).

Although the terms local authority and municipality refer and mean the same thing, the current *Constitution of the Republic of South Africa (Act 108 of 1996)* as well as other legislative documents such as *White Paper on Local Government of 1998*, *Local Government Municipal Systems Act, 2000 (Act 32 of 2000)* and *Local Government: Municipal Structures Act, 1998 (Act. 117 of 1998)* use of the word municipality as opposed to the term local authority which was mainly used pre- 1996 in South Africa. For purposes of this research the term municipality will be used. However, the term local authority might be used when taking a historical perspective particularly regarding the period prior to 1996.

### 2.2.1 Characteristics of municipalities

Ismail *et al* (1997:5, *cf.* Reddy 1996:5) identify the following as the distinguishing characteristics that separate municipalities from other spheres/forms of government:

- Well-defined areas of jurisdiction - municipalities are only legally mandated to govern the affairs and people of only a particular geographical area.
- Direct participation of the people in the jurisdiction. This is accomplished through election.
- Service provision - municipalities exist to provide particular basic services. Their sources of finance include rates and taxes that they constitutionally have the power to charge.
- Municipalities can pass by laws that are legally binding.
- Municipalities may employ personnel to do and manage its business.

The above-mentioned are the main characteristics of municipalities, their main responsibility being to provide services to the communities within their respective jurisdictions. Municipalities operate within the overall framework of both national and provincial governments as well as the *Constitution of the Republic of South Africa, 1996 (Act 108 of 1996)*. As such municipalities cannot pass by laws that contradict national and provincial legislation or the *Constitution, 1996 supra (Section 41(1))*.

There are various types and forms of municipalities as will be explained in paragraph 2.4.5 *infra*. The *Local Government: Municipal Systems Act, 2000 (Act. 32 of 2000)* and the *Local Government: Municipal Structures Act, 1998t (Act 117 of 1998)* provide further, or in depth, distinguishing characteristics pertaining to each type and form of municipality.

### 2.3 HISTORICAL CONTEXT OF LOCAL GOVERNMENT IN SOUTH AFRICA

South Africa, since 1994, has been undergoing a process of transformation from an apartheid system into a democratic society. Apartheid was a system that geographically, institutionally and socially separated the South African society based on racial lines. Van Niekerk *et al*, (2002: 34) define apartheid, which formally came

into being as a government policy in South Africa in 1948 as a “...value system, a form of government, and a policy of racial segregation...”.

According to Section A1 of the *White Paper on Local Government (WPLG 1998)*, the *Group Areas Act, 1957 (Act 77 of 1957)* was one of the key pieces of legislation of apartheid used to institute strict residential segregation and saw the compulsory transfer of Black people to the so called “own group areas”. Similar acts such as the above-mentioned *Group Areas Act, 1957, supra*, were promulgated during the apartheid era to entrench the apartheid policy of discrimination and included legislation that promoted segregated government by having different government structures according to race, for example having separate governments to govern the Black/Bantu areas as well as having separate amenities for the different races. The *Immorality Act, 1957 (Act 23 of 1957)* prohibited mixed marriages further entrenching the apartheid values on society. The various land distribution acts during the apartheid era were also unjustified and apportioned only 13-14% of South Africa’s land to the Black majority population and the rest to the White minority (van Niekerk *et al*, 2002: 35).

According to the *White Paper on Local Government (WPLG)(1998: Section A 1)*, the policy of segregation, “own management for own areas”, together with the policy of influx control (made possible by the pass laws), limited the extent to which the more affluent White municipalities would finance for the servicing of disadvantaged Black areas that remained undeveloped. Many of these “Black areas” are still under serviced and for many some of the most basic services such as water, electricity, shelter and sanitation are a luxury that they cannot enjoy.

Local government revenue historically was self-generated through, for example property tax. For the White municipalities this was favourable since they had small populations to serve and had economic resources to tax. This was, however, problematic for the Black municipalities since retail and industrial developments were restricted in the Black areas, limiting their tax base and ultimately their income in order to meet the needs of the communities they served. The apartheid policy ensured that revenue and expenditure was directed towards the development of a minority (*White Paper on Local Government, 1998:Section A.2 cf. also Reddy,*



1996:53). Service delivery to these disadvantaged areas still remains one of the major challenges facing national government and municipalities in their quest to redress these imbalances.

### **2.3.1 Local government transformation**

The mid 1980's in South Africa saw civil unrest gather momentum as civilians and community bodies organised to take action against apartheid's undemocratic policies that served a minority and left the majority living in poor conditions with little or without some of the most basic services. These uprisings were spurred by the harsh conditions, both social and economic, experienced by the Black population in townships and rural areas. These uprisings took the form of "boycotts of rent and service charges as well as consumer boycotts" (*White Paper on Local Government (WPLG), 1998:Section A*). In the late 1980's the apartheid government tried to rebuild the then collapsing Black local authorities and quiet political tensions by allocating funds to the Black disadvantaged areas through a system of *ad hoc* grants. These interventions were, however, too late in coming as it became clear that the then Black local authorities would not be viable. The boycotts continued until the White municipalities began to experience the impact of the boycotts and decided that a new deal and system had to be devised (*White Paper on Local Government WPLG, .1998:Section A*).

The following aspects regarding municipal transformation are particularly important to take note of.

#### **(a) The Local Government Negotiating Forum**

The Local Government Negotiating Forum was created in 1993 and its deliberations took place concurrently with the national constitutional negotiations that were taking place (*White Paper on Local Government (WPLG) 1998:Section A*). The Forum was made up of representatives from national, provincial and local as well as civil society under the auspices of the South African National Civics Organisation. The establishment of this Forum can be regarded as one of the primary and solid step towards transforming local government in South Africa (Reddy 1996:58). The

outcomes of the Forum included the Agreement on Finance and Services, which meant writing off arrears of the then Black local authorities. The Forum also negotiated and came up with the *Local Government: Municipal Transition Act, 1993 (Act. 209 of 1993)*. This was a preliminary framework outlining the process for change in local government (*White Paper on Municipal (WPLG); 1998:Section A*).

### **(b) The Local Government Transition Act, 1993 (Act 209 of 1993)**

The *Local Government: Transition Act, 1993 (Act 209 of 1993)* mapped out three phases of transition; these phases are described below;

**Phase 1** - *The pre interim phase* (1994-1996), which prescribed the establishment of local forums/ structures by combining the existing apartheid councils (statutory) with oppositional formations (non-statutory) structures to negotiate the appointment of temporary councils that will govern municipal elections.

**Phase 2** - *The interim phase* (1996-2000), began with the municipal elections of 1995 and lasted until the local government system was established. The phase was called interim because it preceded the establishment of democratic municipalities in terms of the *Constitution of the Republic of South Africa, 1996(Act 108 of 1996)*. The interim municipalities were intended to deracialise and unite the country by combining formerly urban African areas with formerly White, Coloured and Indian areas (NBI, 2000:7).

**Phase 3** - *The final phase* (period after 2000), refers to the period after the year 2000 when the establishment of a new local government system for South Africa was established and demarcation or municipal boundaries problems were resolved and finalised.

The *Local Government: Municipal Transition Act, 1993 (Act. 209 of 1993)* served, as the key legislation and guide for local government transformation in South Africa resulting in what may be termed the new face of local government in South Africa. The paragraphs that follow will describe local government in post 1994 South Africa.

## 2.4 LOCAL GOVERNMENT IN SOUTH AFRICA AFTER 1994

Local government transformation, as any change process, has been a long and complex process. As the popular adage goes “change is the only constant” there is no doubt that municipalities will need to keep changing as society changes. Since South Africa became a democratic state the challenge has been to change all government institutions and municipalities to reflect as such. The new municipal system has been established and consists of six metropolitan areas (category A) with approximately 6.6 million voters, and 1052 councilors. Four of the metropolitan areas, namely, Johannesburg, Tshwane, Ekurhuleni and Nelson Mandela have executive mayoral systems and the other two; Ethekewini and Cape Town have executive committee system.

### 2.4.1 Status of municipalities

In terms of the *Constitution of the Republic of South Africa, 1996 (Act 108 of 1996)* local government has the same status as national and provincial spheres and operates interdependently of the two. However, in the spirit of co-operative government the three spheres have to work harmoniously to achieve the overall goals of government.

Section 151 of the *Constitution of the Republic of South Africa (Act 108 of 1996)* states the following with regards to local government:

**Firstly**, the local sphere of government consists of municipalities that must be established for the whole of South Africa.

**Secondly**, the municipal council has the legislative and executive authority of a given municipality, to formulate by laws and policies and has powers to execute those policies.

**Thirdly**, a municipality has the right to govern on its own initiative (meaning original powers), however, subject to national and provincial legislation (co-dependant) as provided for in the *Constitution, 1996 supra*.

**Fourthly**, national and/or provincial governments may not compromise or impede a municipality’s ability or right to exercise its powers or perform its functions.

#### **2.4.2 Powers and functions of municipalities**

The *Constitution of the Republic of South Africa, 1996 (Act 108 of 1996)* has awarded certain powers to municipalities that enable and authorise them to execute their constitutional functions. Section 156 (1) of the *Constitution, 1996 supra* awards municipalities the authority to administer- (a) the local government matters in Part B of Schedule 4 and Part B of Schedule 5 of the *Constitution, 1996 supra*.

In terms of the *Constitution, of the Republic of South Africa, 1996(Act 108 of 1996)* a municipality may make and administer by laws for the effective administration of its affairs. However, no municipal by-law can be in conflict with national or provincial legislation. That law will be rendered as invalid. It is within the parameters as laid out in Section 2 *Constitution, 1996 supra* that municipalities must execute their obligations, as anything contrary to these provisions will be deemed an illegal act.

#### **2.4.3 Values and principles applicable to local government**

Values can be defined, as ideals or principles worth striving for. The *Constitution of South Africa, 1996 (Act 108 of 1996)* is the supreme law of the country and Section 2 (41) the *Constitution, 1996 supra*, gives the following principles for governing, and they apply to all spheres of government;

1. *All spheres of government and all organs of state within each sphere must:*
  - (a) *preserve the peace, the national unity and the indivisibility of the Republic*
  - (b) *secure the well-being of the people of the Republic.*
  - (c) *provide effective, transparent, accountable and coherent government for the Republic as a whole*
  - (d) *be loyal to the constitution, the Republic and its people*
  - (e) *respect the constitutional status, institutions, powers and functions of government in the other spheres*
  - (f) *not assume any power or function except those conferred on them in terms of the constitution*

*(g) exercise their powers and perform their function in a manner that does not encroach on the geographical, functional or institutional integrity of government in another sphere.*

Municipalities in all their endeavours should abide by the above-mentioned values embedded in Chapter 2 of the *Constitution, 1996 supra*. This Chapter further identifies values and principles for public administration. These are also commonly known as normative values and will be explained in the following paragraph.

#### **2.4.4 Normative guidelines of Public Administration**

Principles such as a high standard of professional ethics, efficient, economic and effective use of resources, development orientated administration, impartial, fair and equitable delivery of services, participation, transparency, representation, effective human resources management are all values worth striving for in all spheres of government (*Constitution of the Republic of South Africa, 1996 Act 108 of 1996: Section 195(1)*). These values enshrined in the *Constitution, 1996 supra* are true to the spirit of democracy and apply to all organs of state, all spheres of government and public enterprises (*Constitution, 1996 supra: Section 195(2)*). The *White Paper on Transforming Public Service Delivery* published in 1998 by the Department of Public Service and Administration, further identifies principles for service delivery known as the Batho Pele principles, are also applicable to local government. These are described in the following paragraphs.

##### **(a) Batho Pele principles**

In 1998 the Department of Public Service and Administration (DPSA) published the *White Paper on Transforming Public Service Delivery* and in it outlined the eight principles for service delivery popularly known as the Batho Pele principles (*DPSA, White Paper, 1998 supra*). Batho Pele literally means people first, that is government's commitment to serving people and putting the community first. These principles are;

- **Consultation** - This principle requires that citizens/consumers be consulted on the level and quality of the public services they receive and on matters that

affect them are true to the spirit of a participative democracy, which South Africa is. *The White Paper on Local Government (1998: Section B)* concurs and states that municipalities have an obligation to involve local citizens in municipal matters such as planning and policy-making and in development programmes thus building local democracy.

- **Service Standards** - Citizens have to be made aware of the level and quality of service they shall receive.
- **Access** - All citizens should have equal access to services and shall not be discriminated against on any ground. Section 9 (1) of the *Constitution of the Republic of South Africa, 1996 (Act 108 of 1996)* states that no organ of state may unfairly discriminate directly or indirectly against anyone on grounds, including, race, gender, sex, pregnancy, marital status, ethnic or social origin, colour, sexual orientation, age, disability, religion, conscience, belief, culture, language and birth.
- **Courtesy** – public officials should behave in a polite and altruistic manner when they interact with and give services to the public. This courteous behaviour can translate into positive or friendly mannerism when greeting a customer.
- **Information** -. Modern society is often referred to as the information economy. Information is one of the most vital resources of any institution. Proper decision-making should be based on accurate information and the citizens are entitled to accurate information regarding services, standards and performances.
- **Openness and transparency**, in all operations. Should any municipal official/employee be asked to report on any action or decision they should be able to account for their actions.
- **Redress**- the principle of redress is of paramount importance for municipalities as indeed the whole of government in their attempt to correct past imbalances in terms of service delivery. Apartheid policy as described earlier, was discriminatory in nature and sought to serve and develop particular groups only, namely the White population. Deficiencies in the predominantly Black and rural areas remain under-served, with an urgent

need for development. The latter should be given priority according to the principle of redress.

- **Value for money**- municipalities should strive to provide the best service with the least amount of resources. Thus, municipalities should endeavour to be effective and efficient at the same time. Resources, in particular financial resources, are often scarce and should be used sparingly.

Chapter 7(Section 51) of the *Local Government: Municipal Systems Act, 2000 (Act. 32 of 2000)* emphasises the above-mentioned principles and cites the following basic values and principles required of municipalities, firstly municipalities must remain responsive to the needs of the communities they serve. Secondly, municipalities should be accountable to the community and society as a whole by ensuring participation from the community and reporting back to the communities they serve. Thirdly, municipalities must be performance oriented and set clear objectives in line with the Integrated Development Plan (IDP) of that given municipality. Municipalities should also be flexible to allow them to change as the environment and societal needs also change. Finally the *Local Government: Municipal Systems Act, 2000 supra*, also emphasises the principle of efficiency and effectiveness meaning that municipalities must strive to reach set objectives whilst maintaining strict financial prudence. Adherence to these values and principles will require a concerted effort by the top management of municipalities to train all employees (especially by example) and encouraging them to develop a new work ethic and culture of true service delivery.

#### **2.4.5 Categories of municipalities**

There are various ways in which municipalities can be organised to perform their tasks. Section 155(1) of the *Constitution of the Republic of South Africa, 1996 (Act 108 of 1996)* cf. also Chapter 1 of the *Local Government: Municipal Structures Act, 1998 (Act 117 of 1998)* identifies three categories of municipality, they are:

##### **◆ Category A**

Category A municipality refers to a municipality that has exclusive and legislative authority in its designated area. In other words, there is only one



municipal council in a municipal area. Category A municipalities have been established in areas, for example, the Tshwane Metropolitan Municipality.

◆ **Category B**

Category B municipality refers to municipalities that share municipal executive and legislative authority in its area with a Category C municipality within whose area it falls.

◆ **Category C**

Category C municipality refers to municipalities that have municipal legislative and executive authority in an area but has more than one municipality i.e. a district municipality.

**(a) Metropolitan municipalities**

The term Metropolitan refers to "... large urban settlements/areas with high population densities and diversified economies and a high degree of functional integration across a larger geographic area...economic and social activities transcend municipal boundaries and metropolitan residents may live in one locality, work in another and use recreational facilities across the metropolitan area"(White Paper on Local Government, 1998:2.1). These are Category A municipalities that have exclusive and executive authority in their areas, and often referred to as uni-cities or mega-cities. An explanation of metropolitan councils is necessary as the unit of analysis; the Tshwane Metropolitan Municipality is a metropolitan municipality. There are a number of factors that contribute to the establishment of metropolitan councils as opposed to other forms of municipalities. The *White Paper on Local Government (WPLG) (1998:2.1)* identifies the following reasons for the establishment of a metropolitan government;

**Firstly**, a metropolitan municipality creates a basis for equitable and socially just metropolitan governance - thus avoiding situations where the poor are not well serviced with economic, recreational and social amenities, which was the case under



the apartheid system. According to the *White Paper on Local Government*, (1998:22a),

*Urban apartheid provided a legal framework for White municipalities to effectively exclude the large Black majority of the urban poor and ensure that high, commercial development fell within their jurisdiction. Although the consumer and labour power of township residents contributed to the tax base of the White municipalities services in the townships were not funded from this tax base.*

Metropolitan municipalities provide a means of addressing such problems and ensure a more equitable and just form of redistribution of resources that benefits all. **Secondly**, a metropolitan council promotes strategic land use planning and coordinates public investment in physical and social infrastructure. Metropolitan areas are large settlements, which are highly functionally integrated such that (investment) physical and social infrastructure may be enjoyed by all, for example the use of infrastructure cannot be exclusive. Services such as, for example, roads may be financed by one municipal tax base but consumed by residents of other municipalities. Thus, all residents across the metropolis should share such cost through inclusive tax collection and a collective budgeting process. Metropolitan governments thus enable such integrated planning to take place. **Thirdly**, a metropolitan council is able to develop a citywide framework for economic and social development and enhance the economic competitiveness and well-being of a city. This is done through what is currently known as an Integrated Development Plan (IDP).

#### **(b) Roles and responsibilities of a metropolitan council**

The provision of affordable and efficient services remains the major responsibility and role of metropolitan councils. Other key responsibilities of metropolitan councils are to provide city wide spatial integration and socially inclusive development. Metropolitan councils should also promote equity, social justice and economic prosperity. Metropolitan councils are key players in ensuring and promoting local democracy through ensuring citizen participation in decision-making to be able to respond to their needs. This can however be a challenge given how large metropolitan areas are and the fact that they often are made up of diverse

communities (on racial, income basis) with different needs and priorities. Metropolitan councils need to be responsive to these different needs. The establishment of municipal forums and ward committees is necessary to ensure citizen participation. Six metropolitan municipalities have been established in South Africa namely, Pretoria, Johannesburg, Ekurhuleni, Port Elizabeth, eThekweni and Cape Town (NBI, 2000:13).

### **( c ) Types of metropolitan government**

Every municipal council has municipal executive powers and duties assigned to it by the *Constitution of the Republic of South Africa, 1996 (Act 108 of 1996)* and other legislation. The executive system of a municipality refers to the structures through which the municipal council exercises its executive powers and performs its executive duties. Section 8 of the *Local Government: Municipal Structures Act, 1998 (Act 117 of 1998)* identifies the following types of Category A or metropolitan government;

- a. *a municipality with a collective executive system;*
- b. *a municipality with a collective executive system combined with a subcouncil system;*
- c. *a municipality with a collective executive system combined with a ward participatory system;*
- d. *a municipality with a collective executive system combined with a subcouncil and ward participatory system;*
- e. *a municipality with a mayoral executive system;*
- f. *a municipality with a mayoral executive system combined with a subcouncil participatory*
- g. *a municipality with a mayoral executive system combined with a ward participatory sytem and;*
- h. *a municipality with a mayoral executive system combined with a subcouncil and a ward participatory system.*

## 2.5 THE GENERAL ENVIRONMENTAL FRAMEWORK FOR LOCAL GOVERNMENT SERVICE DELIVERY

Much like the human body or even automobiles function as a system, municipalities by comparison also function as systems. A system can be defined as, "...a set of interrelated and interdependent parts arranged in a manner that produces a unified whole" (Robbins, 1987: 10 in Roux *et al*, 1997:28). Societies in which the municipalities operate are also systems made up of various parts/components that are connected to form a whole. Input from one component can be used by another component within the system to produce desired results. For example, the human body is made up of various parts such as eyes, the heart, hands, ears, legs and the brain, all of which work in harmony with one another and enable the body system to function. The nose and veins enable a person to breathe and have life. In turn every breath enables the blood to flow, the brain to think and to control all the other parts of the body. Malfunctioning of either one depending on that part's level of its importance can lead to discomfort or death of the human being. The body also makes use of other components from outside such as the air that is breathed or food from plants and animals (input), which the body processes to sustain itself and meet its basic needs (output).

There are two types of systems that can be distinguished, namely, the open and closed systems. A closed system is one that is self-sustaining and receives no input from the outside environment; neither does it release output into the bigger environment (Robbins, 1987:12 as in Roux *et al*, 1997:30). As can be deduced from the above that a closed system is a fallacy in the case of living organisms as any organism is dependant on something else for its survival.

An open system is the opposite of the closed systems and accepts the dynamic inter-relatedness of all components that make up the environmental system that all living organisms are a part of. The different components therefore contribute to make the whole. Scott (1992: 76) argues, " ...a system is open means, not simply that it interchanges with the environment but that this interchange is an essential factor underlying the system's viability". The system's viability is made possible through the open systems ability to process resources from the environment and also releasing

its outputs which will serve as input for other components in the larger environment (Scott, 1992:83).

Municipalities do not operate in isolation. They are open systems or structures, which rely on the environment around them for resources and are influenced by events and factors in the environment. Municipalities are not secluded; self-regulating, enclosed units but form part of a greater whole and should integrate themselves with the greater environment (Jonathan Boston in Savoie *et al*, 1998:295). The term environment refers to the "...the sum total of the existing social, economic and political circumstances which cause problems (provide opportunities) for policy makers" (Sharkansky, 1978:9 as in Du Toit 1997:113).

The environment in which municipalities function can be divided into two groups namely the micro and the macro-environment. The micro-environment is also known as the internal environment and refers to all factors within the institution or municipal structure itself that assist or restrict the municipality in achieving its goals. These internal factors include the organisational structure, human resources component, culture, policies and procedures. The macro environment is also referred to as the general environment. The macro-environment is made up of factors outside the municipality that impact directly and indirectly on the functioning of the given municipality. Managers in municipalities must monitor, diagnose and proactively respond to these external events as they indirectly and directly impact on any organisation.

Kast and Rosenzweig (1994) (in Schwella *et al*, 1996:19) define the general/macro environment as everything existing beyond the municipality's borders. The trends emanating from the environment consistently exert their influences on the municipality and its resources either positively or negatively. Municipalities should devise methods that enable them to identify trends and how they can influence municipal activities. One such tool is the popular, SWOT analysis, a synonym for Strengths, Weaknesses, Opportunities and Threats (SWOT). If properly done, a SWOT analysis will detect, timely, factors that could be harmful to the municipality so they can be dealt with before they actually do any harm. Similarly a SWOT analysis

can also reveal opportunities that can be explored by the municipality for its own good.

These environmental factors do impact and influence the functioning of any municipality and need to be managed (as far as is possible) proactively so that they do not adversely impact on the performance of the municipality. The macro environment will be described in the following paragraphs.

### **2.5.1 The macro-environment**

The components under the macro environment include:

- ◆ the political component
- ◆ the economic component
- ◆ the social component and cultural component
- ◆ the technological component
- ◆ the statutory/legislative component

These are described as follows.

#### **(a) The political environment**

Politics can be defined as the art and science of government, involving all the activities and processes that take place in pursuit of that authority or power to govern a given people or society (Oxford University Press; 1998:489). Politics and local government are intertwined as politics play a crucial role in local/municipal government. Craythorne (1997:14) agrees and writes, "...to talk about municipal as being outside politics or as being non-political is nonsensical".

The political component of the environment refers to the way in which a society is governed. Aspects that are important to note when analysing the political environment include political ideas, philosophies and ideology of the time and of the current government. Political parties undoubtedly influence the local political environment and so do civic groups, national power structures and institutions. Examples of national political structures are political parties, Parliament,

municipalities, interest groups that influence policy and lawmaking. International institutions such as, the United Nations (UN) and the African Union (AU) cut across borders and influence member countries (Schwela *et al*, 1996:11). Economic sanctions or trade restrictions imposed by the UN will undoubtedly impact on the economic development of the country on which those sanctions are imposed.

Local party politics have the most direct influence on the functioning of a municipality. A seat on the municipal council depends on the performance of party during the municipal elections. A homogeneous municipal council, that is, a council consists of members of the same party will most likely be more efficient in decision-making in comparison with a heterogeneous municipal council made of people with divergent views on policy and ideology as all those different views will have to be considered. However, different approaches to a problem in the case of a heterogeneous municipal council might lead to better decision-making because of diverse viewpoints. The competition of different parties vying for power naturally brings in checks and balances that would avoid corruption and abuse of power. Trends in the political component should be taken into account as these political structures have significant influence on and municipal management.

### **(b) The economic environment**

The concept of economics refers to the study of how people earn their livelihood. Economics refers to the science of dealing with the production and distribution of material wealth (*Oxford University Press*, 1998:201).

Economic systems are created to enable the creation and distribution of wealth or resources. Three distinct systems can be identified namely;

- ◆ the free market system.
- ◆ collectivism
- ◆ a combination of the above.

Conditions or factors in the economic environment that are worth noting because of their impact on municipal functioning are; Gross National Product trends, interest

rates, money supply, unemployment trends, inflation rates, wage or price controls, economic growth (Higgins *et al* 1986:147).

The above-mentioned factors such as interest rates, employment trends and inflation ultimately determine income levels and the individual citizen's capacity to pay for services. If interests, inflation and unemployment rates are high it will negatively impact on the municipality's revenue base and its capacity to deliver services and achieve set goals.

Section A (2.6) of the *White Paper on Local Government (1998)* similarly notes that no municipality can disregard economic changes in both its locality, the country as a whole and globally as these can have an impact on the local income, employment and tax revenue. All municipalities should therefore seek to attract investment and economic development into their jurisdictions. Local economic development remains one of any municipality's focus areas. Municipal objectives cannot be achieved without the necessary economic resources to provide the fiscal base to meet community needs and expectations. Therefore the economic environment has considerable implications for municipal management. Resources particularly financial are often scarce. However, municipalities need to equitably distribute available resources between competing needs. The lack of financial resources remains the single most deterring factor to service delivery.

### **(c) The social and cultural environment**

Municipalities exist to serve and meet the needs of the society or of the community in the specific geographical jurisdiction. Thus, local government is influenced by the social and societal environmental factors, trends and changes that take place in the given jurisdiction. Social factors such as demographics, population growth, age distribution, life expectancies, birth rate, gender composition, regional shifts in population, employment and unemployment rates, education levels, service provision levels and lifestyle changes are important (Higgins *et al*, 1986:147). These factors combined will help point out priority areas and priority services to be provided for the given community. It stands to reason that municipalities must adapt and change as

its community's needs and values change otherwise they lose their legitimacy or reason to exist.

Concerning the social dimension, Craythorne (1997:15) observing the demographics of South Africa, reveals that it's in some ways a third world and in some ways a first world particularly in light of the great contrasts of wealth and poverty. The poor being mainly people of colour namely the Black, Coloured and Indian people. Local government is community government that is "government closest to the people", as the provision of the most basic services such as water; electricity and roads are the responsibility of municipalities. Communities rely on their respective municipal councils for the provision of such services. This places municipalities in the opportune position to be involved with and improve the specific communities that fall within the jurisdiction of the municipality. Municipalities should thus:

- be aware of the nature and needs of the population of its area
- be open and responsive to those needs
- adopt balanced policies of fairness and justice in all interest
- avoid being prejudicial or Sectional in exercising (Craythorne, 1997:15)

**Culture** is a critical and inseparable concept particularly when describing the social environment. Schaefer *et al* (1992:67) define culture as socially learnt behaviour and includes a society's beliefs, values and attitudes. Culture encompasses aspects such as role definitions between men and women, behavioural norms and patterns acceptable to that community. Robbins (1991:72) provides a similar definition of culture and argues that culture implies "... a system of shared meaning which involves aspects such as shared values and beliefs. These shape goals, needs and way of life".

Elements of culture include **firstly**, language, which is often referred to as the foundation of culture as it is the medium used to communicate and transfer meaning in society. Language can be in the form of the spoken word, written words, as well symbols/signs. **Secondly** norms, defined as "...established standards of behaviour maintained by society" (Schaefer *et al*, 1992:67). It is generally accepted behaviour. For example, it is generally accepted across many societies that stealing



unacceptable and also reflected in the laws of society, and should it occur should be followed by some or other punishment. Such laws are enshrined in the constitution of a country as well as other acts of law promulgated by the government of the day on behalf of the society. A **third** element of culture is values, which are society's conceptions/ belief of good and bad, desirable and undesirable, important and unimportant or essential or non-essential. The term value is often used when referring to something considered worthy and desirable.

From a municipal management perspective it can be deduced that it is essential that a municipal council understand the culture of the community it was created to serve as it shapes that community's needs and priorities. It can also be deduced that from a local political point of view, to secure votes and success during municipal elections parties who will form part of the municipal council need to understand the communities they seek to serve and that includes community's values, needs and priorities, i.e. culture. Considering how heterogeneous the South African society is in terms of the races, gender, culture, development, it can further be deduced that determining public interest and needs amidst these differences can be a highly complex task.

#### **(d) The technological environment**

Technology can be defined, as the information, equipment, techniques and processes required to transform inputs, such as finance, human effort in the context of a municipality into outputs such as actual service delivery which would include the provision of water and electricity services (Robbins, 1990:176). The technological environment is made up of variables, which include advances in products, processes and materials. Major developments have been taking place in the information and communication technology (ICT) sector and it is an undisputed fact that these developments are changing the way business is done, governments govern and consequently local government as well as how societies live. Keeping up with the technological advancements taking place has become critical for businesses and government to survive in the current information economy as well as to deliver services faster (Steiner and Steiner, 2000:28).

The invention of the computer being one of the most notable technological inventions followed by the Internet and the World Wide Web (WWW) have indeed impacted and changed business processes. Traditional rules of communication such as being in the same time and place, to be able to communicate and share information are no longer necessary. It is now possible to communicate with people across the globe using the connectivity of the Internet and other earlier invention such as fax and telephone. The breakthroughs in information and telecommunication technology are stepping up the pace of change and affecting all aspects of life. No sphere of society is immune, and no compromises are sustainable. Municipalities will thus have to conform and make use of the technologies as society will expect and demand them to. A case in point is with electronic payments, which are so rampant in the private sector. As people become used to such quick and efficient services they will also expect it from government and consequently municipalities for similar quality services for payments such as the payment of rates. New technology can transform service delivery and improve the management of municipalities, thereby enhancing service delivery by making operations more efficient as evidenced by the above-mentioned example.

Governments all over the world have followed developments in the private sector and established websites that enable citizens to have access to government information. South African government's website is [www.gov.za](http://www.gov.za). This website serves as an information portal that disseminates any kind of government related information from national, provincial and local. It also contains links to other government and related websites (South African Government Online, 2003). Many municipalities have also established websites that enable information dissemination with their client base. The concept of e-government – and Electronic Service Delivery (ESD) and the opportunities presented by the Internet will be described in a later chapter.

Public managers on the local sphere should monitor technological developments and assess their possible impacts on processes of local government, particularly in the context of how they can harness and benefit from technological developments.

**(e) The statutory legislative environment**

As also indicated in an earlier paragraph, the *Constitution of the Republic of South Africa, 1996 (Act 108 of 1996)* identifies local government as one of the spheres of government. Chapter 7 of the *Constitution, 1996 supra* sets out a foundation and framework of local government with regards to; status of municipalities, objects of municipalities, developmental duties of municipalities, municipalities in co-operative government, establishment of municipalities, powers and functions of municipalities, composition and electing municipal councils, membership of municipal councils, terms of municipal councils, publication of municipal by-laws and organised local government. South Africa is a democratic sovereign state that recognises the supremacy of the *Constitution, 1996* therefore the provisions of the Constitution should be upheld. Apart from the constitutional framework there are also other white papers and acts of of parliament, which are pertinent to municipal management such as;

- *Local Government: Municipal Systems Act, 2000 (Act 32 of 2000)*
- *Local Government: Municipal Structures Act, 1998 (Act 117 of 1998)*
- *Local Government: Municipal Demarcation Act, 1998 (Act 27 of 1998)*
- *White Paper on Local Government Service Partnerships, 2000(No. 21126 of 2000)*
- *The Promotion of Administrative Justice Act, 2000 (Act 3 of 2000)*
- *The Promotion of Access to Information Act, 2000 (Act 2 of 2000)*
- *The Remuneration of Public Office bearers Act, 1998 (Act. 20 of 1 White Paper on Local Government, 1998*
- *Municipal Financial Management Bill 1998.*

The above Acts and White Papers serve as frameworks and policies that govern various aspects of a municipality. For example, the *Local Government: Municipal*

*Demarcation Act, 1998, (Act 27 of 1998, will govern all issues regarding jurisdictions or boundaries between municipalities.*

In order for a municipality to meet its obligations, it employs people and undoubtedly employees are a critical resource of any institution. Various legislation developed recently which has an impact on human resources management in the local government sphere. These include:

- *The Labour Relations Act, 1995 (Act 66 of 1995)*
- *The Basic Conditions of Employment Act, 1997 ( Act 75 of 1997)*
- *The Employment Equity Act, 1998 (Act 55 of 1998)*
- *The Skills Development Act, 1998 (Act 97 of 1998)*
- *The Promotion of Equality and Prevention of Unfair Discrimination Act, 2000(Act 4 of 2000).*

As employers, municipalities have to act within the confines of the law with regards to all employee aspects.

## **2.6 OBJECTIVES OF MUNICIPALITIES**

Local government and the municipalities that comprise this sphere of government exists essentially to bring government closer to the people and provide services to the communities for which they are created, through democratic and accountable government. One critical responsibility for municipalities is ensuring proficient delivery of services to communities in a sustainable manner. The following inseparable functions identified by the *Constitution of the Republic of South Africa, 1996 (Act 108 of 1996:153:1) are;*

- (a) promoting social and economic development.
- (b) promoting a safe and healthy environment
- (a) encouraging the involvement of communities and community organisations in the matters of municipality.

From the above it is clear that municipalities play a crucial developmental role and should, through their administration and management activities give priority to the

basic needs of a community. Municipalities should also promote social and economic development in order to empower the communities they serve thereby creating liveable cities, towns and rural areas.

### **2.6.1 Municipalities and service provision**

As has been mentioned in the above paragraph the core function of municipalities is service provision. The *Constitution of the Republic of South Africa, 1996, (Act 108 of 1996) Part B of Schedule (5)* identifies the following services that fall within the ambit of local government and its consequent municipalities. They are; water, electricity, town and city planning, road and storm water, waste management (refuse collection), emergency services for example, fire fighting, licences, fresh produce market, parks and recreation, security, libraries, town and city planning, economic planning. *Part B of Schedule 4 of the Consitution, 1996 supra* further identifies the following matters that fall in the ambit of local government;

- air pollution,
- building regulations
- 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, harbours excluding the regulation on international and natinal shipping and matters related thereto
- tracking regulators
- water and sanitation

These services are also known as external services, meaning services rendered to the general public within the jurisdiction of the municipality. Internal services are those services rendered within the municipality. Such services are for example,

human resources management and information technology assistance. These are internal functions/services that assist other departments to perform their mandate better. The above-mentioned internal services are also known as staff functions (Gildenhuys, 1997: 24). The vast service delivery backlogs that exist particularly in the previously neglected areas remain a challenge for local government in South Africa. A report published by the *Department of Provincial and Local Government* (DPLG) (2001:8) from which Tables 2.1 and 2.2 below are derived serve to illustrate the severity of the situation.

**Table 2.1: Distribution of services in urban and rural areas in 1996**

		Below basic	Basic	Intermediate	Full services	Total
Water	Urban	10.1%	12.7%	13.6%	63.6%	100.0%
	Rural	39.2%	36.6%	13.5%	10.8%	100.0%
	Total	21.8%	22.3%	13.5%	42.3%	100.0%
Sanitation	Urban	25.8%	2.0%	0.0%	72.2%	100.0%
	Rural	75.8%	16.0%	0.0%	8.3%	100.0%
	Total	45.9%	7.6%	0.0%	46.5%	100.0%
Electricity	Urban	21.4%	0.1%	18.8%	59.7%	100.0%
	Rural	67.6%	1.3%	18.8%	12.3%	100.0%
	Total	40.0%	0.6%	18.8%	40.6%	100.0%
Roads	Urban	16.0%	8.8%	21.2%	53.9%	100.0%
	Rural	42.7%	42.7%	13.3%	1.3%	100.0%
	Total	26.7%	22.5%	18.0%	32.7%	100.0%
Storm water	Urban	20.4%	14.4%	11.5%	53.6%	100.0%
	Total	20.4%	14.4%	11.5%	53.6%	100.0%
Waste removal	Urban	18.3%	2.1%	0.0%	79.6%	100.0%
	Rural	53.3%	42.4%	0.0%	4.3%	100.0%
	Total	32.4%	18.3%	0.0%	49.3%	100.0%

A basic level of service is defined as that level of service considered ensuring or meeting requirements of health and safety. To illustrate, in the case of water, a basic level of water provision will mean that there are at least communal standpipes. The intermediate level of service will mean there is a yard tap; full service means that the recipient has in-house running water (*Department of Provincial and Local Government (DPLG), Service Backlogs Report, 2001:6*).

From the above **Table 2.1** it can be deduced that the worst service provision standards are in rural areas. Probable reasons for such vast variations in service delivery can be attributed to the past biases in services expenditure and delivery, during the apartheid era. **Table 2.2** illustrates the total capital requirements calculated in 2001 that are needed to meet the various service levels.

**Table 2.2 Estimated Cost of Meeting Service Backlogs 1998-2007**

<u>Targeted Service Level</u>	<u>Capital Needed</u>
Basic	R 39 billion
Intermediate	R 104 billion
Full	R 230 billion

Source:Gugu Moloi, 2001, Conference paper.

As can be deduced from the above, meeting the targeted service levels will require large sums of capital investment. It has been acknowledged in government publications such as the *White Paper on Local Government Service Partnerships (No. 2116 of 2000)*, that to acquire the capital resources needed to meet service delivery needs, other innovative financing solutions have to be devised such as partnerships with the private sector and more prudent financial management practices (*White Paper on Local Government Service Partnerships, 2000: Section 1*).

## 2.7 CONCLUSION

Local government is one of the three spheres of government and plays a crucial role in policy implementation and developing communities. Municipalities interact closely with the citizens like no other sphere, and are often referred to as government at the grassroots because they are the first port of call for citizens.

Local Government in South Africa has been undergoing major changes and transformations since 1993. These changes are similar to the many changes that have been taking place in other spheres of government and society as a whole as South Africa as been transforming itself to become a democratic country. Transformation has thus been a priority for local government as a sphere and for the individual municipalities/councils. The new system of local government has been created. Amongst the many challenges facing the new system of local government after the establishment of the new system of local government and municipalities such as the Tshwane Metropolitan Municipality, is the challenge of integrating and amalgamating all aspects of the municipalities in terms of, amongst other aspects, organisational structure, the placing of existing personnel, reviewing by-laws and consolidating contractual agreements, assets and liabilities.

Service provision particularly to the poor is still a major challenge. Many municipalities, despite the above-mentioned organisational challenges that they have to deal with, are faced with financial problems, which exacerbate the service delivery backlogs problem. Unquestionably service provision is one challenge that requires creative and innovations solutions and strategies some of which will be described and explained in the next two chapters.



## CHAPTER 3

### ALTERNATIVE SERVICE DELIVERY OPTIONS

*“Current economic realities have led many governments to review the programmes they deliver and the way they deliver them.... The question for today’s political leaders and public servants is not when or if to innovate but how” (Mohan Kaul, 2000: 73)”.*

#### 3.1. INTRODUCTION

Municipalities render a variety of services, collective, particular and quasi - collective that they are constitutionally supposed to render. The traditional and conventional way of rendering/providing these services has seen the creation of line municipal departments/functions. There is, however, a hybrid of alternative ways in which services can be provided outside the traditional means. Municipalities in South Africa (as outlined in Table 2.1 in the previous chapter) are currently faced with decreasing revenue sources and ever increasing service delivery responsibilities. Prompted by these and many other challenges, governments are turning to alternative and innovative means of delivering local services. This chapter, as well as the following chapter, will focus on these alternative service delivery methods/mechanisms commonly known as ASDs. One of the objectives of this research is to investigate and explore the various delivery options that can be used as tools to improve service delivery of the Tshwane Metropolitan Municipality.

Initially a definition of the concept of alternative service delivery (ASD) will be given. And to better understand this concept as well as other related concepts, references will be made to practices abroad as benchmarks on which to compare South African practices with. The remainder of this chapter will describe and explain, partnerships as options for service delivery. The various forms of partnerships will also be explained.

### 3.2 WHAT IS ALTERNATIVE SERVICE DELIVERY?

Alternative service delivery or ASD for short is an acronym that originated in Canada and is used to refer to various administrative innovations and a range of instruments or arrangements used directly by government or in cooperation with other sectors to meet their service delivery obligations (Peters *et al*, 1999:298). Ford *et al* (42) define ASD as "...a creative and dynamic process of public sector restructuring that improves the delivery of services to clients by sharing governance functions with individuals, community groups and other government entities".

The *Department of Public Service and Administration (DPSA)* describe alternative service delivery (ASD) as;

*An optimum mix of flexible service delivery programmes, activities and mechanisms that can be strategically utilised to achieve government's service delivery objectives or either directly by government or in cooperation with other sectors such as the private sector or the voluntary sector. (DPSA, Draft Framework for Improving Efficiency and Service Delivery, 2000:13).*

The *Treasury Board of Canada Secretariat* similarly defines alternative service delivery (ASD) as a process of institutional redesign to improve government's performance in delivering programmes and services. The *Treasury Board of Canada* distinguishes two components involved in this process; firstly, establishing appropriate organisational structures within departments, outside traditional departmental structures or outside the public sector to improve organisational performance. Secondly, bringing together organisations from across government, between levels of government or across sectors, through partnerships (for example. single windows, co-location or clustering of services to citizens) to provide more seamless and citizen centred services (Policy on Alternative Service Delivery, 2003)

As can be deduced from the word, single window, that these are arrangements that enable citizens to have access to various related services and information on one website. In other words they do not need to log on to separate websites to gain access to services or information because these are available on the single website. Co-location or clustering means that citizens do not need to visit separate

departmental offices when requiring certain services. Co-location implies that, as far as possible, related service departments should be housed in one location to enable easy, quick and wholistic service to citizens.

Alternative service delivery (ASD) refers to service delivery mechanisms where other parties outside of government are used in the delivery process. This generally refers to the involvement of private companies, Community Based Organisations (CBOs), Non Governmental Organisations (NGOs) in the form of partnerships. Alternative service delivery is therefore not exclusive but includes privatisation as well as the restructuring of mainstream government machinery and processes to improve the government's performance in delivering on program goals and services.

Four clusters of mechanisms for service delivery are distinguishable namely; mainstream government, agencies (statutory, non-statutory), partnerships with other government spheres and private entities (for example concessions, which will be explained in the following chapter), private entities (not for profit as well as for profit entities).

Governments in both the developed and the developing world are moving away from the traditional or conventional approaches to public service delivery where government is solely and completely involved in the provision of as service. That is from the production of the service through to delivery of the public service by line functionaries or municipal departments.

Kaul ( 2000:6) further writes the following;

*Current economic realities have led many governments to review the programmes they deliver and the way they deliver them As a result many governments are examining whether current programmes should continue to be delivered and whether there are alternative methods of service delivery that are more responsive to the client's needs as well as cost efficient and effective. The question for today's political leaders and public servants is not when or if to innovate but how.*

Municipalities are constantly faced with declining revenue sources, growing service delivery responsibilities and consequently many municipalities are considering alternative means of delivering local services, involving the private or non-profit sectors as well as partnering with other local municipalities as well as other spheres of government (Kaul, 1998:1).

Related to this alternative service delivery wave are concepts such as 'flexibility', 'responsiveness', 'deregulation', 're-engineering', 'quality of service', 'rightsising government', 'and reinventing government'. Examples of alternative service delivery methods (ASD) include amongst other methods: contracting out, intergovernmental agreements, franchising, charging user fees to achieve efficient consumption of a service, vouchers, subsidy arrangements, using volunteers and promoting community involvement.

Although literature on alternative service delivery (ASD), debates and discussions on the so-called alternative service delivery mechanisms date back to the late 1970s, ASD as a phenomenon only established itself in South Africa in the early 1990s. One piece of legislation that gives reference to ASDs is the *Local Government: Municipal Systems Act, 2000 (Act 32 of 2000)*. In particular Chapter 8 of this Act outlines the various options open for use by municipalities as well as the criteria to be used when deciding on mechanisms. The World Bank recognises these developments in service delivery and notes that some of the new service delivery mechanisms such as partnerships (popularly known as PPPs, to be explained in paragraph 3.5.1 *infra*) seem to remove boundaries that existed between the public and private sectors as the two sectors combine their energies and resources to improve service delivery (Alternative Service Delivery Mechanisms, 2003).

### **3.3 RATIONALE FOR ALTERNATIVE SERVICE DELIVERY: PRESSURES FOR CHANGE**

Governments and municipalities are often criticised for being bureaucratic, slow to respond, inefficient, ineffective and unimaginative. Prompted by fiscal, social, administrative, political and ideological challenges governments since the mid-1980s have been evaluating and experimenting with new forms of service delivery,

particularly shifting away from the usual dependence on the inflexible, bureaucratic, internal modes of delivery, such as traditional line government department (Peters *et al*, 1999:281).

Increasingly use is being made of mechanisms such as, external contracting, the use of semi-autonomous agencies and the formation of inter-agency or inter-governmental partnerships. Government and municipalities have also corporatised or fully privatised certain kinds of services especially those deemed to be of a largely commercial nature (Peters *et al*, 1999:281). Mohan Kaul (1998:1) agrees with this and notes that since the 1970s governments worldwide have been concerned with adapting, reviewing and developing the structures and values for the public service to achieve greater efficiency and more responsive and flexible services. This need for improved performance has also led to the development of a new set of managerial strategies that seek better results and service delivery at limited cost. Debates on the efficiency of the public sector delivery, or lack thereof, and how to improve public sector effectiveness and efficiency have in the United Kingdom resulted in a redefinition of the role of the state in service delivery and a trend towards state liberalisation with increased use of the private sector in public service delivery. These renewal processes involve rethinking and restructuring government's business and structure with focus on improving service delivery to achieve government objectives. The uses of different forms of service delivery are part of what is termed the new public management (NPM) paradigm, a paradigm that emphasises performance and responsiveness (Nolan, 2001: 3).

Municipalities in South Africa are faced with similar challenges such as scarce resources requiring them to reconsider their methods of delivery. One of the most popular delivery mechanism, are partnerships popularly known as PPPs (to be explained in paragraph 3.5 *infra*). Municipal reform is not so much an issue of political ideology as one of good governance and managerial expediency. Developing learning public institutions is imperative for continual improvement. Learning institutions are those that are able to adapt and change with the environment to remain relevant and competitive (Robbins, 2001:561).

The use of alternative service delivery options (ASDs), which often involve the private sector and the application of market mechanisms, is seen as a strategy to aid delivery through, **firstly** the mobilisation of additional financial resources from the private sector thus alleviating financial problems. **Secondly**, borrowing private sector approaches is seen as a way to help renew the public sector and making it more effective and efficient by making effective use of resources through the development of entrepreneurial action and innovation (Kaul, 2000:73). **Thirdly**, it is believed that by attracting high quality private sector management into public sector operations will result in effectively and efficiently managed public sector. Therefore, the rationale for the use of alternative service delivery mechanisms is to provide innovative options to improve service delivery in terms of quality, quantity, timeliness, access and cost (Peters *et al*, 1999:297).

Other reasons for experimenting in new ways of delivering publicly funded services are (Peters *et al*, 1999: 297);

- encouraging innovation
- reducing complacency
- empowering and motivating employees
- rebuilding trust in public institutions
- reducing and changing the role of the state to where government is less producer of goods and services and more of a supervisor/facilitator of how things are done and services are rendered.

### **3.4 THE LEGISLATIVE FRAMEWORK FOR ALTERNATIVE SERVICE DELIVERY FOR SOUTH AFRICAN MUNICIPALITIES**

The use of alternative service delivery mechanisms, in particularly the extensive use of public-private partnerships and corporatisation is relatively new in South Africa. There is a need, therefore, to create an enabling legislative and regulatory framework that empowers municipalities when negotiating partnership agreements or internal restructuring efforts. Examples of such legislation and policy statements that are already in existence in South Africa are:

- ◆ *The Local Government: Municipal Systems Act, 2000 (Act 32 of 2000) particularly Chapter 8*

- ◆ *The White Paper on Local Government (1998)*
- ◆ *The White Paper on Local Government Service Partnerships, Government Gazette No. 21126 of 26 April 2000.*

Reference to the above will be made throughout this chapter and chapters that follow.

The *Local Government: Municipal Systems Act, 2000 (Act 32 of 2000)* is perhaps the most authoritative and empowering legislation regarding the use of alternative service delivery mechanisms in municipal. Below is an excerpt of Section 76 of the *Municipal Systems Act, 2000 supra*;

*“A municipality may provide a municipal service in its area or a part of its area through-* (a) *an internal mechanism, which may be:*

- (1) a department or other administrative unit within its administration*
- (2) any business unit devised by the municipality, provided it operates within the municipality’s administration and under the control of the Municipality in accordance with operational and performance criteria determined by the Municipality or;*

*(3) any other component of its administration: or*

*(b) an external mechanism by entering into a service delivery agreement with-*

- (1) a municipal entity*
- (2) another municipality*
- (3) an organ of state, including*
  - (a) a water committee established in terms of the water services act, 1997 (Act 108 of 1997)*
  - (b) a licensed service provider registered or recognised in terms of national legislation*
  - (c) a traditional authority*
- (4) a community based organisation or other non governmental organisation legally competent to enter into such an agreement or*
- (5) any other institution, entity or person legally competent to operate a business activity”.*

Chapter 8 of the *Local Government: Municipal Systems Act, 2000 (Act 32 of 2000)* also stipulates the occasions when municipalities should review and decide on mechanisms to provide municipal services, the criteria and process for deciding on the mechanisms and the responsibilities of municipalities when providing services through service delivery agreements with external mechanisms. Part 3 of this Chapter also contains provisions of how competitive bidding processes should be dealt with.

### **3.4.1 The Municipal Infrastructure Investment Unit (MIIU)**

The Municipal Infrastructure Investment Unit (MIIU) is a Section 21 company (not for profit company) established by the government to assist municipalities in finding innovative solutions to critical problems with the financing and management of essential municipal services such as water supply, sanitation, waste, energy and transport. These solutions include the involvement of new parties in service delivery, in various forms of public/private, partnership arrangements (Municipal Infrastructure Investment Unit, 2003). This Unit was especially established to assist municipalities with structuring municipal projects for financing.

## **3.5. ALTERNATIVE SERVICE DELIVERY OPTIONS AND INNOVATIONS**

There are various alternative service delivery mechanisms (ASDs) that the Tshwane Metropolitan Municipality and other municipalities can use to enhance service delivery to the communities they serve. However, due to the limitations of this research only the following alternative service delivery options will be described:

1. Partnerships and other manifestations of partnerships, for example. Service contracts/outsourcing
2. Corporatisation in particular Agencies, Utilities, Section 21 companies
3. Privatisation
4. Electronic Service Delivery



### 3.5.1 Partnerships as alternative service delivery options

In the past few years the concept of partnerships has emerged and gained popularity in government and public management. The most popular form of partnership being the public/private partnerships popularly referred to as PPPs. The *Treasury Board of Canada Secretariat* defines a partnership as an agreement between a government institution and one or more parties (inside or outside government) where there is an agreement to work co-operatively to achieve public policy objectives and where there is:

- delineation of authority amongst partners
- joint investment of resources of time, funding expertise
- allocation of risk amongst partners
- mutual or complementary benefits (Scope of Alternative Service Delivery, 2003).

A further characteristic being a clearly formulated agreement or contract that sets out the terms of the partnership agreement.

The *Draft Framework for Improving Efficiency and Service Delivery (Draft)* published by the *Department of Public Service and the Administration (Draft, 2000:15)* defines a partnership as “...a collaborative agreement between two or more parties based on mutual interest and a clear understanding or contract that sets out the objectives and terms of the agreement”.

Reddy, (1996:216) defines public-private partnerships as a “...set of institutional relationships between government and various actors in the private sector and civil society in which boosterism is integrated with the use municipal powers to attract external sources of funding, new direct investments or new employment sources”.

These partnership agreements can be between a municipality and a;

- private sector company usually referred to as public/private partnerships commonly PPPs or,
- public sector partner usually referred to as shared service delivery or,

- community based organisation or NGO termed Public/CBO/NGO Partnership (*Draft Framework for Improving Efficiency and Service Delivery, 2000: 30*).

The decision on which one of the aforementioned partnership options to apply depends on the needs of the given municipality and the characteristics of the service for which the partnership is being formed, for instance, public/private partnerships will be more applicable for infrastructure development because of the capital investment needed than would a partnership with a non-profit organisation. Public/public partnerships can also be useful in this regard as this can lead to economies of scale in purchasing and operating activities. Partnerships with Community Based Organisations (CBOs) and Non-governmental Organisations have the advantage that they promote economic and social development in communities by involving the community itself, thus strengthening democracy and empowering civil society (*White Paper on Local Government Service Partnerships, 2000:Section 2*).

The following categories of partnerships are distinguishable by their primary purpose and degree of power sharing between the partners:

- **Consultative and advisory** – used to gather information/input for policy development, programme design, evaluation and adjustments.
- **Contributory and support sharing** - used to leverage new resources or funds for service delivery.
- **Operational or work sharing** - arrangements these partnership arrangements permit partners to share resources and work and exchange information for service delivery.
- **Collaborations** – facilitates joint decision-making regarding policy development, strategic planning and service design, delivery, evaluation and adjustment (*Draft Framework for Improving Efficiency and Service Delivery, 2000: 25*)

The *White Paper on Local Government Service Partnerships (2000:6)* recognises that partnerships as options for service delivery can play a pivotal role in effectively and efficiently enhancing municipal service delivery. The *White Paper, 2000 supra* is one of the key policy or guiding documents on how partnerships can be applied by

municipalities. The *White Paper, 2000 supra (2000:10)* identifies the following typical municipal service partnership arrangements,

- service contract
- management contract
- lease
- build-Operate-Transfer (BOT)
- concession

The above-mentioned partnership arrangements will be explained fully in subsequent paragraphs.

### **(a) The rationale for partnerships**

Municipalities in South Africa have realised that they alone cannot address the service delivery problems/ backlogs particularly considering the immense capital requirements to meet the service delivery needs. Hence the need for finding other delivery mechanisms and financing options such as partnerships (*White Paper on Local Government Service Partnerships, 2000:5*).

Kettle (1993:6) writes;

*...government, of course have always relied on private partners to provide key goods and services. As long as there have been governments, there have been armies, as long as there have been armies, governments have purchased weapons and supplies from private vendors.*

Partnerships are therefore not a new phenomenon. What is new, however, is the perspective and extent to which they are being used, which is rapidly increasing even on services formerly regarded as solely government responsibility, begging for a redefinition of what constitutes a “public good” (goods or services produced and provided by the municipality) or “private good” (goods or services produced and provide by the private companies).

In the foreword to *the White Paper on Local Government Services Partnerships (2000)* the then Minister of Provincial and Local Governement states:

*South Africa is facing daunting challenges for municipal service delivery ... achieving the Reconstruction and Development Programme (RDP) objectives within a reasonable time frame requires municipalities to look at innovative ways of providing municipal services. Partnerships between municipalities, the public sector, the private sector and community and non-governmental organisations are a key option that municipalities should consider in their efforts to rectify infrastructure deficits and disparities.*

If properly structured and implemented, partnerships can lead to improvement in the efficiency and effectiveness of service delivery. Partnerships form part of various mechanisms that are being employed by governments as part of their endeavours and programmes to renew government, and make government better by adopting or tapping into or making use of the skills and expertise outside government itself.

The *Treasury Board of Canada Secretariat* similarly notes, "...this trend has been accelerated by the need to reduce deficits and by the program review exercises which focus on getting government right. It is also an inevitable by-product of operating in an increasingly complex, technologically oriented and rapidly changing world where new skills sets, expertise and capacity are needed that are potentially available in other sectors and at other levels of government. In this period of government renewal the value added contributions and leverage that can be gained through partnerships have never been more enticing" (Scope of ASD, 2003). Partnerships are thus means of attaining skills, finance and infrastructure to get work done where government (by itself) is lacks capacity, thus enabling government to achieve its objectives faster and be able to respond to the needs and expectations of its citizens.

### **3.5. 2 Outsourcing or contracting out**

Outsourcing refers to an arrangement where a department or municipality contracts out the production and rendering of a given function or a service to an individual or outside agency but maintaining overall accountability of the function. Thus it abdicates its responsibility to execute but remains accountable for ensuring that the service is provided and also funding of that service vest in the public sector

organisation. The role of the municipal becomes that of monitoring and control, also known as contract management.

Contracting out which normally follows a competitive tendering process amongst bidders/service providers is the purchasing of a service from an outside organisation and can be as a result of market test involving an in-house bid or strategic decision to obtain the service from the private sector. The contract then becomes the instrument, which the relations between parties are managed and regulated. Contracting-out may also be described as operational privatisation (Kaul, 2000:91).

Contracting entails the separation of two functions *viz* production and provision, meaning those who perform a task and those who specify and buy a service. Contracting arrangements usually have a contract agreement or specification, which is a legal document and agreement stating what is required of both parties. This agreement is commonly known as the Service Level Agreement.

The major reasons for outsourcing or contracting out are (Peters *et al*, 1999:313):

- to improve efficiency
- to improve the quality of services
- due to a lack of skilled personnel or capacity within the municipality or government institution/department
- to secure fiscal savings most government and institutions contract out certain services .

Contracting is not new and examples of contracting out are plentiful in services such as information technology, towing services, road construction, waste management and meter reading, amongst others. Fourie (1997: paragraph 5) writes, that municipalities sometimes fail in their pursuit to deliver services or are able to deliver but at inefficient, costly prices and often-poor quality services are rendered. Hence, municipalities use the practice of contracting out as a solution to these problems with the intention of benefiting from private sector capabilities. The argument being that the private sector generates efficiency gains through cost reduction. Gildenhuis *et al* (2000:71) agree that contracting out/outsourcing is a viable option/alternative to promote economy, efficiency, competition, variety, choice and flexibility.

Cost cutting or efficiency is one of the advantages/benefits that municipalities hope to gain from contracting a specialist service provider in addition to providing specialist knowledge and expertise. Such a service provider can often gain efficiency from economies of scale that may not be available to the municipality. Partnerships also allow municipalities to reduce their expenses for equipment rental, lease cost and initial purchasing costs. Therefore over time municipalities can save on the capital costs of infrastructure expansion and technology upgrading (*White Paper on Local Government Service Partnerships, 2000:3*).

The *White Paper on Local Government Service Partnerships (2000:4)* notes that by linking municipal service provision to a clear and explicitly laid out agreement (for example service contract agreement/service level agreement) enables municipalities to determine their cost in advance and this enables them to plan and budget better. Contracting is usually a result of competitive bidding and municipalities can gain/benefit from these competitive forces. The two most common types of contracts to be explained in the following paragraphs are:

- service contracts
- management contracts

Other types of contracts that are beginning to gain popularity in South Africa are:

- leases
- concessions
- build-operate-transfer

#### **(a) Service contracts**

Service contracting entails employing a private company to carry out specific functions and activities. Duration is usually for a few years typically one to three years (*Service Delivery Options, 2003*). The role of the municipality/public provider will then be set performance targets, criteria, evaluate bidders for the service contract, supervise and monitor contractors and pay the agreed fee for the service. According to *Gildenhuys et al (2000:80)* "...to ensure that contracting out results in greater efficiency contracts should be awarded through competitive bidding". That is

multiple contractors should compete against one another to ensure that the most effective and efficient contractor is chosen.

### **(b) Management contracts**

With management contracts the municipality pays a fee to a private company to assume overall responsibility for operation and maintenance of a service delivery system with autonomy to make day-to-day management decisions. The typical duration of a management contract is five years (Service Delivery Options, 2003). The major distinguishing feature between management contracts and service contracts has to do with the level and extent of responsibility that the private company is given. Management contracts involve a wide range of operations and activities. A private firm does not commit its own investment capital but just manages the operations (Gildenhuys *et al*, 2000:80). Two key elements for successful management contracting are;

- a contractor must have sufficient authority to make commercial reforms.
- a contract must contain incentives for effective performance, as well as penalties for failure.

Management contracts are worthy options when full privatisation is not appropriate. There are, however, potential problems in using management contracts. Contractors with international linkages might engage in a management contract in order to secure a privileged position in the subsequent initiatives. The downside to this situation is that the contractor's superior information about the job and its market which might deter other potential bidders in future and in so doing sabotage open competition which is vital for efficiency and success (Gildenhuys *et al*, 2000:82).

Lavery (1999:11), cites the following conditions under which contracting out and competitive tendering are most attractive, when

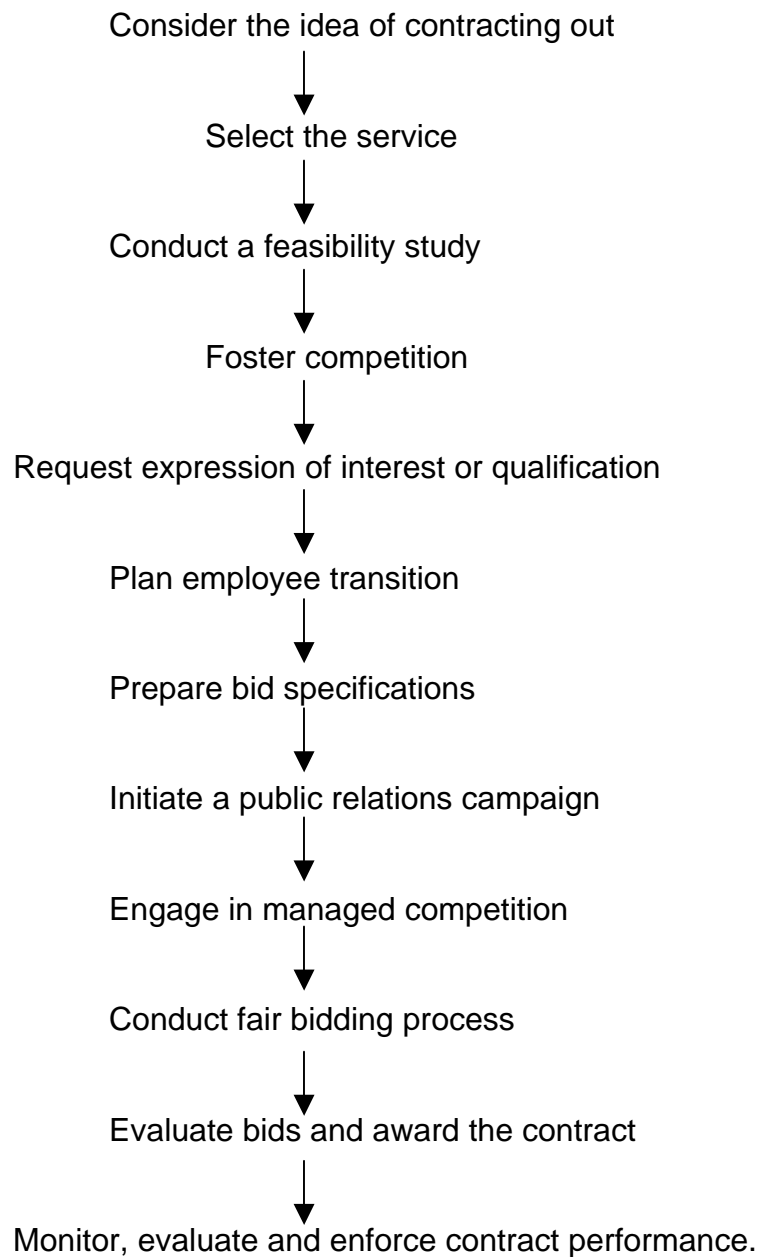
- ◆ competition exists and contracts are usually determined by price;
- ◆ the private sector markets have the capacity to provide the service;

- ◆ agencies do not possess in-house capabilities;
- ◆ functions are new, discrete or non-core activities (*cf.* also Kaul, 1998:);
- ◆ the service is tangible and clear specifications can be made
- ◆ monitoring costs are not excessive and
- ◆ a competitive market exist for the services .

The process of contracting out can be illustrated by means of a model, as in Figure 3/1.

**Figure 3/1: A Simplistic model for contracting out**

Contracting out is a process that should ideally follow the following twelve steps.



Source: Johnson *et al* , 2000:45



Johnson *et al* (2000:67) identify what they refer to as the technical factors worthy of consideration when deciding to outsource. These factors are task complexity, contestability and asset specificity. Various case scenarios are presented with a description of the dominant problem that can be anticipated in each given case.

The **contestability** factor refers to the degree to which multiple contractors are available and willing to competitively bid against each other for the service contract. **Task complexity** refers to the degree of simplicity or complexity in ascertaining and attaching service costs as well as determining appropriate and deliverable levels of service. **Asset specificity** refers to "... the degree to which an input into a service or production process is only valuable for that specific service or process" (Johnson *et al*, 2000:65).

**Table 3.1: Key Technical factors in outsourcing decisions**

Case	Task Complexity	Contestability	Asset Specificity	Dominant Problem
1	Low	High	Low	None. Without asset specificity or high task complexity, opportunism is unlikely to occur and contestability is not likely to be undermined
2	Low	High	High	This case turns on the high asset specificity. Because the service is highly contestable ( <i>i.e.</i> a considerable number of firms have the needed skills) it is very likely that the asset specificity is related to physical assets that would have to be created to carry out the contract. Bidders will either require a premium on the contract or they will choose to use a production technique that involves less asset specificity but that is also less efficient
3	Low	Low	High	This case involves both parties holding each other hostage. The government has a strong position because the assets that the contractor will purchase in fulfilling the contract will make

				the firm vulnerable. The contractor's strength comes from the low level of contestability
4	High	High	Low	The key problem in this case is the government's uncertainty about what exactly it will receive in terms of performance. While the contractors may have opportunities to exploit the contract, they will be careful in this regard because of the high contestability
5	High	Low	Low	This case is similar to case four but involves the government being in the weaker position during the contract implementation phase. With low contestability, the contractor will have a strong temptation to act opportunistically. Moreover this strong position can be leveraged during the bargaining phase to set higher prices
6	Low	Low	Low	The key factor in this case is the low contestability as the other factors favour the government's position
7	High	Low	High	This is the worst-case scenario for governments since all three governance costs are present. Attempts to control one factor will typically adversely affect another aspect by increasing the costs of another factor (for example, having multiple contractors will address the contestability issue, but will simultaneously multiply the cost associated with high asset specificity)

Source: Johnson *et al*, 2000: 68)

### (c) Criticisms and obstacles to effective contracting

Major criticisms of contracting presents questions on whether contracting really results in real savings. It is argued that contracting actually costs more because of additional costs such as contracting administration and monitoring. Poor management and corruption particularly if the tendering process is not open and not managed well can result in poor service delivery and even more costly services than anticipated or hoped for.

The problems that are often encountered when outsourcings include **firstly**, poor capacity to manage the contracting process. It can be argued from acts such as the *Skills Development Act, 1998 (No. 97 of 1998)*, South Africa has major human resources capacity problems. Most municipalities often lack equipped and skilled personnel to manage the tendering/contracting process effectively, for example, from the gathering of data, deciding on whether to outsource a service, negotiating fair and efficient contracts to monitoring the performance of the contractor. Thus, it is necessary to develop management capacity to manage the contracting process. **Secondly**, lack of qualified contractors, Finley (1998:5) notes that limitations to outsourcing (contracting) often lie in the limited number of providers and the inability of communities to define the level and quality of service to enable it to be measured, quantified and delivered. **Thirdly**, limited or lack of competition among contractors- a lack of competition will most likely not result in the cost saving often sought by institutions when outsourcing. **Fourthly**, political obstacles brought about by, for example, a lack of union support. Thus, the extent and power of the unions, in relation managerial autonomy over service delivery, might hinder contracting decisions and process

As noted in earlier paragraphs, contracting out, outsourcing or competitive tendering and contracting (CTC) as it is also known, are not new phenomena. Where municipalities lack capacity they have made use of contracting out. If properly managed contracting out can be a very cost effective and efficient delivery option. Municipalities, through procurement and tendering processes that favour small businesses can use contracting out to support the growth and sustainability of small and medium enterprises.

A study by the *Australian Industry Commission* in 1996 (as in (Peters *et al*: 2000:315), revealed that, **firstly**, to benefit from contracting it is important to structure competitive tendering in such a way that it is precise and clear and that accurate specifications are outlined to allow for proper motoring, performance management and control as well as to ensure that effective competition takes place in order to decide on the best provider/contractor. **Secondly**, adequate monitoring of the contractor is imperative. **Thirdly**, one of the major benefits of contracting is that it forces agencies to review their actions and whether their current activities are effective in achieving goals thus allowing changes/improvements to be made. **Fourthly**, the focus of the tendering process needs to be on service outcomes, because whatever the method of service delivery the municipality remains accountable for the efficient delivery of functions delegated to it even though an outside player is used.

Contracting out appears to be a popular option/alternative to in-house delivery. The Tshwane Metropolitan Municipality might find it useful in areas such as; refuse collection and waste management, fire protection services, cleaning, management of recreational facilities, information technology services, road construction, meter reading and maintenance.

#### **(d) Leasing and franchising arrangements**

The private firm rents/leases facilities, assets from the municipality and assumes responsibility for operation and maintenance. The lessee finances working capital and replacement of capital components with limited economic life, but not fixed assets, which remain the responsibility of the municipality. Typical duration of leases or franchises is usually approximately 10 years (Service Delivery Options, 2003). The lease agreement specifies the conditions under which the lessee will operate and the payments to be made to government.

Franchising is closely related to contracting and involves users paying the provider directly because there is a direct link between the cost of the service and the charge. The municipality does not get involved in the payment function.

**(1) Concession: Build Operate Transfer (B-O-T)**

Concessions can be considered as a form of a franchise arrangement. In the case of a concession a private firm is responsible for the overall operation and maintenance including financial investment in fixed assets in addition to working capital. In terms of asset ownership, the firm or the municipality can own assets for the period of the concession. Where the firm owns the assets, at the end of the concession period such assets will be transferred to the municipality. Concessions are ideally used for projects that will generate sufficient revenues to cover the private firm's investment and operating costs as well an acceptable rate of return during the duration of the concession, which is usually about 15 years (Service Delivery Options, 2003).

A popular form of concession is the Build-Operate-Transfer (B-O-T) concession. It is a form of concession, used in construction projects. The private firm will build the given facility and run it at its own cost and at the end of the concession period pass ownership over to the municipality. Due to the large cost/financial implications their typical duration is 15 or more years.”

The table below provides actual South African examples where partnership arrangements, such as concessions and contracts, were used.

**Table 3.2: Real Applications of Partnerships in South Africa**

Type of Contract	Duration	What is due to the contractor	Nature of contractor performance	Example
Service Contract	1-3 years	A fee for performing the service from the government or municipality	A particular or technical type of service	Overstrand Solid Waste Management
Management Contract	3-8years	A fee and performance based incentive	Managing a government service.	Information Technology- Provider/contractor is IBM & Masana Technologies in Johannesburg
Lease	8-15years	End user service charges. They in turn pay rent to government	Manage, repair, invest and operate a facility to an agreed standard.	The Point Water Front in Durban Fleet management services in Johannesburg
Build-Operate-Transfer	15-25years	The government pays the contractor on a particular unit of service provided	Construct and operate to specific standards, outputs and facilities.	Cape Power Project in Cape Town
Concession	15-30years	Collect end user fees	Contractor rehabilitates and invests in public infrastructure to agreed specifications and outputs.	Nelspruit Water Services And the Wonderboom Airport Pretoria

Source: K. Mazaza, 2001:Conference Paper

### **(e) Partnerships with non-governmental organisations**

The descriptions to date have centred mainly on private/public partnerships. Partnering with non-governmental organisations and not for profit organisation (commonly referred to as third sector government) could be one option worth considering. Worldwide, non-governmental organisations (NGOs) are important role players in service delivery, particularly in the field of social services.

Kaul; 2000:97).writes that non-governmental organisations (NGOs) exhibit the following characteristics:

- they are a distinct form of government
- they do not have profit as their prime objective
- they have their own instrument of governance
- they seek public objectives

There are a number of features and strengths that non-governmental organisations (NGOs) have that could be beneficial in the delivery of services. Firstly NGOs tend to be more active and effective as catalysts for change and more responsive to the needs and problems of citizens. All NGOs are created to render a service that will bring greater good to the society and their mission is to improve society. Secondly, because of their commitment and knowledge in their area of interest, they more likely than governments to adapt to local needs and conditions. Thirdly, their small size and closeness to the people make them more accountable for results (Kaul, 2000:97). The NGO sector involvement in service delivery is, however, not a new phenomenon, volunteer organisations, charities and churches have always been involved in social upliftment programmes and is indicative of the fact that such organisations can be a useful substitute for government. NGOs are find it relatively easier to obtain funding, whether from government or other donors. Due to the lack of trust in government, the private sector is probably more willing to donate to an NGO than government. Finally, NGOs are often able to find creative solutions to problematic issues due to their small size and administrative flexibility.

There is a limit to which government can make use of the non-governmental organisation (NGO) sector, for example NGOs are least likely to be able to undertake

large projects on a national basis due to their limited budgets, resources like infrastructure and qualified personnel. Most NGOs work on a micro level (Reddy, 1996:266).

In the apartheid era, non-governmental organisations (NGOs) played a critical role in emphasising the deficiencies in the former system of government. NGOs in a post-apartheid South Africa can still play an important developmental role. However, the agenda is different and the focus is far more on transformation and the building of a new South Africa.

**(f) Public-Public Partnerships: Shared delivery**

Whereas the above paragraph described partnerships between non-governmental organisations and municipalities in an effort to synergise a municipality's resources with those of such an organisation, public-public partnerships on the other hand, are between municipalities and even other government departments from other spheres of government. Public-public partnerships occur when a municipality enters into a partnering relationship or contractual agreement with another public department from another sphere of government or another municipality for municipal service provision. These partnerships are highly recommended as they can illustrate how government resources and capacities can be synergised for service provision and public good. This is also further encouraged by the principle of co-operative government referred to in Chapter 3 of the *Constitution of the Republic of South Africa, 1996 (Act 108 of 1996)*. According to Section 41(1)(i) of Chapter 3 of the *Constitution, 1996 supra*, all spheres of government should co-operate with one another in good faith by nurturing open and pleasant relations and supporting one another through consulting one another on matters of common interest, and also aligning their actions and legislation with one another and adhering to agreed procedures laid out in the *Constitution, 1996 supra*, as well as other legislation.



### 3.5.3 Concerns regarding public-private partnerships

One of the major questions asked when applying partnerships in municipal service delivery is that of how to reconcile the different objectives of government and the private sector. The goals of government and the private sector are different. Government exists to serve the community and provide social services whereas private companies mainly exist to make profit although they may also have a social responsibility. One of the major concerns regarding partnerships particularly public private partnerships (PPPs) is, how these crucial and seeming irreconcilable differences are to be reconciled. One of the fears being that private partners might make services more expensive because of the profit motive. This is a legitimate concern, however, it can be abated through contractual agreements that stipulate the performance targets. If the cost to consumer is not reduced then there is no need for the partnership (Service Delivery Options, 2003).

Reddy (1996:216) argues in favour of partnerships and writes:

*In the USA public-private partnerships are premised on the assumption that businesses and community interests are largely compatible and that the mobilisation of public support for business adventures should be viewed as consistent with public interest.*

In other words, partnerships are one way of meeting different needs and objectives by encouraging business growth while at the same time meeting service delivery needs of the community. The other major concern regarding the use of partnerships stems from the assumption that partnerships are a shadow form of government or, a hidden form of privatisation. Reddy, (1996:216) refers to “political economists” who are more critical of such partnerships by arguing that the creation of formal public-private partnerships has often amounted to private companies undertaking the planning of the city using the municipality’s power to further their own agendas. These agendas largely reflect the agenda of urban business elites and have minimal impact on the economic problems of the majority such as inner poverty and unemployment.

A report published by the *Municipal Infrastructure Investment Unit (MIIU)* in 2003 notes that municipal service partnerships are still misunderstood by government officials and politicians (*The Pretoria News*, 20 January 2003), hence the need for more training and skills development in this area.

### **3.6 CONCLUSION**

The use of partnerships in municipal management in South Africa has gained momentum. A partnership with the private sector are seen as strategies to harness capabilities that might not be available within the public sector and examples of concessions available for municipal utilisation in South Africa have been reflected in Table 3.2 The decision on which of the various partnership options to apply depends on the needs of the given municipality and the characteristics of the service for which the partnership is being formed. The Tshwane Metropolitan Municipality may find that public-private partnerships such as service contracts and concessions will be more applicable for infrastructure development because of the huge capital investment needed. Public-public partnerships such as partnerships among municipalities or other spheres of government can also be useful in this regard as this can lead to economies of scale in purchasing and operating activities. Partnerships between government spheres are not a new phenomenon, however other kinds of partnerships particularly between a municipality and its community could prove more effective and should be further explored. Municipal service partnerships are still misunderstood by some municipal officials and politicians hence the need for more training and skills development in this area. Partnerships are not the only alternative service delivery options open for municipalities to utilise. Therefore the next Chapter will describe other options namely corporatisation, privatisation and electronic service delivery.

## Chapter 4

### ALTERNATIVE SERVICE DELIVERY OPTIONS: CORPORATISATION, PRIVATISATION AND ELECTRONIC SERVICE DELIVERY

*“...there has been a general shift away from the previous reliance upon relatively inflexible, bureaucratic, in-house modes of delivery such as the traditional ministerial department, and a significant expansion of external contracting, the use of semi-autonomous agencies...” (Jason Boston, as in Savoie et al, 1998:281).*

#### 4.1 INTRODUCTION

In Chapter 3 the concept of alternative service delivery was explained and partnerships as a form of alternative service delivery mechanism was described, including the various partnership forms that municipalities can use. Chapter 4 serves as a continuation of the explanation of the selected alternative service delivery options with the objective to **firstly**, explain corporatisation as an option and the establishment of utilities and agencies as separate vehicles for delivery as opposed to the traditional line municipal departments. **Secondly**, Full privatisation or service shedding will be described with particular reference to the advantages and concerning issues attached to privatisation. **Finally**, electronic service delivery as a concept will receive attention with a focus on the extent to which technology can be harnessed to enhance service delivery.

#### 4.2 CORPORATISATION AS AN ALTERNATIVE SERVICE DELIVERY OPTION

Transnet (1990-1991-1:2 as in Staal, 1994:1994) defines corporatisation, as “...the process where a state controlled organisation becomes a company in accordance with the Company’s Act, with the state remains the sole shareholder”.

Buchanan and Bowman (1990:78) define corporatisation as the process where functions that were undertaken by government departments are transferred to state owned corporations. This institutional change, coupled with an emphasis on

competition and performance, is intended to ensure that management makes performance the prime objective and discourage political influence, which interferes with municipal operations thus making municipal departments less effective and efficient, hence the need for separation.

Corporatisation is a concept that is closely related to and often confused with commercialisation. However, commercialisation refers to the process of incorporating commercial principles in public sector institutions such as municipalities. Corporatisation is the legal establishment of a state corporation. This involves the transfer of public assets from a municipal line department into a company structure allowing the corporatised entity to operate on a more commercial basis. Hence corporatisation takes commercialisation a stage further (Staal, 1994:19).

The *Municipal Infrastructure Investment Unit* defines corporatisation as the creation of an independent separate legal corporate entity to manage the provision of a municipal service. The ownership of the entity remains with the municipality, but it operates with more freedom and flexibility associated with a private sector business, away from the municipal bureaucracy and its associated deficiencies such as inefficiency, slowness and unresponsiveness (Service Delivery options, 2003)

Corporatisation entails re-organising government or municipal departments along business lines / commercial principles and into separate business units. They are freed from the municipality's procurement, personnel and budget systems and even allowed to raise finance on the capital market. However, they will have normal tax obligations (Johnson *et al*, 2000:19).

Corporatisation can manifest in various forms. These are:

- agencies
- utilities
- Section 21 companies-, which are non-profit seeking companies
- full privatisation into a company

#### **4.2.1 Rationale for creating separate entities**

The one major reason for creating separate entities is to separate them from the bureaucratic environment of government and giving the corporatised entity more freedom and flexibility to function better. Bureaucracy and red tape always feature as factors that hinder progress and implementation in government and by creating independent business units or operating agencies, it is hoped that these units will have greater managerial flexibility and thus be more effective, efficient and responsive (Kaul, 2000:86).

Other benefits that are sought, include cost savings, staff reductions, improved service quality, establishing stronger customer ties, opportunities to experiment and innovate without the getting bogged down in bureaucratic processes and political debate, better performance due to more intense performance management. Sheltered employment irrespective of performance is often seen as one of the public sector weaknesses, coupled with this is also other policies such as seniority based promotions irrespective of whether a person skilled in the position that they are promoted to (Boston in Savoie, 1998:306 and Interview: General Manager, Electricity. 2002). Two manifestations of corporatisation are explained in the following paragraphs.

##### **(a) Agencies**

An agency can be regarded as “a mock internal company”. The intention of the creation of this *faux* company is to introduce business principles and effective and efficient management practices into the management of services, allowing for increased accountability and the introduction of performance and performance incentives.

The agency operates as “contractor” contracted to deliver services to the municipality. As with any other external contractors the municipality may require the agency to tender for work and may also offer incentives and bonuses to enhance performance. The agency is, however, not an independent contractor or company but is part of the municipality as the municipality still owns all the assets, employs all the

staff working in the agency and the agency budget is allocated from the municipality budget (*City of Johannesburg: Igoli Plan 2002, 2000:20*).

According to the *City of Johannesburg's Igoli Plan 2002 (2000:1a)* agencies are ideally suited for services such as roads and storm water. These services are non-trading services meaning the calculation of a price per unit charge is difficult if not impossible because there is not a one-on-one relationship between units of service and the individual user. Currently the Tshwane Metropolitan Municipality has not established agencies of this nature, however, as will be revealed in later chapters, the Municipality is open to such mechanisms.

Agencies are named differently in countries abroad. In Canada, for example, they are referred to as Special Operating Agencies (SOAs) Delegated Administrative Organisations (DAOs), Alternative Service Units (ASUs), scheduled agencies and Legislated Agencies (Peters et al, 2000:302).

Internationally the nature of agencies vary considerably in terms of; legal status, government structure, range of functions, power, range of functions, degree of autonomy. For example, some agencies are independent entities, others are subordinate to the municipality, other agencies may also have multiple functions whilst others have narrow and very specific functions. Government financial backing may also differ from case to case (Peters *et al*, 2000:302-303).

## **(b) Utilities**

Like agencies, utilities are entities (companies) created by municipalities to render services but operate outside the municipality's hierarchy and bureaucracy. Utilities are ideally suited for trading services such as water and electricity. Trading services are services where a consumption fee can be charged to a specific given individual or organisation.

Agencies operating separately from the municipality allows the utilities greater flexibility to introduce appropriate management practices, and enables new skills to

be brought into the management of services delivery, contributing to a performance based work (*City of Johannesburg: Igoli Plan 2002, 2000:15*).

As separate entities/companies, utilities will have their own balance sheets making it possible and easier to raise capital because funding applications will be assessed in terms of the risk associated with that specific service/utility alone. The intention is to introduce business principles and to be cost-effective and efficient. The best way to think of utilities is as Small Business Units (SBUs). The municipality remains the single or majority shareholder of the utility. As shareholder the municipality will receive an annual dividend from the utility.

The role of the council will be a monitoring and regulatory one, which includes:

- developing a policy framework for the delivery of the service
- setting service standards
- setting tariffs
- approving the utilities business plans (*City of Johannesburg: Igoli Plan 2002, 2000:16*).

#### **4.3 THE CANADIAN EXPERIENCE: SPECIAL OPERATING AGENCIES (SOAs)**

As mentioned earlier, in Canada agencies are referred to as special operating agencies, which are forms of corporatised units. In subsequent paragraphs, this form of corporatisation will be explained.

##### **4.3.1 Description of special operating agencies**

Special operating agencies (SOAs) remain accountable to their home departments and minister for performance and are not independent legal entities. They remain part of their departmental organisation. The source of delegation of responsibility, authority and flexibility are derived from the parent department. The employees remain public servants and union representation remains unchanged. SOAs however operate under a very specific written understanding (framework agreement and business plan) with greater flexibilities to innovate and improve service quality and

delivery. No legislation is required for their establishment (Special Operating Agencies, 2003).

#### **4.3.2 Underlying rationale for special operating agencies (SOAs)**

According to the Treasury Board of the Canada Secretariat the special operating agency model (SOA) is proposed to provide the agency greater sovereignty from the government department and its extensive administrative rules in return for commitment to clear performance levels. The creation of a SOA requires that there be a strong reason justifying how greater flexibilities will contribute to enhanced service delivery as well more efficient and effective operations.

Further reasons for creating SOAs are to, improve quality, promote cost-effectiveness by applying more business like principle in delivery, to delegate more responsibility and authority for operational matters to managers, to make better use of technology, to demonstrate government action and concern for efficient management and finally to promote innovation and initiative in the workplace (Special Operating Agencies, 2003).

#### **4.3.3 Departments suitable for the SOA model**

The departments suited for the special operating agency (SOA) model have the following characteristics:

- they deliver actual/real services (unlike for example internal policy advice)
- have a clear mandate
- are able to be held independently accountable within the parent organisation
- are amenable to the development of clear performance standards
- represent discrete unit of sufficient size to justify special consideration
- are staffed by managers supportive of the SOA approach



- require no significant ongoing ministerial involvement and do not necessarily have to collect revenue, and or operate on a full cost recovery basis (Special Operating Agencies, 2003)

What is referred to as a framework document is required if a special operating agency is to be established. The nature of a framework document will be explained in the following Section.

#### **4.3.4 Framework document**

The basis for each special operating agency's operation is set out in what is referred to as a framework document. This framework documents is the SOA's constitution and includes the mission, the policy environment, the general business lines and services to be provided, the major risks, issues and challenges facing the Agency, the guiding principles on which the agency will be judged, the accountability for results particularly monitoring and reporting approaches and key performance indicators for each strategic objective. All special flexibilities and limits of the agency's authority, as well as the agency's overall relationship with the parent municipal department are also laid out in the framework document. As conditions change through out the agency's life so will the framework document be amended in order to reflect such changes (Special Operating Agencies, 2003).

#### **4. 3.5 Evaluation of the efficacy of creating separate entities**

The establishment of agencies or utilities, although commonplace in municipalities of developed countries, is a relatively new terrain for South African municipalities and further studies into the efficacy of those agencies is necessary. Boston (in Savoie, 1998: 304) notes that studies by the consulting firm Klynveld Peat Marwick Goerdeler (KPMG) and the International Public Administration Centre (IPAC), which focusses on agencies, revealed no comprehensive proof of actual cost savings and other benefits and due cautionary measures will have to be taken when following the corporatisation route.

It should be noted that a change in the legal status of a formerly municipal department into a separate corporatised entity (totally/partially independent from the parent municipality), might not necessarily result in improved performance. Therefore, the reform process should be seen holistically and should be accompanied by an alteration of the relationship between the municipality and the entity. Corporate plans and performance contracts are instruments that can be introduced as part of the commercialisation process. Kaul (2000:114) writes that for corporatisation to be successful the following prerequisites have to be met,

- objectives should be explicit and realistic, in line with the commercial operation of the enterprise
- greater management autonomy over the operation of the enterprise should be given particularly in the areas of resource purchasing, marketing and pricing
- limiting municipal involvement in enterprise decision-making
- increased management accountability for performance and results and linking reward structures to performance .

Boston (in Savoie *et al*, 1998: 294) similarly warns that in determining the best institutional design and how services are to be rendered either by a municipal department, through outsourcing or through a corporatised municipal entities, other factors besides cost savings should be considered. These other factors include autonomy of the corporatised unit, the unit's ability to respond to community needs, cultural appropriateness, equitable access, stakeholder representation, power sharing and political devolution and the protection of indigenous rights.

Corporatisation is not the only option available for municipalities in terms of restructuring their machinery/administrations for better performance and increased service delivery. Full privatisation could be an option to consider for particular services. The following paragraphs will explain this option in greater detail.

#### 4.4 PRIVATISATION AS AN ALTERNATIVE SERVICE DELIVERY OPTION

Privatisation is one of the alternative service delivery options that municipalities can utilise. The following paragraphs will define and explain privatisation in more detail. There are various definitions of privatisation, some of which are outlined below.

The *White Paper on Privatisation and Deregulation (1987:8)* defines privatisation as:

*Privatisation means the systematic transfer of appropriate functions, activities or property from the public to the private sector, where service production and consumption can be regulated more efficiently by the market and price mechanisms.*

Kenneth W. Clarkson (in McAvooy *et. al*, 1989:143) defines privatisation as any method employed by municipalities and seeks to shift the responsibility for production or provision of public services from government to the private sector.

Broadly defined, privatisation includes denationalisation or selling off of state owned assets, in other words, service shedding, de-regulation, competitive tendering together with the introduction of private ownership and market arrangements in the public sector (Ott *et al*, 1991:11).

In its general sense the term privatisation includes all the methods or forms or techniques where the private sector is made use of in providing public services, such as the following (most of which have been and will be explained):

- opening up state monopolies to greater competition
- contracting out or outsourcing
- managed competition where an in-house unit competes against outside contractors
- franchises
- denationalisation
- divesting

- government withdrawal from being the provider or service, also called load shedding
- grants, subsidies advantages
- public private partnership (Johnson *et al*, 2000:38, *cf.* also MacAvoy *et al*, 1989:144).

The following paragraphs will explain service shedding also known as divestiture. Some of the other forms mentioned above have already been explained in the previous chapter and other fall beyond the scope of this study.

#### 4.4.1. Divestiture or service shedding

Divestiture or service shedding represents the purest form of privatisation. Service shedding is when a government relinquishes its role as provider and producer of a service and shifts the provision thereof to the private sector.

Divestiture can take place through one of the following three forms:

- Shedding to for – profit company
- Shedding to non-profit organisation and
- Complete discontinuance of a service.

The choice of form depends on the characteristics of a given case or service. Services such as public works, transport, public utilities, render themselves more to service shedding to a for-profit company largely because of the large capital requirements. Recreational services such as parks are frequently shed/shifted to not-for-profit organisations (MacAvoy *et al*, 1989:145).

Selling off public assets can be done through share issues/public flotation, employee or management buy-outs or through direct purchase by other companies. **Public flotation** is when the state sells equity of the enterprise to the public through the formal capital market or stock exchange. **Private sale** involves the sale of all or part of the shareholding in a public enterprise to a single purchaser or group of purchasers. Private sales maybe negotiated by competitive tendering/bidding or through negotiations with potential purchasers. **Management buy-out** occurs when

the managers or employees acquire a controlling shareholding in the enterprise. The following table illustrates the advantages of each.

**Table 4.1 Methods of Selling off Public Assets**

<b>Method</b>	<b>Advantages</b>	<b>Disadvantages</b>
Public offering of shares or public flotation	<ol style="list-style-type: none"> <li>1. Widens share ownership</li> <li>2. Short term revenue gains to governments</li> <li>3. Encourages development</li> <li>4. Attractive to foreign investors</li> </ol>	<ol style="list-style-type: none"> <li>1. Requires a well established local stock exchange and equity market</li> <li>2. There could be the cost of a professional adviser and institutions in arranging the public offering</li> <li>4. Effect on efficiency performance is uncertain</li> <li>5. Likely to involve reductions in employment</li> </ol>
Private sale	<ol style="list-style-type: none"> <li>1. Easy to arrange, does not require developed stock exchange and capital market</li> <li>2. Allows government to identify buyer</li> <li>3. May enable the enterprise to undertake necessary technology restructuring</li> </ol>	<ol style="list-style-type: none"> <li>1. Possible under pricing of assets, if government deals with single buyer</li> <li>2. May increase market concentration and reduce competition</li> <li>3. May involve government expenditure in restructuring and rehabilitation of enterprise prior to sale</li> <li>4. Purchaser may request warranties from government, for example. tax concessions or controls on competition</li> </ol>
Management and employee buy out	<ol style="list-style-type: none"> <li>1. Continuity of management of enterprise</li> <li>2. Reduced need for public disclosure of competitively sensitive enterprise information</li> <li>3. Reduces risk of ownership passing into foreign control</li> <li>4. Provides employees and management with direct financial interest in the performance of the enterprise</li> </ol>	<ol style="list-style-type: none"> <li>1. Maintains existing management structures</li> <li>2. Best suited to enterprises with favourable cash flow position</li> <li>3. Requires financial institutions willing to lend management and employee purchasers</li> </ol>

Source: MacAvoy *et al*, 1989: 148

#### 4.4.2 Objectives of privatisation

Governments from both the developed and developing world have adopted privatisation as a key policy and tool to reach economic and social goals, though to different extents. Privatisation has various objectives but the main objective of any privatisation endeavour or policy is the enhancement of prosperity for all through restructuring and rationalisation (Gildenhuys, 1997:24).

Reasons for privatisation could be either ideological or pragmatic. From an ideological standpoint privatisation endeavours to return to a free market system particularly where socialist policies were in place based on the belief that the market (private sector) is more efficient than the public sector. Nationalism is often associated with inefficiency and ineffectiveness resulting in financial losses and a return to the power of the market economy is sought to promote growth, efficiency. (Gildenhuys, 1997:24).

Privatisation policy is inked to the need for wider share ownership and to stimulate economic growth and development through private initiative thus boosting national income and government's tax base. This in turn relieves the tax burden of each individual taxpayer, while increasing the income of government at the same time (Gildenhuys, 1997:24).

Through privatisation it is expected that consumers will benefit from the competition available in the market resulting in greater choice for the consumer, diversity, efficiency and innovation (Ott *et al*, 1991:12). Literature indicates that when the efficiency of private and public sectors are compared, the public sector is out-performed and that private sector appears to be more cost effective and affordable (Kaul, 2000: 103).

One major pragmatic reason for pursuing privatisation is that state owned enterprises generally tend to function at a financial loss. Many privatisation efforts are aimed at reducing government spending.

According to Johnson *et al* (2002: 37) privatisation is widely implemented because of pressures to:

- improve efficiency
- reduce role of government and government spending
- shed services which are not “public services”, these are services that can be easily provided by private companies and are not the core business of government and the private sector can be contracted to provide such services and ensure that government can concentrate on its core business or services
- expand the role of non-governmental and community based organisations .

Should municipalities be faced with the decision on whether to embark on privatisation the action guide outlined in Table 4.2 below, can serve as a referral that could aid in that decision-making process.

**Table 4/2 Action plan/guideline for privatisation and commercialisation**

	<b>Category</b>	<b>Action</b>
<b>A</b>	Essential/strategic, viable	Retain in public sector
<b>B</b>	Essential/strategic, non-viable	Retain, take steps to improve
<b>C</b>	Non-essential/non-strategic and non-viable	Divest in whole or in part to the private sector
<b>D</b>	Non-essential/non strategic and non-viable	Liquidation

Staal, 1996:43

From the above table it can be deduced that ideally, services that are strategic to the economic prosperity and peace of a country that can viably be rendered by the public sector or a municipality should stay within the ambit of the public sector. However, if services that are essential but for reasons not viably managed by the public sector/municipality, steps should be taken to make the departments responsible for the provision of such services more viable, perhaps through restructuring processes such as corporatisation or ring fencing. Those services that are both non-strategic

and non-viable, meaning that they are just an unnecessary cost to the taxpayer, can be fully privatised or sold to private companies or simply liquidated.

Privatisation is a lengthy and complicated process, as various factors and role players have to be considered. Strong advocates of privatisation have their own reasons for wishing to embark on privatisation, but equally strong are the reasons given by anti-privatisation advocates. The following paragraphs will explore both these arguments.

#### **4.4.3 Arguments in favour of privatisation and the benefits of privatisation**

##### **(a) Efficiency**

One central argument often used by those in favour of privatisation is the principle of efficiency. There are two dimensions of efficiency namely allocative and technical or productive efficiency.

Economists favour private over public ownership because of its superiority in the allocation of resources based on market forces. It is believed that the competitive force which exist in the markets lead to more optimum use of resources, as opposed to the public sector with its bureaucratic procedures which can be stifling and often lead to a waste of resources (Jackson *et al*, 1994:101). Policy makers in favour of privatisation argue that because of competition, privatisation will provide greater incentive for cost reduction, encourage effective managerial supervision and stimulate employee effort.

##### **(b) Benefits of privatisation**

Staal (1994:75) identifies the following benefits of privatisation;

- **Greater innovation** – Competition is an incentive for innovation. To survive in a competitive market organisations have to be innovative and flexible to be able to respond to technological developments and changing consumer needs, tastes and expectations.



- **Reduced cost-** Government is immensely, bureaucratic and many government activities could be undertaken in smaller, more flexible private sector organisations free from high indirect and overhead cost.
- **Lower taxes-**The more costs are reduced and the more subsidised activities are transferred from the public sector the less tax funding will be required in the provision of these services.
- **Better quality control-** In a competitive environment, to maintain customer loyalty private organisations pay more attention to quality standard.
- **Access to capital-** In comparison to the public sector, private sector organisations have more and easy access to loan capital and equity (through the stock market) to finance projects.
- **Release of capital** - Through the sale of assets governments can release capital resources, which can be used for the repayment of public debt or used to finance other public projects and meet citizen needs.
- **Performance orientation-**Privatisation stimulates a higher level of internal performance because better performance means profit.
- **Demand driven supply-**The private sector operates on a demand and supply principle. This reduces waste. Privatisation is an effective means of evaluating on a regular basis the true demand for goods and services.
- **Promotion of small business-** Privatisation promotes small business either directly through greater levels of sub-contracting or indirectly through a general stimulation in the level of entrepreneurship in the community arising from deregulation and growth of the private sector (Staal, 1996:37).

#### 4.4.4 Arguments against privatisation

Privatisation programmes are often met with strong opposition. South Africa is no different and any privatisation effort could be met with fierce opposition from labour movements such as the Congress of South African Trade Unions (COSATU),

political parties and other segments of society (Congress of South African Trade Unions, 2003). Some of the arguments opposing privatisation are given below.

**(a) Displacement of public employees or job losses**

One of the major arguments given by individuals in the labour market is that a shift to privatisation will result in job losses. There are cases, in South Africa and elsewhere in the world, where privatisation programmes have led to job losses. This is a legitimate concern, particularly in developing countries, where often the government is the largest (or one of the largest) employers (Kaul, 2000:121). The commercialisation and privatisation of state owned enterprises (SOEs) in South Africa has also resulted in unemployment. It has been estimated that 25 000 jobs were lost at Eskom and Telkom when these institutions were privatised (Bond, 2003).

There are, however, a number of arrangements that can be stipulated or enforced to prevent or reduce the potential of job displacement, for example municipalities stipulating that the private providers offer positions to interested public employees and even stipulating a given percentage of employees that have to be rehired into such a private provider company. In expanding governments and growing economies displaced employees can often be absorbed into other government entities or private companies (Gugu, 2001: Conference Presentation).

**(b) Fear of price increases**

Private organisations exist to make profit and there is always a fear of price hikes. Exclusion will be a result as profit is put in the forefront before human need (Congress of South African Trade Unions, 2003). According to MacAvoy *et al* (1989:179), this can, however, be eliminated through "...proper control of acceptable providers, adequate specifications of the contract or other formal arrangements, specific penalties for non-performance and special incentives for superior outputs" .

### **(c) Exclusion**

Due to price hikes, some sectors of the community might be excluded from the consumption and enjoyment of services. Privatisation implies and works from the basis that those goods and services are provided to consumers at a fee rather than as social rights to citizens. With privatisation, the state abdicates its function as provider of the goods and services and considering the high levels of poverty in the country, this might imply that large sectors of the poor and the unemployed will be excluded from access to basic services because they won't be able to afford them (Bond, 2003).

### **(d) The efficacy of the private sector**

It remains debatable whether government provides services and goods in an inefficient manner or the quality of service is poor when compared to that of the private sector. In some respects governments and municipalities are the most effective providers of basic services and infrastructure necessary to economic and social development.

The nature of particular services such as electricity, telephone services and railway transport, renders them perfect to become technical monopolies, as they do not lend themselves to competitive operations. The free market simply cannot produce them efficiently because privatisation will only be replaced by a private monopoly and the efficiency benefits sought will not be enjoyed (Gildenhuys, 1997:8). The next paragraph provides the main reasons why less developed countries privatise state owned entities.

#### **4.4.5 Theoretical and practical underpinnings of privatisation as a developmental strategy in less developed countries**

Less developed countries engage in privatisation for a number of reasons. **Firstly**, there is a belief that the private sector is more efficient than the government/ public sector. Privatisation is thus an attempt to make government more efficient. **Secondly**, privatisation through the sale of assets is used to generate immediate or future cash. **Thirdly**, to encourage foreign investment which secures foreign

currency. **Fourthly**, to improve or develop capital markets and spread ownership of the economy by implementing the market philosophy (Ott *et al*, 1991:171).

**Finally**, international lending organisations such as the International Monetary Fund and the World Bank strongly advocate for privatisation and consider it as a tool to reduce levels of debt (Jackson *et al*, 1996). Securing foreign loans and developmental assistance from these lending organisations has become conditional upon the introduction of market forces into the public sector, and large privatisation projects in developing countries have been driven by such requirements (Kaul, 2000:101).

#### **4.4.6 Determining the feasibility of privatisation**

In deciding on whether to privatise or not, or whether privatisation will be feasible or not, MacAvoy *et al* (1989:151) identify a number of factors that need to be considered when determining the feasibility of privatisation. They are the:

- “private good” or “public good” nature of the service
- level of government expenditure on the service
- availability of willing suppliers in the market
- ability to specify outputs and monitor performance when the service or product has been privatised
- the degree of dissatisfaction with the public service to support the need for privatisation
- the degree of employee acceptance, political support and legality.

In conclusion, full privatisation or divestiture is indeed one of the options open for and worthy of consideration by municipalities. This is, however, a contentious issue in South Africa and as mentioned earlier any attempts to privatise could be met with fierce opposition from some Sections of society namely labour organisations amongst others. The reasons for embarking on privatisation could be varied but one of the compelling reasons (one particularly relevant for South African municipalities) will be that of a service(s) being “non core”. There are numerous services that are currently delivered by municipalities, that render themselves perfect for market delivery such as, fresh produce market services, airports and stadiums. Such

services should rightly be left to the private companies for delivery, in turn allowing municipalities to focus on their core services and freeing much needed financial resources so they can be diverted to more pressing needs and reducing government spending.

Developments in information and communication technology have brought with them new ways of delivering services. Using Web or Internet technology municipalities are able to not only disseminate information but also provide certain services such as payment services, or even conduct elections via the Internet. Electronic service delivery will be explained in the following paragraphs as an alternative service delivery option that municipalities can use to speed up delivery and also provide services conveniently. This option will also be borne in mind when alternative options for the Tshwane Metropolitan Municipality are considered in the chapters that follow.

#### **4.5 E-GOVERNMENT OR ELECTRONIC SERVICE DELIVERY AS AN ALTERNATIVE SERVICE DELIVERY OPTION**

The South African State Information Technology Agency (Sita) defines electronic government commonly known as e-government as "...providing government services to clients (citizens, government departments, employees, legal entities), in innovative ways, in the networking economy using technologies like the Internet, Interactive Voice Response (IVR),kiosk..." (E-Government, 2003)

The World Bank defines e-government as the "...use by government agencies of information technologies (such as Wide Area Networks, the Internet, and mobile computing) that have the ability to transform relations with citizens, businesses, and other arms of government" (A definition of E-Government, 2003)

Electronic government could be viewed as electronic commerce applied to the public sector and entails the exchange of value, services and information using electronic medium between government and its various stakeholders namely, the citizens, non-profit organisation, business/private sector, government employees, and across the spheres of government.

The definition accepted for this research is that given by Douglas Holmes (2001:2) who views electronic government as “...the use of information technology in particular the Internet to deliver public services in a much more convenient, customer – oriented, cost-effective and altogether different and better way”.

Electronic government (e-government), put simply, is the delivery of government information and services online through the Internet and other digital means and the concept is inclusive of government Electronic Service Delivery (ESD). E-government is a relatively new concept and practice that is being fuelled by developments in the information communications technology (ICT) sector. It forms part of endeavours by governments to modernise government operations/processes and ensuring efficient and effective service delivery through the use of the digital technology (E-Government, 2003).

#### **4.5.1 Reasons for electronic service delivery**

There are various factors that compel municipalities to deliver suitable services online. These reasons will be explained in the following paragraphs.

##### **(a) Developments in information and communication technology**

The information revolution has been brought about mainly by developments in information and communication technologies (ICTs). Throughout the world people are increasingly, linked by the Internet, satellite and telephone services, making them more aware of each other. Information and communication technology (ICT) are essentially interactive technologies dealing with the acquisition, processing, distribution, storage and retrieval of information. There are three components of information and communication technology namely; hardware, software and telecommunication. The hardware component refers to the electrical and mechanical components of technology such as the computer screen, keyboard. The software component refers to the programmes used in data processing. Telecommunications that allow communication using telephone lines such as the telephone, facsimile and satellite (Korsten, 2001:10).

These developments in the information and communication technology (ICT) sector could equip municipalities with more and new tools to service their citizens. Korsten (2001:12) further states that;

*Governments are becoming increasingly aware of and concerned with the enabling capacity of ICTs to advance and /or temper socio-economic development. A well-developed information infrastructure is now widely accepted as an essential asset for any constituency to maintain and advance its social and economic well-being.*

### **(b) Citizen expectations**

Citizens are increasingly intolerant of bureaucratic service often experienced when dealing with government institutions. The Internet can indeed be a panacea to public sector bureaucracy and will rid the customer of irritations such as waiting in queues, which is often the case when dealing with government and municipalities (Korsten, 2001:12).

### **(c) Service enhancement**

The stereotypical image that governments have, is that of inefficient, ineffective and red taped institutions that are slow to respond and lag behind in the use of new technology. The public is growing less tolerant of poor service and is demanding better services. The opportunities offered by e-government and electronic delivery are that of greater convenience for the citizens by creating single points of contact (via the Internet and World Wide Web) which are available at any time with no limitations such as time and geography (Korsten, 2000:12). Thus, by embracing and harnessing the potentialities brought about by the Internet and other technology, municipalities can deliver particular services more effectively (Holmes, 2001:4).

### **(d) Cutting cost and improving efficiency**

Municipalities face a continuous need to not only expand and extend service delivery (particularly to the previously disadvantaged), but also to increase the level and quality of service in a cost effective manner, amidst harsh constraints such as

decreasing revenue. Through the Internet the cost of processing transactions is reduced through savings in paper, printing, mailing and manpower. Online dealings can simplify processes and lead to greater efficiencies thus improve the quality of services provided. (Holmes, 2001:3).

Electronic government will, if implemented effectively, enable municipalities to transform the way they operate, improve work procedures. Online access, which translates into twenty-four hours a day and seven days a week access to services, will break down the barrier of distance when trying to access information and services.

Electronic service delivery is thus, not just a “good to have”, but is slowly becoming a requirement for modern government and municipal management. However, in order to harness the benefits offered by e-government proper implementation is imperative.

The table below summarises the benefits that electronic service delivery provides to both the municipality/government as well as the citizens.

**Table 4.3 Benefits of electronic service delivery to the public and to government**

Benefits to Public	Benefits to government
<ul style="list-style-type: none"> <li>➤ All day access to information and services.</li> <li>➤ End long lines at government offices.</li> <li>➤ Eliminate need to fill out paper forms.</li> <li>➤ Dealing with government entity will change from hindrance to convenience.</li> </ul>	<ul style="list-style-type: none"> <li>➤ Reduce need for paper forms and manual data entry.</li> <li>➤ Reduce number of phone calls and face-to-face inquiries.</li> <li>➤ Eliminates time consuming manual processes.</li> <li>➤ Latest technology used to streamline operations.</li> <li>➤ Allows agencies to give higher level of service in these times of reduced budgets.</li> </ul>

Access: Egov. Last accessed: 2002



#### 4.5.2 Stages of electronic government

Investigations into how electronic government manifests in different countries and among sectors (for example between the public and private sectors) reveal that the developments towards e-government are at different stages, depending on, amongst other factors, the level of development in such countries.

According to Ferguson and Raine (in Korsten, 2001:) e-governance develops from passive information provisioning to active citizen involvement, including stages such as;

- informing the citizen
- representing the citizen
- encouraging the citizen to vote
- consulting the citizen and
- engaging the citizen.

Research done by Andersen Consulting (2000) (in Korsten, 2001: 45) similar to the above-mentioned stages, also suggest that e-commerce has evolved through four stages namely; 1) publishing, 2) interactivity, 3) completing transactions, and 4) delivery. As mentioned in earlier paragraphs (see paragraph 4.5.1, *infra*), e-commerce in terms of development take the lead over e-government it can be deduced that e-government will similarly follow these stages of development. These stages are explained in the following table.

**Table 4.4 Stages of electronic government**

Phase	Explanation
<b>Information Provision/Publishing</b>	Information provisioning of public service on national, provincial, and local level. This electronic guide assists citizens to quickly find the right and nearest contact for public services. Documents that concern citizen lives (for example Notices, Acts, Regulations and Reports) belong in this type of facility.
<b>Two Way Transactions</b>	Digital signatures and secure processes (encryption) allow citizens to transfer secure and sensitive information and also to make payments via the Internet
<b>Multipurpose Portals</b>	"Cross-Boarder" services for citizens. Portals forming

	the simple point of entry for all public and private services (gateway and so-called "linked portals"). This is a stage where One-Stop public services are provided. Put in lay man's terms this would mean that related services are provided on the same website making it easier and quicker to process and access information and services.
<b>Personalized Portals</b>	This entails increased possibilities for users, allowing citizens the option for personalization, ( <i>i.e.</i> service offerings geared to the user or customer requirements). This is where a citizen can request to be informed of changes to information in certain areas of interest.
<b>Clustering of Services</b>	First step to real transformation to new "public service structures". Combination of services and workflow instead of existing functions leads to new types of organisations such as Public Service
<b>Comprehensive Public Service Transformation</b>	"Full Service Centre", service offerings personalized for needs and wishes of the user.

Source: Electronic Government policy, 2003

Progress to date in South Africa, in terms of information and communication technology, as in many other developing countries, have not been on par with that of the developed countries. The Tshwane Metropolitan Municipality, as with many of the municipalities in South Africa, have been able to establish a website, contactable on the following address;

[www.tshwane.gov.za](http://www.tshwane.gov.za)

Most of these websites are designed mainly to disseminate information, and unfortunately do not allow for transactions to be made as yet.

There are a number of municipal and other government related services that can conveniently be provided electronically, for example:

- renewing a drivers license
- voter registration
- voting
- one-stop shopping
- ordering birth, death and marriage certificates

- filling taxes- the South African Revenue Services introduced a similar project allowing the filling of tax forms to be done online
- payment of municipal rates and taxes.

#### **4.5.3 Infrastructure requirements for electronic government**

Several infrastructure and technologies have to be in place for electronic service delivery and electronic government to take place, the most basic one being the Internet. Other elements include hardware, software and multimedia. The infrastructure that is essential to make e- government a reality can be grouped into legal, technical, human and financial. The technical infrastructure requirements, or the hardware, include basic machinery such as computers. There also needs to be telecommunications service infrastructure which allows the Internet (connection) to function, facilitating the creation of website(s) which will enable information transfer and transactions to take place. There are two programmes or protocols that allow the Internet to operate, namely, the Transmission Control Protocol (TCP) and the Internet Protocol (IP) (Schneider, 2001:34). Building the human infrastructure entails major investments in education and training of not only government employees but also the general public (particularly from disadvantaged groups) in computer usage and information and communication technologies (ICTs). Making electronic government/electronic public service delivery possible requires substantial financial resources, which are not always readily available. There is also a need to provide a legal infrastructure and framework to secure aspects such as:

- digital or electronic signatures
- certification system for electronic transactions
- rules for electronic transactions;
- privacy and confidentiality
- illegal and harmful content;
- new intellectual property rights;
- storing electronic correspondence that has legal implications (DPSA, e-Government policy, 2000).

#### 4.5.4 Barriers to the implementation of electronic government

Korsten (2001:45) identified the following barriers that might constrain or impede the implementation of electronic government:

- lack of leadership and management
- bureaucracy in government
- Risk aversion
- resistance to change
- lack of funding
- lack of pressure from competitors forcing change as is the case in the private sector, where in order to survive and ensure growth in a competitive market, businesses are forced to take all necessary steps (such as e-commerce) to ensure customer satisfaction, this pressure to reform may not be present for government since in many cases government institutions, such as municipalities, do not face any competition from other service providers.
- The digital divide that exist between those with access to information and communication technology (ICT) tools such as access to the internet and satellite telecommunications, and those who don't have access.

It should be noted that despite the need for, and commitment to bridging the digital divide there are other basic needs such as water, electricity and sanitation that government has to cater for. For the illiterate rural poor, lacking even the most basic services, having access to information and communication technology (ICT) may seem useless and wasteful. Facing such challenges municipalities, are faced with the task of deciding which of these needs takes priority over the other(s) and in a way try to balance the delivery of such services by taking into consideration the context or communities they serve. (Pillay, 2002: 119)

Undoubtedly, to ignore and fail to harness the technological developments taking place will be unwise. The key challenge for municipalities is to move from the phase of awareness to that of action and translate that understanding and excitement for

electronic delivery into real programmes and projects that make a difference in the lives of the citizen and enhance service delivery. By its very nature government is an information intensive structure. The Internet and World Wide Web technology allows for easy information access and processing, which should enhance the effectiveness of service delivery programmes (Pillay, 2002:117).

#### **4.6 CONCLUSION**

As indicated in earlier paragraphs, a variety of alternative service delivery options, are available for municipalities to utilise. The options described in this Chapter as well as the previous Chapter were selected due to their possible relevance to the Tshwane Metropolitan Municipality. The extent to which these options will be applicable will depend on various factors. It remains the role of the municipal manager and appointed officials to consider, review and choose the option most suitable with careful consideration of the environment within which it operates. Thus, deciding on which, corporatisation or privatisation, will be the better option depends on the circumstances unique to a municipality. This decision-making and change process can be time consuming and need to be carefully dealt with. Failure to acquire support from important role players and groups can often hamper any reform endeavour. In as far as electronic service delivery is concerned, each municipality has to analyse its own circumstances. For instance, each municipality has to consider what stage of development exist and how the municipality can utilise such technology to improve municipal service delivery processes using the various information and communication technologies (ICT) available. The key challenge for municipalities is to move from the phase of awareness of the information and communication technologies, to that of action and translate that understanding of electronic delivery into real programmes and projects that can make a difference in the lives of the citizen.

Against the background of Chapter 3 and 4, Chapter 5 (*infra*) will explore the extent of application of alternative service delivery (ASD), as well as possible future implementability of options for the Tshwane Metropolitan Municipality.

## Chapter 5

# ALTERNATIVE SERVICE DELIVERY OPTIONS FOR THE TSHWANE METROPOLITAN MUNICIPALITY AND THE NEED FOR ORGANISATIONAL CHANGE

*“Innovation is the backbone for all newness. And newness is the watchword of the new millennium. New products, new services, new brands, and new companies; new approaches, processes and delivery systems.” (Kuczumarski et al, 2001:xv11).*

### 5.1 INTRODUCTION

The objective of this chapter is to provide a brief description of the Tshwane Metropolitan Municipality, explaining the system of government followed by the Municipality, outlining the structure within which service delivery takes place as well as the major problems facing the Municipality. Against the background given in Chapter 3 and Chapter 4, attention will be given to the extent of application as well as possible future implementability of the alternative service delivery options for the Tshwane Metropolitan Municipality. The information contained herein has been gathered through structured interviews held with senior staff at the Tshwane Metropolitan Municipality and through literature review of trends in public sector and municipal management.

### 5.2 THE TSHWANE METROPOLITAN MUNICIPALITY: A BRIEF DESCRIPTION

The City of Tshwane came into existence after the municipal elections in December 2000 and is one of the six metropolitan municipalities that have been established in South Africa. The City of Tshwane has an estimated population of 2,2 million. The creation of the Tshwane Metropolitan Municipality saw the amalgamation of 13 previously separate Municipalities namely; Centurion, Mamelodi, Mabopane, Winterveld, Ga-Rankuwa, Akasia, Soshanguve, Hammanskraal, Pretoria, Centurion, Atteridgeville, Temba and Stinkwater. Seventy-six wards have been established for the whole of Tshwane (Potgieter, 2001: 15).

The amalgamation of these multiple administrations has been one of the most challenging initial priorities for the Tshwane Metropolitan Municipality since its inception. The first imperative being the establishment of an organisational structure. Thus, creating the vehicle for service delivery, which entails displacing and placing existing personnel into new positions. In this period (as in any period of transition) there will naturally be anxiety and uncertainty on the part of the employees, which affects productivity. Other priorities for the Tshwane Metropolitan Municipality have also been consolidating the assets and liabilities of the 13 councils, review of by-laws, policies and procedures, compiling budgets, consolidating contractual obligations (Interview: Chief Operating Officer, Tshwane Metropolitan Municipality cf. Nkosi, 2001:2 Unpublished Report). The Tshwane Metropolitan Municipality's vision statement reads as follows;

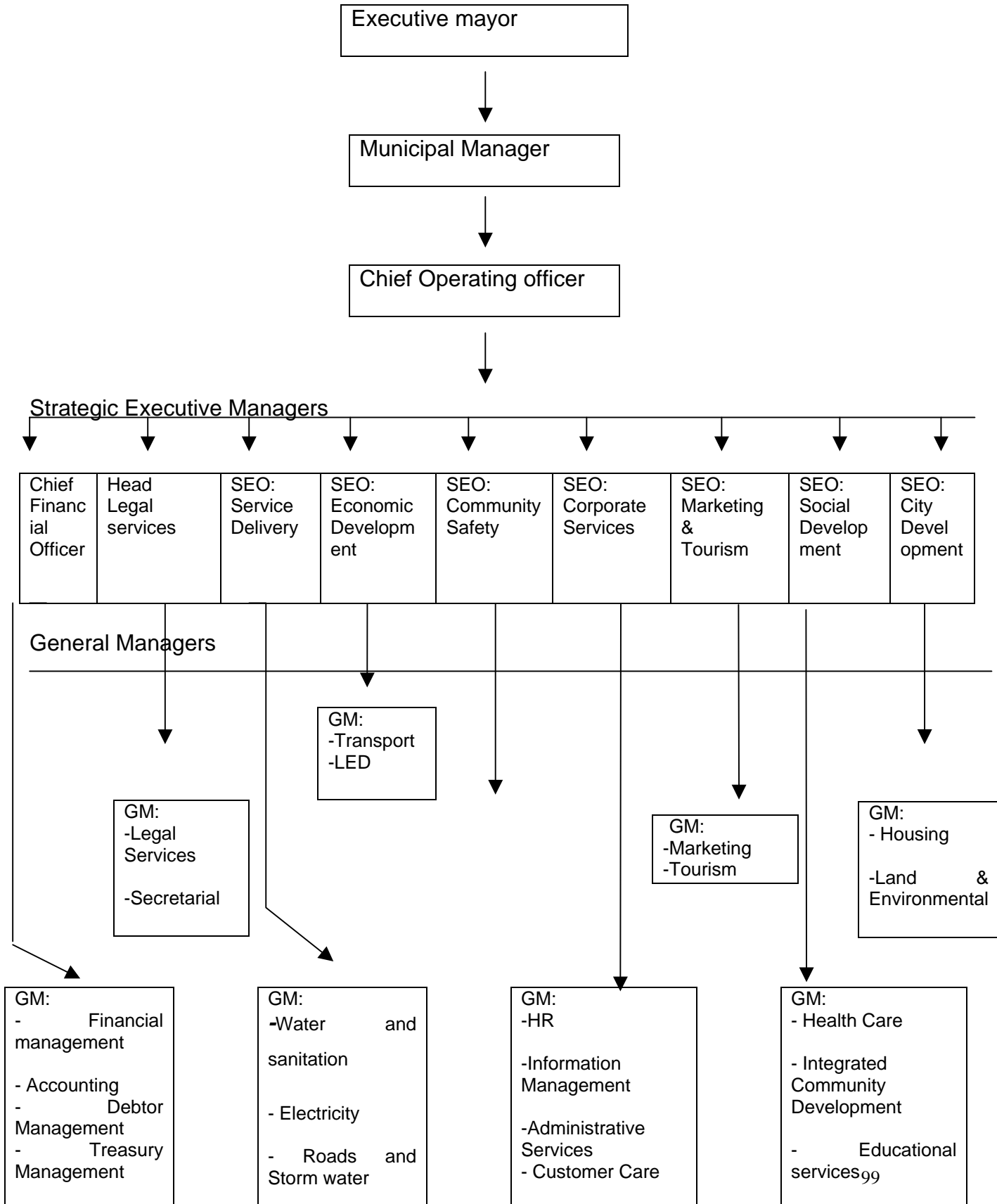
“To become an internationally acclaimed African city that empowers the community to prosper in a safe and healthy environment”.

This vision is fulfilled by enhancing the quality of life of all people in the City of Tshwane through rendering efficient, effective, affordable and sustainable services (Tshwane Annual Report, 2001:6). The Tshwane Metropolitan Municipality, in execution of their responsibilities is guided by the following values;

- *Community orientation* through providing sustainable services and activities for the whole community based on proper needs assessment.
- *Transparency*, by encouraging public participation in the Municipality's activities.
- *Commitment*, by focussing on Municipality's core activities in a consistent manner.
- *Business orientation* by subscribing to, and complying with, the best business practices.
- *Accountability* through regular reports and feedback to all stakeholders regarding Municipality's performance.
- *Integrity*; through ensuring conduct in Municipality business is fair, responsible, flexible, equitable and honest manner.
- *Non-racialism and non-sexism* by promoting mutual respect and non-discriminatory policies and practices (Tshwane Annual Report, 2001:2.1).

The Tshwane Metropolitan Municipality employs a staff component of approximately 14 000 employees who work in the various line departments outlined below in the organigram in Figure 5.1 *infra*.

**Figure 5/1 Organigram/ Institutional Structure of the Tshwane Metropolitan Municipality**





The Tshwane Metropolitan Municipality is structured according to services. This means that the Tshwane Metropolitan Municipality is designed in such a way that all activities regarding the provision of a certain service/product or related group of services are grouped together under one Section or department (Cronje *et al*, 1987:98).

It is by means of the above structure and departments that the delivery of services should take place. Excluded in the diagram but important in the functioning of the Tshwane Municipality, is the mayoral committee as well as other committees such as Ward Committees.

Against the background of Figure 5/1 the strategic focus of functional departments of the City of Tshwane will be explained in the following paragraphs.

### **5.2.1 Strategic focus areas of the Tshwane Metropolitan Municipality**

The strategic focus areas of the Tshwane Metropolitan Municipality are the following:

- ◆ The encouragement of economic growth and development in order to make the City of Tshwane Metropolitan Municipality's economy globally competitive and more focused.
- ◆ The establishment of new local governance structures to ensure democratic, responsible and equitable governance, as well as efficient and effective service delivery.
- ◆ The management of physical development so as to compact and integrate the city, as well as to improve on the quality and livability of the urban and rural environment.
- ◆ Ensuring community well-being by addressing poverty and making essential services and facilities available, accessible and affordable.
- ◆ Ensuring a safe and secure environment by making community safety services available and accessible.
- ◆ Strengthening Tshwane's national status as the sole capital city of South Africa.

- ◆ Building Tshwane's international image and reputation as the African centre of excellence.
- ◆ Caring for natural and cultural resources by preserving, utilizing and enhancing them (Tshwane Annual Report, 2001:2.1).

## **5.2.2 Services provided by the Tshwane Metropolitan Municipality**

In line with the provisions of the *Constitution of the Republic of South Africa, 1996 (Act 108 of 1996)*, municipalities have to undertake specified functions in order to deliver basic services to communities. The following core functions are performed for the City of Tshwane by the functional divisions that have been created (*cf.* Figure 5/1 *supra*).

### **1. Provision of electricity services**

In order to realise the goal of providing electricity facilities and services the Tshwane Electricity Division has the following sub-functions:

- generation
- primary power distribution
- secondary distribution
- energy management
- management and administration

### **2. Provision of water and sanitation services**

Sub-functions under the Water and Sanitation Division are

- bulk water
- water distribution
- sewerage connection
- waste water treatment
- support services (Tshwane Annual Report, 2001:5.1).

### **3. Provision of roads and storm water services**

The mission of this Division is to provide and storm water infrastructure in an effective, efficient, affordable and sustainable manner. Sub-functions found in this Department are:

- traffic engineering
- roads and storm water infrastructure provision and storm water management
- infrastructure maintenance
- support services
- operational services (Tshwane Annual Report, 2001:15.1).

### **4. Provision of community safety services**

To provide safety services for the Tshwane community. The Community Safety Division has six sub-functions and key performance areas namely;

- metropolitan police service
- emergency service
- disaster management service
- administrative support service
- emergency reporting service
- education, marketing and liaison services.

### **5. Provision of community/ social development services**

Sub-functions and departments are

- Museums
- Sport
- Recreation centres
- Culture development.

Services provided by this Division are; sports facility provision, development programmes, sport marketing and events, sport career training programmes, art appreciation programmes, recreation facilities, youth and gender development programmes (Tshwane Annual Report, 2001; 9.1).

#### **6. Provision of environmental management services**

The strategic and focus area of the Environmental Management Division is to manage physical development in Tshwane to improve the quality and liveability of the urban and rural environment. There are three sub-functions namely

- horticulture
- environmental conservation and resorts
- waste management.

#### **7. Provision of economic development services**

The Economic Development Division is responsible for the economic development services has the following sub-functions;

- Local economic development
- City planning and management
- Transport planning and management
- Fresh produce market
- Wonderboom airport.

#### **8. Provision of social development services**

The Social Development Services Division has the following sub-divisions or functions:

- housing
- health
- library and information services
- social welfare services

#### **9. Provision of human resources services**

The Human Resources Division is a staff function that is there to give support to the other departments and the whole of Tshwane. The Division has the following sub-functions (Tshwane Annual Report, 2001:13.1):

- staffing and employment equity
- structural development
- remuneration and benefits administration
- labour relations

- occupational health and safety
- organisational development
- operational services.

#### **10. Provision of finance and audit services**

The purpose of the Finance Department is to manage the Municipality's finances by creating a corporate financial management system that is effective and ensures optimal utilization of the Municipality's financial resources. The Department also performs a staff function and renders internal support services to the other Municipal departments. Its strategic focus areas are (Tshwane Annual Report, 2001:12.1):

- budget management
- debtor management and credit control
- integrated debtors billing and accounting service
- financial management and control
- risk management (including insurance) administration services
- internal support services
- salary, wage and creditors payment financial administration and control service
- cash flow management.

#### **11. Provision of Corporate Services**

The Corporate Services Division has the following sub-functions (Tshwane Annual Report, 2001:11.1):

- secretariat service
- language and editing
- procurement services
- property management
- communication and marketing
- asset management
- fleet management
- information technology
- legal service.

- support and auxiliary service
- corporate administration.

### **12. Provision of operational services**

The purpose of the Operations Division is to provide effective, efficient corporate operations services to the Executive Mayor, Municipality and divisions of the City of Tshwane Metropolitan Municipality. The operations sub-functions are (Tshwane Annual Report, 2001:14.1):

- governing services mainly administrative support service to the Executive Mayor, Mayoral Committee, Councillors and Committees
- office of the municipal manager
- administration units
- special projects.

In addition to the core functions above, the City of Tshwane Metropolitan Municipality also carries out services that have been devolved to the Municipality by the provincial and national governments. The major services in this category are; community safety services, emergency services (emergency medical services), social and community development division, municipal policing, service delivery, restructuring and economic development. It can be deducted therefore that service delivery is the core business of Tshwane Metropolitan Municipality and all the other municipalities.

#### **5.2.3 Tshwane Metropolitan Municipality system of government**

The Tshwane Metropolitan Municipality follows the mayoral executive system. The executive authority and leadership is vested in the Executive Mayor elected by the Municipal Council of Tshwane. A Mayoral Committee assists the Executive Mayor. Section 54(1) of the *Local Government: Municipal Structures Act, 2000*(Act. 117 of 1998) states that only a Category A municipalities may have an executive mayor. If a municipal council has more than nine members, its executive mayor must establish a mayoral committee (Section 60(1) of the *Municipal Structures Act, 1998 supra*). As with the Tshwane Metropolitan Municipality, the Mayoral Committee consists of Councillors appointed by the Executive Mayor to serve on the Mayoral Committee.

The mayoral committee is generally made up of ten members who are political representatives. The mayoral committee can be equated to the cabinet at national or provincial sphere of government. Its duties are to assist with the exercise of mayoral powers and performance of duties. The Executive Mayor may delegate specific responsibilities to each member of the mayoral committee. Any powers and duties delegated to the Executive Mayor by the Tshwane Municipal Municipality must be exercised and performed by the Executive Mayor together with the other members of the Mayoral Committee.

Section 73 of the *Municipal Structures Act, 1998 (Act 117 of 1998)* allows metropolitan municipalities such as the Tshwane Metropolitan Municipality to establish ward committees. A ward committee consists of councillors who represent the ward in council and its members are not more than ten. Its function is to make recommendations to Municipality on issues pertaining to the respective ward.

Ward committees could play a significant role given that South Africa is a participatory democracy. As a principle participatory means that the citizens of a country or a given community should be actively involved in the governing of their lives and communities (Gildenhuys, 1997:32). Community participation can take many forms. The most common form being the municipal elections that take place every four years. Individuals and interest groups can also engage their municipal Municipality by effectively taking part in meetings and responding to calls for participation by the municipal Municipality usually when passing by-laws or adopting policy.

Ward committees are important because if utilised as intended they serve as a direct voice for the residents and allow them to participate in the governance of their neighbourhood/ community. For the purposes of municipal elections most municipal areas are divided into wards. The ward participatory system allows for matters of local concern to be addressed by committees established for wards.

One of the key advantages of the executive mayoral system is that it "puts a face" to local government, allowing people to know which mayoral member is responsible for governing the area where they live, making it easy to hold leaders accountable.

**Secondly**, the mayoral system is intended to provide for decisive leadership, rapid and responsive decision-making. This will be particularly useful in larger and complex municipalities. **Thirdly**, when a mayor has a charismatic personality and enjoys substantial support from the public and the private sector, he or she would play an instrumental role in inspiring business confidence, and building beneficial relationships between the municipal Municipality and different interest groups. In so doing this boosts economic development, and ultimately improve the lives of the citizens of that municipality.

### **5.3 THE TSHWANE METROPOLITAN MUNICIPALITY AND PROBLEMS OF SERVICE DEIVERY**

The following Sections will describe findings regarding particular problems facing the Tshwane Metropolitan Municipality in as far as service delivery is concerned. These findings were derived from interviews held with specific personnel, mainly at management level, at the Tshwane Metropolitan Municipality. Information has also been obtained from internal official documents from the Municipality. See **Annexure A** for a detailed questionnaire of the questions posed to the management of the Thwane Metropolitan Municipality. The personnel interviewed were mainly general managers and senior departmental managers. They were specifically selected because their level of management, as well as their understanding of the overall issues as it relates to the Tshwane Metropolitan Municipality.

The following paragraphs will explore the key problems areas as identified by the key management staff interviewed.

#### **5.3.1 Key problems: pressures for reform**

The following is a description of the key problems facing the Tshwane Metropolitan Municipality. This description is not intended to be an exhaustive list of problems facing the Municipality but is meant to highlight the major or common problems identified by the personnel interviewed, for which reforms of varying proportions are required.



### **(a) Service backlogs**

The City of Tshwane is often referred to as a divided City, particularly referring to the stark contrasts in development. There are many areas that are still under serviced particularly in such areas as Mamelodi, Atteridgeville, GaRarankuwa, Winterveldt and Temba. This problem is further exacerbated by the growing informal settlements. Backlogs are also to be found in maintenance of existing infrastructure which in many respects fall short of meeting the standards required by communities (Potgieter ad Pillay, 2002: 2, Unpublished Document).

An estimated R5 billion is required to meet the backlogs in roads alone and approximately R1 billion needed for meeting backlogs in water services delivery (Interview, Strategic Executive: Service Delivery, Tshwane Metropolitan Municipality. and Interview, General Manager: Roads and Stormwater, Tshwane Metropolitan Municipality, 2002). This is a challenge that many municipalities across South Africa face. Financing and delivery strategies have to be devised to accelerate the process of delivery.

### **(b) Finance**

Financial resources are not always adequate to meet service delivery needs. It is therefore important for the Tshwane Metropolitan Municipality to prioritise services and to introduce mechanisms or systems to efficiently allocate funds. The widespread problem of non-payment for services exacerbates the financial situation. There is approximately R1.4 billion in arrears, which increase at a rate of R8.2 million a month not taking into account the services in informal settlements that are not billed and are thus unaccounted for. The Municipality also pays approximately R1.2 billion in loans that were arranged at an exorbitant interest rate (Potgieter and Pillay, 2000:2 Unpublished Document).

Therefore, proper financial management is required and other sources of finance need to be investigated. Partnerships described in Chapter 3, may be applied as a solution to the financial problems by harnessing the financial capacities of the private sector. The Social Development Division in the Tshwane Metropolitan Municipality

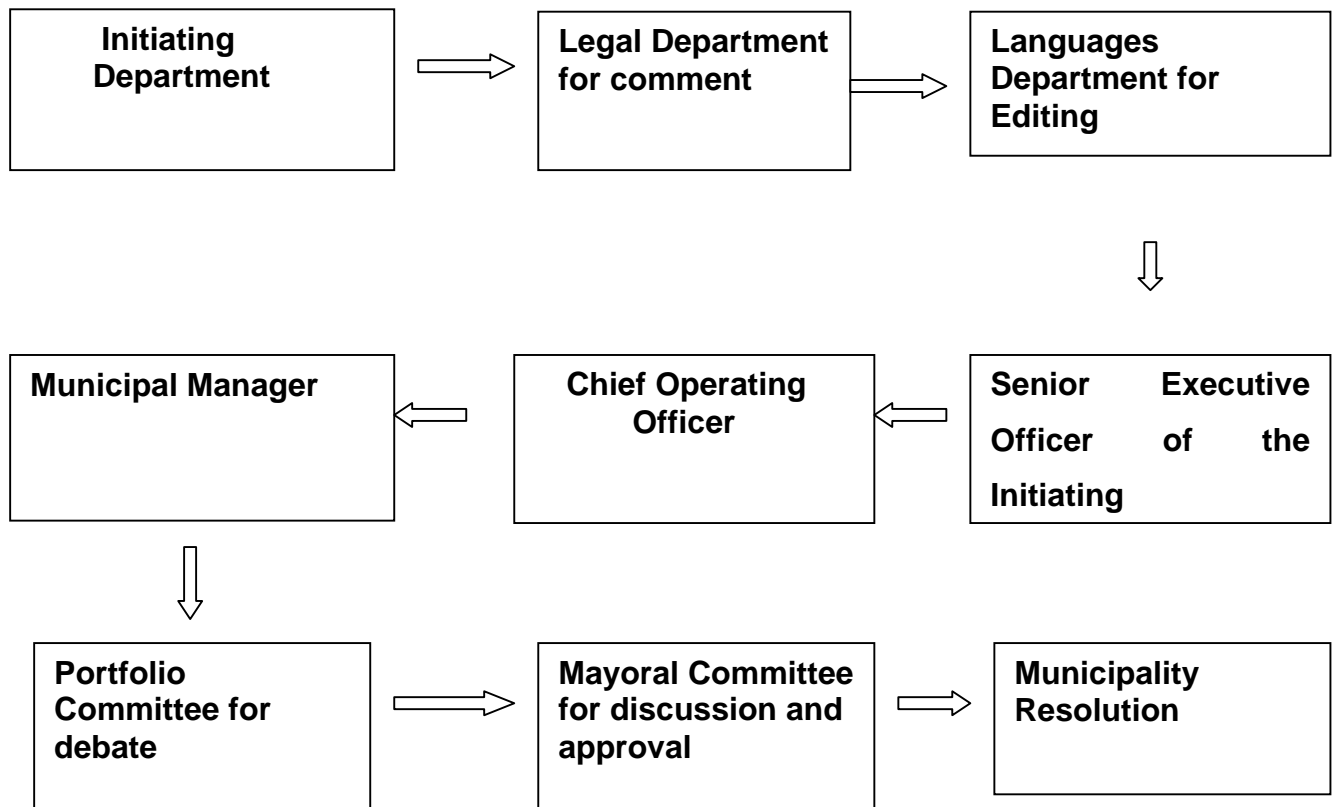
makes use of various partnerships with the private sector to address this issue of limited resources, for example the partnerships with the Ford Motor Company and BMW Motor Company for their AIDS awareness and care projects. The Tshwane Social Development Division also has partnerships with the national Health Department of Health and the national Department of Arts and Culture from whom they get subsidies

(Interview, Strategic Executive: Social Development Division, Tshwane Metropolitan Municipality, 2002).

### **(c) Institutional arrangements and bureaucracy**

The one recurring problem (and one of the compelling factors necessitating reform) cited by the senior personnel at the Tshwane Metropolitan Municipality has been the “red tape” and “bureaucracy” (Interviews: General Manager: Electricity, General Manager: Housing, Strategic Executive: Service Delivery, General Manger: Transport, Tshwane Metropolitan Municipality). To illustrate, the Strategic Executive Official: Service Delivery at the Tshwane Metropolitan Municipality, in an interview noted that it takes approximately two months to obtain approval/resolution from Municipality on any given issue. Outlined below is a schematic presentation of the approval process (Interview, Strategic Executive: Service delivery. Tshwane Metropolitan Municipality, 2002).

**Figure 5.2: Approval/Resolution Process**



Source: Interview, Strategic Executive: Service Delivery, Tshwane Metropolitan Council 2002

Any given issue for which resolution is needed from the Municipality must go through this process, which takes approximately two months. At every stage a different department with different lines of authority deal with the matter, for which the initiator/initiating department has no direct control over to influence the speed of action (Interview, Strategic Executive: Service delivery. Tshwane Metropolitan Municipality).

Research conducted by the KPMG (2002:33) on the electricity division of the Tshwane Metropolitan Municipality revealed that a procurement committee must approve any expenditure exceeding R120 000. To illustrate that this requirement hindered delivery particularly for the Electricity Division, an example is given of how a transformer costs approximately R120 000, hence the effort required to obtain such infrastructure is not, according to the KPMG (2002:33), "...reflective of the value of that infrastructure in the greater scheme of things" (KPMG, 2002:33).

This red tape and bureaucracy emanate in part from the institutional arrangements of the Tshwane Metropolitan Municipality, as well as from the comprehensive rules and regulations that have to be met. Potgieter and Pillay (2001:3, Unpublished Report) cite the "... overly centralised administrative approach" taken by the Metropolitan Municipality as a shortcoming contributing to ineffectiveness, for which decentralisation mechanisms such as the establishment of regional administrations or service delivery districts need to be investigated. Potgieter and Pillay (2001:3) further explain that within the current institutional arrangement "... far too many service/functions/departments depend entirely on the rates base, which is not sustainable. Income generating services/departments are made to compete on the same level as non-trading services and the income from the trading services is incorporated in the income budget". In this process accountability is lost and chances of the income generated being used to develop the trading department, are thwarted.

#### **(d) Other**

There are other problems that are department specific and thus differ from one department to the other. These fall beyond the scope of this research.

### **5.3.2 Extent of application of alternative service delivery options**

The following paragraphs will describe the extent to which the previously explained alternative service delivery options (see Chapter 3 and 4) namely, partnerships, corporatisation, privatisation and electronic service delivery are applied by the Tshwane Metropolitan Municipality.

#### **(a) Partnerships**

Partnerships are widely used by all departments, but differences occur in terms the extent of use, types of partnerships used and the reasons for using the partnership(s). The Roads and Stormwater Division of the Tshwane Metropolitan Municipality, for example makes use of out-sourcing as described in Chapter 3 *supra*, for seventy percent of the construction work. It would appear that the reasons for

outsourcing are mainly because of a lack of capacity in the above-mentioned Department and also that it is cost effective (Interview, General Manager, Roads Division: Tshwane Metropolitan Municipality). The Tshwane Metropolitan Municipality's Social Development Division uses public-private partnerships mainly as means of acquiring funds from the private sector for their various projects such as AIDS awareness and care services. As indicated before Public-public partnerships also exist between various departments namely the national Department of Health and the Department of Arts and Culture with whom the Division relies on for subsidies (Interview, Strategic Executive: Social Development Division; The Tshwane Metropolitan Municipality, 2002).

### **(b) Corporatisation**

Since its establishment no functions have been corporatised, however, there are a number of functional departments that could be considered for coporatisation such as the Fresh Produce Market, Electricity Department, Roads Department and Transport Services. The reasons for corporatising these services, as were explained in Chapter 4, *supra*, are to achieve greater efficiency, avoid the bureaucracy and politics of the Tshwane Metropolitan Council, alleviate debt and financial problems, allow the corporatised unit to operate on commercial principles, enable the corporatised entity to attract and retain expert staff. (Interview: General Manager, Fresh Produce Market, Interview: General Manager: Roads, Interview: Genral Manager: Roads and Stomrwater Division, Intervview: General Manager: Transport, all from the Tshwane Metropolitan Municipality, 2002).

### **(c) Privatisation**

Privatisation is and will be a contentious issue at this stage in South Africa's history and plans to fully privatise services may be met with opposition regardless of any factors in favour there-of because of the perceived problems that privatisation bring. The Tshwane Metropolitan Municipality, since its establishment in 2000, has not fully privatised any services. The exception being, the Wonderboom Airport that was privatised. Potgieter and Pillay (2001:12, Unpublished Report) propose the privatisation of legal services. However, the researcher is of the opinion that there

are particular services rendered by the Municipality that are ideally suited for privatisation on the basis of them being non-core functions of the municipality (cf. paragraph 4.4 of Chapter 4 *supra*). Because of that these could ideally be rendered by a private company, for example the Fresh Produce Market, Fleet Management and Legal Services. Non-core services are also known as support services because they only facilitate other departments/divisions in service delivery. One common characteristic of non-core services is that they do not have citizen contact. They only play a supportive role to the other municipal departments.

#### **(d) Electronic service delivery**

In terms of electronic service delivery, a website exists for the Tshwane Metropolitan Municipality. At present the website is used for information dissemination. One other example where the Tshwane Metropolitan Municipality is making use of electronic innovation to improve delivery is that of the Transport Division of the Municipality, which introduced an electronic taxi card fare collection system for the Greater Pretoria area, which functions on the same basis as the card technology used by banks and Telkom. This prepaid card system allows the passengers to pay without physically having to pay in cash, eliminating the dangers of handling cash for both the passenger and taxi owner (Interview: Manager, Transport: Tshwane Metropolitan Municipality, 2002).

#### **5.3.3 Views on alternative service delivery options by Tshwane Metropolitan Municipality's senior personnel**

When the interviews were conducted, the Tshwane Metropolitan Municipality was still in its early stages of investigations with regard to the various alternative service delivery options available. However, in February 2001 the Municipality published a discussion document entitled, *Guidelines for the selection of municipal service delivery options in the City of Tshwane Metropolitan Municipality in terms of the Municipal Municipal Systems Act, 2000 (Act 32 of 2000)*. The intention of this document was to serve as a guide for managers should they have to decide on a particular service delivery option.

**(a) Restructuring grant**

In 2002 the National Treasury awarded the Tshwane Metropolitan Municipality a restructuring grant of R10 million to conduct research on alternative service delivery options that could be relevant for Tshwane to assist in the improvement of performance and service delivery programmes (Interview, Genral Manager: Electricity, Tshwane Metropolitan Municipality, Interview, Strategic Executive: Service Delivery, Tshwane Metropolitan Municipality, 2002). The purpose of the grant was stated as follows;

“ ... to encourage and assist large municipalities to restructure their organisations, functions and fiscal positions to improve the equity and efficiency of service delivery through exploiting opportunities and/or mitigating weaknesses that have been identified in their medium to long term fiscal positions” (KPMG, 2002:2).

Consequently, two consulting companies were tasked to undertake research into the possibility of reforming two of Tshwane’s departments namely, the Division of Roads and Storm Water and the Tshwane Electricity Division. These consulting companies were Dynacon Management Consultants and KPMG respectively. The KPMG research on the Tshwane Electricity Division identified the following problematic factors that impede service delivery in that division. These are

- a lack of performance management culture
- lack of control of control of the value chain
- lack of customer focus
- overwhelming bureaucracy
- lack of commercial principles and focussed business processes
- bad debt
- high operational costs and
- municipal high staff turnover( KPMG, 2002:46).

The KPMG research proposed two options that the Division could pursue namely the establishing of either a Separated Operational Entity (SOE) or a Municipal Business Entity (MBE). The difference between the two options is that unlike an SOE, an MBE will entail a legal separation of the electricity entity into a separate legal entity,

operating free of the municipality unlike the SOE option which remains a municipal entity within its lines of authority. The MBE option, because of legal separation, will allow the entity greater flexibility by ridding it of bureaucratic rules experienced within the Municipality. The MBE option will also allow the entity to employ commercial business principles and through the use of a service level agreement would ensure improved performance and service delivery (KPMG, 2002:42).

Dynacon Managements Consultants in 2002 were appointed to undertake a study of the Tshwane's Division of Roads and Stormwater and identify key issues affecting service delivery and to establish whether there was a need to restructure the division. The research by Dynacon Management Consultants (Dynacon, 2002:17) similar to the KPMG study of Tshwane's Electricity Department identified the following key issues affecting the Division's service delivery efforts. These are:

- the costs of construction related service were 3 times higher compared to private sector norms.
- the productivity of construction related services were low resulting in high costs, which were caused by;
  - (1) high salary and wage costs and low output of the workforce
  - (2) short working hours compared to private sector norms
  - (3) sub-optimal utilisation of in-house production facilities
- rigid bureaucratic environment characterised by long delays in decision-making particularly in procurement.
- limited autonomy in the municipal systems, which hinders flexibility regarding human resources management and financial management.
- understaffing in certain skills areas and the inadequate control of the recruitment and performance management aspects.
- lack of adequate finance because of inadequate influence over budgets and funding.

The Dynacon Management Consultants team (Dynacon, 2002: 22), identified two options/mechanisms that the Division could follow in order to address the above-mentioned issues and improve the delivery of roads and stormwater services. These two options implied that the Roads and Stormwater Division becomes a ;



- (1) ring fenced operation, that is financially and operationally separate unit but still remains a part of the Tshwane Metropolitan Municipality service delivery machinery
- (2) separate Business Unit, that is a separate legal entity and operates free of the Tshwane Metropolitan Municipality.

Dynacon Management Consultants (Dynacon, 2002:22) recommended that as an initial step the Roads and Stormwater Division should be ring fenced and then restructured into a separate business unit.

The two analyses by the above-mentioned consultants focussed only on those specific divisions of the Tshwane Metropolitan Municipality as mentioned above. To obtain a holistic picture of the Municipality's work activities and functions similar analyses could be done on the other Municipality departments and organisational aspects such as human resources issues and issues of culture in the Municipality. It is noteworthy that both research studies mentioned above, identified bureaucratic procedures as one of the factors that hamper the effectiveness of the Division. This leads to the assumptions that other departments and divisions of the Tshwane Metropolitan Municipality may also experience this same problem, which in turn adversely affects the delivery of services

#### **5.4 NEED FOR MUNICIPAL CHANGE AND DEVELOPMENT**

Traditional public institutions generally tend to be exceptionally centralised, with the locus of power located at the top of the institutional hierarchy. The traditional public institution is also rule based and the organisational structuring renders it bureaucratic, inflexible and slow to respond. Such mechanistic institutional structures are a result of classical management theories by theorists such as Max Weber and Frederick Taylor (Robbins, 1997:42). These theories have influenced how institutions are structured and how managers manage. Similarly, Gabris (in Halachmi *et al*, 1995:52) refers to conventional management, which stresses centralisation and the use of control and rules to ensure compliance and the achievement of set objectives. Rules and control measures *per se* are necessary for proper management and are often put in place in order to curb indiscipline. The problems arise when there is over

reliance on these formal systems for achieving performance or when the rules obstruct performance, which may in turn adversely, affect employee morale. Centralised and rule based institutions often get entangled in their own rules; this hinders quick decision-making and action (Robbins, 19997:36). Gabris (in Halachmi *et al*, 1995: 69) points out that conventional management might even work to the extent of achieving institutional goals and the one advantage of it is that there is little or no unforeseen events as change is minimal and incremental. This might be viewed as stability. He, however, cautions that conventional management fails in a number of areas; **firstly** it fails to implement transformational change even when change is imperative taking into consideration environmental threats. **Secondly** conventional management falls into the trap of achieving and accepting only average performance, just “doing well enough” Gabris (in Halachmi *et al*, 1995: 69).

Dilulio (1994:xv), likewise, notes that even the most dedicated and talented employees are bound to be unsuccessful if there are stringent rules, procedures and practices that thwart innovation. Potgieter and Pillay (2002:2) write that the Tshwane Metropolitan Municipality needs to shift from the “old paradigm” where the municipality is the single provider of services and note that the red tape, rules and procedures that the municipality employees find themselves in, thwart innovation. This contributes to a lack of optimal performance. This old paradigm is also characterised by a culture, or principle of sheltered employment regardless of whether goals are met.

Faced with such problematic institutional issues of structure and bureaucratic procedure as well as more challenges such as limited resources, growing needs, with increasing expectations and demands by citizens for improved delivery (*cf.* 5.3.2 *supra*). There is no denying that reform is obligatory to revitalise municipalities and enhance service delivery in the Tshwane Metropolitan Municipality. If the Tshwane Metropolitan Municipality is to improve its performance and accelerate service delivery, changes to its structure, and processes are necessary.

O’Neil (2000:4) further identifies factors such as globalisation and the need for agility when he argues that “...traditional institutional bureaucracies are becoming, at best irrelevant, at worst impediments to achieving important objectives”. One other factor

identified by O'Neil (2000:4) is that of blurring sectoral boundaries between the role and place of public and private sectors. The traditional distinctions between these sectors are constantly being redefined, changing the debate on what makes a “public good” or “private good”.

The technological developments, particularly in the information communication and technology (ICT) sector and the growth of the Internet are altering the way people live, interact and do business and consequently the government-to-citizen relationship is not immune in this technology intensive era. These amongst others are some factors driving the change in the public sector, which also apply for municipal and municipalities.

Nolan (2001:xx1) refers to the kind of government that developed during the industrial era of the 1930s and 1940s. These governments were characterised by sluggish centralised bureaucracies and preoccupation with rules and regulations and the hierarchical chains of command. He further argues that such centralised organisational systems are obsolete and no longer work well in the constantly changing, information rich, knowledge intensive society and economy of the 1990s. In the same vein, in South Africa, it can be deduced that the kind of systems that have been created in the past decades cannot be expected to remain unchanged in a new era with new and greater challenges. The historical policies and practices, which shaped and in many ways still define South Africa today, particularly when considering the stark contrast between the privileged and under-privileged regarding access to services imply that change is imperative, to ensure that access to services becomes a reality for all. There is therefore, a need for innovative solutions, strategies and new ways of structuring institutions and delivering services. In other words, changing how municipalities are organised and ensuring that they are structured for optimal performance and delivery. This also implies a change in processes, a change in people and a change in culture

## 5.5 CONCLUSION

Without a doubt, all municipalities including the Tshwane Metropolitan Municipality need to constantly review and restructure their institutions in search for more effective ways of achieving goals and meeting service delivery needs of the communities they serve. However, a thorough research and analysis of the *status quo* needs to be undertaken or else the restructuring endeavour is baseless and such an endeavour runs the risk of failure. Any restructuring endeavour is time consuming and complicated as all stakeholders have to be consulted and many circumstantial issues have to be considered. Due attention should be given to aspects such as communication and leadership during the restructuring process if reform/restructuring is to be successful. The next chapter will explain aspects such as the role of communication and leadership when a municipality is undergoing structural changes. The next chapter further explains other important concepts worthy of consideration such as managing resistance to change, once a municipality has decided to restructure their systems and processes for improved service delivery. In Chapter 6 a hypothetical model for reform of the Tshwane Metropolitan Municipality is also proposed for the purpose of enhancing service delivery. This model could also be applied by other municipalities.

## CHAPTER 6

# A HYPOTHETICAL MODEL FOR MUNICIPAL REENGINEERING AND REFORM FOR IMPROVED SERVICE DELIVERY

### 6.1 INTRODUCTION

The previous chapter explained the main factors necessitating the reform of the Tshwane Metropolitan Municipality in its endeavour to improve service delivery. This chapter will explain aspects such as communication; leadership and strategic planning using the municipal integrated development plan as foundations for any successful reform. For municipalities to meet present day challenges it is essential that systems and processes are adjusted in order to enhance service delivery.

In this chapter a description is provided of various decision-making tools that can be applied by municipalities wishing to restructure or reengineer their systems for service delivery. These tools can serve as guiding frameworks during the decision making process. Finally this chapter provides a hypothetical model for municipal reengineering that could be utilised by municipalities or individual departments within a municipality.

### 6.2 THE INNOVATION IMPERATIVE AND MUNICIPAL REENGINEERING

Kuczmarski *et al* (2001:5 and xv11) stress the need for innovation and point out that innovation has become a basic business imperative for survival and a prerequisite for sustainable growth. Kuczmarski *et al* (2001:xv11) define innovation as bringing a new perceived or real benefit or value to a customer, employee or shareholder. The benefits range from, functional, psychological and emotional to financial. The benefits may be at a minimal or grand scale.

The element of newness is also captured by Robbins (2001: 557) in his definition of innovation, which he describes as follows “ ...a new idea applied to initiating or improving a product, process or service”.

According to Kuczarski *et al* (2001: xv11) institutional leaders are now, more than at any other time, acknowledging the importance of innovation, that “it is no longer a strategic decision or choice” but a business necessity. Although Kuczarski *et al* (2001: xv11) target the private sector practitioner, the need for innovation also holds true for the public sector and indeed municipalities such as the Tshwane Metropolitan Municipality. Municipalities need to reform and reengineer their systems to adapt to the changing environment and the challenges at hand.

The following Sections will describe the interrelated concepts of restructuring, reengineering and change management as well as issues of leadership, communication and strategic planning. Application and use of alternative service delivery (ASD) mechanisms will entail complex restructuring, reengineering and change. The Tshwane Metropolitan Municipality and other municipalities in applying these delivery option/mechanisms should manage the change and reform processes with care to avoid failure..

### **6.2.1 Reengineering, restructuring, change and change management**

Reengineering refers to the radical redesign of an institution/local authority's processes; institution and culture to enhance performance, simultaneous improvements in cost, cycle time and customer service (Kuczarski *et al*, 2001:20). The term restructuring is often confused and used interchangeably with reengineering, but there is a marked difference as restructuring refers to just a change in structure or institutional design of an institution (Robbins, 2001:453). Change can be defined as any alteration/reform of activities within an institution in its structure, tasks, the introduction of a new product, new process or attitude and culture (Lewis *et al*, 1998:381). The alterations may be minor or large. Changes could be in structure (restructuring), changes in processes, changes in technology, changes in the physical setting or workstation or in people or culture (Robbins, 2001: 543).

The terms reengineering, change and reform will be used in subsequent these terms correlate to a great extent with what the alternative service delivery (ASD) movement or management paradigm is about (*cf.* paragraph 3.2 *supra*). In other words, these

concepts in practice are about exploring new options in service delivery. They imply creativeness, are pragmatic and provide for real solutions to meet citizen demands and ensure value for the customer or the general public. Reengineering, change and reform could also imply radical or significant changes in the structure of an institution.

Whereas the term “change” refers to a shift in thinking or action in other words process reform, “change management” refers to the process of managing such changes and reforms. Any reengineering or reform exercise is and requires proper change management to manage aspects such as resistance to change as well as assigning responsibility for action. These aspects are described in the following paragraphs

### **6.2.2 Resistance to change**

Reforms are often met with resistance. Efforts to revitalise municipal processes and improve service delivery by using new mechanisms and approaches might be met with resistance. Resistance occurs on two levels namely, the individual level and the institutional level. On the individual level resistance may be caused by numerous factors such as difficulties in letting go of ingrained habits and thus fear of the unknown, fear of losing employment and status (power). (Robbins, 2001:546). On the institutional level resistance stems from factors such as structural inertia and group inertia as people resist change in order to maintain the present order because the group norms dictate how things have always been done. It is argued that Any change may disrupt the stability of the institution.

The source of the resistance dictates the approach or method of dealing with the resistance. The table below outlines various methods for dealing with resistance. The first three approaches and methods to deal with resistance are more preferable methods. Generally people/employees support a decision that they participated in making and are unlikely to resist changes associated with that decision. Most resistance to change is caused by misinformation. Through proper communication and education employees should be able to acknowledge the logic or reason behind proposed changes, hence they are unlikely to resist what they understand (Robbins, 2001:548).

**Table 6.1: Recommended Approaches and Methods for dealing with resistance to change**

Approach	Occasions when commonly used	Advantages	Drawbacks
Education and Communication	When there is lack of information or inaccurate information and analysis	Once persuaded people will help with implementation of the change	Can be time consuming if large numbers of people are involved
Participation and involvement	Where the initiators do not have all the information they need to design the change and where others have considerable power to resist	People who participate will be committed to implementing change and any information they have will be integrated into the change plan	Can be time consuming if participants design an inappropriate change
Facilitation and support	Where people are resisting because of adjustment problems	No other approach works as well with adjustment problems	Can be time consuming, expensive and still fail
Negotiation and agreement	Where someone or some group will clearly lose out in a change and where that group has considerable power to resist	Sometimes it is a relatively easy way to avoid major resistance	Can be too expensive in many cases if it alerts others to negotiate compliance
Manipulation and co-optation	Where other tactics will not work or are too expensive	It can be a relatively quick and inexpensive solution to resistance problems	Can lead to future problems if people feel manipulated
Explicit and implicit coercion	Where speed is essential and the change initiators possess considerable power	It is speedy and can overcome any kind of resistance	It is risky if it leaves people aggravated or disgruntled at the initiators

Source: Lewis *et al*, 1998:383

The first two remedies for resistance are recommended most, as they will have lasting effect. Employee participation from the early stages when change/reform is considered will ensure “buy in” and commitment as employees feel involved in the decision-making process and are unlikely to go against a decision they assisted in making.



### 6.2.3 Communication and reengineering

Communication can be defined as the transference and understanding of meaning/information from one person or group to another person or group (Robbins, 2001:284, Lewis *et al*, 1998: 403). Communication is often regarded as the life and blood of the institution as no group can exist or function well without it. Communication performs a number of critical functions such as making it possible for a supervisor to give instruction. Communication allows employees and colleagues to send or receive feedback, motivate one another and is the basic medium for emotional expression. However, the primary role of communication is to disseminate information from which meaning can be derived (Robbins, 2001: 285).

During transition/change, communication is just as critical as it is at any other time. During the initial phases of the change/reengineering process, communication is important and is used to obtain interest from employees at all levels and relevant stakeholders by clearly articulating the vision, why the change is necessary and the implications and impact of the proposed change on people. Communication can even be used for idea generation and brainstorming. Through the use of proper communication channels, communication can be assist in allaying fears and gaining trust in the change process. At later stages, communication is used to give and receive feedback on progress (Carr *et al*, 1995:50).

There are three broad types of communication namely, oral which includes all verbal information, via telephone, video conferencing or face to face. Written communication, which refers to documented information in the form of a memorandum, letter, report or manual and non-verbal communication, which includes body language (Lewis *et al*, 1998:404).

Face to face communication is the recommended form of communication particularly when communicating to obtain interest and commitment, because both the listener and communicator have the opportunity to actively communicate misunderstandings or grievances and have them answered immediately in comparison with passive communication through written memoranda and reports. Face to face communication is more interactive and people tend to believe what they see than what they read.

Face to face communication allows both the listener and communicator to read facial responses, which in most cases say more than plain written words (Carr *et al*, 1995: 55).

Carr *et al* (1995: 55) note that there can never be too much communication during change and for communication to be effective it is essential to keep the message simple and understandable. All communication strategies should be adapted to suit the audience i.e. messages, words and media of communication, should be adapted to suit the targeted audience.

Effective communication is the responsibility of the change leader(s) and change agents and should be handled in a sensitive manner. Incorrect data transference can have adverse effect on change endeavours. The power of the grapevine (informal communication) should also be taken into account and measures should be devised to proactively deal with it.

#### **6.2.4 Strategic management, integrated development plans and reengineering**

The application or use of alternative service delivery options as strategies and tools for enhancing service delivery should not be done individually but should form part of the municipality's overall strategic plan for revitalisation and increased performance and should thus be documented in its strategic documents such as the integrated development plan (IDP).

A strategy consists of plans and approaches implemented by an institution and its management to achieve set goals and objectives (Thompson *et al*, 1998:6 *cf.* Lynch, 2000:7). A strategy is an institution's game plan, a future oriented plan that details the institution's plans for relating to its environment to achieve objectives (Pearce *et al*, 2000:4). Thompson *et al* (1998:8) concur with this and note that effective strategy making entails an outside-in process and hence strategy is shaped by what is happening in the environment or what can be forecasted. In short, a strategy stipulates how an institution is to achieve its goals.

However, an institution's strategy is never static, (Joyce, 1999:2) and should continuously be revised as the environment (external or internal) changes, or as new or better ideas come forth which could enable the institution to adapt or remain competitive and therefore sustain itself.

There are various strategy levels namely; functional, operational, business and corporate (Thompson *et al*, 1998:45). For the purpose of this research corporate strategy will be explored, which covers the whole institution and is the action plan of the institution (as a whole) and not just a department or division as with functional or departmental strategy. Developing corporate strategy is the responsibility of the chief executive(s) (Thompson *et al*, 1998:46). Having described strategy as a concept, the following definition of strategic management is applicable, (David, 1986:4 as in Fox *et al*, 1991:219);

*Strategic management can be defined as the formulation, implementation and evaluation of actions, strategies or plans that will enable an institution to achieve its objectives.*

Strategic management is a process that should ideally begin with strategic analysis followed by strategy formulation, then strategy implementation, evaluation/revision and control. The result of this process is a strategic plan. Before embarking on strategy formulation, internal and external analysis of the institution needs to take place to determine the institution's mission and goals as well as the internal strengths, weaknesses, opportunities and threats in the external environment. It is to achieve these goals taking into account the weaknesses, strengths, opportunities and threats that strategies will need to be devised (Lynch, 2000:18 *cf.* Fox *et al*, 1991:222).

Strategy formulation involves developing and analysing various strategy options for attaining the set goals. From the variety one will then be chosen for implementation (Lynch, 2000:19), through the allocation of sufficient resources, human, financial as well as material. Implementation is about turning thoughts and plans into reality and actions (Fox *et al*, 1991: 228). A good strategy is meaningless unless implemented well. Thompson *et al* (1996:8) write "... good strategy and good execution are the most trustworthy signs of good management". Whereas the idea formulation or

theoretical strategic plan may be referred to as the soft side of strategy, the implementation side of strategy can be referred to as the hard side (Joyce, 1999:3).

It is important to constantly monitor events during implementation **firstly** to check if implementation is taking place as per plans and **secondly** to make necessary amendments (Fox *et al*, 1991:235). The following is a description of Integrated Development Plans (IDP), which are the strategic plans of municipalities.

### **6.2.5 Integrated Developments Plan: Core components**

An Integrated Development Plan (IDP) is a municipality's master plan. An IDP can be defined as a five-year strategic development plan and is a key planning tool which assist and informs all planning, budgeting, management and decision-making within a municipality (DPLG: IDP Guide Pack, 2000:4). In terms of the *Municipal Systems Act, 2000 (Act 32 of 2000)*, it is a requirement for all municipalities to have Integrated Development Plans (IDP). The paragraphs below detail the phases municipalities should follow when establishing these plans.

#### **Phase 1: Analysis**

The integrated development planning (IDP) process begins with an internal and external assessment (analysis) of the whole municipality of current levels of development to identify priority areas for example areas with no access to basic services, crime and unemployment. Outputs of this phase are

- assessment of the existing level of development
- priority issues or problems
- information on causes of the identified priority issues
- information on available resources (DPLG: IDP Guide Pack, 2000:15).

#### **Phase 2: Development strategies**

Having identified priority areas, development strategies to meet these priorities and objectives have to be devised. This is where alternative service delivery options as strategies can be considered as tools/strategies for enhancing service delivery. This

phase involves the development of a vision for the whole municipality and the development of objectives. Strategies on how the municipality will achieve its objectives and projects have to be identified (DPLG: IDP Guide Pack, 2000: 15).

### **Phase 3: Projects and integration**

Phase 3 concerns the specification and design of projects to be implemented. These projects must be directly linked to the priority areas or objectives identified in the previous phases. All details of the project, such as target population/beneficiaries, the location of the project, objectives, and performance indicators, dates of commencement, responsible parties, schedule of events, cost of project, as well as the source of finance, should be stipulated (DPLG: IDP Guide Pack, 2000: 16).

### **Phase 4: Approval**

Once the draft Integrated Development Plan (IDP) has been completed, it is then submitted to the municipal Municipality for perusal and authorisation given that the legal requirements are met. The IDP, in line with democratic and constitutional requirements should be an open and transparent plan. The public and other stakeholders should also be given the opportunity to peruse and comment on the draft. Should there be any changes, necessary amendments should be made. It is only after approval of the municipal Municipality that the IDP is adopted as the strategic plan of the municipality (DPLG: IDP Guide Pack, 2000: 16).

From the above it can be deduced that the Integrated Development Plan (IDP) is a critical plan that the Tshwane Metropolitan Municipality should develop and any strategies such as alternative service delivery mechanisms (ASDs) should be detailed in the IDP. The application of alternative strategies may often result in major a restructuring of the municipality. Consideration by all stakeholders is vital.

## **6.2.6 Leadership and reengineering**

Leadership is defined as the art and ability to influence people towards the achievement of a goal(s) (Robbins, 2001:315). The source of the influence may be

formal (position based), meaning that the influence stems from the managerial rank as located in the institutional hierarchy. Hence, not all managers are leaders and not all leaders have or should hold a managerial position (Robbins, 2001:315). Leadership is about people and the human factor is a crucial component of any institution. Success or failure of an institution in its endeavours, particularly in terms of organisational change depend mainly on the human factor.

Hammer *et al* (1995:34) refers to leadership as the primary ingredient for success in any reengineering exercise. Leaders should ideally be those at the top levels of the institutional hierarchy. They are also well equipped to run a reengineering process. Due to their place in the institutional hierarchy they have a broader perspective of the institution. As a whole, reengineering also requires leader(s) who have the ability and authority to enforce compliance.

The neo charismatic theories of leadership identify what is referred to as visionary leadership, which according to Robbins (2001:330) is the ability to "...articulate a realistic, credible, attractive vision of the future for an institutional unit that grows out of and improves on the present". People should believe and commit to a vision by being empowered and allowed to build trust (Joyce, 1999:88). Reengineering entails conceptualising a new vision and new ways of behaving which require a particular kind of leadership.

One primary attribute of leadership is trust. Trust is the belief that another will not act for one's own gain or opportunistically. Robbins (2001: 337) refers to trust as the foundation of leadership and related traits such as honesty, consistency and integrity are inseparable from leadership. Trust is built through thorough communication. According to Joyce (1999:89) trust is referred to as the "...emotional glue holding leaders and led together". The element of trust cannot be essential during transitions. Change is often resisted, as it is associated with uncertainty, anxiety, and loss of status, therefore trust is a necessary ingredient as a lack of it can be detrimental to the reengineering/reform process (Robbins, 2001: 549).

The above paragraphs described the various factors that are necessary for successful municipal reform such as communication, leadership and strategic

planning using the municipal Integrated Development Plan(IDP) as a foundation. The following are three tools that municipalities can utilise particularly when deciding to transform its processes and implement alternative service delivery mechanisms.

### 6.3 RECOMMENDED TOOLS FOR DECISION-MAKING

Having established that reform is a matter of necessity (Halachmi *et al*, 1995:xv) questions such as the following arise: How do municipalities' reform or which alternative mechanisms should apply? How do municipalities decide which mechanism(s) is best for that particular municipality or given service? There are three tools or guides that could assist municipalities in answering these questions. The Treasury Board of Canada Secretariat has introduced what is known as the **Alternative Service Delivery (ASD) Framework Test Questionnaire** (illustrated in Table 6.2 *infra*). The concept and process of **ring fencing** is also described. This tool could serve as an essential guide in the decision-making process. There is also an analysis tool known as the **Public Sector Comparator (PSC)**, which is a comprehensive and useful aid to use when deciding on the viability of a service delivery mechanism, whether it is in house or outsourced. The PSC will be explained in more detail in paragraph 6.3.3 *infra*.

#### 6.3.1 Tool 1: Alternative service delivery framework test questions

Alternative service delivery (ASD) options can indeed be tools to enhance delivery of services provided that it is preceded by a proper analysis of the *status quo* and the problems with the *status quo*. There is, thus, a need to test and determine the legitimacy and favourability of a given ASD option(s). The following questions can be used as a conceptual framework for programme review and to facilitate the thinking process to determine the criteria and risks in order to arrive at the best decision.

**Table 6.2 Alternative Service Delivery Framework Test Questions**

ASD Framework Test Questions		
	Strategic Focus	Question
1.	Public Interest Test	Does the programme or service continue

		to serve public interest?
2.	Role of Government Test	Is there a legitimate and necessary role of government in this programme or service?
3.	Jurisdictional Aligned Test	Is the lead responsibility for this programme or service assigned to the right government jurisdiction?
4.	External Partnership Test	Could or should this programme or service be provided within or in part by the private or voluntary Sector?
5.	Business Principle Test	If the programme or service continues within the existing government context, how could its efficiency and effectiveness be improved?
6.	Fiscal Reality	Is this programme or service within fiscal realities

(Administrative and Civil Service Refoms, 2004)

### 6.3.2 Tool 2: Ring fencing

Ring fencing can be defined as the process of determining the total asset base and value of a department or functional unit and its total operational costs, thus separating its expenditure as if it was functioning independently. The term is widely used in the private sector when companies endeavour to determine the true cost of an operation and revenue or profit generated from it. This process is undertaken to establish whether an operation is a “worthwhile” undertaking, and is contributing to the bottom line, which for the private sector is profit maximisation. The bottom line for government is focussed on general public good, which is creating the “good life” for citizens (Gildenhuys, 1997:17). Secondary goals are also those of efficiency, effectiveness and responsiveness in operations.

Ring fencing is a useful tool for managers as it provides accurate information important for decision-making (particularly when deciding to reorganise/restructure

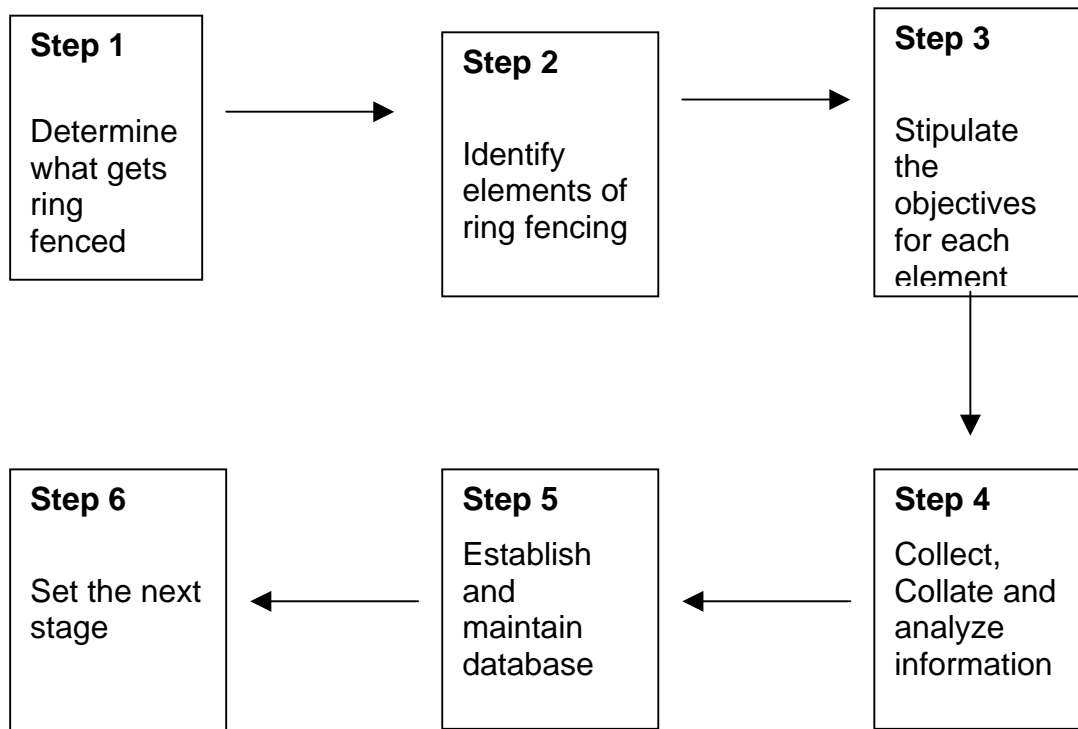


service delivery processes) as hidden costs are brought to the fore and areas of inefficiency are determined and dealt with. Most municipalities probably do not have exact estimates of the worth of their municipalities and actual costs of delivery. The relevance and importance of ring fencing lies in the fact that it establishes a reliable and accurate data base which:

- identifies actual costs associated with a particular service delivery programme
- allows for transparency by bringing hidden costs to the fore and determining actual costs (baseline information)
- sets the benchmark for achieving efficiency and effectiveness
- enables comparison with best practice
- gives insight into credit control and debt collection systems
- streamlines bureaucratic processes to the level of the functional entity
- provides the basis for determining an appropriate service delivery mechanism(traditional mechanisms or alternative service delivery options(ASD)).
- enables optimal resource utilisation and budgeting.

Below is a simplified illustration of the ring fencing process.

**Figure 6.1 The Ring-fencing Process**



Adapted from Govender, 2001:14

The ring fencing process is a relatively simple one but one that requires time and should ideally includes the steps outlined above. These steps are explained in more detail below.

### **Step 1: Determining what gets ring fenced**

The starting point for this phase of the process is categorising the various functions of the municipality into functions that are core (for example, roads or electricity), non-core (for example, fleet management) and staff or support functions (for example. human resources or legal services), or in terms of their size (in terms of finance and labour or both) or into services that are income generating or non-revenue generating (Govender, 2001:16).

## Step 2: Identifying the focus areas and objectives of ring fencing

The focus areas of ring fencing are the activities (or cost areas or points) necessary for the successful operation of a department. Govender (2001:15) identifies the following focus areas.

**Table 6.3 Ring fencing focus areas**

Focus area	Objectives
<b>Financial Statements</b>	<ul style="list-style-type: none"> <li>- to develop a ring fenced income statement and balance sheet that reflects the <i>status quo</i> of the specific function. In the absence of actual cost estimates that would reasonably reflect the likely cost of operating the function must be given</li> <li>- to identify hidden costs</li> <li>- to identify any financial risk associated with a ring fenced operation</li> </ul>
<b>Human Resources</b>	<ul style="list-style-type: none"> <li>- to determine the exact staff component</li> <li>- to establish personnel costs</li> <li>- to implement a system of maintaining accurate personnel records</li> </ul>
<b>Fixed Assets</b>	<ul style="list-style-type: none"> <li>- to identify the assets utilised by the department</li> <li>- to compile a fixed assets register</li> <li>- to implement suitable accounting policies</li> </ul>
<b>Support/Staff Services</b>	<ul style="list-style-type: none"> <li>- to identify all the support services and activities of the department</li> <li>- to establish the cost of each support activity</li> <li>- to establish an implementation mechanism into the functional entity</li> </ul>
<b>Management Reporting Systems</b>	<ul style="list-style-type: none"> <li>-to determine the types of reporting required</li> <li>- to determine timing and preparation of financial reports</li> </ul>

(Govender,2001: 15 )

### **Step 3: The process of collecting, collating and analysing information**

The process of collecting, collating and analysing information during this phase of the ring fencing (research) process involves putting together the results from all the focus areas and then analysing the information to identify areas where inefficiencies might lie. One possible by-product of this phase is the balance sheet.

### **Step 4: Process for validating the information**

Process for validating the information entails verifying the accuracy of the data collected and this is done in conjunction with step three of the process.

### **Step 5: Maintaining and upgrading the database**

The ring fencing process should not be a once off activity but the database should constantly be updated and maintained. Software programmes are now available for keeping records of personnel, assets and finance making this process easier.

### **Step 6: Setting the next stage**

Having gone through the above-mentioned steps a municipality is now in a position to benchmark against the value obtained for the functions vs. the cost, thus allowing the municipality to decide on the right option/mechanisms for improving efficiency. These options can involve the mechanisms outlined in Chapter 3 and 4 *supra* of this dissertation, namely:

- corporatisation in terms of the companies act
- creating business units within the municipality
- corporatisation with a management contract should skills be unavailable
- a lease
- a joint venture or partnership
- outsourcing or
- full privatisation

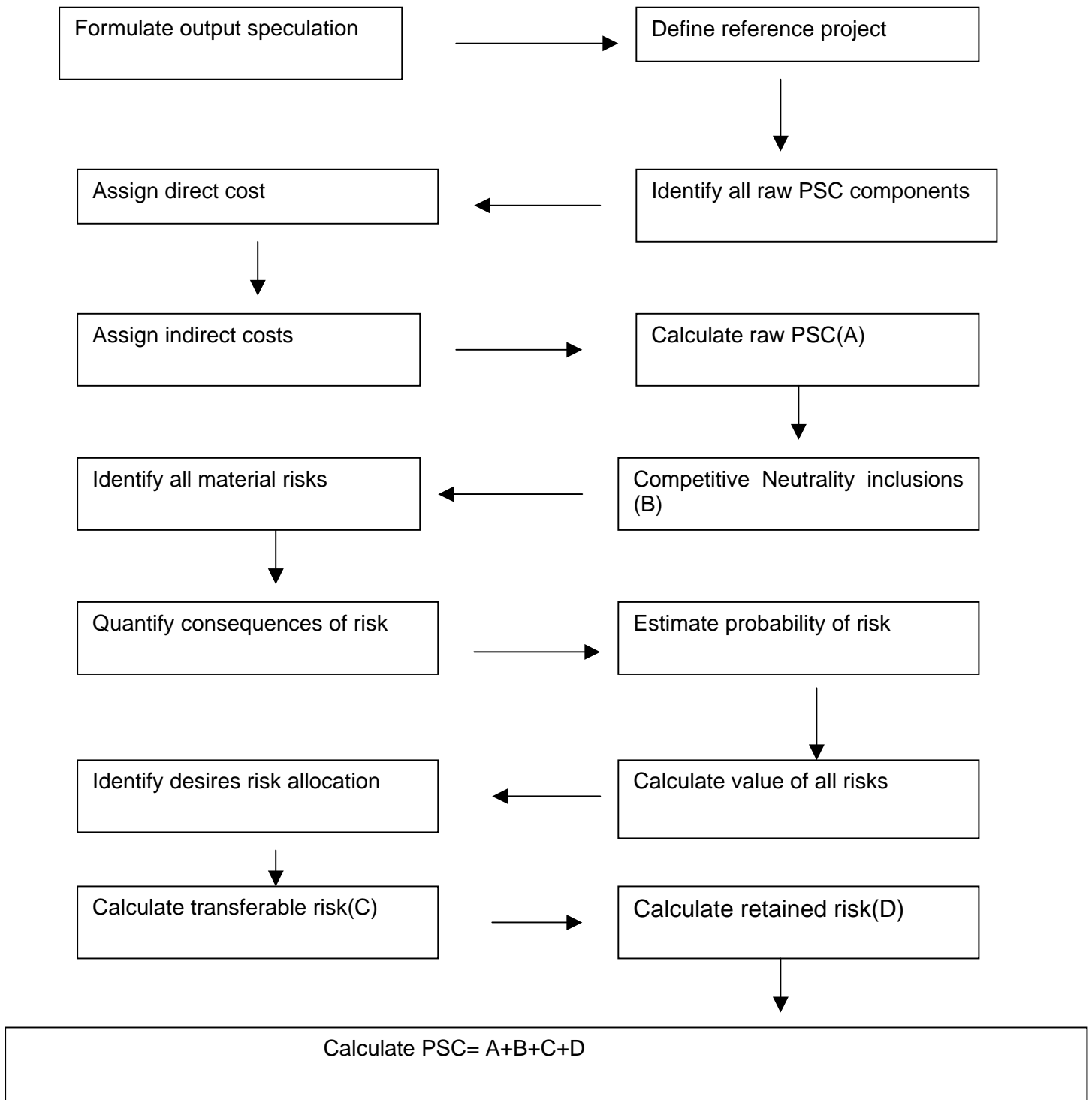
### **6.3.3 Tool 3: The public sector comparator**

The public sector comparator (PSC) is a (quantitative) costing tool that was devised in Australia and is used to evaluate whether a private investment proposal or private provision or a Public Private Partnership (PPP) offers more value for money. It is a tool used to determine whether service provision by the private sector is more efficient in comparison with service provision by a municipality or government institution. The PSC estimates the hypothetical total cost of a project when executed by government or a municipality (Victoria Treasury Department, 2001:14). A public sector comparator (PSC) should ideally be constructed during the pre-market stages of a project brief, that is before the tendering process begins (Victoria Treasury Department, 2001:1, 6).

#### **(a) Purpose and Benefits of the Public Sector Comparator**

Similarly to ring fencing as explained above, the public sector comparator (PSC) promotes full cost pricing by estimating the cost of a project during the initial phases of the procurement or tendering process. A well-constructed PSC serves as an indispensable management tool and benchmark to evaluate bids. The PSC also encourages bidders to be more competitive and offer their most efficient proposals by creating confidence in the financial rigor and probity of the evaluation and bidding process, hence ensuring value for money (Victoria Treasury Department, 2001; 4). The PSC also encourages forward thinking, allowing for better and optimal decision-making. The ideal process to follow when constructing a PSC is outlined below.

Figure 6.2: The Public Sector Comparator Process



Victoria Treasury, 2001:14

The core elements of the public sector comparator (PSC) are raw PSC, competitive neutrality, transferable risk and retained risk. As indicated in the above table the sum of these factors constitutes PSC.

The other two key elements in the construction of a public sector comparator (PSC) are the PSC reference project and output specification. The **reference project** refers to the most likely and efficient form and approach of public service delivery based on the existing best practice. The reference project is a proposal or construct of the capital and operational costs of a project if it remains a government project and shows the most likely approach by the department to satisfy all output specifications if project/service was publicly funded and provided on the same level and quality expected of bidders to enable comparisons to be made. The reference project should also be framed like a conforming bid as if it were part of the competitive bidding process ((Victoria Treasury, 2001:8). The **output specification** is the range of services that government or a municipality is seeking to procure as well as the performance level. The output specifications are similar to the service level agreements described under contracting out/outsourcing in Chapter 4 *supra*.

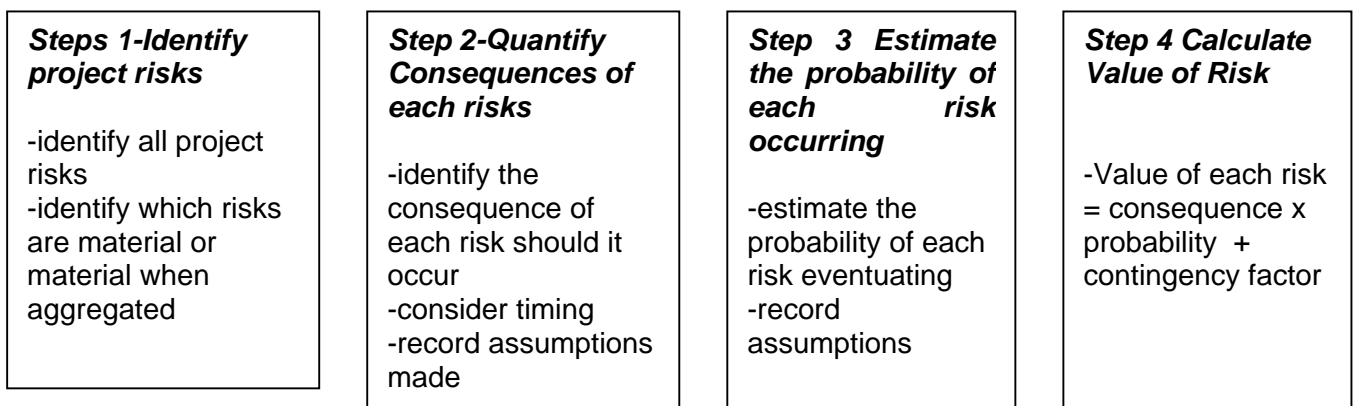
#### **(b) Components of a Public Sector Comparator**

**Raw public sector comparator (RPSC)** refers to the service production and delivery costs of a project. Raw PSC is calculated by totalling all direct costs, indirect costs less any third party revenue. All cost from capital to operational, fixed, variable and invariable should be calculated (Victoria Treasury, 2001: 19).

The **competitive neutrality** component seeks to remove any net competitive benefits that accrue to a government/municipal project because of it being government owned. Examples of such advantages or benefits include land tax which is not levied on government departments or institutions, they should be subtracted to ensure fair comparisons and evaluation of bids otherwise the public sector comparator will be lower as it is not reflecting the true cost resulting in sub optimal decision-making.

**Risk** is an inseparable part of any project. During the construction of the public sector comparator (PSC), it is important to identify and value all the associated risks. This is important because failure to identify all risks might result in additional cost above the costs identified in the Raw PSC. The value given to a risk is the forecasted costs to government/local authority for that risk and it is also the estimate of what a municipality/government institutions will be willing to pay to transfer that risk to the bidder. This can be a complex process. Risks can be divided into retained risk (risks that government will keep) and transferable risk (those risks that government will transfer to the bidder) (Victoria Treasury, 2001: 31).

**Figure 6.3: Steps in Valuing Risk**



Victoria Treasury, 2001:33

Risks differ from project to project. Sources of information during the risk identification phase are past experiences of similar projects (both local or international). This information can be found in previous projects bid documents or direct from people involved in those projects and specialist consultants expert in that project field or in risk identification. Not all risks are quantifiable, but for the purposes of the public sector comparator should be identified and indicated (Victoria Treasury, 2001: 35).

After identifying all possible material risks it is important to evaluate and value the consequences of each risk should it/they occur. There is often one possible consequence for a particular risk namely the financial consequence. This consequence of a risk is influenced by a number of factors such as time, severity of risk, effect and type of risk. There are direct and indirect consequences of risk.



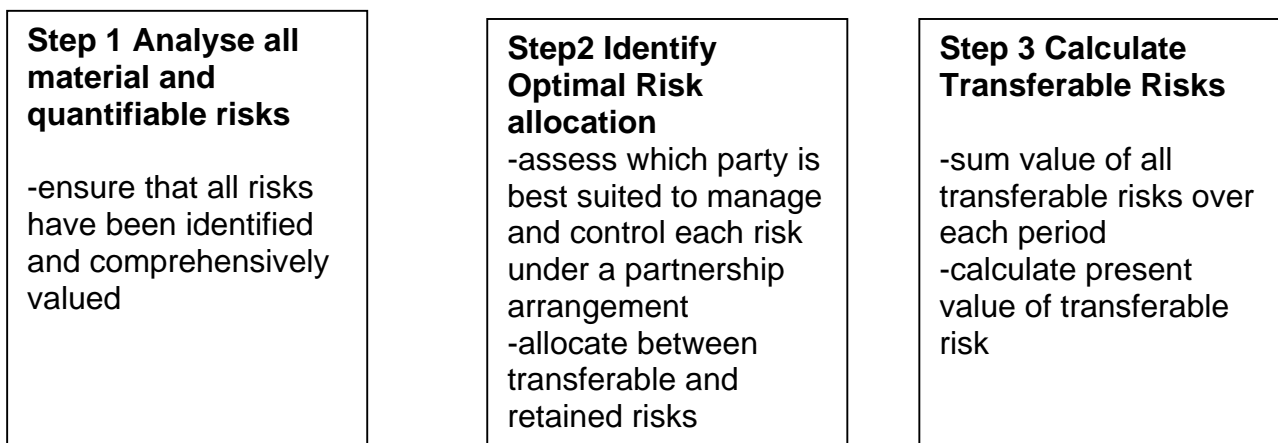
Indirect consequences arise as a result of other risks and hence it is important to identify the interplay between risks (Victoria Treasury, 2001: 39). **Annexure B** *infra*, provides examples of possible risks and descriptions of each

One tool that can be used when identifying the consequences and financial impact of a risk is a risk matrix. The matrix will indicate all risks, the consequences of each, financial implications, potential mitigation strategies for each risk as well as which should be transferred or retained. A comprehensive matrix with this information will serve as a reference point through-out the PSC and bidding process (Victoria Treasury, 2001: 39). The attached **Annexure C** *infra*, provides a table of direct consequences of risk and an illustration of a risk matrix. The formula for calculating the value of risk is as follows:

**Value of risk=consequences x probability of occurrence + contingency**

The contingency inclusion should be factored into each risk category to account for any unforeseen costs. Once all risks have been identified and quantified decisions have to be made as to which are to be retained or transferred to the bidder.

**Figure 6.4 Steps in valuing transferable risk**



Victoria Treasury, 2001:35

There are various factors that can be considered when allocating risks between the bidder and government, such as the nature of the project, the capacities of each party to manage a risk, previous levels of risk transfer and success and failures thereof, market attitudes towards risk, public interest factors as well as other legislative and policy factors (Victoria Treasury, 2001: 50). The attached **Annexure D**, *infra*, illustrates a practical example of valuing transferable risk

Retained risks are those risk or portions of a risk that a government institution or municipality will keep or be accountable for. The steps involved in valuing retained risks are the same as those used when calculating transferable risks except here the sum will be of all retained risks. In all of this the capacity of a government institution or municipality to mitigate, minimise, control or avoid the occurrence of risk should be considered through, for example, using reputable contractors and technology and developing effective risk monitoring and management practices (Victoria Treasury, 2001: 56). **Annexure E**, *infra*, provides an example for valuing retained risk.

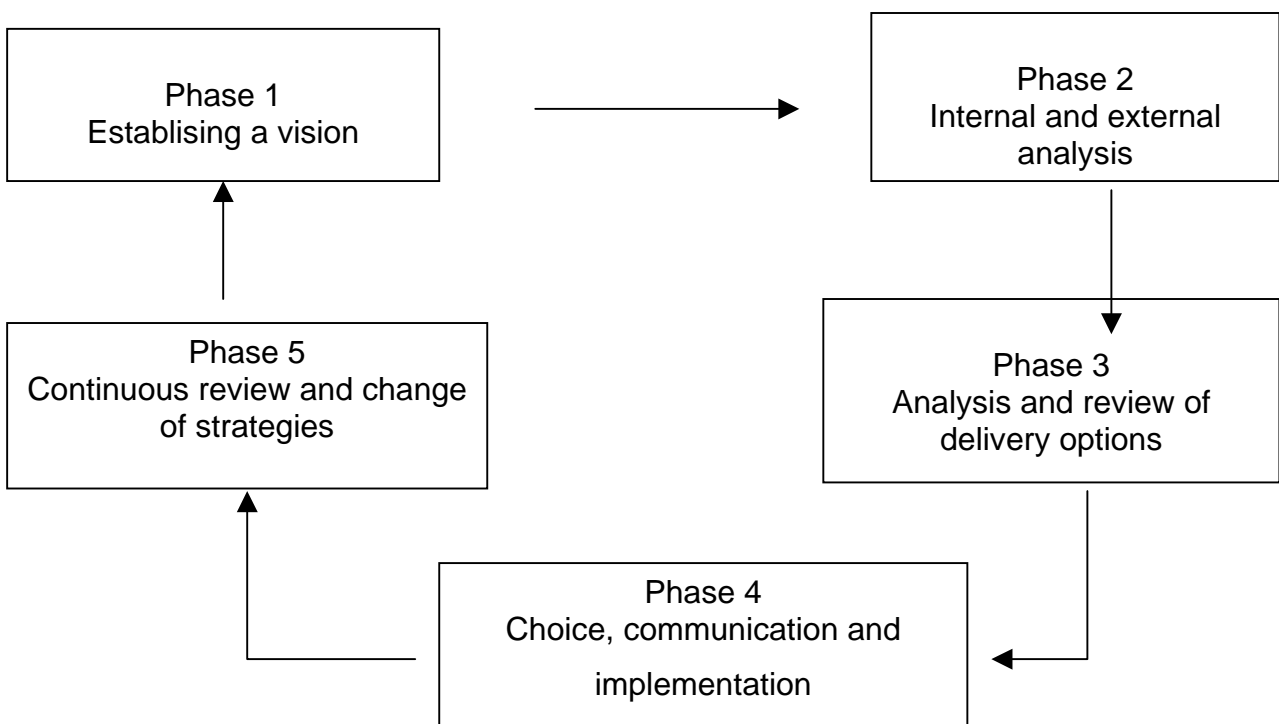
From the above it can be deduced that a comprehensive and well-constructed public sector comparator (PSC) can be an indispensable tool for assessing and ensuring value for money during the procurement process. It also serves as a basis for comparison among bidders during the bidding process. Only those bids that meet the requirements of the project brief will then go on to be measured against the PSC. It may be necessary to standardise the bids, so that they are easily comparable between each other and the PSC (Victoria Treasury, 2001: 61). The decision to make the PSC public or not depends on various factors and differs from project to project. There are a number of advantages of open disclosure. These include, providing bidders with information on what government expects, encouraging competition and innovation and increasing private sector confidence in the system (Victoria Treasury, 2001:66).

## 6.4 INTRODUCING MUNICIPAL REFORMS FOR IMPROVED SERVICE DELIVERY

The following diagram is an illustration of the recommended model for reengineering and introducing reforms in municipalities such as the Tshwane Metropolitan Municipality or even for individual departments within municipalities wishing to reform their systems/processes for improved service delivery. This model is based on information gathered from literature reviews as well as deductions made from discussions with personnel at the Tshwane Metropolitan Municipality.

As explained in previous chapters of this dissertation, continual municipal reform is imperative if municipalities are to be successful in their service delivery endeavours. The hypothetical model for municipal reengineering and introducing municipal reforms for improved service delivery illustrated below can serve as a useful guide for municipalities wishing to reform.

**Figure 6.5: Introducing municipal reforms for improved service delivery**



Source: Researcher's own composition

## Phase 1: Establishing a vision

Lewis *et al* (1997: 9 *cf.* Thompson *et al*, 1995: 36) define a vision as a declaration or statement that answers the question what do we want to create? A vision expresses in simple, clear and appealing terms exactly where an institution wants to go and how it intends to get there. A vision should naturally be the starting point of any kind of planning as it answers why an organisation exists, how the management of a municipality view the institution, what they hope to achieve, how they plan to achieve that which they wish to achieve. This vision naturally has an impact on the strategies a municipality or institution implements and choices made by the municipal managers and other officials (Thompson *et al*, 1995:26). According to Thompson *et al*, (1995:30) an effective vision must;

- be realistic in terms of time span, simple and doable
- be challenging
- be reflective of what the institution aspires to achieve and be
- be endorsed and frequently communicated to the operational level by top management.

However, the vision of a municipality is worthless unless it is a shared vision. According to Lewis (1997: 9) a shared vision is one that “ ...provides focus and energy to what the leadership wants the institution to be and inspires a commitment from everyone to achieve it”. A shared vision provides a unifying framework that guides all decision-making, planning and actions.

A question that can be asked is, why is a shared vision important? The correct shared vision provides a picture of what the municipality wants to achieve and this vision becomes the energy that drives the institution. Lewis (1997: 16) writes that the right/correct shared vision increases commitment, motivation among employees and stakeholders because they understand their purpose and believe in the common purpose of the municipality as a whole. Thus, a shared vision unites the institution and makes sure that all energies are directed towards the same goal. A vision also informs employees and stakeholders of the municipality's values and key distinguishing competencies that define which in turn determines how people within the institution act. The leadership provided by a vision statement will ensure unified

action and create in everyone's mind clarity regarding what is expected of them and the goods or things worth striving for. As Thompson *et al* (1995:31) state, a vision is “...the star we can steer by, as we sail the turbulent and uncharted waters of the future”.

## **Phase 2: Environmental analysis**

Having established the vision, the institution needs to undertake internal and external analyses, also known as environmental analysis, to identify opportunities worth exploring that would enhance the achievement of goals, and also to identify threats within and outside the institution, which may hamper service delivery. There are various tools of analysis that can be used namely, the Strength, Weaknesses, Opportunities and Threats (SWOT) analysis and the Political, Economic, Social and Technology (PEST) analysis (*cf.* paragraph 6.4.2, *supra.*) Results from these analyses will enable a municipality to plan and implement the right strategies that address the problems they face.

Environmental analysis can be defined as the process of “...monitoring an organisation's environment to identify strengths, weaknesses, opportunities and threats that may influence the organisation's ability to reach its goals” (Certo *et al*, 1995: 31). It was explained in Chapter 2 *supra*, that municipalities are open systems and thus rely on the environment for resources and the success of any institution depends on how well they are able to understand and proactively respond to its environment. The environment can be divided into three main segments, namely the general environment, the operating environment and the internal environment (Certo *et al*, 1995: 32).

The general environment refers to factors outside the municipality, which directly or indirectly affect the municipality's operation and includes components such as the economic factors, technological developments, politics and socio-cultural aspects of the society. These factors were explained in more detail in Chapter 2, *supra*.

Unlike the general environment, the components of the operating environment have specific and immediate implications for the institution. Hence the institution needs to

consistently monitor trends in this environment for opportunities and importantly threats that might hamper progress and goal attainment. Components of the operating environment include the customer component, the supplier component, the competitive component, labour component as well as the international component (Certo, 1995: 36).

The internal environment represents forces within the municipality with specific implications for institutional performance. Components within the internal environment are;

- The personnel component which includes aspects such as labour relations, recruitment practices, training and development policies, appraisal and incentive systems and turnover and absenteeism statistics.
- The production component, which includes aspects such as the use of technology to achieve goals, service delivery/production processes, use of subcontracting, inventory control (this will be explained in more detail in Phase 3 of this model *infra*).
- The financial component which addresses the availability or lack of resources, liquidity and credit worthiness of a municipality and
- The organisational component, which includes aspects such as the municipal structure, objectives, policies, procedures, rules and culture (Certo, 1995: 37).

All these internal aspects of the internal environment of the institution need to be analysed and if the analysis is properly undertaken will point out weaknesses that obstruct performance and the competencies that need to be developed for the municipality to thrive (Certo, 1995: 40).

The SWOT Analysis is a tool that is normally used to analyse the above-mentioned environments. Instead of identifying or naming the factors in the environment, internal or external that could affect the municipality in its quest to deliver services and meet its goals, the SWOT analysis goes a step further and groups the factors into the four compartments, namely, strength, weakness, opportunity or threat. The strengths are positive factors within the institution that give the municipality a winning edge,

weaknesses on the other hand are points of development where a municipality lacks and these factors impede the municipality from achieving its goals. In other words the strengths and weaknesses components of the SWOT analysis point to factors within.

The O in SWOT represents opportunities that exist outside the municipality (external environment) that can be explored for use by the municipality to further its goals. An example would be the availability of sponsors in the private sector willing to fund community projects or legislation that has been passed by Parliament that facilitate municipal management in meeting service delivery responsibilities. The T in SWOT stands for threats or undesirable factors that exist in the external environment that will hinder progress for which strategies have to be devised to deal with those issues (Certo, 1995:41).

Intensive environmental analysis ideally should be the starting point of any reengineering/reform programme as it points to *inter alia* the opportunities worth exploring and capitalising on. Environmental analysis points out the exact areas of weakness and threats that need to be addressed, strategies and solutions to be devised to effectively deal with those weaknesses and threats. The aim of environmental analysis is to establish whether the current strategies and approaches of the municipality enable it to deal with the changes taking place in its environment (Johnson *et al*, 1999:190).

### **Phase 3: Analysis of delivery options**

The analysis of delivery options phase specifically looks at the production component of the municipal department in terms of the services that the municipality or municipal department offers and how those services are produced. The questions that are asked in this phase are: what services does a municipality offer? How does the municipality produce and deliver those services? Is the current way of operating the most effective option that the municipality can use? What are the major challenges that impede service delivery efforts? Are there any other delivery mechanisms/options that the municipality can employ to further enhance service delivery?

Municipalities are advised to use tools such as ring fencing (explained in paragraph 6.4, *supra*), alternative service delivery (ASD) framework test questionnaire (*cf.* paragraph 6.3 *supra*) and the public sector comparator (*cf.* paragraph 6.4, *supra*) can be used to answer some of these questions and ensure that the municipality makes the correct decisions.

A municipality has two main options for service delivery that is, the traditional internal mechanism where a line department is created that produces and delivers the service to the community. The other option entails using external mechanisms to deliver service where another entity outside the municipality is tasked with production and delivery of a service with or without control of the municipality (*Local Government: Municipal Systems Act, 2000, (Act 32 of 2000: Section 76)*). These are the alternative service delivery (ASD) mechanisms explained in Chapters 3 and 4 *supra*, for example the use of partnerships, contracting out, corporatisation and privatisation (*cf.* Chapter Three and Four *supra*).

The results of SWOT/environmental analysis and the analysis tools such as ring fencing and the public sector comparator explained in paragraphs 6.3.2 and 6.3.3 *supra*, will point out the major impediments with the current delivery mechanisms, and the accompanying changes that the municipality needs to make in order to resolve the problems. Factors to consider include aspects such as legislative requirements, capacity within and outside the municipality and support for the reform required.

This phase outlines the case for reform for the municipality or municipal department if there is one, and the nature of changes that need to take place. Reforms might vary from major changes such as corporatisation or privatisation that drastically impact on the structure of the municipality, to minor changes such as a simple change in procedure or rules and a decision to outsource which does not radically change anything within the municipality.



#### **Phase 4: Choice, communication and implementation**

Results of phases 3 and 4 described above will enable the municipality to make a choice and decide on whether to maintain the *status quo* or make changes. Should the management of the municipality choose to make reforms, these reforms regardless of their nature and extent need to be properly communicated to all employees in the municipality. Paragraph 6.2.2 earlier in this chapter described why communication is crucial and proposed various techniques and strategies management can use to ensure acceptance and commitment from all stakeholders for the success of the reform process. According to Rusaw (1998:155) employee involvement in a change process is made even more important in institutions with high levels of union representation such as happens in municipalities. Failure to communicate and gain support from the union(s) from the very beginning, if attempted at a later stage is unlikely to be fruitful. Rusaw (1998:155) refers to this inclusive form of planning as “cooperative planning” which enables management to develop creative strategies, ensure employee participation and commitment which ultimately ensures success of any change process.

Puth (1994:125) reiterates this need for effective communication when implementing changes and notes that effective change management is dependant on effective communication to and by all stakeholders. People are generally averse to change. There are various reasons for this (*cf.* paragraph 6.2.2,*supra* and Carr *et al*, 1995: 38-65), but fear is one of the contributing factors because of the uncertainty associated with any change endeavour. Effective communication plays a crucial role in alleviating resistance to change because, according to Puth (1994:126) effective communication “... provides reasons to employees, unions and the outside world, serving as a basis for understanding and acceptance even when loss of jobs is part of the bottom line”. It is, therefore, important that municipal managers, charged with managing the change process, should not underestimate the role that communication can play, because more often than not the power of communication is only felt once there is a crisis or deadlock. Johnson *et al* (1999: 526) note the following important points that need to be emphasised when communicating change objectives:

- the reasons for the change;

- the choice of communication media should be considered carefully as the media used can positively or negatively affect how a message is received ( *cf.* paragraph 5.4.2, *supra*);
- the involvement of all stakeholders from the very beginning stages of the change process should be sought as this ensures support and commitment from all stakeholders;
- the identification of problems or areas of conflict so that they can be proactively identified and dealt with before they erupt into a crisis, and finally;
- communication should always be a two way process to enable feedback and allow problems to be solved and grey areas cleared .

Section 80 (2) of the *Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000)* clearly stipulates that before a municipality enters into any service delivery agreement it must first consult with the community. Implementation of any programme changes will require that management fulfil specific management functions such as planning, organising, staffing of the institution with skilled personnel and ensuring that sufficient resources are allocated to facilitate goal attainment.

### **Phase 5: Control, continuous monitoring, review and change: municipalities as learning organisations**

The term control refers to the process of evaluating actual progress against planned performance targets and where necessary taking corrective actions so that performance takes place as planned, thus ensuring goal attainment (Bateman *et al*, 1996: 633). Control takes place at all levels of an institution, meaning, from the top management level to the last level and is a positive function that ensures that planned activities happen, as they should.

There are three types of control namely, preliminary control, which takes place before operation begin and include functions such as rules and procedures that need to be followed to ensure that no mistakes are made or avoided. Secondly there is concurrent control, which takes place during the implementation of a plan and

includes monitoring and evaluation of activities. Finally, there is feedback control, which occurs after an activity has already taken place and is found in annual reports. (Bateman *et al*, 1996: 637)

Effective control requires that performance standards be set to serve as benchmarks on which actual performance could be measured. Should there be no deviations between the set/planned performance standards and actual performance, there is no need to change direction. However, should deviations be found, corrective actions need to be taken and adjustments made (Bateman *et al*, 1996L 634). Pearce *et al* (1994:385) similarly refer to what they call “milestone reviews”. Milestones are significant actions, targets or objectives that need to be reached. The milestone reviews should be done to determine whether the “milestones” have been achieved.

Municipal management, after making and implementing the selected plan for action would have to constantly monitor and evaluate events to ensure that plans proceed as planned. Thus, control measures need too be put in place to ensure that plans are executed as planned. Due to human limitations such as being unable to foresee the future, consequences not initially anticipated during planning, can often occur during implementation and should be expected and dealt with as they arise. Unforeseen events may imply certain changes be made to the original plan. This is in line with the concept of a learning organisation, which emphasises the need for institutions, for example a municipality like the Tshwane Metropolitan Municipality, to constantly review the way they operate, and should changes be needed they must be made when necessary. This implies constantly learning and adapting as society changes, technologies change and new improved solutions are discovered.

## **6.5 CONCLUSION**

The statement that change is the only constant appears justifiable particularly taking into consideration the many rapid technological, economic and social changes that are currently taking place. Institutional change and redesign are necessary if institutions are to be effective. Change is never easy and is often met with resistance and if not managed well can be costly and a waste of resources and time. Effective

planning, communication and leadership are crucial if change is to be effective and special consideration should be given to these aspects.

The above-mentioned model, although hypothetical in nature, could serve as a basic guide to municipalities and municipal departments should they wish to undertake reform measures in order to improve service delivery. In reality the change processes might be more complicated. Despite the challenges that any reform may bring, it has become imperative for all municipalities, and indeed the Tshwane Metropolitan Municipality to constantly change and review the way services are rendered in order to remain relevant and effective. An institutional culture of learning should be developed, supplementary to any change process. Employees should be empowered through continuous learning, training and development.

## Chapter 7

### CONCLUSION AND RECOMMENDATIONS

Creating the good life for its citizens will remain the challenge for the South African government on all its spheres. This challenge is even more so for municipalities as they represent the government closest to the people and interact more closely with communities through the delivery of the various services required by the *Constitution of the Republic of South Africa, 1996(Act 108 of 1996)*. It is a decade since South Africa became a democratic state and despite promises and efforts to improve service delivery to the public there still exist immense service delivery backlogs. Although the current government inherited a first world infrastructure, it is still faced with third world issues and imperatives namely social development, service delivery, unemployment and poverty. The problem of service delivery backlogs is not one unique to South Africa but a problem faced by many African and developing nations. Despite having acquired political equality all members of the South African society is still not equal. Other areas remain resourced and developed while others remain under-resourced, under serviced and with major developmental needs, hence the need for reconstruction and development as well as a review of institutional systems and processes in search for better methods of service delivery.

In the light of the service delivery backlogs that exist, the research question was stated as follows;

*To what extent can alternative delivery options be used to solve service delivery backlogs and problems in the local sphere of government in South Africa with particular reference to the Tshwane Metropolitan Municipality?*

The objectives of this research were to:

- to investigate and describe the previous (that is pre-1994) and the current (post 1994) status of municipal;
- to identify and describe problems with service delivery at local level with particular reference to the Tshwane Metropolitan Municipality;

- to investigate and explore the various delivery options that can be used as tools to improve the delivery process by exploring,
  - the extent to which they are used presently at the Tshwane Metropolitan Municipality
  - the extent to which they can be used in the future and
  - the extent to which they will be solutions to the service delivery problems the Municipality faces; and
- to provide guidelines and recommendations for implementation as a hypothetical model for use by The Tshwane Metropolitan Municipality and other municipalities in their efforts to improve/enhance service delivery.

Chapter 1 of this dissertation described the problem statement, the purpose of research, objectives of research as well as the research question, hypothesis and unit of analysis. The methodology to be followed through the research process was also detailed in this Chapter as well as a definition of key concepts was provided. Chapter 1 also provided chapter summaries of the dissertation.

Chapter 2 provided a description of the status of local government in South Africa. To properly define and describe the concept of municipal, reference was made to aspects such as the characteristics of municipalities, types of municipalities in South Africa, powers of municipalities, purpose and duties of municipalities within the context of the *Constitution of the Republic of South Africa, 1996 (Act 108 of 108)*. A brief historical description of municipal government and administration under the policy of apartheid (pre – 1994) was also provided to gain insight into the history of municipal in South Africa with a view to understanding the realities municipalities face today, which in many ways were shaped by the past.

Chapter 2 explained in detail the environment within which municipalities' function with particular reference to the influence the environment has on their operations and performance. The various sub-environments were explained, namely the political environment, the economic environment, the social environment, the technological and international environment.

One of the objectives of this research was to investigate and explore the various delivery options that can be used as tools to improve service delivery. Chapter 3 introduced the concept, alternative service delivery (ASD) *vis-à-vis* the traditional and conventional way of rendering/providing services through the creation of line municipal departments/functions. Amongst the many challenges municipalities in South Africa face are decreasing revenue sources and ever increasing service delivery responsibilities. Prompted by these and many other challenges municipalities are turning to alternative and innovative means of delivering local services. Chapter 3 and 4 described and explained some of these alternative service delivery methods/mechanisms, also known as ASDs. Initially a definition of the concept of alternative service delivery (ASD) was given. To better understand this concept, as well as other related concepts, reference was made to practices abroad as benchmarks on which South African practices can be compared. Chapter 3 described in detail, partnerships popularly known as public-private partnerships (PPPs), as well as the various forms of partnerships that could be employed.

Chapter 4, continued to describe other alternative service delivery options with the objective of firstly, explaining corporatisation as an option. In this explanation various corporatisation options, particularly agencification and the establishment of utilities as separate vehicles for delivery as opposed to the traditional line municipal departments, were outlined. Secondly, full privatisation or service shedding was explained with particular reference to the advantages and complex issues that municipalities hoping to privatise, will face. Finally, in light of the information and communication technology (ICT) advancements that have been taking place across the globe, Chapter 3 described the concept of electronic government and electronic service delivery (ESD) was explained. Specific focus was put on the extent to which ICTs, can be utilised by municipalities, to enhance service delivery. It was concluded that for municipalities to ignore or fail to harness the technological developments currently taking place, would be unwise. The key challenge for municipalities is to move from the phase of awareness of the opportunities that technology provide, to that of action and implementation through practical programmes and projects that could make a difference in the lives of the citizen and enhance service delivery.

The objective of Chapter 5 was to outline and explore the key problem areas of service delivery experienced by the Tshwane Metropolitan Municipality. A brief

description of the Tshwane Metropolitan Municipality was given, with a description of the system of municipal government followed by the Municipality and the structure within which service delivery takes place. It was also the objective of Chapter 5 to investigate the extent to which the Municipality utilised alternative service delivery options as tools to improve service delivery.

Chapter 5 revealed that the Tshwane Metropolitan Municipality faced the following problems:

- service backlogs;
- limited finances;
- bureaucracy and other organisational problems;
- other department specific problems.

In terms of the Tshwane Metropolitan Municipality's usage of alternative service delivery mechanisms, the study revealed that partnerships and contracting out were used to varying degrees across the Municipality's departments. No departments had been privatised or corporatised since the Municipality's inception. However, the Municipality, at the time was still at the investigation phase to discover the possibility of restructuring some of its functional departments as was evidenced by the restructuring grant the Municipality received from the National Treasury of South Africa.

Consequent to the grant being given to the Municipality, two consulting companies were tasked to undertake research into the possibility of reforming two of Tshwane's departments namely, the Division of Roads and Storm Water and Tshwane Electricity Department. These consulting companies were Dynacon Management Consultants and KPMG respectively. Both analyses of the consulting firms proposed the restructuring of the respective departments.

Chapter 5 concluded that reform is obligatory to revitalise and enhance service delivery at the Tshwane Metropolitan Municipality, in light of such problematic institutional issues of structure and red tape, as well as challenges such as limited resources, growing needs, with increasing expectations and demands by citizens for improved delivery.



Chapter 6 concluded that municipalities, through their administration, policies and actions play a critical role in reshaping communities. Reform, in particular service delivery reform, appears to be a matter of necessity in light of the ever-increasing service delivery requirements. These much needed service delivery reforms can take the form of alternative service delivery options (ASD). Chapter 6 explained various concepts such as communication, leadership and strategic planning using the municipal Integrated Development Plan (IDP), which are necessary for successful reform.

In addressing the original research question, it appears that based on this research, traditional institutional mechanisms and arrangements, and conventional management approaches have proved to be ineffective and inefficient to meet current realities of service delivery. Municipalities should remain true to the principle of a learning institution, continuously seeking to improve its performance by experimenting with new processes, approaches and ways of achieving its goals or by benchmarking.

Chapter 6 provided a description of decision-making tools that can be applied by municipalities endeavouring to restructure or reengineer their systems for improved service delivery. These tools act as guiding frameworks during decision-making processes on whether to keep the production and delivery of services in-house (within the municipality) or apply outside options or mechanisms. In search for better methods of delivery these municipalities have to move away from the traditional/conventional administrative models and structures alternative service delivery (ASD) appears therefore, to be an imperative for municipalities. Municipalities need to constantly review, reform and renew their operations, systems and structures in the search of better (efficient, effective and responsive) ways of operating and achieving objectives.

Change is no longer the exception but the rule. Therefore, the search for innovative solutions to problems is one that is never ending. However, such “reforms”, “reengineering” or “restructuring” processes need to be managed well. Employees

and other stakeholders can often resist change, but through careful management of the change process, such resistance can be avoided.

Chapter 6 recommended a hypothetical model for municipal reengineering or reform that municipalities or individual departments within a municipality could use. The proposed five-phased model commenced with the establishment of a vision. Thus, determining what the municipality hopes to achieve. This vision will then inform the systems and processes that the municipality adopt. The second phase of the model entails environmental analysis of both the internal and external environments with a view to identifying the internal strengths and addressing weaknesses that may hinder the municipality from achieving its set goals. Environmental analysis should not be limited to the internal environment but due attention should be given to the external environment within which municipality operates. External environmental analysis should be done with a view to identifying opportunities and abating possible threats that may hinder the municipality from achieving its goals. The municipality's goals and strategies should always be set after due consideration of the environment within which a municipality operates. Phase three of the model entails the analysis of service delivery options, with special attention to the production component. The questions asked in this phase are: What services does the municipality or municipal department offer? How does the municipality produce and deliver these services? Are the current production processes the best ways of delivering the services? What are the major problematic factors that impede service delivery efforts? Are there any other mechanisms or options that the municipality can employ to further enhance service delivery? Tools such as ring fencing and the public sector comparator described in Chapter 6 can be employed in a bid to answer these questions. The results of phases two and three of the model will indicate whether if reform is necessary and specifically the nature of changes that need to be made. Reforms might vary from major changes such as corporatisation or privatisation that drastically impact on the structure of the municipality, to minor changes such as simple changes in procedure or rules. Phase four of the model entails making a choice of the service delivery mechanism, which might entail reforming the municipality's, work or processes, communicating the choice or changes and implementation of the reforms. The importance of communication at this stage is critical for success of the change process. Phase five of the model proposes that control measures be put in place to

monitor progress, with a view to addressing deviations. Continuous monitoring and review of progress is therefore critical, in line with the principle of learning organisations. These are organisations that are dedicated to continuous training, development and growth.

The model could serve as a basic guide that municipalities and municipal departments can use should they wish to undergo changes in order to improve service delivery. In reality the change processes will be more complicated. However difficult change might be, it has become imperative for institutions to constantly change and review the way activities are performed and ensuring that municipal systems, processes and strategies remain relevant and effective. An institutional culture of learning should be developed among employees in order to remain competitive and effective changes and continuous learning, training and development are of paramount importance.

Future research options could include:

- Alternative service delivery options not dealt with in this dissertation as well as the practical applicability thereof.
- An analysis of the practical application of the hypothetical model as proposed in Chapter 6.
- An analysis of the effectiveness and efficiency of formerly municipal departments that have been turned into separate entities or corporations.

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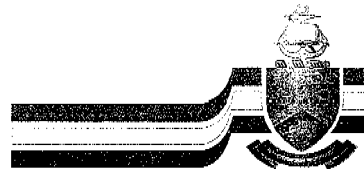
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## Annexure A

### Sample of interview questions

Source: Researcher's Own composition



Universiteit van Pretoria

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Fakulteit Ekonomiese en  
Bestuurswetenskappe

Skool vir Openbare Bestuur  
en Administrasie

Dear Sir or Madam

My name is Pfungwa Michelle Nyamukachi. I am a registered Masters student with School of Public Management and Administration at the University of Pretoria

My research focuses on service delivery in the public sector, in particular local government with reference to the Tshwane Metropolitan Council. The question this research seeks to answer is **'to what extent can alternative service delivery methods be used to solve service delivery problems or to what extent can they be used to enhance service delivery'**.

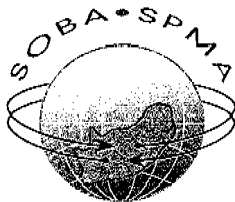
The objectives of the research are:

1. To identify and describe problems with service delivery at local level with particular reference to the Tshwane Metropolitan Council
2. To investigate and explore the various service delivery options that can be used as tools to improve the service delivery process **by looking** at (a) the extent to which they are used presently at the council (b) the extent to which they can be used and (c) the extent to which they will be solutions to the service delivery problems the council faces

Your cooperation and support will be highly appreciated.

Sincerely

P. M. Nyamukachi  
082 349 6566  
nyamukachi@yahoo.com



SKOOL VIR OPENBARE BESTUUR EN ADMINISTRASIE  
SCHOOL OF PUBLIC MANAGEMENT AND ADMINISTRATION

P. 01/21

TO 70124216020

UDRCDM

FROM

14-SEP-2004 15:26

14-SEP-2004 15:56 FROM UODACOM TO 70124216020 P.03/21

**Interview Questions**

Please answer the following questions as honestly as possible. All information will be strictly confidential and will only be used for purposes of this evaluation

**Section A**

**Position and designation** .....

**Department or Functional Unit** .....

**Section B**

**Question 1**

How are you currently delivering services?

- Through traditional line functions/departments
- Outsourcing
- Partnerships
- Agencies
- Utilities
- Section 21 Companies
- Electronic service delivery
- Concessions
- Management Contracts

Please indicate any other not mentioned above

.....  
.....  
.....

**Question 2**

What are the major problems that a) your department and b) Tshwane face particularly service delivery problems? Please rank them on a scale of 1-3, the degree to which they are problematic.

**1=low                      2= moderate                      3= high**

1. Human resources capacity

1	2	3
---	---	---

2. Financial capacity

1	2	3
---	---	---

3. Infrastructure development

1	2	3
---	---	---

4. Amalgamation of the 13 councils

1	2	3
---	---	---

5. Policy Implementation

1	2	3
---	---	---

If there are any other problematic areas not mentioned above, please elaborate below

.....

.....

.....

.....

.....



14-SEP-2004 15:56 FROM UODACOM TO 70124216020 P.05/21

**Question 3**

**a. Partnerships**

Partnerships can be defined as an arrangement between a government institution and one or more parties (inside or outside government) where there is an agreement to work cooperatively to achieve public policy objectives.

Partnerships have become a buzzword in government today and are seen as an alternative and as a tool to enhance service delivery.

- 1. Are you engaged in any partnerships at present? Y or N**
- 2. If not ***are you considering*** any kind of Partnership arrangement for service delivery **Y or N**  
Give details:

**What form:** .....

.....

**For which services:** .....

.....

**Rationale: Why do you need such a partnership?**

.....

.....

.....

.....

**2. IF YES what was the rationale for the partnership?**

*Please indicate the extent to which the following was a push factor for the establishment of the partnership on a scale of 1-3*

**1= low                      2= moderate                      3= high**

Financial

1	2	3
---	---	---

Lack of human capacity

1	2	3
---	---	---

Efficiency gains

1	2	3
---	---	---

If there are any other reasons for the establishment of the partnership, not stated above. Please elaborate below:

.....

.....

.....

.....

**3. What form do they take**

*(Tick where appropriate)*

Service contracts (outsourcing)

Management contracts

Concessions

Leases

14-SEP-2004 15:57 FROM UODACOM TO 70124216020 P.07/21

Partnership with an NGO/not for profit organization

Partnership with another governmental department(s)

**5. Indicate the services**

Service contracts (outsourcing) .....

.....

Management contracts .....

.....

Concessions .....

.....

Leases .....

Partnership with an NGO/not for profit organization

.....

.....

Partnership with another governmental department(s)

.....

**7. Have the partnership(s) been helpful in alleviating service delivery problem? Y or N**

**How so?**

.....

14-SEP-2004 15:57 FROM UODACOM

TO 70124216020

P.08/21

**6. How do you monitor/measure performance?**

**Reporting**

**The Key Performance Areas in the partnership agreement**

Indicate below if other control methods are used

.....

.....

.....

.....

.....

.....

.....

7. There are a number of policy and legislative documents that guide the use of partnerships. Indicate your level of understanding of each on a scale of 1-3

**1- no/never heard of 2 – some understanding 3-excellent**

**White paper on  
Municipal Service  
Partnerships 2000**

1	2	3
---	---	---

14-SEP-2004 15:57 FROM UODACOM

TO 70124216020

P.09/21

**The Municipal Systems Act  
2000**

1	2	3
---	---	---

**The Guidelines for the selection of Service delivery options  
in Tshwane**

1	2	3
---	---	---

Indicate any other documents not mentioned above

.....  
.....  
.....  
.....

8. What problems do you encounter when using or trying to use partnerships?

.....  
.....  
.....  
.....  
.....

**Question 4**

**b. Corporatisation**

In a bid to increase city efficiency, effectiveness and improve service delivery some councils such as the Johannesburg Metropolitan Council have resorted to employing private sector principles and

undergone major restructuring involving corporatisation. Corporatisation is when a municipality forms a separate legal corporate entity to manage municipal service provision. The municipality continues to own the enterprise, but it operates with more of the freedom and flexibility generally associated with a private sector business. A **Section 21 Company** is one of a variety of possible forms of corporatisation. Other forms include independent **agencies and utilities**.

1. Have you corporatised any services since 1995? **Y or N**

2. Are you considering corporatising any services? **Y or N**

**3. If yes**

a) What form and for which services

**Utility:**.....

..

.....

**Agency:**.....

.....

**Section 21 Companies**.....

.....

**3b. Rationale: Reasons for Considering Corporatisation**

.....

.....

.....

.....

14-SEP-2004 15:57 FROM UODACOM TO 70124216020 P.11/21

**4. If not please elaborate and give reasons**

.....  
.....

**5. Is there a policy or legislation (*by law*) on corporatisation?**

**Y or N**

**If there is please elaborate**

.....  
.....

**6. Would corporatisation i.e. the creation of a separate entity for service delivery help alleviate the service delivery problems you encounter- in other words is it really a solution**

**Y or N**

**Question 5**

**c. Privatization**

Full Privatization: A municipality sells off an asset to a private sector firm. This is undoubtedly a contentious issue in South Africa.

**1. Is Thswane considering privatizing any of its activities/functions/services**

**Y or N**

**2. If yes a) which activities**

.....  
.....  
.....

14-SEP-2004 15:58 FROM UODACOM

TO 70124216020

P.12/21

b) Please indicate the reasons for privatizing those services

**Financial/Debt management**

**Service(s) is non-core**

**Capacity**

If there are any other reasons Please elaborate below

.....

.....

.....

.....

3. If not a) what are the reasons

**Timing**

**Lack of enabling legislation**

**Lack of Union support**

**Lack of management support**

**Conflicting ideology**

b) Please indicate any other reasons not listed above



14-SEP-2004 15:58 FROM UODACOM

TO 70124216020

P.13/21

.....

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.....

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**Question 6**

**E-Gov-Electronic Service Delivery (ESD)**

Electronic Service Delivery (ESD) refers to the delivery of information and certain services through the Internet and other digital means. The opportunities presented by the Internet are abundant and possibilities are endless.

1. Where is Tshwane now in terms of electronic government/electronic service delivery?

a) Is there a website? **Y or N**

b) If **yes** is the website

Brochure ware **Y or N**

Or

Interactive? **Y or N**

14-SEP-2004 15:58 FROM UODACOM

TO 70124216020

P.14/21

**c) If not why?**

**Lack of Finance Y or N**

**Lack of Infrastructure Y or N**

**Lack of management support and  
commitment Y or N**

**Lack of capacity Y or N**

**d) Which services would be suitable for online service  
delivery?**

## Annexure B

## Examples of risks and descriptions of each

Source: Exposure Draft, Partnerships Victoria: Guidance Material. Department of Treasury and Finance: Victoria (2001 34).

14-SEP-2004 15:58 FROM UODACOM

TO 70124216020

P.15/21

Public Sector Comparator

Partnerships Victoria

### 5.3 Identifying project risks

The first step in the process is to identify comprehensively and document all material risks associated with the project. This also provides a database of project risks that should prove useful when looking at other similar projects in the future. However, given the wide variety of risks associated with potential projects, this process needs to be completed separately for each project.

Table 5.1 provides a general description of the main categories of risks likely to be encountered in most *Partnerships Victoria* projects.

Table 5.1: Risk identification

Risk category	Description of risk
Commissioning risk	The risk that the infrastructure will not receive all approvals to satisfy an output specification, such as expected changes in legislation which allow for a specific output specification not materialising.
Construction risk	The risk that the construction of the assets required for the project will not be completed on time, budget or to specification.
Demand (usage) risk	The risk that actual demand for a service is lower than planned.
Design risk	The risk that the proposed design will be unable to meet the performance and service requirements in the output specification.
Environmental risk	The risks that the project could have an adverse environmental impact which affects project costs not foreseen in the environmental impact assessment.
Financial risk	The risk that the private sector overstresses a project by inappropriate financial structuring.
Force majeure risk	An act occasioned by an unanticipated, unnatural or natural disaster such as war, earthquake or flood of such magnitude that it delays or destroys the project and cannot be mitigated.
Industrial relations risk	The risk that industrial relations issues will adversely affect construction costs, timetable and service delivery.
Latent defect risk	The risk that an inherent defect exists in the structure being built or equipment used, which is not identified upfront and which will inhibit provision of the required service
Operating risk (service under-performance)	The risks associated with the daily operation of the project, including an unexpected change in operating costs over budget.
Performance risk	The risk that the operator will not perform to the specified service level, such as a power generator supplying less power than demanded.
Change in law risk	The risk that the current regulatory regime will change materially over the project or produce unexpected results.
Residual value risk	The risk relating to differences from the expected realisable value of the underlying assets at the end of the project.
Technology obsolescence risk	The risk that the technology used will be unexpectedly superseded during the term of the project and will not be able to satisfy the requirements in the output specification.
Upgrade risk	The risks associated with the need for upgrade of the assets over the term of the project to meet performance requirements.

**Annexure C**

**Table of direct consequences of risk and an illustration of a risk matrix**

Source: Exposure Draft, Partnerships Victoria: Guidance Material. Department of Treasury and Finance: Victoria (2001 38).

14-SEP-2004 15:59 FROM UODACOM TO 70124216020 P.16/21

Table 5.2: Direct consequences of risk

Risk category	Direct consequence
Commissioning risk	Additional ramp-up costs, cost of maintaining existing infrastructure or providing a temporary alternative solution where this leads to a delay in the provision of the service.
Construction risk	Additional raw materials and labour costs, cost of maintaining existing infrastructure or providing a temporary alternative solution where this leads to a delay in the provision of the service.
Demand (usage) risk	Reduced revenue based on lower throughput
Design risk	Cost of modification, redesign costs
Environmental risk	Additional costs incurred to rectify an adverse environmental impact on the project, incurred from the construction or operation of the project or pre-existing environmental contamination.
Financial risk	Additional funding costs for increased margins or unexpected refinancing costs
Force majeure risk	Additional costs to rectify
Industrial relations risk	Increased employee costs, lost revenue or additional expenditure during delay in construction or service provision (post-construction)
Latent defect risk	Cost of new equipment or modification to existing infrastructure
Operating risk	Increased operating costs or reduced revenue over the project term
Performance risk	Cost of failing to comply with performance standards
Change in law risk	Cost of complying with new regulation
Residual value risk	Lower realisable value for underlying assets at end of project term

Public Sector Comparator

Partnerships Victoria

The ability to estimate the consequences of risk will depend on the amount of time and quality of resources that are devoted to it. The primary source of risk-pricing information is empirical evidence on cost and time overruns for similar recent public procurement projects (e.g. over the last five years). Cost overruns can be estimated by comparing budgeted and actual spending on similar projects and identifying common trends.

If the required information does not already exist, the collection of new data should begin. Statisticians and risk assessment professionals may be able to assist in determining an appropriate sample survey and should be engaged where appropriate. It may also be useful to talk to people who have been involved with the delivery of similar services. Again, the resources used in gathering and assessing data should reflect the size of the project and the significance of the project risks.

Table 5.3: Risk Matrix – commissioning risk

Risk	Cause	Consequence of risk	Potential financial impact	Strategy/ mitigation
Commissioning risk — delay in service provision	(1) Failure to complete or construct adequately	<ul style="list-style-type: none"> <li>• Cost and time overruns (e.g. additional ramp-up costs)</li> <li>• Cost of maintaining existing infrastructure or providing a temporary solution through inability to deliver the new facility as planned.</li> </ul>	<ul style="list-style-type: none"> <li>• Dependent on extent of time overrun</li> <li>• Known (monthly/daily) cost but dependent on extent of time overrun.</li> <li>• Dependent on probability of risk occurring</li> </ul>	<ul style="list-style-type: none"> <li>• Allocate risk to bidder through fixed time and price contract with an experienced builder if private sector is constructing.</li> <li>• Ensure construction company provides a liquidated damages bond.</li> </ul>
	(2) Council failure to deliver approvals in a timely manner.	<ul style="list-style-type: none"> <li>• Cost and time overruns (e.g. additional ramp-up costs)</li> <li>• Cost of maintaining existing infrastructure or providing a temporary solution through inability to deliver the new facility as planned.</li> </ul>	<ul style="list-style-type: none"> <li>• Dependent on time taken to acquire approvals (if they can be obtained at all)</li> <li>• Dependent on probability of risk occurring</li> </ul>	<ul style="list-style-type: none"> <li>• Simplify approval process (as far as is reasonable).</li> <li>• Obtain as many approvals as is possible prior to contract signature.</li> <li>• Use best legal advisers to determine and obtain all approvals required.</li> </ul>
	(3) Flaws in output specification	<ul style="list-style-type: none"> <li>• Cost and time overruns (e.g. additional ramp-up costs)</li> <li>• Cost of maintaining existing infrastructure or providing a temporary solution through inability to deliver the new facility as planned.</li> </ul>	<ul style="list-style-type: none"> <li>• Dependent on extent of time overrun</li> <li>• Known (monthly/daily) cost but dependent on extent of time overrun.</li> <li>• Dependent on probability of risk occurring</li> <li>• Potential cost of redefining the output specification</li> <li>• Dependent on probability of risk occurring</li> </ul>	<ul style="list-style-type: none"> <li>• Remove high risk technological elements from specification (keep it simple and unambiguous).</li> <li>• Nature of commissioning tests should be clearly spelt out upfront, focusing attention on whether the output specification will be met.</li> </ul>

Annexure D

Example of valuing transferable risk

Source: Exposure Draft, Partnerships Victoria: Guidance Material. Department of Treasury and Finance: Victoria (2001: 52).

14-SEP-2004 15:59 FROM UODACOM TO 70124216020 P.18/21

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Before seeking formal Expressions of Interest, government departments and agencies may seek to engage the market to assess the level of likely market interest in accepting risk in a proposed project. This can be done by various means, including holding preliminary discussions with an appropriate sample of industry practitioners. In undertaking such discussions, the government department or agency needs to ensure that proper probity processes are followed. In particular, such discussions must not restrict or distort competition, or give any bidder an unfair advantage.

However, government should also be satisfied that bidders are able to manage allocated risks effectively at the bid price specified. Although this does not directly affect the construction of a PSC, the reasonableness of risk valuation should be included in the qualitative assessment of each bid. If it becomes clear that government is better placed to take a risk, it should become a Retained Risk rather than a Transferable Risk. The role of qualitative factors is discussed further in Section 8.2.

Further guidance on determining optimal risk allocation is provided in *Risk Allocation and Contractual Issues*.

6.3 Valuing Transferable Risk

Once all the Transferable Risks have been identified, the size and timing of the expected cash flows associated with each risk needs to be aggregated to determine the NPC of the Transferable Risk component of the PSC. Each of the risks should be included as a separate cash flow item and then added to form the Transferable Risk component, to allow for a detailed analysis of the key risks and their sensitivity to the overall PSC.

Example 4: Valuing Transferable Risk		
Consider a project for the provision of a new educational facility and related ancillary services. The material and quantifiable risks associated with the project, which have been summarised and simplified in this example, are then allocated as shown in Table 6.1.		
Table 6.1: Simplified risk allocation		
Risk	Transferable Risk	Retained Risk
Design and construction risk	x	
Change in law risk		x
Operating risk	x	
Demand risk		x
• base level demand		
• additional usage*	x	
Maintenance risk	x	
Security risk (e.g. vandalism)		x
• during school hours		
• after school hours	x	
Technology risk (e.g. computers)	x	
* Includes any potential third-party revenue risk.		

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The costs and revenues associated with each of the Transferable Risks are then specified in the PSC model as a periodic cash flow based on the expected timing of their financial impact through the process outlined in Example 3 (in Section 5). Table 6.2 is an example of the Transferable Risk section of the PSC model for the first five years of a project.

Table 6.2: Transferable Risk cash flow valuation – real flows

Cost	Year 0 \$m	Year 1 \$m	Year 2 \$m	Year 3 \$m	Year 4 \$m	Year 5 \$m
Design and construction risk	10.0	20.0	2.5			
Operating risk		5.0	5.0	5.0	5.0	5.0
Demand risk • additional usage		0.5	0.5	0.5	0.5	0.5
Maintenance risk		2.0	2.0	2.0	2.0	2.0
Security risk (e.g. vandalism) • after school hours			1.0	1.0	1.0	1.0
Technology risk (e.g. computers)		1.0	2.0	3.5	4.5	2.0*

\* e.g. general technology replacement and upgrade after three years in the Raw PSC

Note that there is a small design and construction risk cost remaining in Year 2, due to the low probability of a delay greater than one year. Technology risk is assumed to increase prior to replacement, due to the increased risk of technological obsolescence over time.

The effects of expected inflation (or appropriate cost index) are now included to give the appropriate periodic cash flows, and are then discounted to give the present value of Retained Risk for the project. In this example, all costs are assumed to increase by inflation at 2.5 per cent per year.

Table 6.3: Transferable Risk cash flow valuation – nominal flows

Cost	Year 0 (\$m)	Year 1 (\$m)	Year 2 (\$m)	Year 3 (\$m)	Year 4 (\$m)	Year 5 (\$m)
Design and construction risk	10.0	20.5	2.6			
Operating risk		5.1	5.3	5.4	5.5	5.7
Demand risk • additional usage		0.5	0.5	0.5	0.6	0.6
Maintenance risk		2.1	2.1	2.2	2.2	2.3
Security risk (e.g. vandalism) • after school hours			1.1	1.1	1.1	1.1
Technology risk (e.g. computers)		1.0	2.1	3.8	5.0	2.3
<b>Total Transferable Risk</b>	<b>10.0</b>	<b>29.2</b>	<b>13.7</b>	<b>12.9</b>	<b>14.3</b>	<b>11.9</b>
Discount factor (assume discount rate @ 8.65% p.a.)	1.00	1.09	1.18	1.28	1.39	1.51
<b>Discounted cash flows</b>	<b>10.0</b>	<b>26.9</b>	<b>11.6</b>	<b>10.1</b>	<b>10.3</b>	<b>7.8</b>
<b>Present value</b>	<b>76.7</b>					

In this hypothetical example, the present value of Transferable Risk for the project is \$76.7 million. This demonstrates the importance of accurately assessing the expected timing as well as the size of the costs of risk.

**Annexure E**

**Example of valuing retained risk**

Source: Exposure Draft, Partnerships Victoria: Guidance Material. Department of Treasury and Finance: Victoria (2001:57).

14-SEP-2004 16:00 FROM UODACOM TO 70124216020 P.20/21

Example 5: Valuing Retained Risk		
Consider the project for the provision of a new educational facility and related ancillary services discussed in Example 4 (Section 6.3). Again, the project risks have been allocated as shown in Table 7.1.		
Table 7.1: Simplified risk allocation		
Risk	Transferable Risk	Retained Risk
Design and construction risk	x	
Change in law risk		x
Operating risk	x	
Demand risk		x
<ul style="list-style-type: none"> <li>• base level demand</li> <li>• additional usage*</li> </ul>	x	
Maintenance risk	x	
Security risk (e.g. vandalism)		x
<ul style="list-style-type: none"> <li>• during school hours</li> <li>• after school hours</li> </ul>	x	
Technology risk (e.g. computers)	x	
<ul style="list-style-type: none"> <li>• Includes any potential third-party revenue risk</li> </ul>		



For the first five years of the project, the real periodic cash flows for the Retained Risk component of the PSC may look something like Table 7.2.

Table 7.2: Retained Risk cash flow valuation – real flows

Cost	Year 0 (\$m)	Year 1 (\$m)	Year 2 (\$m)	Year 3 (\$m)	Year 4 (\$m)	Year 5 (\$m)
Change in law risk		0.5	1.0	2.0	3.0	3.0
Demand risk						
• base level demand		0.5	0.5	0.5	0.5	0.5
Security risk (e.g. vandalism)						
• during school hours		1.0	1.0	1.0	1.0	1.0

Note that the financial impact of change in law risk increases over time, due to increasing uncertainty in the future (e.g. changes to wheelchair or other access requirements, or an increase in safety obligations that may require alterations to the facilities).

The effects of expected inflation (or appropriate cost index) are added to give the appropriate periodic cash flows, and are then discounted to give the present value of Retained Risk for the project. In Table 7.3, all costs are assumed to be inflated at 2 per cent per year.

Table 7.3: Retained Risk cash flow valuation – nominal flows

Cost	Year 0 (\$m)	Year 1 (\$m)	Year 2 (\$m)	Year 3 (\$m)	Year 4 (\$m)	Year 5 (\$m)
Change in law risk		0.5	1.2	2.6	4.2	4.5
Demand risk						
• base level demand		0.5	0.6	0.6	0.7	0.8
Security risk (e.g. vandalism)						
• during school hours		1.1	1.2	1.3	1.4	1.5
Total Retained Risk	0.0	2.2	3.0	4.5	6.3	6.8
Discount factor @ 8.65% p.a. (assumed)	1.00	1.09	1.18	1.28	1.39	1.51
Discounted cash flows	0.0	2.0	2.5	3.5	4.5	4.5
Present value	17.0					

In the above example, the value of Retained Risk is \$17 million. The total value of risk in the PSC is therefore \$93.7 million (including \$76.7 million for Transferable Risk).