

PUBLIC PRIVATE PARTNERSHIPS (PPPs) AND THEIR ROLE IN EXTENDING ACCESS TO LOCAL GOVERNANCE

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ABSTRACT

This article focuses on the impact of Public Private Partnerships (PPP) as an alternative service delivery option in terms of the accessibility and efficiency of service rendering by municipalities in the local sphere of government. An example of a PPP project in the City of Tshwane Metropolitan Municipality is highlighted. The importance of guiding legislation, stakeholder involvement in the PPP process, the establishment of a PPP contract and the consolidation of objectives by the partners engaging in the PPP are emphasised.

INTRODUCTION

Democratic states (such as South Africa) endeavour to provide services to all citizens on the basis of equality. Ideally, the provision of such services comes to fruition in the functional realm of developmental local governance. It is well known that municipalities are not only under-resourced, but also challenged with regard to their institutional capacity to deliver basic but also fundamental services – especially so in a just and equitable manner. This article will contribute by unearthing and formulating information that will assist policy-makers in their quest for effective and equitable service delivery through the use of alternative service delivery mechanisms (especially the Public Private Partnership option). A PPP initiative between the City of Tshwane Metropolitan Municipality and the Tshwane Environmental Development Trust will serve as an example of a PPP in progress.

Although this article focuses on service delivery within the City of Tshwane Metropolitan Municipality, the conclusions and recommendations made, may be useful to policy-makers in other municipalities. The operationalisation and conceptual parameters are determined by how service delivery, through the implementation of PPP projects, comes to fruition. The management of the partnerships plays a critical role in ensuring the sustainability of such projects. This article will consider strategies that may enhance the above-mentioned sustainability. Finally, a closer observation of implemented partnerships, within the City of Tshwane Metropolitan Municipality, will be undertaken to gain a clear understanding of the kind of PPPs and patterns that are more likely to be ideal in terms of service delivery in the local sphere of government.

SOCIO-ECONOMIC DEVELOPMENTAL ROLE OF LOCAL GOVERNMENT

The developmental duty for local government provided for in Section 153 of the *Constitution of the Republic of South Africa, 1996* (Act 108 of 1996) is an important mandate to be acknowledged by every existing municipality. In particular, the formulation, design and management of the budgeting systems and planning processes (such as the Integrated Development Planning) to promote the socio-economic development of municipal inhabitants are critical elements in the municipal developmental role. The fact that local government is the closest sphere of government to its community provides a platform for municipalities to interact closely with its inhabitants in order to play a meaningful role in the development of the socio-economic conditions for its locals. In order to ensure that financial resources supplied by the national government and other developmental agencies are not misused, four instruments/mechanisms of development indicated by the Department of Provincial and Local Government Affairs exist namely: the South African Local Government Association (SALGA), municipal links with other municipalities, guiding legislation, national and provincial governmental programmes (such as the Consolidated Municipal Infrastructure Programme, Municipal Infrastructure Investment Unit, Municipal Systems Improvement Programme, Local Economic Development and Poverty Alleviation as well as Integrated Development Plans).

ALTERNATIVE SERVICE DELIVERY (ASD) OPTIONS

The *White Paper on Municipal Service Partnerships, 2000*, acknowledges the inability of many municipalities to render services effectively to their communities, hence the introduction of service delivery agreements between municipalities and service providers. *The Local Government Municipal Systems Act, 2000* (Act 32 of 2000) states that a municipality may provide its services through either internal or external agreements undertaken within the periphery of the municipal authority. External agreements may be made with other municipalities or spheres of government, community-based organisations (CBOs), non-governmental organisations (NGOs), and any other institution, entity or person legally competent to operate a business activity.

According to the *White Paper on Municipal Service Partnerships*, 2000 there are approaches to service delivery in which municipalities will seek an appropriate mixture of service delivery options. Haycock (2001:42) states that “governments are shifting the focus from the traditional approaches to service delivery to Alternative Service Delivery (ASD)” as a recourse to service improvements since ASDs are “more professional, business like, customer-oriented, flexible and sustainable”. There are various approaches municipalities can follow when considering partnerships for infrastructure development and service delivery. The International Republican Institute (1998:21) argues that there is a difference in the proportion and mode of private participation, which has the ability of influencing municipal objectives by attracting private sector investment in municipal administration and management. Alternative Service Delivery mechanisms are options and means available to municipal decision-makers to address the service delivery backlog in their communities that may enhance service provision within municipalities.

DEVELOPMENTAL INITIATIVES

By virtue of their powers and functions, such as influencing the local economic environment through policies, the making of by-laws and support of other local programmes, municipalities in South Africa can play a pivotal role in the socio-economic and environmental development of their citizens. Chapter seven of the *Constitution of the Republic of South Africa*, 1996 (Act 108 of 1996) spells out two important developmental duties of a municipality namely, to structure and manage its administration and budget planning process to give priority to the basic needs of the community and to promote the socio-economic (and environmental) development of the community; and to participate in national and provincial developmental programmes.

The developmental role of a municipality is an inescapable function in which every existing municipality must engage itself, to adhere to its ultimate service delivery responsibility to communities.

PUBLIC PRIVATE PARTNERSHIP AS A DEVELOPMENTAL AND SERVICE DELIVERY MECHANISM IN MUNICIPAL PROJECTS

PPPs as an important instrument for service provision cannot be overstated. In one of the challenges facing municipalities in South Africa (including the City of Tshwane Metropolitan Municipality), the complementary role of the private sector is one of the key aspects that would contribute positively towards the socio-economic and environmental upliftment of local communities in South Africa (Fowler, 2003:6). However, private sector involvement should not be regarded as a panacea to all the problems facing service delivery by municipalities. In contrast, municipalities should not be seen as a service provider of all services to all residents, but rather as a service facilitator and/or enabler in that the socio-economic and environmental development could be proliferated through the implementation of PPP's projects (<http://www.sacp.org/docs/stratconf/ppp's.html>).

Furthermore, PPPs are important tools for improved service delivery. Fourie (2001:3) states that the global trend to use PPPs enhances service delivery, utilising the expertise, investment and management capacity of the private sector to develop infrastructure, as well as to improve and extend services to all residents. That is, a PPP is a contractual agreement between a municipality and a private sector partner to deliver a specific service for a particular period of time (<http://www.sacp.org/docs/stratconf/ppp's.html>).

Moreover, in service delivery projects, PPPs have a pre-eminent role to play to meet the needs of the Tshwane citizens. Both the reasons and objectives for partnering should be focused upon during the implementation process of this partnership deal. Infrastructural and institutional support should be in place to ensure that every part of the project is executed effectively and efficiently based on favourable service delivery conditions, which assures both quality and quantity of service. These favourable conditions should be such that the involvement of the community members in the project implementation is not hindered, but rather, strengthened and supported by ensuring that the community does not become a passive service recipient instead of being actively involved. The maximum and impeccable involvement of the community in a PPP project leads to the creation of sustainable job opportunities and further imparts skills required in the market to members of the community for their benefit and self-reliance. For a successful collective action between the municipality and service partner in creating favourable service conditions, Mdalose (Interview 11 June 2003) concurred and further indicated that the municipality and the private partner should have similar goals and intentions in a particular area prior to the partnership deal. This approach assists the municipality in ensuring that the right partner for the right project is identified and selected, thereby reducing and/or eliminating any potential defects that would make it difficult for the project to succeed. Kotze (Interview 29 July 2003) asserts that the approach promotes specialisation that significantly improves service delivery as each activity of the project is attended to by experts and professionals in their areas of specialisation. An example of such a PPP project is a glass recycling project for which the City of Tshwane Metropolitan Municipality decided to opt for a PPP with the Tshwane Environmental Development Trust to facilitate glass recycling in the Tshwane area. The reasons and objectives for considering this aforementioned partnership are as follow:

Reasons for partnering are:	Objectives for partnering are:
<ul style="list-style-type: none"> • to confront environmental issues within the borders of the City of Tshwane Metropolitan Municipality; • to improve the social well-being of the disadvantaged communities, who should substantially benefit from the project; and • the reduction of travelling expenses, including money and fuel to mainly industrialised areas for community members by bringing business activities and job opportunities closer to the people; • to provide poverty alleviation measures; • to contribute to the promotion of the Black Economic Empowerment (BEE) initiative. 	<ul style="list-style-type: none"> • to successfully implement the project and contribute a sustainable means to the previously disadvantaged families; • to provide maximum employment opportunities to the formerly disadvantaged families; • to have sound financial management by the trust in overseeing the entire project; and • learning more about the implementation and managing of PPPs in general (Van der Wath, Interview 08 April 2003; Mdlalose, Interview 11 June 2003).

Through the generation of clearly articulated objectives and the logical reasoning of municipal officials and other key stakeholders, favourable environments (for implementing PPPs) perpetuating effectiveness and efficiency are created. In addition, a partnership contract is geared towards the establishment of infrastructure and enhancing capacity, as is the case with the Tshwane Glass Recycling project.

PREPARING FOR PUBLIC PRIVATE PARTNERSHIPS WITHIN THE CITY OF TSHWANE METROPOLITAN MUNICIPALITY

After arriving at the conclusion that PPPs are the most relevant Alternative Service Delivery (ASD) option, the preparatory stage should commence. This initial and most critical stage of PPPs forms an important component of effective service delivery. Therefore, a conspicuous identification of roles and responsibilities of all the stakeholders, more particularly officials within the municipality, is a rudimentary aspect of this initial stage. The reason for the preparatory stage is that municipalities in the local sphere of government are under immense pressure to create greater efficiency in terms of service rendering, while maintaining service quality and enhancing responsiveness to citizens' concerns (Johnson and Walzer, 2000:50).

Questions that will have to be answered during the policy initiation stage of a PPP include the following: Who is responsible for the entire PPP project and who has the prerogative for the final say in decision-making; when will service delivery be made available and dispensed; where in particular will service provision be dispensed and how will service provision be facilitated? (Haycock, 2001:32; *White Paper on Local Government*, 1998).

Furthermore, before the actual implementation of the PPP project can commence, there are four structural and procedural areas that the municipality should address,

namely: appointing or forming a task or project team/committee; developing or accessing the expertise necessary to evaluate, negotiate and implement PPPs; and instituting policies to guide resolutions on PPPs.

ESTABLISHMENT OF ADMINISTRATIVE PROCEDURES FOR SERVICE DELIVERY

In establishing PPP policy, it is important that the municipality provide more detailed administrative and implementation procedures for its employees and potential partners with regard to the deployment of the PPP mechanism. The municipal policy will guide the employees as well as the external stakeholders as to how the municipality intends to become involved in PPPs as an Alternative Service Delivery option. However, before characteristics of PPPs are outlined, it is important that applicable procedures and forms of PPPs are identified and discussed. Subsequent to this procedure, a simplified process of a PPP is given below to provide a clear understanding as to how steps on the implementation of a PPP can be followed.

Procedures for Public Private Partnerships

A generic municipal administrative and implementation procedure in which PPPs can be applied to provide effective municipal services is important. These PPP procedures are aimed at guiding decisions in terms of the specific role that a municipality should play in the partnership. The function of a private partner and also other stakeholders' roles in the PPP procedure are important. The following procedure is necessary, in particular, for the appointed task or project team to consider when implementing a PPP project:

- providing an overview of stages the municipality intends to follow in the process of establishing a PPP;
- identifying key internal positions, committees and external stakeholders involved in the various stages of the PPP process and a description of the roles and responsibilities of those involved;
- indicating the key decisions required from administrative actions at various stages in the PPP process and identification of who, in particular, is empowered to make those decisions;
- identifying the requirements for the involvement of stakeholder groups (non- governmental and/or community-based organisations), the public and the electorate at various stages in the PPP process, including the requirements for notification and advertising, disclosure of information and procedures for counter petitions (*Section 4 of the British Columbia Ministry of Municipal Affairs: A Guide for Local Government*, [May 1999]).

The above outlined procedures are significant as the implementation of a PPP should be reviewed continuously. These procedures can eventually be developed into national legislation as they evolve in the overall guidance of PPPs on the local sphere. A simplified PPP process is presented as follows (Solomon, 1998).

- Discussion – the initial stage to involve the private sector partner.
- Appointment of experts – if there is not enough in-house expertise for PPP, consultants may be appointed after detailed discussions and investigations.
- Stakeholder involvement – community, trade unions and other stakeholders (such as SALGA) are consulted to explore implications and challenges of the PPP.
- Pre-qualified bidders – interested private sector companies are identified and approached on the briefing of the project.
- Request for proposals – contains all the necessary technical and administrative detail, legal framework and the cost estimates.
- Submission of bids – deadline should be set, bidding consortia are formed.
- Evaluation – panel of independent evaluators is formed to maintain impartiality and transparency.
- Each winning consortium is awarded the contract
- Negotiations – with municipality when risks for all parties are identified.
- Conclusion – corporate bodies and monitoring committees directly responsible for the project are established.
- Implementation process – step for the delivery of the service.

PARTNERSHIP CONTRACT

According to the contract entered into between the City of Tshwane Metropolitan Municipality and the Tshwane Environmental Development Trust (TEDT), the latter serves as a service provider for the operation and implementation of the Tshwane Glass Recycling Project with an approved budget of two and half million rand (R2 500 000). The contract is a PPP initiative in which the Tshwane Environmental Development Trust acts as a service provider. The Tshwane Environmental Development Trust has been established in the Tshwane area and it consists of six member trustees. Pertaining to the partnership deal with the City of Tshwane Metropolitan Municipality, one trustee member represents the Tshwane Environmental Development Trust and serves as a project manager. According to the project manager of Tshwane Environmental Development Trust (for the purpose of the glass recycling project), the trustees regard the Trust as an independent private entity and not as a non-governmental organisation or public entity, because of the nature of the work the trust is engaged in, which involves business initiatives and operations in order to enhance the socio-economic and environmental well-being of the citizens.

The City of Tshwane Metropolitan Municipality signed a glass recycling partnership agreement with the Tshwane Environmental Development Trust (TEDT). This partnership project (PPP) features mostly elements of both public ownership and public operation and community self-help types of PPPs. The public ownership and public operation type is, that the glass recycling project, is outsourced to the trust, but the municipality retained the overall responsibility to ensure the success of the project. The elements of community self-help type are that in the partnership, the community is provided with an opportunity to work together with the municipality and the Trust in which the community itself is the primary beneficiary. Through regular reports to the City of Tshwane Metropolitan

Municipality by the Tshwane Environmental Developmental Trust, developmental progress on the project could be recorded. The Municipality has the right to retain a quarter of the amount that is to be fully paid to the private partner when the City of Tshwane Metropolitan Municipality is satisfied that the private partner is successful in its execution of the project. This right to retain some of the money is an advantage to the municipality because it ensures that the municipality is satisfied with the performance of the service provider as the predetermined objectives are achieved.

THE GLASS RECYCLING PPP AS A BLACK ECONOMIC EMPOWERMENT INITIATIVE

The conclusions drawn from the glass-recycling PPP project in the Tshwane area indicate that the partnership is undoubtedly playing a significant role in its achieving developmental aims. This PPP initiative has a positive effect in terms of achieving the objectives of black economic empowerment by firstly entrusting its operating finances to the Trust (Tshwane Environmental Development Trust). The Trust, as indicated previously, consists of a six member trustee board who are all from a previously disadvantaged background residing within the Tshwane area. The glass recycling PPP project as such provides an opportunity to the trustee members to extend their management skills, by managing resources of the project and consolidating environmental service delivery and creating jobs for local residents. Secondly the partnership (PPP) is aimed at empowering entrepreneurs by providing business and administration opportunities through the buyback centres. In this regard, the partnership is also focused on the alleviation of poverty and providing access to finance for households within the Tshwane area.

The above-mentioned developmental activities are without doubt, key aspects of black economic empowerment within its broader periphery of the empowerment processes (http://www.bmfonline.co.za/bee_rep.htm). Therefore, PPPs are contemporary, relevant, effective and efficient empowerment tools that enhance the consolidation and solidification of service delivery to historically downgraded individuals.

CONCLUSIONS AND RECOMMENDATIONS

Municipalities face numerous challenges on a daily basis in their duty to provide services. Essential cheaper services and services of a higher quality are central to the existence of all municipalities in South Africa including the City of Tshwane Metropolitan Municipality. The under-resourced and ineffectual institutional capacity within the municipalities in service rendering to the citizens further poses an added challenge to an already volatile service delivery situation in which services provided, were inequitable and were based (for decades) mainly on a colour preference. The utilisation of Alternative Service Delivery (ASD) approaches in which formal and informal partnering arrangements are made with other service providers may enhance service delivery. In particular, PPPs have been accredited with various successes and reports in which service rendering has been significantly improved, especially in poverty-stricken previously disadvantaged locations. The injections of innovative means, flexibility and

responsiveness with tangible outcomes such as the collection of refuse and sustainable water provisions, have been attributed to the utilisation of PPPs as a service delivery mechanism. Various factors should be taken into account during the facilitation and implementation of the legislative processes pertaining to PPPs within municipalities (specifically within the CTMM as the focus of this article):

- the readiness of a municipality to deploy a PPP. That is, relevant administrative functions such as the establishment of the task team, should be in place to facilitate the implementation of a PPP;
- the type of PPP considered for a particular service delivery including the time frame for its implementation;
- public services such as waste products removal, water as well as sanitation services targeted for a PPP;
- the establishment of the overall policy in guiding every decision taken for and during an implementation process;
- the involvement of the key stakeholders in ensuring transparency and accountability.

When unilateral approaches to municipal service delivery decisions are taken without proper consultation with the communities and other relevant stakeholders, more threats than successes are anticipated in terms of PPP initiatives. Stakeholder participation plays a decisive role in these decision-making proceedings. Active involvement of community forums, non-governmental organisations (NGOs) and community-based organisations (CBOs) are highly influential in gaining the overall communal support for alternative service delivery options. Based on the disadvantages and advantages of community participation, proactive measures can be identified well in advance.

It was established (during interviews) that most municipal operational and functional employees are not kept abreast with the legislative mandate and other PPP developments implemented in other municipalities. The reason for not being abreast with the developments in terms of service delivery in other municipalities may be that there is a lack of active and effective participation in joint municipal affairs as is promoted by the South African Local Government Association and the Municipal Infrastructure Investment Unit. These pitfalls and therefore impediments to recognise the significance of legislation and other municipal experiences in the implementation process can negatively influence the success of entire PPP projects in municipalities throughout the country. PPPs are not isolated means of service delivery, but are ingredients and portions of municipal planning, in this case for instance, the Integrated Development Planning (IDP). The implication is that even in the consideration of the PPP as an alternative means of service delivery by a municipality, the municipal IDP should be consulted to ensure compliance and compatibility of both initiatives (PPP and IDP). If a match is not found, then modifications on either the PPP mechanism or the IDP should be sought.

The developmental role of municipalities and mechanisms/instruments that should be employed to accelerate the local rate of development are important. This establishes the fact that a PPP is a developmental service delivery mechanism and in this instance, its role in the glass-recycling project is conspicuous and incontrovertible because of the

substantial positive contribution it has invested in local socio-economic and environmental development. It is therefore vital to deduce that a PPP may be an important service delivery mechanism to enhance socio-economic development. Every developmental activity introduced within municipalities needs to be sustainable, meaning that the developmental activity should be ongoing in nature and should continuously benefit the interest of its stakeholders both now and in the future. These sustainable projects can also be initiated through an Integrated Development Planning guide for municipalities, which remains a municipal council's responsibility to decide upon.

The studying of the PPP's glass recycling project was extremely useful. The rationale is that unless a PPP mechanism can be deployed in a particular project or the service delivery of a specific product (service or item) it cannot come to fruition. Therefore, the theoretical approach will not suffice the understanding of how a PPP can be deployed, but rather, the combination of the theoretical principles with an actual (ideal) project provides a practical manifestation of how best a PPP can and should be utilised and bring optimal results. The Tshwane Glass Recycling Project is an ideal and typical example of a PPP closely studied. The roles of the City of Tshwane Metropolitan Municipality and the Tshwane Environmental Development Trust (considered as a service provider/private partner) in this project are outlined in the contract agreement entered into between the two parties. In implementing PPP projects, a clearly articulated documented project plan should be in place to provide the framework for and guide the actions of both the municipality and a private partner. During the drafting of a project plan, in-house expertise and/or support structures such as South African Local Government Association (Salga) and Municipal Infrastructure Investment Unit (MIIU) are essential (if capacity is available). The essence (of the third party involvement) is in providing support to the municipality by ensuring that the municipality is guarded against the private sector's endeavour to exploit opportunities provided in a PPP deal.

The Glass Recycling Project enhanced the socio-economic and environmental welfare of the Tshwane community by providing job opportunities (between 60-80 people were permanently employed). Services in the form of buyback centres for recycling purposes were brought closer to people. Entrepreneurial opportunities were created in which citizens were able to generate their own income during the process of glass recycling. Infrastructural support to service delivery has been put into place to ensure that sufficient resources to sustain the operation of the buyback centres were effectively and efficiently utilised.

In choosing a partner, the municipality should ensure that its objectives and the objectives of the service provider are compatible. In the glass recycling project, the City of Tshwane Metropolitan Municipality had to ensure that the service provider (namely the TEDT) is an environmentally oriented entity that showed an interest in dealing with waste management in an environmentally friendly way.

The glass recycling PPP further plays a key part in the facilitation of the Black Economic Empowerment (BEE) process. The entrusting of the management (black managers) of Tshwane Environmental Development Trust to manage the glass recycling project, empowered the previously disadvantaged who were not allowed to occupy managerial positions in the public sector in the past.

In conclusion, the studied PPP contributed towards the efficiency of service delivery due to the accessing available additional resources provided by the TEDT. With regard to the glass-recycling project, more people from the previously disadvantaged backgrounds were reached with services while less resources were utilised by the City of Tshwane Metropolitan Municipality as most of the tasks were delegated to the service provider (operationally). Secondly, the glass-recycling project contributed positively to the socio-economic and environmental development of the Tshwane community in which the generation of income or revenue was accrued by many families whilst at the same time a cleaner environment is maintained. This success is one of the achievements of the sustainable developmental goals within the City of Tshwane Metropolitan Municipality. Thirdly, the glass recycling project increased the capacity of the City of Tshwane Metropolitan Municipality to provide a quality and valuable service to its society due to the benefits of more prudent and efficient utilisation of scarce resources.

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