

# Social franchising partnership creates jobs

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Loading drums, filled with household faecal sludge, prior to their transport to the Dutywa WWTP

work done. The franchisees have also been able to offer their services to clinics, other public authorities and to private business and households.

## Municipal pilots

As Ahlert et al (2008) point out, while many social franchising pilot projects are successfully carried out, without scaling up they fail to increase the social impact. The Butterworth pilot programme successfully proved that the social franchising partnership approach can address the condition of water and sanitation facilities in schools. However, given that the social franchising partnership concept had in the current context been developed with a view to providing operation and maintenance services for municipalities, it was always envisaged that municipal work would eventually commence.

The first significant appointment from a municipality was from the Amathole District Municipality (ADM), a largely rural municipality, which asked for all of the 400-plus household pit latrines in Govan Mbeki village, Dutywa, to be emptied. This the franchisees achieved in six weeks. The household work differed to that at the schools as the quantity of faecal sludge was higher and there was no travel between sites.

The village was located within a kilometre of the wastewater treatment plant (WWTP) and so the franchisor fenced off a piece of land next to the WWTP and ploughed trenches into it to dispose of the sludge. As the work progressed, the ADM granted the franchisor permission to dispose directly into

**I**N THE FEBRUARY edition of IMESA, part one of this article defined social franchising and addressed training, funding, establishing and order of responsibilities involved in this new concept. In part two, municipal pilots are considered, as are viability, costs and further development.

The franchisor [in the Butterworth pilot programme] played a very intensive role, not only managing the administrative part of the process (checking and compiling invoices and ensuring payment from the Department of Education), but also being responsible for ensuring random checks on franchisees for quality control and processing the vast array of before and after photos from each school. Another key role of the franchisor in the pilot was that of fire fighting – i.e. addressing problems and issues as they arise, which was a common occurrence during the

development of the process, with problems such as payment delays, failure of equipment and making provisions at schools found to have no working or even repairable sanitation or water facilities.

Post-pilot, the franchisees no longer need the comfort and safety net of a subcontract arrangement and the switch to a full franchising-like arrangement is taking place, with the franchisees being appointed directly by infrastructure owners. The franchisees have proven themselves capable of seeking new clients and generating new and repeat business, and managing their own interactions with clients. In particular, this means that they will have to manage their interactions with the Department of Education district officials and they will need to ensure the school principals and the school governing bodies are satisfied with the result and approve the

the WWTP, saving time when disposing of the sludge.

ADM has since made several further appointments of the franchise to do the same kind of work in other areas. Currently, 2 400 household toilets are being serviced by three franchisees in a programme that will take several months to complete.

The franchisor has been developing methodologies for accessing household pits and disposing of waste, depending on the type of toilet, topography and geographical location in relation to certain infrastructure. These have been tested through work for the ADM in other villages in their jurisdiction. The franchisor's ability to innovate on behalf of the franchisees is a major advantage of the franchise approach. The franchisor develops the practical guidelines and strategies for the franchise to operate under and, if necessary, the franchisor can be called on to develop new plans as needed, or to address situation-specific issues.

**Factors affecting viability and costs**

The pilots have underlined that the rolling out of the programme will sink or swim on financial viability and costs of undertaking the servicing, while not the main contributor, have a significant bearing on that.

Not unexpectedly, the amount of effort involved in undertaking the servicing of sanitation facilities – including time, training required, equipment required and ingenuity – varied enormously from site to site. The main variables included the type of top structure, the nature of the pit contents, whether or not there was broad consistency of type and contents in an area, distances (between pits, from home base to work site, from pits to disposal site, from location of specialised equipment to work site), logistical delays (e.g. non-arrival of equipment) and bureaucratic hold-ups (especially payment delays).

The biggest single influence on cost was continuity of work, or lack thereof. To illustrate: once the franchisees were able to get into a routine, they could each empty up to five household toilets and dispose of the contents daily. Obviously, ability to work at this pace brought the cost per toilet down substantially. In the scaling up, therefore, a minimum three-year commitment from clients is preferred.

While none of the above is unique to franchising partnerships, the point is underlined that service providers, when pricing a service, have to be keenly aware of all these



Filling drums with the contents of household pits, after which they are sealed and transported to the safe disposal site

variables and that the cost of an effective service can vary between wide limits.

It would not be untrue to say that 90% of the worst problems on the Butterworth schools pilot related to payment delays and slow decision-making. Payments to the franchisees had thus to be initially covered through partner funding and by the franchisor's principal (i.e. Amanz' abantu), these costs being recovered much later from the Department of Education. In contrast, the franchise partnership's performance of training, safety, efficiency and, of course, infrastructure operation and maintenance service delivery was excellent.

Establishing the franchisor as designated lead service provider independent of other responsibilities ensured that a focus was kept throughout the project on overcoming issues and challenges. It was accepted by the pilot project stakeholders (including the board of the franchisor's principal) from the outset that the franchisor would not make a profit during the Butterworth schools pilot. Its purpose was to pioneer the franchise approach and to overcome hurdles, ensuring that the project stayed afloat.

The Department of Education has stated that it is keen to roll this programme out to

other areas in the Eastern Cape. However there is a need for greatly improved willingness on the part of departmental officials to make commitments and to stick to them, and in particular to pay service providers and suppliers on time and in full. Most importantly, changes are needed in order to better support the development and partnership with small businesses, so that contracts and payment can be facilitated in an effective manner without some of the pitfalls that were encountered (and overcome) during the pilot.

The franchisor and franchisees are mutually dependent in many ways, particularly in respect of financial viability. Thus, for example, if the franchisees cannot cover their costs, the franchisor will find it difficult to remain in business and provide them with a service.

All of this is crucial to any post-pilot phase. Rolling out the programme to further education districts in the Eastern Cape cannot be contemplated unless the Department of Education becomes a more reliable payer of its bills. This finding can be readily

transposed outside the education sector – owners of infrastructure must pay on time and in full for services rendered.

Franchisees are not unique in needing to be paid in order to stay alive. All types of outsourcing by public sector bodies are jeopardised if those bodies are unable to pay according to contractual requirements. Everything else being equal, stand-alone microenterprises will go under first, followed by franchisee microenterprises, thereafter by larger businesses. Alternatively, the public sector bodies will find no takers when they try to outsource, or bidders will load their prices in order to cover themselves against the unknown.

### Development

From this piloting of social franchising partnerships for water services in poor communities, it has become clear that government has a major role to play in facilitating the microeconomic environment which will lead to the stimulation of growth of business at the “bottom of the pyramid”. Prahalad (2006) identified this need to develop what he calls “an ecosystem for wealth creation”. While government should not be the active participant in this entrepreneurial activity, it can stimulate the activities by placing certain public service responsibilities into the hands of small businesses. By stimulating economic activity for small business in these poor and rural areas, the environment will become more conducive to value creation even beyond the provision of public services.

Franchising incentivises micro-entrepreneurs to follow a professional approach to business. Many subsidised programmes have enjoyed limited success that does not last beyond the periods of financial support and are not scalable models (Bramley and Breslin, 2010). This restructuring of the relationship between the user, client and service provider transforms a social service into a contracted service which is guaranteed through the support of the franchise arrangement. The driving force behind success is the franchisees’ ambition to succeed, as they have a clear incentive to achieve set standards, be paid when they achieve these standards and grow their own business. Reinforcing this, the management systems of the franchise ensure quality control over the operations, sustainability through economically viable pricing systems, and responsible health and safety and environmental management systems.



The pilots have developed usable and replicable business plans with tried and tested operating procedures. This has been documented and the information placed in the public domain (Wall and Ive 2013; Note 1). It is hoped that other reputable, competent and ethical service providers will in due course enter the market and create competition (Note 2). The management systems are vital to ensuring quality control over the operations, sustainability through economically viable pricing systems, as well as responsible health and safety and environmental management systems. These systems attract additional cost but on the other hand they ensure responsible business practice and governance and enhance efficiencies throughout the franchise.

Technical methodology also needs further development. The franchisor, Impilo Yabantu, has been monitoring developments in the management of biological processes of the pit contents and in mechanical equipment and techniques for pit emptying and sludge handling and disposal.

It has also become involved in researching, documenting and developing health and safety guidelines for those working with faecal sludge. This is important to maintaining healthy and safe practices in the sector and imparting on franchisees the responsibilities they have to their staff. Currently an immunisation and deworming programme is under review along with developing health and safety protocols for all aspects of work, such as operation, storage of tools and disposal of water used in washing items in contact with faecal sludge.

Society is increasingly technological. The role of mobile communications particularly is growing rapidly. Approximately six billion

For some employees of the franchisees, it is the first time they have held down a job for which they receive regular payment – and for which they have been given, and instructed in the use of, the correct equipment, including protective clothing

people have access to a phone but less than three billion have access to toilets (Kalan, 2013). The growth of mobile technology led the World Bank to hold a Sanitation Hackathon, encouraging mobile application developers to design applications to address issues relating to sanitation provision.

Awareness has led to the creation of various applications with potential to aid a franchise in the water sector. For the franchisor, the amount of paperwork generated at each school is a serious concern for expansion of the programme, and it is therefore investigating how these applications could assist with information gathering and data collection.

Applications can also assist in reporting service problems. Both household level mobile phone users and schools can report specific problems as they occur, generating reports to a central processing point which can inform the local franchisee. These are options under review, as they need someone to accept responsibility for the cost of such a facility and the risk of its abuse is high. However in the rural areas, where travel times are long and petrol costs high, a way of being able to remotely understand the exact needs of a situation will be a big money saver in the long run.

Through continuous expansion and proof of the success of the franchise approach it is probable that competitors will appear to challenge Impilo Yabantu. Those involved in this franchise recognise the role competition plays in improving and refining businesses.



Although the social franchise approach is not primarily profit-driven, encouraging competition will provide incentive for entrepreneurial innovation to continually improve and drive down cost while offering opportunity for employment. Successful models will be replicated so that other communities can benefit from the services offered by water service franchises.

The earlier studies by the CSIR/WRC/Amazw' abantu team analysed the water services delivery value chain, and identified more than 40 types of opportunities for micro-businesses (Wall & Ive, 2010). The social franchising partnerships concept is now set to expand beyond its current tried and tested paradigm of routine servicing of low-technology water and sanitation infrastructure.

The initial pilots have taken place in the water and sanitation sector, this is a reflection of both the expertise of the professionals responsible for concept development and the opportunities presented by the

interest shown by public sector owners of water and sanitation infrastructure. However there is great potential for social franchising partnerships to undertake operation and/or maintenance (O&M) of other municipal infrastructure. Opportunities have been iden-

### **Franchising incentivises micro-entrepreneurs to follow a professional approach to business**

tified in, for example, the maintenance of electricity reticulation, in roads maintenance, in solid waste collection, in the maintenance of stormwater reticulation, and in the maintenance of community buildings and public open spaces.

#### **Scaling up**

At the time of writing, the programme is being expanded to cover four further education districts (three of them predominantly rural) within the Eastern Cape, viz Dutywa, Butterworth, Cofimvaba and East London. The water and sanitation facilities at nearly

1 400 schools will be serviced regularly during 2013 to 2016 .

Undertaking this work involves establishing a new base of operation in each of the districts and developing new methodologies for working on the waterborne sanitation found in the peri-urban district of East London. The different sanitation systems will also require different skill sets for the franchise teams. Based

on the lessons from the schools pilot, an Implementing Agent (IA) – advised by a consultant specialising in social franchising partnerships for water services infrastructure operation and maintenance – has been recruited to manage the programme and to improve the accountability and management of the needs of the Department of Education. Operating through an IA should address some of the bureaucratic issues, particularly the late payments for work completed, which were problematic during the pilot.

The franchisor is currently working with the ADM to help it further address its

commitment to maintaining household latrines. This includes exploring how the concept could be further developed in order to optimise the participation of members of the local community so as to ensure timely emptying of pits, while furthering job creation and skills transfer. This approach would allow each franchisee to expand its area of work and would give it eyes on the ground, thereby allowing it to plan the work schedule better, more closely related to the demands of each locality.

The franchisor is, at the time of writing, also in the process of expanding its operations to provide a wider range of services, initially by introducing additional services such as solid waste disposal, a natural extension to the on-site sanitation programmes, given that, without a collection service, pit toilets rapidly fill up with inorganic waste.

Buffalo City Metropolitan Municipality (BCMM), among others, has opened discussion about a series of projects that could be outsourced to franchised service providers. These include undertaking water and sanitation servicing in dense settlement areas and for communities living on the rural fringe, as well as solid waste collection, recycling and disposal.

In approaching the franchisee selection process for this expansion, there is much that has been learnt from the pilot programme and excitement at expanding the franchise to be bigger and more competitive. However, when work must be tendered for, the franchise

approach may not always appear to be the most price-competitive approach, especially if quality and reliability of service are heavily discounted, and awards are made primarily on the basis of lowest cost. The franchise approach may therefore require commitment from the client through preference for this approach being specified in the terms of reference for the work. The discerning client will know that, in return, it will get a guarantee of quality and efficiency, the community will get the service they need and locally based people will become involved in a sustainable and profitable business of which they can be proud.

The franchise started with 10 trainee franchisees. Four years later, the best of these trainees are capable of working with minimal support from the franchisor and are in the process of establishing their own companies, giving their businesses a more robust

structure with greater credibility. With the expansion of the Department of Education's schools sanitation and water programme, as mentioned above, the recruitment of a further dozen franchisees is anticipated. The work identified by the ADM, and a possible programme with the BCMM for the management of their communal ablution facilities, will also require further franchisee service providers to be mobilised, trained and developed.

As demonstrated by the interest from the ADM and BCMM, there is great potential for the social franchising of the routine maintenance of municipal infrastructure. As part of the greater strategy there are plans to explore the potential for provision of water services to various government bodies and clinics. Current development of this concept includes exploring the role the franchise could play in solid waste management, closely linked to sanitation issues.

**Conclusion**

In spite of administrative and political hurdles which have delayed progress, the pilots have been very successful in operation and maintenance of both institutional and household sanitation, and building small business. There is clear potential that, the frustrations of the pilots notwithstanding, there are benefits to social franchising partnerships' opera-

**The social franchising concept has proven very successful in incentivising a professional approach**

tion and maintenance of sanitation infrastructure, and potentially other utility type services as well. Many opportunities lie in applying the principles of social franchising partnerships to a range of readily systematised repetitive operation and maintenance activities.

The social franchising concept has proven very successful in incentivising a professional approach. On the one hand, restructuring the relationship between the user, client and service provider transforms an often-neglected essential service into a contracted service. On the other hand, the contract between franchisor and franchisee offers a stable relationship, as opposed to the larger entity hiring or partnering with people who simply leave if alternative employment is offered. Professionalising these services not only creates job opportunities and encourages small business ventures to move into this sector, but also gives individuals a reason



**ABOVE** Learners experiencing good water and sanitation services at school

to take pride in having a career in sanitation that may otherwise carry the stigma of being undignified and unrewarded.

The driving force behind success is the franchisees' incentive to achieve set standards, get paid when they achieve these standards, and grow their own businesses. Reinforcing this arrangement are management systems which ensure quality control over the operations, sustainability through economically viable pricing systems, and responsible health and safety and environmental management systems.

Being a successful franchisor operating at the bottom of the pyramid requires patience and benevolence, whilst at the same time insistence on compliance with predetermined standards. Unlike working with contractors, where there are clear cut conditions and contracts, working with franchisees requires nurturing, guidance and patience, to ensure that an environment conducive to stimulating learning and the growth of the franchisees is thus maintained.

Apart from providing essential operation and maintenance services to public sector authorities who are short of skills, the partnerships create jobs, provide training, and nurture micro-entrepreneurs. Future pilots must be structured so that when they come to an end, the franchisees employed on them would have been developed into sustainable micro-business entities, with the necessary

skills and sufficient workload and income streams to continue as viable and profitable businesses.

### Key takeaways

- The social franchising partnership approach is an adaptation, to address quality and reliability of service delivery, of commercial franchising principles. This marriage of unrelated concepts (i.e. commercial franchising principles (e.g. fast food outlets and video stores) with infrastructure service delivery (e.g. toilets, taps and pothole repair), to create something innovative, displays South African thought leadership. Implementation has moreover been piloted in the Eastern Cape.
- Social franchising partnerships are locally led and deliver services locally. They also create jobs, transfer workplace skills, and retain income within the communities being served.
- The social franchising partnership approach creates and nurtures micro-businesses.
- The social franchising partnership approach, thanks to the inherent strengths of the franchising concept, guarantees pre-determined quality of service.

The approach addresses national goals, particularly:

- job creation – and it creates most of these jobs at the lowest economic levels, where unemployment is highest and possession of workplace skills lowest
- transfer of workplace skills
- micro-business creation and nurturing
- BBBEE
- service delivery through O&M activities that increase the availability and utility of infrastructure, as well as the quality and reliability of services.

### Notes

1. For examples, see: [ftp://ftp.csir.co.za/SS/ICT/Thomas/vids/VTS\\_02\\_1.wmv](ftp://ftp.csir.co.za/SS/ICT/Thomas/vids/VTS_02_1.wmv) "Household sanitation"

[ftp://ftp.csir.co.za/SS/ICT/Thomas/vids/VTS\\_03\\_1.wmv](ftp://ftp.csir.co.za/SS/ICT/Thomas/vids/VTS_03_1.wmv) "Using social franchising in the water and sanitation sector"

[ftp://ftp.csir.co.za/SS/ICT/Thomas/vids/VTS\\_04\\_1.wmv](ftp://ftp.csir.co.za/SS/ICT/Thomas/vids/VTS_04_1.wmv) "A franchisee's story".

2. The key role players in an expansion of the concept are:

- owners of infrastructure, who require O&M of this infrastructure
- locally based aspirant franchisees, people currently living in and familiar with the community to be served, and who have the required levels of entrepreneurship, energy, skills and leadership
- aspirant franchisors.

In respect of the last: quite a few organisations have the potential to undertake this role, but few of them have so far expressed much interest. No doubt this is because the concept is still so novel.

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