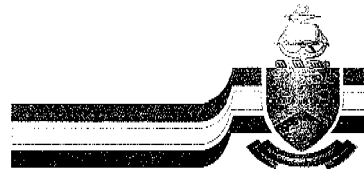


Annexure A

Sample of interview questions

Source: Researcher's Own composition



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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'**.

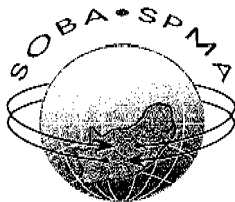
The objectives of the research are:

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

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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

.....

.....

.....

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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

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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?

.....

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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
---	---	---

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**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

.....

.....

.....

.....

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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

.....
.....
.....

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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

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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**

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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).

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Public Sector Comparator

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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).

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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

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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"> Cost and time overruns (e.g. additional ramp-up costs) Cost of maintaining existing infrastructure or providing a temporary solution through inability to deliver the new facility as planned. 	<ul style="list-style-type: none"> Dependent on extent of time overrun Known (monthly/daily) cost but dependent on extent of time overrun. Dependent on probability of risk occurring 	<ul style="list-style-type: none"> Allocate risk to bidder through fixed time and price contract with an experienced builder if private sector is constructing. Ensure construction company provides a liquidated damages bond.
	(2) Council failure to deliver approvals in a timely manner.	<ul style="list-style-type: none"> Cost and time overruns (e.g. additional ramp-up costs) Cost of maintaining existing infrastructure or providing a temporary solution through inability to deliver the new facility as planned. 	<ul style="list-style-type: none"> Dependent on time taken to acquire approvals (if they can be obtained at all) Dependent on probability of risk occurring 	<ul style="list-style-type: none"> Simplify approval process (as far as is reasonable). Obtain as many approvals as is possible prior to contract signature. Use best legal advisers to determine and obtain all approvals required.
	(3) Flaws in output specification	<ul style="list-style-type: none"> Cost and time overruns (e.g. additional ramp-up costs) Cost of maintaining existing infrastructure or providing a temporary solution through inability to deliver the new facility as planned. 	<ul style="list-style-type: none"> Dependent on extent of time overrun Known (monthly/daily) cost but dependent on extent of time overrun. Dependent on probability of risk occurring Potential cost of redefining the output specification Dependent on probability of risk occurring 	<ul style="list-style-type: none"> Remove high risk technological elements from specification (keep it simple and unambiguous). Nature of commissioning tests should be clearly spelt out upfront, focusing attention on whether the output specification will be met.

Annexure D

Example of valuing transferable risk

Source: Exposure Draft, Partnerships Victoria: Guidance Material. Department of Treasury and Finance: Victoria (2001: 52).

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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 <ul style="list-style-type: none"> • base level demand • additional usage* 	x	x
Maintenance risk	x	
Security risk (e.g. vandalism) <ul style="list-style-type: none"> • during school hours • after school hours 	x	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
Total Transferable Risk	10.0	29.2	13.7	12.9	14.3	11.9
Discount factor (assume discount rate @ 8.65% p.a.)	1.00	1.09	1.18	1.28	1.39	1.51
Discounted cash flows	10.0	26.9	11.6	10.1	10.3	7.8
Present value	76.7					

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).

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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"> • base level demand • additional usage* 	x	
Maintenance risk	x	
Security risk (e.g. vandalism)		x
<ul style="list-style-type: none"> • during school hours • after school hours 	x	
Technology risk (e.g. computers)	x	
<ul style="list-style-type: none"> • Includes any potential third-party revenue risk 		

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).