PUBLIC PRIVATE PARTNERSHIPS AS A MECHANISM FOR MUNICIPAL SERVICE DELIVERY IN SOUTH AFRICA –THE CASE OF WATER SERVICE AT ELM

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Abstract

Since 1994, the South African sphere of local government has been in transition towards creating municipal governance structures that would cover both urban and rural areas. The impetus for this transformation is a constitutional directive that places local government at the centre of service delivery. While Public Private Partnerships (PPPs) are recognised in South Africa as an option to improve service delivery at the local level, very few municipalities have opted for PPPs to deliver water services to their communities. The water services sector is one area where service delivery is critical – *from an environmental and health perspective as well from the perspective of basic human rights*. While the municipal environment is regulated by a single set of policies and legislation, individual municipalities differ in their capacity to comply with these requirements. Nonetheless, most municipalities are in need of improved revenues and must consider options to improve the efficiency of their service delivery mechanisms. It is therefore paramount to: describe the municipal service delivery context (legislated and institutional environments), with specific reference to the water services sector; assess the understanding of key concepts underpinning the PPP market, define the water services environment, and provide a municipal perspective on service delivery challenges in relation to legislated requirements; and identify success factors where PPPs were implemented at local government level. This is done through a case study of ELM –a *local municipality in South Africa*. Interviews were carried out focussing on: the mechanisms to deal with various forms of project risks, the impact on project beneficiaries, and the basis for the calculation of rewards. Six in-depth interviews were held with representatives from the public and private entities.

The research results suggest that small-scale PPPs can be successfully negotiated with the assistance from external technical advisors. National regulations could be eased when implementing small-scale and short-term PPPs and normal municipal Supply Chain Management (SCM) policies can be used to guide the procurement process. Short-term PPP contracts such as those at the ELM seem to be better suited to the water services environment in that they have the potential to achieve relatively quick results.

Keywords: Public Private Partnerships; South Africa; Municipal Services; Mater Services; Project Management.

Introduction

Participation of the private sector in public service delivery is not a new concept. Over the last 15 to 20 years, a growing market for public-private partnerships has developed globally. Particularly in industrialised countries, the private sector has for many decades serviced public needs through a range of construction, maintenance, and management contracts. There are diverse references to such partnerships – in the United Kingdom (UK), USA, Chile, India, and in Australia but all reveal that the primary reason for their establishment is access to finance. A PPP may, therefore, be defined as a mechanism by means of which the public sector procures services from the private sector for an extended period and usually involves the use of public assets and/or investment in assets by the private sector (Handley-Schlacher, 2003).

Public-private financing initiatives were first introduced in the UK at the level of national government, notably the transportation sector. Subsequent development of a framework for implementation and the degree to which control over such initiatives devolved away from national spheres of government has created an extensive PPP market at the local government level. In the UK, for instance, extensive use is made of private finance Initiatives (PFIs) in the development of educational facilities and health services, while in the United States of America (USA) most (local) water treatment works are privately operated. Recent political liberalisation in the European Union (EU) in favour of democracy and the subsequent civil and political rights given to citizens has opened the market for PPPs in that region.

Edwards & Shaoul (2003) argue that over a period of 25 years, public policy and the economic agenda of many capitalist countries have moved towards the privatisation of public enterprises. In the UK, economic depression and the need to curb local government capital spending in Britain gave rise to the notion of involving private sector financing in delivering public services from 1992 onwards (Broadbent & Laughlin, 1999 &2003). Subsequent government administrations have endorsed and expanded the use of private finance in delivering public services such as health care, transportation, and the provision of educational facilities.

In the USA, public service assets have historically been privately owned, albeit those services have always benefited from public funding. In the past three decades, and especially in recent years, the focus of government has been on reducing the size of the public sector workforce and now concentrates them on functions for which they are best suited. The delivery of public services has shifted more towards employing business practices to ensure greater efficiencies. The most dominant area where PPPs have gained momentum in the USA is in the water and wastewater treatment facilities.

Torres & Pina (2001) place the PPP debate in the EU at the centre of modernisation of public administrations by taking advantage of management skills available in the private sector and the transfer (or sharing) of risk. The anticipated outcomes of such arrangements are greater customer satisfaction, and improved efficiency and effectiveness. EU governments remain involved in public service delivery, primarily in a regulatory role.

Events of the past few decades suggest that the emergence of a PPP market in industrialised countries was primarily driven by macro-economic considerations, reducing government capital expenditure, in an environment where the demand for services was greater than the commitment of funding to public sector capital development programmes. More recent debates indicate that the involvement of private sector players in public sector projects has been entrenched through new approaches to public management and administration.

In contrast, the PPP market in non-industrialised countries has been driven by growing infrastructure requirements, in part initiated by foreign investment from international funding agencies, and in response to limited state resources to develop such infrastructure. For instance, the World Bank (2004) proposed considerable levels of private participation in providing public services infrastructure in Lesotho. The Southern African Development Community (SADC) Banking Association has facilitated a PPP capacity building project for SADC member countries in order to develop appropriate skills in the public sector based on the belief that PPPs are a critical vehicle for infrastructure development and service delivery. Commenting on the state of public institutions in non-industrialised countries, Rodriguez (2004) lists a range of constraining factors with respect to the water services sector, including *limited long-term planning, low efficiencies and high losses, dismal revenue streams, rising costs and low credit standings*, and argues for greater private sector involvement to improve service delivery.

PPP in South Africa

Non-industrialised countries, such as South Africa, are increasingly looking for private sector resources to help achieve development objectives set by the public sector. In fact, the South African model for the implementation of PPPs is based on the advances made and lessons learnt in the UK and USA. The rationale for the development of a local PPP market in South Africa is rooted in the recent history of transformation augured with the first democratic elections in 1994 and the service delivery targets set by the government. A substantial portion of the capital funding was to come from national government through its various grant-funding mechanisms. However, capital investment forecasts predicted a considerable shortfall on the national allocations to municipalities for the extension and maintenance of services (Jackson & Hlahla, 1999).

The municipal services partnership (MSP) policy framework was developed to respond to the need at local government level for the improvement of services. Sinclair (1999) provides a broad outline of the development process and the key features of the policy framework, which identifies three main partnership options:

- Public-private MSP,
- Public-public MSP – a partnership arrangement between a local authority and any other public entity, and
- Public-Nongovernmental organisation (NGO)/Community Business Organisation (CBO) MSP.

In conjunction with the subsequently promulgated Local Government: Municipal Systems Act (MSA), Act 32 of 2000 and the Local Government: Municipal Finance Management Act (MFMA), Act 56 of 2003, the MSP laid the foundation for the development of municipal PPPs with a specific focus on delivering core services to communities. The MSA provides for an assessment of internal and external service provision mechanisms (section 78 and following sections) and the MFMA provides broad guidelines for the establishment of PPP at the local level. The National Treasury subsequently published municipal public-private partnership regulations in 2005.

The Municipal Infrastructure Investment Unit (MIIU) was established in 1998 specifically to assist with the establishment of PPPs for the delivery of municipal services through infrastructure development and related projects. Its initial 5-year life-span was extended by a further three years, to 2006. Within the first few weeks of its operation, the MIIU received numerous applications for assistance from municipalities (Hlahla, 1999). The first two PPP contracts that were concluded in the water services sector with MIIU assistance were the Dolphin Coast and the Nelspruit concessions, both with foreign private partners (Kotze, Ferguson & Leigland, 1999).

Private sector involvement in the water service industry in South Africa pre-dates the transformation that commenced in 1994. Much of the infrastructure development (capital projects) had been completed by private contractors and some rural water schemes continued to be maintained by private contractors managed by DWAF and regional water boards. Private sector involvement of this nature has often been quoted in defence of longer-term public-private partnerships (PPPs) in the water service industry. In a paper on the impact of PPPs on the poor (DWAF, 2002), five PPPs are mentioned of which two started prior to 1994. The rationale for these PPPs varied from capital investment requirements to efficiency improvements and operational support. All five contracts have been affected by the local government transformation process, notably the expansion of the municipal jurisdictions after the 2000-demarcation of municipal boundaries. The Water Service Act, Act 108 of 1997(DWF 1997), determines that a municipality may only enter into a service agreement with a private sector water services provider after it has considered all known public sector water services providers willing and able to perform the functions.

Despite the availability of technical assistance and resources through the MIIU, water service PPPs in local government have not developed in any way to meet the rising demand for municipal services. The cost of infrastructure development, the demand for higher service levels (more advanced than government-funded minimum reconstruction and development programme (RDP) standards), institutional and organisational limitations of local government to manage and operate service delivery to vast (and often newly constituted) municipal jurisdictions, and poor cost recovery are some of the factors constraining local development, particularly in the water sector. The ongoing transition at local government level and the numerous demands that are made on limited human capital and financial resources to implement national agendas are seriously compromising the development of a strong and co-ordinated local government sector and provide every opportunity to attract private partners to joint service delivery agreements.

PPP Challenges

Opposition to PPP in the South African water service industry has come predominantly from the labour movement for similar reasons as those advanced in other countries (Rwelamila, Chege and Manchidi 2003; Chirwa 2003). However, unlike the international PPP market where partnerships are the preferred option in pursuit of operational efficiency and cost containment, the public sector in South Africa has agreed with the labour movement that a PPP approach towards water service provision would only be allowed after all other public options have been evaluated. The result is that strategic decisions concerning service delivery are often compromised in an attempt to avert risk (for instance, avoiding an external mechanism due to inexperience in favour of an internal mechanism for which it is not geared) and minimise the compliance requirements set by national government institutions (stringent financial and operational reporting is required when external service providers are involved).

A PPP is different from standard procurement procedures in that the contractual relationship usually spans an extended timeframe (from five up to 30 years) and involves the transfer of risk to the private sector party. In addition, whereas standard procurement practices focus on a specified service, a PPP involves the delivery of a ‘service package’ including a financial investment and is therefore outcome oriented. Traditionally, asset ownership remains with the public institution and tariffs (pricing) are equally regulated by the public sector. However, assets are increasingly left under private sector control for the duration of the agreement and revert back to the state at the end of the agreement.

The driving element in decisions about PPPs is the cost-benefit factor, referred to as value-for-money (VFM). The underlying argument is that the involvement of the private sector in delivering

public services must be a better alternative to the public sector providing the same service through its line departments and bureaucratic administrations. Consequently, a comparative pricing by the public sector (also referred to as the public service comparator (PSC)) of the required service package must form part of the evaluation process of a PPP deal.

Transfer of risk is an element closely linked to the VFM consideration based on the cost associated with service non-delivery and delays in design, construction, and implementation of projects, as well as the private sector imperative of business efficiency. Operational efficiency drives the private sector's involvement, especially where contract values and service fees have been predetermined in legal contracts. Without adequate transfer of risk, the required level of efficiency will not be achieved by the private sector party, which will in turn obscure the value derived from the partnership. For this reason, the PPP procurement process in South Africa is highly regulated and the final decision determined by a range of feasibility studies and analyses of options.

The evaluation of the value-for-money benefit, usually based on *ex post facto* appraisals of PPP projects, is important for future justification of the PPP option in public service delivery. Edwards & Shaoul (2003) discuss two case studies which sought to determine the VFM benefits derived from the projects involving the information technology sector. They conclude that the effective transfer of risk to the private sector is not easily achievable. Hood & McGarvey (2002) concur with this view in their assessment of risk management initiatives in Scottish local government, stating that risk transfer is, at best, a very unclear and poorly understood concept and, at worst, weighted in favour of the private sector. In Edwards & Shaoul's (2003) study, the concluding evidence suggests that the critical risk associated with the two projects were essentially transferred to the user-public in terms of service inconvenience and the irreversible impact of late delivery of service with very limited contractual recourse to penalise the private sector party.

A further element of a PPP is the long-term contractual relationship that is established between the public and private sector parties. In view of this (extended) relationship, the procurement process is generally protracted and characterised by several phases, e.g. pre-qualification bids, selection bids, evaluation of proposals, and negotiations with parties for the identification of the preferred bidder with whom the final agreement is negotiated. The formal nature of the relationship and the extensive responsibilities carried by both parties imply the need for contract management expertise on both sides of the agreement. Grimsey & Lewis (2004) developed a model for the governance of contractual relationships based on the reality of uncertainty in any long-term contract and the consequential importance of a relational contract – a contractual environment in which changing conditions can be negotiated – as opposed to the more traditional transactional contract environment.

In an attempt to maximise the VFM objectives, contractual arrangements are to include adequate contract management capacity, incentives to the provider for on-time service delivery and penalties for poor performance, feasible termination options, and ways of dealing with changes to specifications. Globally, contract management is increasingly raised as a concern for the successful implementation of PPP contracts at the local government level. In South Africa, the National Treasury requires that an agreement (contract) management plan is finalised and approved prior to the signing of the contract to ensure that sufficient capacity exists to manage all aspects of the partnership and that contingent provisions have been considered in view of the contract duration.

The universal reality of detailed national frameworks and implementation guidelines regulating the PPP market has given rise to the debate about steering mechanisms. The extents to which the market is regulated and the means used to regulate implementation reflect the intention of national governments with PPP initiatives and seem to constrain flexibility at the local level (English & Guthrie, 2003; Broadbent & Laughlin, 2003). The PPP market has become a global

business opportunity for industrialised countries to the extent that national governments are beginning to reconsider their PPP regulatory frameworks to ensure sufficient interest in local PPP markets to meet public sector demand for privatised service delivery (Public Private Finance, 2004).

Research methods

There seems also to exist a regulatory bias towards large (in monetary terms and duration) and complicated partnerships. Short-term (say five-year) contracts may, however, provide equally rewarding opportunities for the private sector. Poor distinction between the political (legislative) and administrative (executive) spheres of local government (for example Rodriguez, 2004) also compromises the long-term stability of the PPP environment. This raises a number of research questions (RQs) as indicated below.

Research questions:

- To what extent have the antagonists of the PPP approach created a tension, at local government level, between the social objective of delivering services to communities and the moral objective of employment protection by preventing private companies to 'enrich' themselves through service delivery to the poor?
- Do the regulations imposed by national governments, with respect to PPPs, infringe on this 'independence' of local government and therefore act as a disincentive to engage the private sector in developing a strong service delivery environment?
- Is the municipal environment suited for PPPs, with special reference to the water service industry?

Research design and approach

A case study protocol was drafted to guide the data collection process. Prior to this, an extensive literature study was done to identify trends and experiences with respect to PPPs, both locally and internationally (for example Rwelamila, Chege and Manchidi 2003; Rodriguez, 2004; and Jackson & Hlahla, 1999). Several critical factors were identified in the literature review which further guided the interview process:

- the mechanisms to deal with various forms of risk,
- the impact on project beneficiaries – the community, and
- the basis for the calculation of rewards.

In preparation of the interview process and to become familiar with the technical details of the project, several official reports and project brochures were perused. This assisted to focus questions on specific issues not made clear in the written material. The question guidelines comprised of eleven questions, as indicated elsewhere (Snijder 2007). However, the discussions were allowed to develop their own momentum. Probing questions were posed to clarify information and to gain deeper understanding of the additional matters that were raised voluntarily by the interviewees.

Based on the eleven questions discussed elsewhere (Snijder 2007), six in-depth interviews were held with representatives from the public and private entities, the project financiers, as well as the regulating body. The interviews were held at the offices of the various organisations in Vanderbijlpark, Pretoria, Midrand, and Johannesburg. Discussion notes were taken during interviews and discussions were restricted to about two hours per session. Documentation

obtained during the interviews, such as minutes of meetings, correspondence, and contracts was used to verify and substantiate statements made and explanations given for actions taken during the course of the project. Interview results were organised according to a draft case study report guide which became the basis for the following section of this paper.

Research Objectives:

- To describe the municipal service delivery context, with specific reference to the water services sector (the context refers to both the legislated and institutional environments);
- To assess the understanding of key concepts underpinning the PPP market, such as cost-benefit (value-for-money) and risk transfer;
- To provide an analysis of the experience at local government level of the regulative framework for PPPs;
- To define the water services environment and provide a municipal perspective on service delivery challenges in relation to legislated requirements; and
- To identify success factors where PPPs were implemented at local government level.

Research results

Emfuleni Local Municipality (ELM) is the southern-most municipality in Gauteng province, situated in what is commonly known as the Vaal Triangle and is one of three municipalities in the Sedibeng District. It was established in 2000, following the amalgamation of the municipal administrations of Vereeniging, Sasolburg, and Vanderbijlpark into a single municipality after the demarcation of municipal boundaries.

According to the 2001 Census data (see Table1), ELM represents about 82% of the population in the district and 7% of the province's population (excluding the three Metropolitan Councils). The population is predominantly urban (99%), and Sebokeng and Evaton are the largest suburbs in the municipality with a combined population of about 500,000, or 80,000 households.

Table 1. Population figures

Area	Population	Households	Urban Households
Gauteng Province [1]	1,698,650	447,148	427,470
Sedibeng DM	794,605	225,098	216,461
Emfuleni LM (ELM)	658,421	187,043	185,964

Source: Municipal Demarcation Board (2005)

[1] Excludes the population and household figures for the three Metropolitan Councils

According to DWAF (1997), ELM became the water service authority for its municipal area of jurisdiction in January 2003, after the responsible minister (Minister of Provincial and Local Government) declared his position The Water Services Act (Act 108 of 1997) (DWAF 1997), defines the responsibility of a water services authority as follows:

"*To progressively ensure efficient, affordable, economical, and sustainable access to water services*".

In response to ELM's severe financial constraints and in order to begin to address the substantial water services infrastructure challenges, its water services unit (Metsi-a-Lekoa), entered into a partnership with the joint venture (JV). The stated objective of the PPP was to achieve savings in the water supplied to the project area by Rand Water Board. Due to the substantial losses in the reticulation network and through domestic leaks, bulk water purchases cost the municipality the most, to which ELM sought a solution.

The JV proposed the installation of a pressure management unit on the main inlet pipe into the area that would reduce pressure during off-peak hours, thus reducing the amount of water lost through leaks in the network. Reduced water losses would mean a reduction in water supplied to the area by Rand Water Board, which in turn would result in a reduced water bill from Rand Water Board to ELM.

The PPP Agreement, which was drawn up with assistance from the now defunct MIIU, contains several clauses relating to the financial benefits of the Agreement that may accrue to the JV. The basis of the calculation of the savings is the projected baseline demand, calculated from an analysis of 10-year historical consumption, projected into the future for the five-year project period. The difference between the baseline and actual demand constitutes the savings – the efficiency gains – of which a capped percentage is due to the JV as a project reward, in return for the R5-million (approximately 625 000 US$) capital investment made towards the installation. The monetary savings to ELM during the first year of operation (in 2006), amounted to more than R27-million (US$ 3.4 million), of which approximately 15% was paid in fees to the JV.

The JV is contractually bound to operate and maintain the installation – a measure that would ensure that the installation is not merely an award-winning engineering intervention Operational staff spent about 60% of the time at installation monitoring the pressure management process and dealing with incidental repairs on the installation as well as to the reticulation network, among other tasks.

The installation of the pressure management unit revealed several system weaknesses unrelated to the installation of the unit but which caused service malfunctioning that affected consumers. During public meetings, the implications of the installation on services were explained and consumers were assured that it would bring about a general improvement in service. Although unanticipated, the technical corrective action that was required in order to deal with weaknesses in the infrastructure exposed through water supply pressure management improved not only service quality but also the health of the environment. In contrast, common objections to private participation in public service delivery, such as tariff increases, were unfounded in that the reduction in water losses reduced the fixed service charges to unmetered properties by about 46%, based on anticipated monthly savings in consumption (essentially the reduced volume of water lost through domestic leaks) of about 10kl per household.

Discussion and conclusions

The research questions that guided this study sought to determine the feasibility of municipal water service PPPs. The questions were influenced by the promulgated municipal PPP regulations in South Africa and the increasing pressure on local government to provide basic services to its citizens. While the enabling PPP environment was established less than 10 years ago, and only in 2003 with respect to the local sphere of government, this did not bar public institutions from engaging with the private sector for the delivery of infrastructure and services. In the water service sector, five PPPs were concluded well before the promulgation of the MFMA in 2003 and the finalisation of the regulations with respect to municipal PPPs in 2005. In fact, all

five PPPs were driven by the need for improved service delivery to end-consumers. The ELM project also did not have to comply with the regulations since it was initiated before these were promulgated. While the agreement is now governed by the MFMA, the entire process, from conceptualisation through to the conclusion of the agreement, was managed on the basis of ELM's internal supply chain management (SCM) policy.

The Emfuleni PPP is evidently different from the previous water service PPPs established under the auspices of DWAF. In fact, global experience of PPPs in the water service industry generally entails much larger contracts in the form of multi-year concessions. In stark contrast, the Emfuleni PPP was only a five-year R5-million contract. Every long-term concession referred to and discussed in the preceding sections has had to be altered and renegotiated for a variety of reasons. The South African PPPs were, without exception, affected by the expansion of the municipal boundaries at the end of 2000. While this provided the concessionaires with additional operational opportunities, it also revealed the contrasting service delivery environments; well-maintained and equipped towns (generally included in the concession area) on one hand and poorly serviced neighbouring townships and largely under-serviced settlements in remote rural areas on the other. Capital investments were, in some instances, absorbed by unintended maintenance and repair programmes necessary to bring the infrastructure to a functional standard conducive for cost recovery. Service delivery improvements through PPPs are, therefore, not without challenges. Concessions are dependent on cost recovery and the current poor service payment level (the national municipal service debt is estimated at R23-billion ≈ US$ 2.9-billion) is a hindering factor in the promotion of municipal water service PPPs. A formidable risk is placed on the private sector partner when there are vast differences in water service infrastructure within the same municipality, which is compounded by uncertainty about cost recovery. Ironically, where the prospect of cost recovery is the least, capital investment in services infrastructure is required the most. In this context, long-term contracts by their very nature are more susceptible to material changes in the environment and, therefore, require greater contract and relationship management experience.

Trust precedes collaboration and is fundamental to the partnership concept. The signatories to the EMF partnership recognised that trust was an indispensable element to the agreement. Unlike standard procurement contracts, a PPP seeks to extract mutual value through a collaborative partnership. The EMF PPP was perhaps unique in that the private sector partner had the advantage of prior contract experience with the municipality. Nonetheless, collaboration implies a shared appreciation of the task at hand and a common perspective on the anticipated outcome. Without trust and commitment, any PPP runs the risk of being derailed by conflicting understanding of the intended outcome, even when based on the detailed contractual regulations imposed by National Treasury, and paralysed by legal disputes and litigation.

In this regard, the EMF PPP has demonstrated the importance of reliable base-data to justify the partnership. Although not explicitly stated, the PPP was an important intervention towards achieving the KPIs set by DWAF and National Treasury. The former was concerned with operational inefficiencies that led to the recurring 'uncontrolled' discharge of untreated waste water into the Vaal River while the latter demanded a measurable improvement in its financial standing through improved management systems. Both objectives were achieved through the partnership in, as far as its activities were able to influence, the KPIs. While this may also have been possible under a more comprehensive concession, the specific definition of its focus and the demarcation of the project area were consciously directed by Emfuleni at achieving the external objectives. The appropriate transfer of risk to the private sector partner and the concomitant financial reward were essential to the achievement of the first year's results. The JV would not have engaged in this partnership if it did not make business sense. While it may be true that there is an element of intuition in any partnership agreement, it is equally imperative that all known factors are considered prior to the signing of the contract. This links back to the relationship of trust; the JV had access to critical information for the determination of its business

case and it shared technical data with Emfuleni for the calculation of the cost savings. The role of the independent auditor was critical in ensuring that the public institution remained objective in its assessment of the proposals from the private sector partner.

The complexity of the water services industry has contributed to the limited appetite for municipal PPPs. Consolidation of the management of water service infrastructure under newly appointed water service authorities and the reassessment of the water services provider mechanisms (through the section-78 mechanism) flowing from these changes have created a considerable degree of uncertainty. Poor cost recovery, again, is having an exacerbating effect on this environment. In this context, the EMF PPP succeeded in identifying a smaller aspect of the water service function, thus avoiding the lengthy section-78 assessment and circumventing the negative impact of consumer debt on the viability of the partnership. It also circumvented detractors from raising concerns about providing public services through private, profit-driven means.

A constricted economic climate in the UK facilitated the establishment of a PPP market. In contrast, while the South African economy has benefited from increased government spending on infrastructure, it has hampered the establishment of water service partnerships at the local level. Concessions, such as the Nelspruit and Dolphin Coast contracts, are generally developed in order to attract (additional) investment capital for service delivery. National government has committed substantial funding to the expansion of basic services infrastructure, especially in under-serviced areas. In addition, it has allowed for free basic services through special budget allocations from national revenue sources. This has already led to problematic role allocations between the public and private parties where the public institution assumes most of the infrastructure development costs, leaving the private sector partner with limited financial risk. In one sense, the active participation of national government in the funding of infrastructure refutes the purpose of PPPs. The Emfuleni PPP seems to suggest that targeted investments linked directly to localised and distinctly identifiable service delivery challenges (improvement opportunities) have a greater chance in succeeding in relation to the delivery of water services. Moreover, funding for such interventions are generally dependent on independent financial resources. Such interventions are, therefore, at a greater risk of being neglected by municipalities with detrimental effects on service delivery in general and specifically on the realisation of citizen rights with respect to access to basic services.

This case study has identified several opportunities and constraints with regard to the implementation of small-scale PPPs at the municipal level. With a view to enhance the existing opportunities and address the current constraints, the following lessons are put forth:

Key Lessons Learned:

- The need for National Treasury regulations to: distinguish between small and large-scale PPPs, and provide municipalities with greater autonomy over the implementation of small-scale PPPs based on municipal supply chain management policies already in force. This will simplify the procurement process. A small-scale contract could be defined in terms of the investment value and contract duration.

- The need to change current perspectives on municipal PPPs – long-term leases and concessions – to include practical and quick-win service delivery solutions. In this manner, PPPs will be able to circumvent much of the detracting debates and offer valuable technical and management support to public institutions, which ultimately improve service delivery to citizens.

- The need to provide surety to private sector partners in small-scale projects, through enforcement of financial accountability in accordance with the PPP agreements. Unsolicited favours and financial mismanagement in local government have a negative impact on the appetite for and viability of municipal PPPs.

- The need to pursue water savings projects in every municipality as a means to improve their financial sustainability. This will also reduce the substantial losses of scarce natural resources. Water savings projects benefit all citizens.

- The need to develop a financing model for small-scale water service PPPs that would facilitate access to investment capital to expedite the implementation of technological solutions with substantial financial benefits to municipalities. The capping of the reward paid to the private sector partner needs to be capped in accordance with the risk it carries during the contract period.

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Author's Biography

Professor Pantaleo D. M. Rwelamila graduated in Building Economics – ARI/UCLAS, DSM, Tanzania. He has a Masters Degree in Project Management from Brunel University, London, UK and a Ph.D. in Project Management and Procurement systems from the University of Cape Town. Professor Rwelamila is a Professor of Project Management at the Graduate School of Business Leadership (GSBL), University of South Africa (UNISA) and the current President of The South African Council for Project and Construction Management Professions (SACPCMP). Professor Rwalemila is involved with several organizations and consulting firms, and has worked in a number of countries, including Tanzania, Kenya, Uganda, Botswana, Zambia, Australia, United Kingdom and Sweden.

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Frank Snijder obtained a Masters Degree in Anthropology from the University of Johannesburg and a Masters Degree in Business Leadership (MBL) at the SBL, University of South Africa (UNISA). He has since been engaged in a wide range of developmental projects in various sectors, including the agricultural and water services sectors. Frank Snijder is the Operations Executive at PSU International, a South African private firm which operates in the public services and utilities industry. Prior to joining PSU International he has worked as an independent consultant engaged by the British DFID to manage the implementation of service delivery projects in collaboration with provincial, regional, and local authorities in the Mpumalanga Province (South Africa) and participated in the debate for free basic services for poor communities and the right to access to basic services to secure their livelihoods. He also participated in several social impact studies in South Africa and Swaziland to support the establishment of small-scale farmers on communally held land and has had a keen interest in developing appropriate mechanisms for the implementation and management of service delivery infrastructure at the local level.