

**DEVELOPMENTAL LOCAL GOVERNMENT AND
THE ROLE THAT PUBLIC PRIVATE
PARTNERSHIPS CAN PLAY IN ACHIEVING THIS
IN THE BREEDE RIVER/WINELANDS
MUNICIPALITY**

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Declaration

I, the undersigned, hereby declare that the work contained in this thesis is my own original work and that I have not previously in its entirety or in part submitted it at any university for a degree.

ABSTRACT

This thesis analyse the new trend of governance and management, introduced in the public sector abroad and now for the past couple of years in South Africa.

The research further explores issues affecting public service delivery in general and then concludes by exploring local government in the Boland area in the Western Cape.

The development role of government, and especially local government in South Africa necessitates alternative methods of service delivery, funding and skills transfer. The performance in developing countries as far as service delivery is concerned is hampered due to many constraints, of which unemployment and poverty are two most important ones.

The literature review has explored the role New Public Management can play in achieving sustainable local government and further reviews developmental local government in South Africa. Public-private partnerships as a means of service delivery have also been dealt with in the literature review.

The case study focuses on a municipality in the Western Cape, Boland region, the Breede River/Winelands Municipality and its demographic, employment and affordability status. It further highlights the investigations done to determine using alternative measures to render services and for partnerships. The current public-private partnership that is in place is also evaluated and elaborated on. If the municipality do not use alternative sources to generate income, create jobs and render services, be it due to

outsourcing or partnerships, the municipality will not be able to deliver affordable services and meet its obligation to render sustainable services in the area.

Opsomming

Die tesis analiseer die nuwe tendense van regeer en bestuur, wat in die publieke sektor internasionaal, en nou ook vir die afgelope aantal jare in Suid-Afrika toegepas word.

Die navorsing ondersoek verder aspekte wat openbare dienslewering in die geheel raak, en sluit dan af deur 'n ondersoek na plaaslike regering binne die Boland area, in die Wes-Kaap.

Die ontwikkelings rol van regering, en in besonder plaaslike regering in Suid-Afrika noodsaak alternatiewe metodes van dienslewering, befondsing en die oordra van vaardighede. Die prestasie binne ontwikkelende lande sover dit dienslewering betref, word belemmer deur te veel struikelblokke, waarvan werkloosheid en armoede twee van die belangrikste is.

Die literatuur studie ondersoek die rol wat nuwe publieke bestuur (New Public Management) kan vervul om volhoubare plaaslike regering te verseker. Verder ondersoek dit ook ontwikkelende plaaslike regering in Suid-Afrika. Publieke privaat vennootskappe (public-private partnerships) as 'n middel om munisipale dienste te lewer was ook ondersoek.

Die gevalle studie fokus op die Breërivier/Wynland Munisipaliteit. Die munisipaliteit is geleë in die Boland area in die Wes-Kaap. Sy ligging, werkgeleenthede en bekostigbaarheids aspekte word ook ontleed. Die ondersoeke wat gedoen is om alternatiewe metodes en bronne vir dienslewering te bepaal, wat vennootskappe insluit, is ook hierin vervat. Die publieke privaat vennootskap wat tans bestaan binne die munisipaliteit, word ook op uitgewei.

Indien die munisipaliteit nie alternatiewe bronne vind om inkomste te genereer, werkgeleenthede te skep en diens te lewer nie, hetsy deur privatisering of vennootskappe, sal die munisipaliteit nie daarin slaag om bekostigbare diens te lewer en dienste te verskaf nie. Die munisipaliteit sal dan ook nie sy verpligting om volhoubare dienslewering binne sy regsgebied te verseker en ook nie sy verpligting om volhoubare plaaslike regering daar te stel, kan nakom nie.

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CHAPTER 1

INTRODUCTION

1.1 BACKGROUND

Public sector service delivery in the past has been taking place through mechanisms, structures and tools that impeded effective, efficient and economic public service production and delivery.

The need to compare services received, and the cost thereof, and the need to ensure valuable service delivery, the need to harness new opportunities offered by information technology are of great importance in the public sector today. The changing role of the public service to be customer orientated and profitable, changing the unresponsive and transcending structures, embracing partnerships to improve service delivery, also to compete with the globalisation trends, are of the utmost importance and should be a prime focus of the public sector.

The changing role of the state clearly necessitates re-thinking the objectives of government by considering the changing needs of the people. Governments are analysing the structures established for executing public business, experimenting with various models that will enhance development, becoming more public and more client-oriented (Marini et al, quoted by Thornhill & Hanekom, 1995:17).

Global public sector reforms centre on making savings in public expenditure, improving the quality of public services and retain affordability. It must also ensure that the policies and projects which are decided on can be properly

implemented and ensure effectiveness (Pollit & Bouckaert, 2000:6).

Local government, being at the grassroots level, the communities friend, is the best equipped to foster local economic development. Local government is suitably placed to put pressure on the provincial and national government for projects that are targeted for any region or municipal area.

Effective, efficient and economic local government delivery is likely to be impeded by the needs of the communities and restricted source of revenue generated within the municipal area. Factors like the backlog in the standardisation of services throughout municipal areas in South Africa, the need to create and stimulate local economic empowerment and to create jobs and also ensure that services are affordable, are important and need to be investigated.

1.2 RESEARCH QUESTION

The research attempts to ascertain the influence of New Public Management and the use of partnerships, more specifically public-private partnerships in service delivery in local government.

The influence thereof to retain sustainable local government will also be investigated. The benefits of private sector involvement for the delivery of services, capital investment and skills transfer will be considered.

1.3 RESEARCH PROBLEM

The existing level of services in the Breede River/Winelands municipal area, the need to upgrade and maintain the current infrastructure and still retain affordability in the municipality will have to be addressed soon to ensure that

the municipality can prosper and meet its legislative obligations. The nature of the employment pattern in the area necessitates alternative means for affordability, including the transfer of skills and capital investment into the area. This will attract investors to the area. Since the majority of inhabitants are working in the canning industry, and the seasonable nature thereof, that result in them only being employed for 5 to 6 months per annum, they struggle to meet their obligations of paying rates and services. The requests and demands by the community place a further burden on the municipality.

1.4 RESEARCH METHODOLOGY

The research methodology is a literature review of New Public Management (NPM), Developmental Local Government (DLG) and Public-Private Partnerships (PPPs). The advantages and disadvantages of public-private partnerships as a possible medium to deliver services in local government have also been researched.

The situation in the Breede River/Winelands Municipality and the introduction of public-private partnerships to live up to the principles of new public management and developmental local government were considered.

Information of the Breede River/Winelands Municipality has been collected by utilising the Integrated Development Plan 2005, the 2005/2006 Budget, reports to Council by the Municipal Manager as well as information from the 2005 IDP Hearing Report of the Cape Winelands District Municipality.

1.5 STRUCTURE OF CONTENTS

Chapter 2 provides a literature review on New Public Management and the role it can play in achieving sustainable

local government. Chapter 2 further provides a literature review on Developmental Local Government.

Chapter 3 provides a literature review on public-private partnerships. It explores the origin of public-private partnerships, the changes towards public-private partnerships as well as the advantages/disadvantages and potential aims of public-private partnerships. Chapter 3 also provides a literature review of public-private partnerships in South Africa. The criteria by which public-private partnerships should be evaluated to determine whether a specific service should be delivered involving a public-private partnership are also provided.

Chapter 4 outlines the research conducted in the Breede River/Winelands Municipality as far as its demographic profile is concerned, and the employment and economic status of households. The vision, mission and values, key strategies and standard of services are highlighted. The budget and the effect of expenditure on the monthly municipal accounts are highlighted. The present public-private partnership with Traffic Management Technologies (TMT) to render speed law enforcement services for the municipality is elaborated on. This public-private partnership is evaluated against the applicable criteria set for public-private partnerships.

Chapter 5 concludes the research. The developmental role for local government in assuring sustainable and affordable services to its communities places a heavy burden on the Breede River/Winelands Municipality.

The municipality however has to investigate alternatives for service delivery, of which partnerships with public and

private partners are examples, to assure sustainable local government and prosperity in its municipal area.

1.6 SUMMARY

Public sector service delivery has to be effective, efficient and economical. The need to compare services received, the cost thereof and the need to ensure valuable service delivery has become a must in the everyday lives of citizens.

There is a need to change the unresponsive and transcending structures, embracing partnerships to improve service delivery. The changing role of the state clearly necessitates rethinking the objectives of government by considering the changing needs of the people.

Global public sectors refer to making savings in public expenditure, improving the quality of public service and retain affordability. Effective, efficient and economic local government delivery is likely to be impeded by the needs of the communities and restricted source of revenue generated within the municipal area.

The existing level of services in the Breede River/Winelands municipal area, the need to upgrade and maintain the current infrastructure and still retain affordability in the municipality will have to be addressed soon. The majority of inhabitants are working in the canning industry, and are employed between 5 to 6 months per annum, it makes paying for municipal services difficult. Despite the poor ability to pay for services, the requests and demands by the community place a further burden on the municipality.

CHAPTER 2

NEW PUBLIC MANAGEMENT APPROACH IN LOCAL GOVERNMENT CONTEXT.

2.1 INTRODUCTION

This chapter will deal with New Public Management, New Public Management in South Africa and Developmental Local Government. Alternative service delivery mechanism is also looked at.

After the 1994 elections in South Africa it has become clear that in order to ensure sustainable development, a new approach is needed in all spheres of government. New ways and means will have to be explored to live up to the needs and demands for services by communities.

According to Fitzgerald, McLennan & Munslow (1997:3) sustainable development is more than achieving economic growth, it is to improve the quality of economic growth and development. This is done by ensuring that peoples basic needs are met, that the resource bases are conserved, that there is a sustainable development level and that environmental and multi-sectoral concerns are integrated into decision-making and processes that not only empowers communities, but also improve service delivery.

One of the key elements for sustainable development is New Public Management.

2.2 HISTORY OF NEW PUBLIC MANAGEMENT

The meaning and key elements of New Public Management (NPM) have evolved since, the term was first used by Christopher

Hood (Dunleavy and Hood, 1994:9) in his seminal article "A Public Management for All Seasons" published in 1991. The reforms described in his article dated back to the late 1970_s through the 1980_s.

Hood's original conception of NPM was a convenient short hand name, for a set of broadly similar administrative doctrines, which dominated the public administration reform agenda of most member countries of the Organisation for Economic Cooperation and Development (OECD) in the 1980_s. Thus the term encapsulated most of the structural, organisational and managerial changes taking place in the public services of countries aimed at bringing their management systems and methods closer to that of business (Dunleavy and Hood, 1994:9).

NPM can thus be defined (Ferlie et al, 1996:9) as a set of particular management approaches and techniques, borrowed mainly from the private for-profit sector and applied in the public sector. On one hand are ideas that emphasise managerial improvement and restructuring and on the other hand are techniques and practices that emphasise markets and competition. The second set of ideas emphasises markets and competition as a way of giving "VOICE" and "CHOICE" to users and promoting efficiency in service delivery. Market-type mechanisms, as they are called, include contracting out and other forms of private sector participation, creating synergy between public and private sector, introducing user charges for public services and emphasising quality and responsiveness to users.

When considering the public management environment, it is necessary to also focus on the organisation. The organisation must be efficient and effective.

According to Gray in Gray and Jenkins (1996:87) organisations need to be efficient in doing the right things, in the optimum use of its resources and in the ration of outputs to inputs. Organisations must be effective in doing the right things and in their outputs related to some purpose, objective or task.

Performance should be related to such factors as increasing profitability, improved service delivery or obtaining the best results in important areas of organisational activities. Organisations must also ensure that they meet satisfactory, or exceed, the demands and requirements of its inhabitants, and is adaptable to specific requirements, changes in the external environment and the demands of the situation (Barzelay, 2001:3).

The effectiveness and efficiency of the organisation largely depends on the management and managers thereof. When considering this the following factors, as identified by Peters and Waterman (1982:37) are of importance:

- A bias for action; that is, being action orientated and with a bias for getting things done.
- Close to the customer; that is, listening and learning from the people they serve, and providing quality service and reliability.
- Autonomy and entrepreneurship; that is, innovation and risk-taking as an expected way of doing things.
- Productivity through people; that is, treating members of staff as the source of quality and productivity.
- Hands on value driven; that is, having well defined basic philosophies and top management keeping in touch with the front lines.

- Stick to the knitting; that is, in most cases, staying close to what you know and can do well.
- Simple form, lean staff; that is, simple structural forms and systems, and few top-level staff.
- Simultaneous loose/tight properties; that is, operational decentralisation but strong centralised control over the few important core values.

According to Waterman and Peters (1982:40) any intelligent approach to organising had to encompass, and treat as interdependent, at least the following seven variables:

⁽¹⁾structure, ⁽²⁾strategy, ⁽³⁾people, ⁽⁴⁾management style, systems and procedures guiding concepts and ⁽⁵⁾shared values, and the present corporate ⁽⁶⁾strengths for skills.

2.3 NEW PUBLIC MANAGEMENT POLICY

The emphasis on "efficiency" in the White Paper on Local Government (1998:18) is firmly rooted on NPM ideas. In its narrow instrumentalist versions, the approach boils down to reforms to create a minimalist state and maximum space for market to structure the provision of various social and economic services (Mackintosh 1993:24). In terms of reform measures, NPM approaches typically promote the following according to Minogue (1998:58) in Minogue et al, (1998); Tendler 1997;and Tuner and Hulme 1997:

- Adoption of strategic planning techniques to develop rational frameworks to inform budgeting, resource allocation, definition of targets and divisions of labour between managers and agencies.
- Various forms of incentives and sanctions to improve performance.

- Reduction of procedural rules in the public sector to create more discretionary room for senior and middle-level managers.
- Adoption and utilisation of types of contracts to delineate lines of responsibility and accountability.
- Privatisation of public services in order to improve quality and coverage.
- Pursuit of public-private partnerships if full-scale privatisation is not viable.
- Whenever possible, opening up provider roles to competition between agencies or even departments within the public sector.
- Reducing the public sector wage bill through "downsizing" and "rightsizing".
- Eliminating all forms of subsidisation by charging full costs for services.

The persuasive power of this approach is that it promises financial savings through greater efficiency and less political risk. Many state responsibilities are shifted to other actors.

2.4 NEW PUBLIC MANAGEMENT IN PRACTICE

When researching the new organisational arrangements for service delivery and how these reforms are changing the role of government, the following are noted: (Ceaser and Theron, 1999:58-86):

- ***Decentralising the management of public services:***

One of the key aspects of the new management approaches is decentralising the management of public services by giving public sector organisations and managers autonomy over operational matters, i.e. not just the freedom to manage, but enabling them to manage. This has taken

different organisational forms, executive or autonomous agencies, corporatisation and deconcentration, all involving different levels of delegation of financial and other control to decentralised units.

- ***Improving and emphasising performance:***

In return for increased managerial autonomy associated with decentralised management there is an increasing emphasis on output controls in resource allocation and rewards linked to measured performance both at the individual employee and organisational level. There has been a shift in the form of control and accountability mechanisms from inputs and processes to outputs, requiring public organisations, managers and employees to work to performance targets and output objectives.

- ***Market-type mechanisms: contracting and charging for service:***

Closely associated with the managerial emphasis in government, a number of countries are using market-type mechanisms (OECD, 1993:2), (Walsh, 1995:14). This trend is manifested in several forms that increase the focus on the customer, user fees or charges, contracting out of service delivery to the private and voluntary sectors, public-private partnerships and outright privatisation. Contracting out has become one of the key forms of public services delivery. Contracting out is increasingly being applied as a management tool especially where a complete market solution or outright privatisation cannot be employed. As a market-type mechanism, it is used to foster competition for the market with governments contracting with private and voluntary sector organisations. Competitive bidding to provide services through contracting out or outsourcing of public service delivery is not new. What is new is the extension of the practice to cover activities that

have traditionally been carried out by in-house arrangements (Walsh, 1995:16).

2.5 THE CHANGING ROLE OF GOVERNMENT

The past two decades, various attempts have been made to achieve more efficient government. The emphasis in these reforms is on reshaping the boundaries and responsibilities of the state, especially through privatisation, the restructuring of public services, and the introduction of private market disciplines into public administration. Modern public administration is not just about efficiency; it also involves ideas of democratic participation, accountability and empowerment. Associated with a spate of public sector critiques and reforms in the UK this entrepreneurial model is conceptualising a move away from the market and towards the state (Gray and Jenkins, 1995:121). This model was summarised by (Osborne and Gaebler, 1992:75) in terms of the following ten principles:

1. Steer the ship, rather than row it.
2. Empower communities, rather than simply deliver services.
3. Encourage competition rather than monopoly.
4. Be mission driven rather than rule driven.
5. Fund outcomes rather than inputs.
6. Meet the needs of customers rather than the bureaucracy.
7. Concentrate on earning resources, not just spending.
8. Invest in prevention of problems rather than cure.
9. Decentralise authority.
10. Solve problems by making use of the marketplace rather than by creating public programs.

The radical changes in existing practice needed to promote and achieve this transformed model of public management have been established by:

- Restructuring the public sector, particularly through privatisation.
- Restructuring and slimming down the control over civil services.
- Introducing competition, especially through internal markets and contracting public services out to the private sector.
- Improving efficiency, especially through performance auditing and measurement.

2.6 THE SOUTH AFRICA CONTEXT OF LOCAL GOVERNMENT

Developmental local government is local government committed to working with citizens and groups within the community to find sustainable ways to meet their social, economic, and material needs and improve the quality of their lives.

Since 1994, the new government has initiated a number of implicit anti-poverty strategies that impact on settlement issues and problems (Parnell and Pieterse, 2002:80).

The objectives of non-racial democracy enshrined in the Constitution of the Republic of South Africa (Act 108 of 1996), and the goal of entrenching equal opportunities for all, will be defined and put into operation at local level. Notwithstanding the virtual demise of the Reconstruction and Development Program (RDP) agenda a number of policy developments have emerged which bare directly on both urban and rural areas (Marais 1997:15). These range from a whole new system of autonomous local government to special provisions for bulk infrastructure, economic investment

programmes, various subsidy schemes and new spatial development initiatives. These strategies, which together reflect a fundamentally different approach to the management of human settlements, are developmental local government.

The formal process of defining new settlement policy in South Africa began in the Department of Housing, with the draft Urban Development Strategy document (Bond et al, 1996:19). The racial integration of cities is the major focus in this vision document, which, together with the Rural Development Strategy, was among the first attempts to flesh out the application of the post - apartheid manifesto as recorded in the RDP.

The most important addition to the rather spatially determinist thinking of the immediate post - election phases is the emphasis on the transformation of government itself; on the establishment of democratic municipalities that are in turn structurally dependent on civil society forums for input, vitality and legitimacy. Reoriented spatial planning remains a pillar of new dispensation at both national and local spheres, as seen in the National Urban Development Strategy (Republic of South Africa, 1997) and others.

2.7 CONSTITUTIONAL PRINCIPLES FOR DEVELOPMENTAL LOCAL GOVERNMENT

The South African Constitution (Act 108 of 1996) obligates local government to take on a developmental role. Article 152 (1) (b)(c)(e) of the Constitution specifies the development objectives of local government as:

- The provision of services to communities in a sustainable manner.
- The promotion of social and economic development.

- Encouraging the involvement of communities and community organisations in matters of local government.

Article 153(a) (b) of the Constitution also allocates certain development duties to local government by stating that a municipality must:

- Structure and manage its administration, budgeting and planning process to give priority to the basic needs of the community, and to promote the social and economic development of the community.
- Participate in national and provincial development programmes.

2.8 LEGISLATION AND POLICIES FOR DEVELOPMENTAL LOCAL GOVERNMENT

To give effect to developmental local government as enshrined in the Constitution, a range of policies and legislation have been promulgated, beginning with the White Paper on Local Government, March 1998, section (b). This White Paper established the basis for a local government system geared towards development by putting forward a vision of the development role of local government, centred on working with local communities to find sustainable ways to meet their needs and to improve the quality of their lives.

The White Paper on Local Government (1998:18-22) identifies four interrelated characteristics of local government that are geared towards development:

- Exercising municipal powers and functions in a manner, which maximises their impact on social development and economic growth.

- Playing an integrating and coordinating role to ensure alignment between public and private investment within the municipal area.
- Democratising development, empowering the poor, and redistributing income and opportunities in favour of the poor.
- Building social conditions favourable to development.

Furthermore, local government is urged to focus on development outcomes, such as:

- The provision of household infrastructure and services.
- The creation of liveable, integrated cities, towns and rural areas.
- The promotion of local economic development (LED).
- Community empowerment and redistribution.

The White Paper also identifies three approaches that can assist municipalities to become more developmental:

- Integrated development planning, budgeting and performance monitoring.
- Performance management.
- Working with the public and partners.

The White Paper represented a radical reorientation for local governance in South Africa, and gave substance to the paradigm shift in terms of how municipalities should integrate development planning with community-based goals. Moreover, by including references to redistributing income and opportunities in favour of the poor and democratising development the White Paper underscores the constitutional concepts of human dignity, human rights and democracy as fundamental elements of developmental local government (Davids, 2003:37). Following the adoption of the White Paper

on Local Government, a series of Acts were enacted to give effect to its provisions and provide a legislative reform framework for developmental local government. The Municipal Structures Act, 1998 (Act 17 of 1998), the Municipal Demarcation Act, 1998 (Act 3 of 1998), the Municipal Systems Act, 2000 (Act 32 of 2000), and the Local Government Municipal Finance Management Act, 2003 (Act 56 of 2003) lay the foundations of the local government system to be established in South Africa. Taken together, this legislation establishes municipal types and their governance structure, pronounces the powers and functions of local government, provides for the rationalisation of local government through the demarcation process, and restructures local government systems, procedures and processes.

The Municipal Structures Act, 1998 gives weight to the categories of municipality identified in the Constitution, 1996 - metropolitan, local and district - and defines the different types of municipalities that can be established within each category. The Act also divides the functions and powers between categories of municipalities. It regulates matters connected with local government and its internal systems and structures, including electoral systems. The Municipal Demarcation Act, 1998 makes provision for the re-demarcation of municipal boundaries and established a Municipal Demarcation Board (MDB) tasked with demarcating municipal boundaries in accordance with factors listed in Section 25 of the Municipal Demarcation Act, 1998. The Board also determined the ward boundaries within each of the municipalities.

Following the demarcation process in terms of the Demarcation Act in 2000, South Africa's 843 municipalities were reduced to 284. The Municipal Systems Act, 2000 focuses

on the internal systems and administration of a municipality. According to Davids in (Davids and Maphunye, 2005:60-61) it uses a municipality's integrated development plan (IDP) as a point of departure for managing and evaluating performance, allocating resources and organisational change. At the same time, it aims to promote synergy between the local, provincial and national spheres of government and their inter-governmental functions and relationships. Essentially, an IDP sets out the vision, needs, priorities, goals and strategies of a municipal council to develop the municipality during its term of office, as part of a long-term vision and plan for development. Public participation in governance is a defining feature of the new system of local government. In terms of the Municipal Systems Act, 2000, public participation both in the content of the IDP and the process by which it is drafted is compulsory.

According to Davids in (Davids and Maphunye 2005:60-61), municipalities have to contribute to building the capacity of the local community, to participate in municipal affairs, and for councillors and officials to foster public participation. The IDP provides the framework for determining the budget of a municipality. It is closely linked to the performance management system of a municipality, in terms of which, the progress of a municipality is judged by (amongst others) the public.

The Local Government Municipal Finance Management Act, 2003 provides for the reform of municipal finance management systems aims to regulate the municipal budget process, financial accounting, auditing, reporting and borrowing. All of the above legislation and policy directives are important in realising the vision of developmental local government -

the creation of financially viable municipalities geared towards meeting the social and economic needs of its people in a democratic, participatory and sustainable manner (Parnell et al, 2002:54).

2.9 ALTERNATIVE SERVICE DELIVERY MECHANISMS

Most of the assumptions and tools of the NPM approach are in evidence in the policy framework to restructure the public service in South Africa. The vision and approach is spelled out in the White Paper on Transformation of the Public Service, which was released in 1996. The policy framework set out in the document aimed to make the public sector "representative, coherent, transparent, efficient, effective, accountable and responsive to the needs of all" (Bardill, 2000:105).

However, six years later the government is disappointed with the lack of result in improving the efficiency of the public sector - especially the speed and quality of service delivery. President Thabo Mbeki's mantra since he took office in 1999 has been "improved service delivery", but this is proving to be a frustratingly elusive ideal. Swartz (1999:14) and Bardill (2000:39) suggest that the Growth, Employment and Redistribution (GEAR) strategy, the government's neo-liberal macroeconomic policy, is a major contributing factor because it shifted the public sector transformation program into a narrower, budget-driven paradigm.

Alternative service delivery mechanisms should always be considered if the government does not have the necessary capacity to deliver the necessary services. Alternative service delivery mechanisms according to Cloete (1999:88) include a move from centralised planning, delivery and

control to decentralised planning, delivery and control at lower levels in the public sector, corporatisation, outsourcing, public-private joint ventures, civil society partnerships and alliances and privatisation of unproductive organisations.

2.10 SUMMARY

The term new public management encapsulates most of the structural, organisational and managerial changes taking place in the public services of countries aimed at bringing their management systems and methods closer to that of business. It is clear that new public management is a set of particular management approaches and techniques, borrowed mainly from the private for-profit sector and applied in the public sector. It is a combination of ideas that emphasise managerial improvement and restructuring on the one hand, and techniques and practices that emphasise markets and competition on the other hand. Market-type mechanisms include contracting out and other forms of private sector participation, creating synergy between public and private sector.

Local Government in South Africa is founded on a competitive service delivery perspective. It has legally been empowered to access funds and improve efficiency by using public-public, public-private and public-NGO partnerships. Due to the legacy of apartheid, there is a huge service backlog, due to the segregated apartheid service delivery system. Local government should therefore develop and retain the required human capital skills base necessary for local economic development.

South Africa is experiencing the negative effects of globalisation and international capital flows that do not

favour developing countries. Both the macro and internal governance issues are bound to effect service delivery at national, provincial and local government levels. The local government initiative in South Africa has been legally empowered to access funds and improve efficiency by forming partnerships.

Chapter 3 of this thesis will focus on forming private partnerships to ensure efficient and economic public service delivery. Public-private partnerships are to be found in the public domain in many countries around the world. The growths of public-private partnerships have been dramatic and have a marked increase in cooperation between the public and private sectors for development of services.

CHAPTER 3

PUBLIC-PRIVATE PARTNERSHIPS

3.1 INTRODUCTION

The changes that have occurred in the reach and structure of government have made it obvious that the activities involving inter-governmental management do not end with players only from the public sector or government agencies. Rather, management of public sector programmes involves a wide range of players from both the for-profit and non-profit sectors. Each of these players now comes to the policy table with its own agenda and imperatives. In some cases the representatives from the for-profit sector have had minimal experience with the limited authority and constraints placed on public sector officials. Reciprocally, the public sector officials have not had experience with these players (Osborne and Gaebler, 1992:608).

Public-private partnerships (PPPs) are now to be found in the public domain in many countries around the world and their numbers have increased in recent years. This chapter will look at the origin of public-private partnerships, public-private partnerships in South Africa, and how it can benefit municipalities.

3.2 ORIGIN OF PUBLIC-PRIVATE PARTNERSHIPS

The definition of public-private partnerships according to Salmon (1995:102) is a working arrangement based on a mutual commitment (over and above that implied in any contract) between a public sector organisation with any organisation outside of the public sector.

Since they originally became fashionable around 30 years ago the concept of public-private partnerships has been strongly contested. It has faced several sources of animosity, both conceptual and practical. From the perspective of traditional public administration, public-private partnerships are suspect because they dilute political control over decision-making, while from the New Public Management (NPM) perspective, long-term partnerships may be suspected of undermining competition between potential providers. At the practical level, trade unions have often resisted public-private partnerships, fearing they will reduce jobs and conditions of employment, while citizens and service-users have sometimes expressed concerns about having service providers who are driven by the profit motive. Salmon (1995:103) suggests that they can pose government with problems of exercising management supervision, ensuring a degree of accountability and encouraging coordination, when decision-making is widely dispersed and vested in organisations with their own independent source of authority and support.

3.2.1 CHANGE TOWARDS PUBLIC-PRIVATE PARTNERSHIPS

However, in spite of these widespread and longstanding concerns, public-private partnerships are to be found in the public domain in many countries around the world. Furthermore, their growth has sometimes been dramatic. The European Commission (2003) has noted that recent years have seen a marked increase in cooperation between the public and private sectors for the development and operation of environmental and transport infrastructure. The majority of these are currently running at a loss.

In the UK, the Private Finance Initiative (which is just one of the public-private partnership mechanisms) 8 million

pounds of capital works contracts were signed between 1997 to 1999 (HM Treasury, 2000:15). A recent survey suggested that half of UK local authorities now use partnerships as an approach to supplier relationships and a further 9% intended to introduce them in the future (Birch, 2001:17).

Furthermore, public-private partnerships are now written into legislation in many countries (e.g. urban policy legislation in the UK and USA, into national industrial policies in France and into economic development policies in Italy, the Netherlands and the UK).

There have been several reasons behind this change, often country-specific, but there have been two key drivers in most countries. First, the fiscal problems of the state have meant that the mobilisation of private funding for public services has become critically important, and even in some cases, encouraged by national legislation and funding regimes. Second, the exponential rise in interest in e-government has driven governments to work more closely with private companies in the ICT sector, both in order to gain access to capital for the massive investment programmes which are needed and also, often more importantly, to access the expertise of these companies.

The commitment to public-private partnerships with private companies (albeit with caveat) is well illustrated by a speech by Gordon Brown, Chancellor of the Exchequer, UK (The Guardian, 4 February 2000:8):

"It must be right that government seeks to secure, over the long term, the most cost effective infrastructure for our public services. The Private Finance Initiative enables us to do this by binding in the private sector into open and

accountable relationships with the public sector. Those who see PFI as privatisation have got it wrong because, while the private sector is rightly helping in public service delivery, the public interest is paramount”.

3.2.2 WHAT ARE PUBLIC-PRIVATE PARTNERSHIPS?

Based on the following three essential elements, public-private partnerships can be defined (Dept of Finance, 2000:5):

- A contractual arrangement whereby a private party performs a departmental function on behalf of the government for a specified time.
- Substantial risk transfer to the private party.
- A schedule of outcome-based financial rewards derived either from service tariffs or user charges from the budget, or from a combination of these resources.

3.2.3 CRITERIA FOR PUBLIC-PRIVATE PARTNERSHIPS

The criteria requires that public-private partnership arrangements must, among others (Dept of Finance, 2000:5):

- Demonstrate value for money, for example by enabling departments to achieve more with the same resources or as much with fewer resources.
- Be affordable, i.e. fit within department's budgetary parameters.
- Be procured using transparent and competitive processes.
- Show evidence of substantial risk transfer from the government to the private party.
- Be implemented within a sound and suitable project management and administrative structure.

3.2.4 THEORETICAL UNDERPINNINGS OF PARTNERSHIPS

In New Public Management, based on the traditional economic principles, competition provides the path to true enlightenment. For years economists have argued that resource allocation is most efficient when it is arranged through markets in which potential suppliers compete with one another to cut costs and to attract customers by improving the quality of the goods or services.

Theoretical underpinnings according to Boviard (2004:205) suggest that public-private partnerships can play a useful role within NPM but only in very restricted circumstances. Certainly, partnerships working within the private sector must be scrutinised very carefully to ascertain if it masks anti-competitive behaviour. Where private partners are brought in to provide services in the public sector, there can be a concern that the public sector simply wants to raise maximum revenues by granting private firms the right to act as monopolists.

Some analysts are suspicious of the long-term risk that private firms run when they enter into long-term partnerships with monopolists, which many public sector service purchasers are, and argue that the results of such partnerships can lower payoffs for the final service user, (Parker and Hartley, 1997:121).

One must however accept that collaborative behaviour may not be a substitute for competitive behaviour but that it may rather concentrate on finding a local optimum, which is a step on the pathway to finding a more distant under optimum. More specially, it is possible to argue that only when all participants have become expert in achieving collaborative advantage with their partners is it likely that the

partnerships as a whole will be able to gain competitive advantage against other rival partnerships (Huxham, 1993:39). In the UK this has recently become an important issue in those public-private partnerships which local authorities have joined forces with major private sector suppliers of "ICT-based business services" with the hope that the public-private partnership will win business from surrounding local authorities and other public agencies, so that the cost of the service may fall, with the potential rise in profits of the public-private partnership, giving significant benefits to the local authority concerned.

In the public governance paradigm, key strategic management concepts take on different meanings from those they had in NPM:

- Accountability and decision making has to become shared within partnerships and networks.
- Goals, and plans have to become coordinated and integrated, so that partners have to show qualities of mutual adjustment around shared goals which may be only partial and temporary. Goss (2001:114) suggests that this requires that organisations will help each other in the recognition of long-term status in the organisational community.
- Extensive use of relationships contracting rather than in-house provision or transactional contracts with external providers will mean that there is less emphasis on clear divisions of labour for actors and more on partnership working.
- Joint management of the strategic change process, meaning cross-agency teams and project groups will be expected to play the joint roles of designing the overall change process in the partnership or network.

Goss (2001:165) suggests that they do not dissolve professional expertise into a social science mush.

Public-private partnerships must not only help to deliver the objectives of the public sector and solve the problems they face, but their working has to be based on principles of good governance.

3.2.5 POTENTIAL PURPOSES FOR PUBLIC-PRIVATE PARTNERSHIPS

There are a number of purposes, which public-private partnerships might fulfil, (Boviard, 2004:202):

- Policy design and planning (e.g. land-use and transportation studies with consultants).
- Policy coordination (e.g. allocation of responsibility for particular policies to specific agencies perhaps through a policy steering group or setting priorities).
- Policy monitoring (e.g. policy steering group with partners from public, voluntary and private sectors).
- Policy evaluation and review (e.g. policy steering group with partners from voluntary and private sectors).
- Policy implementation and service delivery in one of three ways: in-house (with external partners in advisory capacity, e.g. management consultant), co-production with external partners (e.g. joint venture for waste disposal) or full externalisation (e.g. selling of social housing stock to housing associations).
- Resource mobilisation (e.g. sponsorship or fundraising management).
- Resource management (e.g. ICT or facilities management).

Public-private partnerships with a strong collaborative character may be instigated as an alternative approach to

make the most of existing resources and competences or alternatively, in order to explore the potential for innovative approaches, bringing in new resources and competences.

This can be seen as the drive to harness partnerships for the internal and external empowerment of all people associated with public services (Kernaghan, 1993:38).

3.2.6 DIFFERENT TYPES OF PARTNERSHIPS

According to Boviard (2004:202-203) the following different typologies can apply to public-private partnerships:

- Sectoral basis - these are partnerships with third sector organisations and civil society associations, with private business.
- Relationships basis - loose network, collaborative, power sharing, contractual.
- Economic basis - supply-side, demand-side or mixed demand/supply-side partnerships.
- Policy area - policy objectives of partnerships, like economic productivity, empowering clients and the disadvantaged and tackling social inclusion.
- Scope - vertical, horizontal and mixed partnerships.

Each of these types of partnerships has a different rationale, and not all are equally attractive. The priorities of the government have a major impact on the option chosen.

3.2.7 BENEFITS OF PUBLIC-PRIVATE PARTNERSHIPS

Operationally, the benefits of public-private partnerships include efficiency gains, output focus, economies generated from integrating the design, building, financing and operation of assets, inventive use of assets, innovative

financial structuring, managerial expertise, and better project identification. These benefits can result in better or more services for the same price, or in savings that can fund other services or more investment elsewhere (Dept of Finance 2000:7).

Strategically, partnership contracts enhance accountability by clarifying responsibilities and focusing on the key deliverables of a service. A department's managerial efficiency can benefit significantly from such a contract, as existing departmental financial, human and management resources can be refocused on strategic functions.

Using private finance rather than public finance does not mean that more expenditure can be afforded as, in the long run, the cost of borrowing in private finance deals will typically be higher than conventional municipal borrowing. The real benefit of public-private partnerships is the value for money derived from the operational and strategic benefits mentioned above.

The strategic management literature according to Boviard (2004:207) suggests that partnerships can contribute to competitive (or collaborative) advantage in three different ways:

- Providing economies of scale in the provision of certain services or activities.
- Providing economies of scope, or the ability to exploit more fully the complementary capabilities and competences which exist in the partner organisation, in the provision of certain services or activities.
- Providing opportunities for mutual learning between the partners, which may be intended to lead to a long-term dynamic process or interchange.

3.2.8 WHAT IS "VALUE FOR MONEY" IN PUBLIC-PRIVATE PARTNERSHIPS?

The concept "value for money" (Dept of Finance 2000:7) is that a public-private partnership provides value for money if the net cost of private service provision is lower than the net cost of departmental provision of the same standard of service.

In addition, the standard of service delivery must at least be equivalent to the standard achieved through departmental provision. Best value for money can only be ascertained later, when the cost of public provision is compared with the bids received by private parties

3.2.9 WHAT IS "AFFORDABILITY" AND WHO DETERMINES IT?

Affordability relates to whether the payments required over the whole public-private partnership project life can be accommodated in the budget of the relevant department, given its existing commitments. A particular public-private partnership contract may offer such a high level of service that it is unaffordable, even though it provides value for money. Affordability and value for money are equally important. If a project is unaffordable, it undermines the government's ability to deliver other services and should not be pursued, even if it is good value for money (Dept of Finance 2000:7).

3.2.10 WHY ARE PARTNERSHIPS LIKED AND HATED?

Löffner as quoted by Boviard (2004:203) suggests that a major problem of a partnership approach to public issues is that it brings fragmentation of structures and processes,

which in turn leads to blurring of responsibilities and of accountability, as each party involved in the partnership, has sacrificed some of its sovereignty in joining the partnership. Some also argue that the partnership, rather than the public sector itself, is the responsible body and should be held accountable.

According to Roberts as quoted by Boviard (2004:203-204) the following are a number of positions from which partnerships can be seen as insidious and undesirable:

- Staff fear losing their jobs or experiencing worse conditions of service when a partnership takes over responsibility for their area of work.
- Politicians fear losing control over policy-making and service management. This can be regarded as an example of the perennial reluctance of politicians to share power.
- Service-users and citizen's fear becoming objects of a profit-making calculus rather than a public service ethos, Rosenau (2000:27). It is also clear from various surveys done that many service-users are unaware of and even uninterested in the precise legal standing of the organisation which provides their service, and quite content with whatever configuration is used to provide the service, as long as the service quality is satisfactory.
- Voluntary organisations and NGO's are in principle reluctant to become service-providers in partnerships with public sector organisations

3.2.11 SKILLS REQUIREMENTS IN PUBLIC-PRIVATE PARTNERSHIPS

The skills generally required in public-private partnership arrangements include the following (Dept of Finance 2000.13):

- Financial expertise is typically required around the commercial structure of special purpose companies, the viability and quality of bidders funding proposals, the financial aspects of bidder evaluation, and negotiation to financial close.
- Legal expertise is needed on procurement issues, legal structure, risk assessment and allocation, as well as contingent liabilities, commercial matters and service contract documentation.
- Procurement advice will be specific to public-private partnerships, as these are often more complex and long term than most other procurements in the public sector.
- Expertise may also be bought in to assist with output specifications, definition of performance standards and design of reporting techniques.
- Technical know-how is needed to assess project design proposals, provide cost evaluation and develop user briefs and specifications of services.

3.2.12 ASSESSING THE FEASIBILITY OF PUBLIC-PRIVATE PARTNERSHIP ARRANGEMENTS

Once the municipality is satisfied that a candidate public-private partnership has a sound strategic and preliminary business case, it needs to conduct a detailed feasibility study to, Dept of Finance (2000:15-16):

- Establish whether the project is in the public interest.
- Strengthen the strategic and business case for the project.

- Determine whether it is financially viable.
- Confirm that it complies with all relevant laws and regulations.
- Determine the factors that will make it attractive to private investors.
- Prepare a comprehensive assessment of its value for money.

A feasibility analysis must be conducted to assess whether a proposed public-private partnership agreement will be in the best interest of both the municipality and the public. To this end, a feasibility analysis must do the following:

- Specify the nature of the relevant function and the extent to which a private party can perform this function through a public-private partnership arrangement. Both legal and technical aspects of a potential project must be considered.
- Explain the strategic and operational benefits for the municipality of a private party's involvement, as well as any advantages or disadvantages to the public.
- Determine whether the expected results are compatible with the overall strategic objectives and plans of the municipality and municipal policy.
- Assess whether such an arrangement will provide value for money and be affordable for the municipality.
- Include any relevant data and the economic criteria used to justify these assessments.
- Explain the approach and methodology the municipality plans to follow to procure the services of a private partner.
- Explain the capacity of the municipality to enforce the arrangement and to monitor and regulate implementation

and performance in terms of the arrangement (Dept of Finance 2000:16).

3.3. PUBLIC-PRIVATE PARTNERSHIPS IN SOUTH AFRICA

3.3.1 A CRITICAL APPRECIATION OF SERVICE DELIVERY

Since 1994 South Africa has witnessed massive changes in the policies that have been formulated. In the past, apartheid technocrats crafted policies without considering the needs of the majority, whereas today's infrastructure policies are drafted more transparently, openly and democratically (Khosa, 2000:157).

At the heart of policy-making is an attempt to mediate diverse and contradictory interests. Government has generally turned to neo-liberal principles, particularly lower standards, higher cost recovery and creeping privatisation (Bond, Dor & Ruiters, 2000:58).

In a newspaper article in the Cape Times of 18 March 1999, Chanlene Smith argued that poverty and short sighted planning are hindering effective and permanent service delivery in rural communities. Smith points out that; in the rush to deliver, government departments are ignoring the fact that many rural communities are unable to pay for the service provided, which is leading to the collapse of projects around the country.

The Reconstruction and Development Program (RDP) had proposed that the ability to pay, and the socio-economic conditions of beneficiaries, should be taken into consideration in the provision of infrastructure and services (Bond et al. 2000-152).

3.3.2 INFRASTRUCTURE MAINTENANCE

Often, no resources are allocated for infrastructure maintenance or construction (Parnell et al, 2002:152). Not only is the current fiscal allocation for infrastructure insufficient to meet projected service delivery targets, but also unless an alternative source of funding is found, the public sector faces a major risk of losing a significant proportion of existing infrastructure.

Innovative approaches to generate funding for maintenance are being debated on an ongoing basis (Parnell et al, 2002:153). One option is that under-utilised public assets should be sold to finance the acquisition of needed social or economic infrastructure. Another proposal is to corporatise the public sector estate in order to provide an equity holding that could be traded thereafter. A further option is a proposal that existing highways should be converted into toll roads in order to generate sufficient funds to cover the public sector contribution for further toll roads. Further, the use of community participation and labour/construction to supplement budgetary requirements to build much-needed rural roads is worth considering. This proposal however needs careful consideration as local communities may see this as exploitation.

Public-private partnerships (PPP_s) and alternative service delivery (ASD) mechanisms should be seen in light of the need to address infrastructure backlogs and public capacity constraints (Parnell et al, 2002:153). In South Africa, the use of public-private partnerships and alternative service delivery mechanisms should be seen as part of the governments overall agenda to promote economic development and to extend service delivery to those previously disadvantaged by apartheid.

3.3.3 LEGISLATIVE PRESCRIPTIONS

3.3.3.1 WHITE PAPER ON LOCAL GOVERNMENT

The White Paper on Local Government contains the following endorsement of public investment in infrastructure: Basic services enhance the quality of life of citizens, and increase their social and economic opportunities by promoting health and safety, facilitating access to work, to education, to recreation and stimulate new productive activities (Republic of South Africa, 1998:92).

Local business and affluent high-volume consumers should not be unduly burdened with cross-subsidies, which might make the local area uncompetitive. Each service must be financially sustainable, defined as an arrangement likely to ensure (i) a reasonable surplus, in the case of a service performed by a municipality itself; or (ii) a reasonable profit, in the case of a service performed by a service provider other than the municipality itself (Republic of South Africa, 1999:3).

The private-goods approach reduces citizens to individual consumers with income streams and preferences. Many South Africans have come to view quality of life as a matter for whole communities, not a question of individual preference and wealth. The hard line on individual cost recovery is driving a wedge between local government and poor communities.

Emphasis on economic pricing and local competitiveness limits the potential for redistribution between communities, and within sectors such as water and electricity. In South Africa, such cross-subsidisation often takes place at the expense of poor households.

Market pricing and profitability set the stage for privatisation, which is promoted in South Africa in the form of public-private partnerships (PPPs). Injections of capital and expertise plus efficiency gains are benefits often associated with this approach.

3.3.3.2 LOCAL GOVERNMENT MUNICIPAL SYSTEMS ACT, 2000

The Local Government Municipal Systems Act, 2000, (Act 32 of 2000), chapter 8, pages 68-80 outlines the general duty of a municipality to render municipal service, and the provisions applicable when considering the most cost effective and appropriate provider for the service.

3.3.3.3 LOCAL GOVERNMENT MUNICIPAL FINANCE MANAGEMENT ACT, 2003

The Local Government Municipal Finance Management Act, 2003, (Act 56 of 2003) section 120 specifically deals with public-private partnerships.

This section sets clear indicators that a municipality has to consider when deciding on getting involved in public-private partnerships and before any agreements in this regard are entered into.

Subsection 4 describes the guidelines that have to be considered when conducting a feasibility study.

Before the Council can consider the matter, the particulars of the proposed public-private partnership has to be made public and invite the local community and other interested

persons to submit any comments or representations as to the proposed public-private partnership.

3.3.3.4 USING THE RIGHT SKILLS FOR PUBLIC-PRIVATE PARTNERSHIPS

The technical, legal and financial aspects of public-private partnerships require expertise that is seldom available in the public sector. Internationally, public-private partnerships have often necessitated skills to be bought in to assist municipal departments. Good specialist advisers are worth the expense, especially on large-scale projects (Dept of Finance 2000:13).

3.3.3.5 WHAT TO ASSESS IN PUBLIC-PRIVATE PARTNERSHIPS

A feasibility assessment to be used for public-private partnerships has nine essential components (Dept of Finance 2000:16):

- Identification of all stakeholders.
- Assessment of current infrastructure and current practices and procedures.
- Evaluation of the municipality's organisational structure with regard to the service to be assessed.
- Determination of the total costs of providing the service.
- Assessment of current revenues generated, if any, for providing the service.
- Determination of source(s) of revenues utilised by the municipality to provide the service.
- Determination of the short- to medium-term capital needs for providing the service and the ability of the municipality to obtain the necessary resources.

- An analysis of relevant public-private partnerships that might be employed to provide the same service.
- A recommendation on the type of public-private partnership to be employed supported by a financial and institutional analysis (Dept of Finance 2000:17).

Feasibility studies for public-private partnerships address technical aspects, value for money and affordability. These studies are crucial before any decisions can be taken on engaging in a public-private partnership.

3.3.3.6 PRE-QUALIFICATION REQUIREMENTS FOR PUBLIC-PRIVATE PARTNERSHIPS

Pre-qualification requires prospective bidders to demonstrate that they have (Dept of Finance 2000:17):

- Specific experience in the sector.
- Successful performance on similar projects, with references from former clients.
- Relevant experience and performance in similar economic, demographic, geographical, topographical or climatic areas.
- Appropriate personnel and equipment capabilities.
- Financial capacity to carry out the project.
- Capacity and commitment to promote empowerment and affirmative action.

The pre-qualification criteria generally favour organisations that are recognised providers of similar services, with a dedicated staff and management. However, this should be balanced to foster effective and meaningful participation by empowerment firms and small, medium and micro-enterprises (SMMEs).

3.4 CRITERIA PUBLIC-PRIVATE PARTNERSHIPS HAVE TO COMPLY WITH

From the literature review the following list of criteria can be compiled which could be utilised in assessing the feasibility of creating a public-private partnership at local government level:

- Demonstrate value for money.
- Be affordable to the municipality and ratepayers.
- Show evidence of substantial risk transfer to the private party.
- Be implemented within a sound and suitable administrative structure.
- Enhance service delivery.
- Optimum resource management.
- Bringing in new resources and competences.
- Empowerment of all people associated with the public service.
- Contribute efficiency gains.
- Focus on output.
- Generate income for both partners.
- Optimum service at an affordable price.
- Use of savings or income generated elsewhere.
- No job losses must result from the partnership.
- Must not be a profit making calculus at the cost of the ratepayer.
- No long-term risk for the municipality.
- Both partners have to show qualities of mutual adjustment around goals.
- The needed technical know-how must be present in the partnership.
- Ensure that the partnership is in the public interest.
- Have to be financially viable.

- **Conduct a feasibility analysis to assess whether a public-private partnership is in the best interest of both partners.**

Only after a proper process is followed and the intended partnership evaluated against the aforementioned criteria, can a final decision be taken. If at least 60% of the aforementioned criteria are complied with, will a public-private partnership be regarded as an acceptable method of service delivery by the municipality, and the residents of that municipality.

3.5 SUMMARY

Due to the imbalances of the past as far as the standard of services are concerned, the poverty situation in the rural areas, the unemployment rate in the rural areas and the need to deliver services, alternative measures to deliver the required services, at an affordable tariff, by municipalities and government, are needed.

Public-private partnerships are to be found in the public domain in many countries around the world. The European Commission has noted that recent years have seen a marked increase in cooperation between the public and private sectors. In the UK, the Private Finance Initiative, which is only one of the public-private partnership mechanisms, 8 million pounds worth of capital works contracts were signed from 1997 to 1999.

As can be seen above, government has predicted that alternative ways will have to be found to address the imbalances in services, if sustainable local government is to be achieved. For this reason legislation like the Municipal System Act, (Act 32 of 2000), the Local Government

Municipal Finance Management Act, (Act 56 of 2003) and the regulations under government gazette 27431 of 1 April 2005, make provision for public-private partnerships as a means to deliver services and to ensure developmental and sustainable local government.

In chapter 4, the needs of the Breede River/Winelands Municipality regarding services delivery, and to retain affordability, will be investigated. Public-private partnerships as an alternative for service delivery will be explored. The partnership with Traffic Management Technologies for the rendering of speed camera law enforcement will be evaluated against the criteria set in chapter 3.

CHAPTER 4

A STUDY OF SUSTAINABLE LOCAL GOVERNMENT AND PUBLIC-PRIVATE PARTNERSHIPS AS A POSSIBLE ALTERNATIVE SERVICE DELIVERY MECHANISM IN THE BREEDE RIVER/WINELANDS MUNICIPALITY

4.1 INTRODUCTION

In chapter three the history and requirements for using public-private partnerships as a service delivery tool, was explored.

Although there was initially a lot of criticism against public-private partnerships, there are now more voices going up in favour of the use of public-private partnerships, as a means to deliver services, be it on national, provincial-or local level.

The reality is that before 1994 services between white, black and coloured residential areas were not of the same standard that infrastructure in the coloured and black areas was not always properly maintained and that services and service standards have to be upgraded and maintained on acceptable levels throughout the country, and municipal areas.

To adhere to this constitutional requirement, and to retain affordability of our towns, alternative mechanisms for service delivery are needed. Public-private partnerships are only one of these mechanisms. The potential use and possible benefits of public-private partnerships for the Breede River/Wineland Municipality will be dealt with.

4.2 BREEDE RIVER/WINELANDS HISTORY

On 5 December 2000, with the new dispensation in local government, and at which time the 847 municipalities in South Africa were reduced to 284, the Breede River/Winelands Municipality was established.

The municipality replaced the previous Ashton, Bonnievale, Mc Gregor, Montagu and Robertson Municipalities. The legal area of jurisdiction of the municipality is 3334,52km².

The demographic profile of the municipality (2001 census) is: Coloured 57730 (71,03%), African Black 11829 (14,56%), White 11655(14,34%) and Indian/Asian 57 (0,07%), bringing the total population to 81271.

The municipality comprises of 10 wards with 19 elected councillors. The administrative head offices of the municipality are situated in Ashton, and the majority of administrative officials are stationed in Ashton. In the towns of Bonnievale, McGregor, Montagu and Robertson the necessary core of administrative personnel are there to ensure sufficient service delivery. Each town has the required personnel to render services for water, sewerage, electricity and refuse removal.

4.2.1 INTEGRATED DEVELOPMENT PLAN 2005/2006

When compiling the 2005/2006 Integrated Development Plan of the municipality during February/March 2005 the statistics revealed the following (IDP 2005:23):

4.2.1.1 ECONOMIC STATUS OF HOUSEHOLD HEADS

It was found that more than 55% of the total number of household heads had some type of employment before and during the survey period. From this figure 65% were employed

in the canning and packaging sector, whilst only 15% were economically active in the construction and building sector. According to the information contained in the IDP (2005:26) a further 10% of household heads were employed in the agricultural sector. Household heads employed as domestic workers amounted to 8,5%. On average, 45% of household heads are unemployed during the off-season time, being April to October yearly.

The majority of cases where the household head is employed, at least one extra household member earns an additional income. It is however also true that in the instances where the household head is unemployed, that at least one person in that house is employed (IDP 2005:29).

The majority of household members who are employed seem to earn a regular and stable income as most of them are permanently employed. The type of work these people do range from artisans in the canning and packaging industry, permanent farm labourers to professionals such as accountants and municipal officials.

The professional category of people was very prominent in the affluent coloured and white residential areas. However, there were those that depend on seasonal employment that are mainly supplied by the local canning and packaging factories located in Ashton.

There is a definite pattern where the people live and where they work. It is apparent that people who are employed prefer to work as close to their homes as possible. For those that work in the canning and packaging sector, it is not always possible to live near the workplace. This is due to the fact that the two largest canning and packaging

factories are located in Ashton, which make use of local labour from the towns in the Breede River/Winelands region (IDP 2005:31).

4.3 STRATEGIC FRAMEWORK OF MUNICIPALITY

4.3.1 STRATEGIES, VISION, MISSION, VALUES

Council confirmed the following strategic directions relevant to sustainable development for the period until 2006 (IDP 2005:74-75):

- The effective and efficient facilitation and implementation of economic development initiatives and processes to ensure sustainable economic growth for the municipal area.
- To ensure a financially viable Breede River/Winelands Municipality able to meet all financial obligations.
- To ensure service delivery in accordance with the Batho Pele principles and legislative requirements.

4.3.2 VISION STATEMENT

"The Breede River/Winelands Municipality will strive to create a balanced and prosperous society by 2006".

4.3.3 THE MISSION STATEMENT

Breede River/Winelands Municipality will endeavour to achieve its Vision through (IDP 2005:75):

- Consumer orientated service delivery.
- Facilitating economic development processes within its area.
- Continuously monitoring and evaluating the impact of service delivery.
- Empowering the community through facilitating education, development and health processes.
- A well-trained and motivated workforce.

The above is accomplished in line with the IDP and the principles of Batho Pele to the benefit of the employees, community and the nation (IDP 2005:76).

4.3.4 THE VALUE SYSTEM

The eight Batho Pele principles include:

- Consultation - The public and employees should be consulted about the level and quality of public services they receive and, where possible, should be given a choice about the services offered.
- Service standards - The public should be told what level and quality of public service they will receive, so that they are aware of what they can expect.
- Courtesy - The public always be treated with courtesy and consideration.
- Access - All members of the public should have equal access to services they are entitled to.
- Information - The public should have full, accurate information about the services they are entitled to receive.
- Openness and transparency - The public should be told how administrations are run, how much they cost and who is in charge.
- Redress - If the promised service is not delivered the public should be offered an apology, full explanation, and a speedy and effective remedy, when complaints are made, the public should receive a sympathetic and positive response.
- Value for money - Public services should be provided economically and efficiently, in order to give the public the best possible value for money.

The municipality strives to make the Batho Pele principles part of the way in which it operates. It is an integral part of the day-to-day management at the municipality.

4.4 STRATEGIC ANALYSIS AND KEY STRATEGIES

During a survey of poverty and social development done in the Western Cape, 1996 Census, it revealed that 63,2% of the people in the Montagu Magisterial district and 64,8% of the people in the Robertson Magisterial district earned less than R18000-00 per annum. These magisterial districts include the town of Ashton, Bonnievale, Mc Gregor, Montagu and Robertson. Nkgubela, the black residential area of Robertson, has been identified as the fourth poorest community in the Western Cape. 19,8% of the poor households live in the rural area of the municipality (IDP 2005:77).

The lack of the provision of proper housing and sufficient health services, as well as the high level of illiteracy, contributed to the poverty and social development and hampers the process of involving the poor communities with economic activities. The Breede River/Winelands Municipality and the area alone do not have the ability to address poverty. Capacity and projects will have to be established to empower the people living in the municipality, to fight poverty and to stimulate social and economic development (IDP 2005:79).

4.5 BACKLOG IN SERVICES AND MAINTENANCE

The amalgamation of the five municipalities into one municipality highlighted the problem that exists with the backlog in services and the rendering of municipal services. For the maintenance and upgrading of infrastructure, projects to the value of millions of rands have to be undertaken in a short time (IDP 2005:80).

It is important to remember that these backlogs have existed for years, and cannot be addressed overnight. The high cost for the supply and maintenance of municipal services, requires proper long-term planning, and to provide services that are not sustainable and, more than that, affordable, serves no purpose.

Alternative methods and processes for services delivery to achieve the goals set out in article 152 of the Constitution of South Africa (ACT 108 of 1996) will have to be introduced.

4.6 FINANCIAL CAPACITY

The financial capacity to implement the IDP is probably the biggest challenge for the municipality, at this stage of its transformation process (IDP 2005:80).

4.6.1 OWN REVENUE: SERVICE CHARGES AND PAYMENT LEVELS

Municipalities are addressing the issue of payment levels and tariffs through improved credit control and communication with communities. A major challenge for the district is the affordability of services by communities owing to the high incidence of poverty 18% are unemployed, but a large percentage of the employed are seasonal given that agriculture contributes 38% of the Gross Domestic Product (GDP) and other sectors such as manufacturing and tourism have strong backward linkages to the primary sector. The challenge is to improve income levels and the length of the period over which income is received.

Municipalities are addressing seasonal employment through expanded public works programmes and local economic

development strategies (as explained below). For example, R3 million was allocated from the Provincial Roads Authority to the District Municipality to do road maintenance where tasks are mainly labour intensive. Completed projects ranged from grass cutting, repair to sidewalks to the innovative repair of gravel shoulders with concrete blocks. Approximately 450 temporary job opportunities were created. (Cape Winelands District Municipality - IDP Hearings: 20 May 2005).

4.6.2 EXTERNAL REVENUE: EQUITABLE SHARE, GRANTS, DONORS, AND PARTNERSHIPS

The district municipality is strategically placed to play a significant inter-governmental co-ordination role. This role includes leveraging finances from external sources to assist in service delivery in the district. This could include identifying private and parastatal partners to partner in major infrastructure investment. Such has already been demonstrated in certain housing developments. It also involves partnering with the national Department of Agriculture and Land Affairs and provincial government departments e.g. economic development in accessing additional finance and technical support for community based projects. This is already occurring extensively, for example in food security projects, where agricultural land has been made available to people in the communities to harvest vegetables. Tourism route development funds were made available to erect tourism stalls in the townships on the tourism route, referred to as Route 62 and to lease other buildings on the tourism routes from which to sell the arts and crafts manufactured in the area. Entrepreneurial training and support and social development projects like soup kitchens at schools, shelters and old age homes, have been introduced throughout the area.

Besides this role, the district municipality is proactively engaging with national and provincial spheres of government regarding service delivery by national and provincial departments at the local sphere. It is strongly felt that the principle of subsidiary found within Section 156(4) of the Constitution is not being adhered to. Parallel delivery institutions are being created at local level through regional health, agriculture, land affairs and social service offices. It is argued that the future sustainability of local government also depends on other spheres of government recognising local government as the delivery sphere and ensuring that where a service should be best provided at a local level, that the necessary finances and resources are given to municipalities in order to perform the function (CWDM - IDP Hearings: 20 May 2005).

4.7 PROJECTS AND TARIFFS

The sources for financing projects as provided in the 2005/2006 capital budget are mainly from own funds, own trust funds, Government (Division of Revenue Act-Dora), Provincial Department of Housing, Cape Winelands District Municipality and the Municipal Infrastructure Grant (MIG). Although external funding is received for many of these projects, loans and provision must be made in the operational budget for capital and interest redemption (BWM Capital Budget, 2005/2006). An amount of R2, 978,269 is used from the municipality's trust fund to keep tariffs affordable, which is not the best practice, because the "nest egg" is destroyed, and there is little provision for the future on which to fall back on. It is however necessary at this stage to keep tariffs affordable.

What must further be understood, is that the necessary infrastructure that is created with these projects, has to

be maintained and upgraded in future, which result in funds having to be provided in future operational and capital budgets for this purpose. One has to be careful that this does not end in a vicious cycle, resulting in a total collapse of the municipality.

The average monthly municipal account from July 2005 ranges from R442.16 for the lower valued property to R1096.18 for the middle class (Budget 2005/2006). For destitute households a monthly account amounts to R194.93, which is financed from the destitute assistance provided by the municipality. The burden of this destitute help has to be contributed to by the other ratepayers (Budget 2005/2006).

4.8 AFFORDABILITY AND SUSTAINABILITY OF BREEDE RIVER/WINELANDS MUNICIPALITY (BWM)

During the past two years, a sudden interest in the property market in the towns within the municipal area has brought new capital into the area. On the other hand, the excessive prices that these people were prepared to pay for houses and for the last vacant erven available, resulted in the lower to middle-class persons, not being able to afford buying these properties. Competition can be healthy, and contribute to the upliftment of the area with new developments coming into the area and bringing new capital. The one negative factor however is the infrastructure for roads, water, sewerage and electricity that have to be upgraded to make provision for development to which the inhabitants all have to make contributions.

Taking into consideration the employment and revenue factors of the area (IDP 2005:26-32), alternative means must be found to generate income for needed infrastructure development and maintenance. Public-private partnerships are

a possible way to deliver certain services, and to contribute to skills development and transfer and reduced employment expenditure.

In the 2005/2006 financial budget (BWM Budget 2005/2006:4) an amount of R7, 603,000 has been provided for destitute assistance. This destitute assistance is applicable to those households where the monthly income is below the amount of the government pension. The destitute funds are used to subsidise the basic services of the destitute households, and the higher these tariffs are, the heavier the burden on the municipality and other residents will be.

In the 2005/2006 capital budget, an amount of R32, 000,000 had to be provided for inter alia bulk water supply to the town of Montagu, due to the fact that not sufficient water is available in Montagu throughout the year, and with the situation at this stage, only a few additional houses can be built in Montagu. If the need for water is not addressed, and further development cannot take place, stagnation will creep in, and result in a negative economic flow. If the supply of water is increased then the demand at the sewerage works also increases, which will lead to the sewerage works also having to be enlarged and upgraded. In all the other towns within the municipal area, there are shortcomings with various services as far as future development and expansion is concerned, and these will also have to be addressed.

Because of the growth potential of the area, the needs of the community and to allocate the revenue earned to the much needed projects and aspects, the council resolved on 31 August 2004 to undertake article 78 investigations as required by the Local Government Municipal Systems Act, 2000 (Act 32 of 2000) on twenty five (25) services to determine

outsourcing or alternative service delivery mechanisms, of which public-private partnerships are one (Nel, N 2004:08 31).

Due to the costs involved in undertaking the article 78 investigations, these investigations will be undertaken over a three-year period. In the 2004/2005 financial year, article 78 investigations were done on the following services:

- Administration and serving of summonses and warrants.
- Electricity supply in rural areas.
- Water supply (bulk services) in rural areas.
- Control and operation of public toilets.
- Operation of Robertson landfill site.
- Sanitation supply to residential and related structures in rural areas.
- Refuse removal in rural areas.
- Water supply to residential structures in rural areas.
- Speed law enforcement.

In the case of speed law enforcement the investigation was finalised during the first quarter of 2005 and a public-private partnership agreement was entered into with Traffic Management Technologies (TMT) (Council 23 April 2005). The final report on the other investigations is still awaited.

4.9 THE TMT AGREEMENT (Traffic violations system)

The agreement with TMT refers to a joint venture between the municipality and TMT. The agreement refers in this regard to the partnership entered into by the parties in terms of the agreement (TMT 2005:2). Other aspects of the agreement that need more elaboration are:

- Service fee - based on performance and is based per infringement successfully processed.
- Service provider - TMT service.
- TMT must install a "Service Centre" to process all law enforcement notices issued by BWM.
- TMT must provide personnel at the Service Centre.
- TMT will provide portable and fixed site camera(s) with peripherals.
- TMT will provide digital camera(s) in an appropriate vehicle and fixed site cameras at positions on main routes.
- TMT will provide computers, printers and software at an agreed site to perform the tasks effectively and efficiently.
- TMT will provide computers, printers, peripherals, including software-forming part of the camera violations adjudication process and workstations for the effective and efficient processing of payments, enquiries, representations and management reports.
- TMT will provide further personnel to assist in the administration of offences generated through the enforcement system.
- TMT will be responsible for generating, processing, printing, serving and posting of the documents necessary for the enforcement process like camera notices, summonses and warrants of arrest, to name but a few.
- TMT will process all representations made in respect of violations, including the mailing of letters in response to the representations made.
- TMT will be responsible for the return of service transactions regarding court documents.
- TMT will be responsible for the maintenance of the relevant equipment.

- TMT will ensure that suitable and capable personnel are able to give expert evidence for court purposes regarding relevant equipment and processes used in the execution of the agreement.
- TMT will repair or replace all the equipment forming part of this agreement, and maintain the cameras.
- TMT will be responsible for the administration of all warrants of arrest, the costs of which to be recovered from the gross fines generated in terms of this agreement.
- TMT will process payment transactions for payments received.
- TMT will appoint personnel to deal with queries from the public and the courts and accept and issue receipt of payments.
- TMT will provide its own staff and also train personnel of the BWM to operate and use the equipment involved.
- The appointment of traffic officers for the operation of the enforcement system, the costs of which to be funded equally by both parties.
- The agreement shall be effective for an initial period of 12 months and thereafter automatically renewed in respect of each camera for a further 24 months period, unless cancelled by either party with 90-day notice (TMT 2005:4-11).

The public-private partnership with TMT has been operational since June 2005 and according to the latest report (TMT-June/July 2005) a total of 3673 speed offences have been committed, with a potential income of R 440 760.

4.10 EVALUATION OF THE TMT AGREEMENT AGAINST PUBLIC-PRIVATE PARTNERSHIP CRITERIA

When **evaluating the TMT agreement against the criteria** for public-private partnerships as referred to under 3.4 of chapter 3 of this thesis, the following is found:

- **The agreement demonstrates value for money** because there are no additional expenses for the BWM municipality. A much-needed service is provided and additional income is generated.
- **The agreement is affordable** to the municipality and its ratepayers. No tariff increases are needed since the cost involved with this public-private partnership is covered by the service itself.
- From the terms of the agreement, the **risk is on the service provider** (TMT) and all costs to be funded from the income from this service.
- **The administrative structure in place is sound and operating sufficiently.** This is also one of five municipalities where TMT have a public-private partnership agreement, or are in the process of concluding an agreement.
- **The service rendered** as a result of this agreement, being speed camera law enforcement **has been identified as a priority by the community**, but was not carried out sufficiently by the municipality due to limited funds, human resources and equipment.
- **The resources involved in this partnership**, being employees and equipment **are used and managed to its optimal capacity**, to ensure that it is profitable.
- With the experience of the partners in TMT and their employees, as well as the training provided by TMT, **new resources and competences were brought into the area.**

- **The persons involved in this service are being empowered** to render a professional service.
- Because of the business and profit focus by the management of TMT, **the efficiency of those involved with rendering this service, has increased.**
- Due to the fact that the income of this venture is based on the number of successful cases, **there is a strong emphasis on output.** TMT is not only involved to render a service, but to make money. The municipality is involved to have a necessary service rendered and to make money. At this stage, the venture is generating income.
- **The service is affordable to the municipality and its ratepayers.** Income is generated at no additional expenditure to the municipality.
- The fact that the municipality does not have to utilise funds from its budget to appoint personnel, purchase equipment and provide for related expenditure for speed camera law enforcement, **the funds that would have been provided for this purpose, can be used elsewhere, or result in tariffs being retained at present levels, or even be reduced in future.**
- **No job losses occurred, in fact, additional personnel were employed** as a result of this partnership in order to make it work.
- **There is no long-term risk for the municipality** because the personnel employed are limited to this public-private partnership, and paid from the income generated from this service. The equipment has been purchased by TMT and the municipality is in no way attached to these transactions.
- **Both partners in this public-private partnership show the quality of natural adjustment around the goals set in the agreement.** TMT pays for the municipal employees

rendering a service in this regard outside their normal working hours. The municipality pays the hours overtime through its pay system to these employees, after receiving the figures and funds for TMT. This was not initially the way it was going to be, but makes perfect sense from a management point of view.

- **The technical know-how for both partners is present.** Further know-how is provided through training to ensure efficiency.
- **The public-private partnership with TMT for the rendering of speed camera law enforcement is in the public interest.** By enforcing speed management, it provides a safe environment. With the R62 route running through the towns, and the speed at which some motorists used to travel on these roads through the towns, many casualties occurred in the past as a result of high speeds.
- **This public-private partnership with TMT at this early stage seems to be financially viable.**

The benefits of this public-private partnership to the municipality are:

- No additional capital costs to the municipality for the speed camera and other equipment.
- No need for the municipality to employ traffic inspectors to do speed law enforcement during their normal shifts.
- No administrative functions for the municipality to process summonses for speed offences.
- Because no jobs were lost, or stand a chance to be lost due to this agreement, there is total acceptance by the trade unions.

- Because the full time speed law enforcement not only generates additional income but also contributes towards safety on the roads, the community welcomes the agreement.
- The municipality earns 50% of the nett income after the necessary expenses have been deducted.
- The traffic officers in the service of the municipality can do the much needed law enforcement during their normal shifts, and not having to do speed enforcement (Nel, N 2005:05).

4.11 SUMMARY

The background information of the area of jurisdiction of the Breede River/Winelands Municipality gave a brief overview of where the municipality came from and the employment and economic profile of the inhabitants. The standard of services, the need to upgrade, expand and maintain the municipal services, is essential to ensure sustainable local government in the area.

In order to meet the challenges of the municipality's strategies, vision and mission, economic growth and financial viability have to be achieved. One of the methods used by the municipality to ensure that a much needed service is rendered, not at a cost to the ratepayers and to generate additional income is the public-private partnerships with TMT.

The result of this partnership is proof that public-private partnerships can benefit municipalities not only to render much needed services, but also to cap expenditure and to generate additional income.

Chapter 5 will summarise and conclude the thesis.

CHAPTER 5

CONCLUSION

5.1 INTRODUCTION

This chapter will summarise the thesis and give an overview of what is contained in chapters 2, 3 and 4 of the thesis. It has been demonstrated that there is an alternative trend in public management, which was introduced in other countries years ago, and the past few years also in South Africa. This new approach is New Public Management.

It is imperative if local government is to succeed in its developmental role that a new thinking, and way of service delivery has to be introduced. Public-private partnerships, as one of the alternative methods for service delivery, are becoming part and parcel of the local government domain. The Breede River/Winelands Municipality, after proper investigation was done, engaged in a public-private partnership with TMT to render speed camera law enforcement services for the municipality. This partnership is financially viable.

5.2 THE PROBLEM: SERVICE DELIVERY IN DEVELOPMENTAL LOCAL GOVERNMENT CONTEXT

For years governments have been delivering public services through the traditional public organisations set in a bureaucratic context. Service delivery has proven inefficient, uneconomical and ineffective. There are various factors that impact on service delivery in South Africa, including external macro and internal micro issues. External macro issues affecting service delivery are socio-cultural, socio-political and socio-economical.

South Africa is experiencing the negative effects of globalisation and international capital flows that do not favour developing countries. The macro and internal governance issues are bound to affect service delivery at local government level. The municipality faces the daunting task of ensuring equitable service delivery while the available resources are far less than the demand for these services.

Due to the imbalances of the past as far as the standard of services are concerned it will have to be addressed soon, but at an affordable tariff. In order to render needed services, at affordable tariffs, alternative service delivery mechanism have to be used. Public-private partnerships prove to be a good alternative method. The benefits of public-private partnerships include efficiency gains, output focus, financing and operation of assets, inventive use of assets, innovative financial structuring and better project identification.

Public-private partnerships must however not be unaffordable due to the high standard of service it renders, if that standard is not required. It must be clear that the standard of services throughout the municipality must be on an acceptable level, properly maintained and maintainable but most of all, affordable.

After the municipal elections in 2000, a new dispensation in local government was introduced, which severely changed the face and structure of municipalities. The previous 847 municipalities in South Africa, was reduced to 284, resulting in various previous municipalities some which were rich and had a high standard of service, being amalgamated with other poorer and even bankrupt municipalities. This

forced amalgamation resulted in new ways of thinking and a search for alternative mechanisms to render services, but at the same time retain affordability.

5.3 THE CHANGING ROLE OF GOVERNMENT

The changing role of government necessitated a new way of thinking. New Public Management is a set of broadly similar administrative doctrines, which dominated the public administration reform agenda. New Public Management, which is a set of particular management approaches and techniques, borrowed mainly from the private for-profit sector, is applied in the public sector. The ideas of New Public Management emphasise managerial improvement and restructuring on the one hand and techniques and practices that emphasise markets and competition on the other side. Market-type mechanisms include contracting out as well as other forms of private sector participation, creating synergy between public and private sector, introducing user charges for public services and emphasising quality and responsiveness to users.

When considering the public management environment, it is necessary to also focus on the organisation. The organisation must be efficient and effective. Organisations need to be efficient in doing the right things, in the optimum use of its resources and in the ratio of outputs to inputs. Organisations must be effective in doing the right things and in their outputs related to some purpose, objective or task. Performance should be related to such factors as increasing profitability, improved service delivery or obtaining the best results in important areas of organisational activities.

5.4 PUBLIC-PRIVATE PARTNERSHIPS AS ALTERNATIVE SERVICE DELIVERY MECHANISMS

Public-private partnerships are common in the public domain in many countries around the world, and are now also becoming a player in the South African context. The European Commission noted in a report during 2003 that in recent years they have seen a marked increase in cooperation between the public and private sectors in the development and operation of public service.

The two key drivers in most countries behind the change towards public-private partnerships are firstly the fiscal problems of the state that meant that the mobilisation of private funding for public services that become critically important. Secondly, the rise in the interest in e-government has driven government to work more closely with private companies to gain access to capital for major investment programmes and to access the expertise of these companies. In the South African context, these are also important factors.

When engaging in a public-private partnership by a municipality, these guidelines are part of the foundation on which the partnership must be built. A clear distinction has been made between the different types of partnerships. It is crucial when engaging in a public-private partnership, that the engagement is with the correct partners.

The benefits of public-private partnerships which include efficiency gains, focus on outputs, economic enhancement, inventive use and financing of assets, managerial expertise and better project identification, result in better and more services at the same price. It is further made clear that using private finance rather than public finance does not

necessarily mean that more expenditure can be afforded. The real benefit of public-private partnerships is the value for money derived from the operational and strategic benefits mentioned in chapter 3.

Before any public-private partnership is engaged in, a feasibility analysis must be conducted to assess whether such a public-private partnership agreement will be in the best interest of both the municipality and the public.

5.5 CASE STUDY: PUBLIC-PRIVATE PARTNERSHIP IN BREEDE RIVER/WINELANDS MUNICIPALITY

After the article 78 investigations to determine the possible outsourcing or using of alternative service delivery mechanisms had been done for the Breede River/Winelands Municipality, the municipality decided to engage in a public-private partnership for the rendering of speed camera law enforcement.

The municipality engaged in a partnership with Traffic Management Technologies (TMT) for the rendering of the speed camera law enforcement. This partnership has benefits of value for money services, affordability, move of risk to the service provider, sufficient speed law enforcement, optimal use of human resources and equipment, transfer of skills and empowerment of employees, strong emphasis on output, affordability of the service, no long term obligation for the municipality and this partnership is also in the public interest.

It is an accepted fact that not every service the municipality renders, can be done through a public-private partnership. The public-private partnership with TMT by the BWM regarding speed camera law enforcement can be

successful, due to the grounds mentioned above, but above all, because the private partner will be making money. There will not be a public-private partnership if the private partner is making a loss in rendering the service.

Services like water and sewerage will not be a proposition for a public-private partnership at this stage, due to the fact that municipalities are not entitled to make huge profits on commercial services and that the income generated from one service may not be used to subsidise another service. Since water and sewerage are basic services that have to be rendered to all households, rich and poor, there will not be much profit to be made by private partners. Finally, there are too many persons employed by the municipality in these services, and a public-private partnership will probably result in job losses, in order to make profits.

5.6 PROSPECTS FOR THE FUTURE

With the increased demand for better services and the role communities play in the way local government operates, the emphasis has to shift from being a service delivery organisation to being a profitable and output focused organisation. The New Public Management principles introduced into public administration can only add to progress in this sector. South Africa as a developing country is in a favourable position to learn from the history of other countries, to take the best elements from their policies and practices and to introduce a model suited for South Africa conditions.

Further research on local government in South Africa, and whether service delivery, capacity building and local economic development can be built, should be conducted.

The expanded role of local government and the tendency that services should be rendered at the lowest level, being on the local government level by municipalities, necessitates further research. It is necessary not only to research the traditional municipal functions, but also those of health, education and others, which can probably better be rendered at local level.

5.7 SUMMARY

This chapter highlighted the changing role of local government and the new direction that has to be taken in order to render proper local government services and be effective and efficient in their day-to-day functioning. It is clear that the legacy of apartheid and the effects of globalisation necessitate a new way of thinking, a new way of governance and a definite move to alternative service delivery mechanisms.

The public-private partnership route that the Breede River/Winelands Municipality went with the rendering of speed law enforcement will have to be rolled out to other services in the future. The present partnership with TMT can be used as a model from which to render some services by means of a partnership.

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