

JOB CREATION AT LOCAL GOVERNMENT LEVEL: ROLE OF PUBLIC-PRIVATE PARTNERSHIPS

Thupi Zacharia Mokhatla, BA Ed, Hons BA, MSc.

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Supervisor: Mr T P Venter

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Lord, I know you will never stop being merciful to me. Your love and loyalty will always keep me safe (Psalms 40:11)

DEDICATION

To my lovely wife Marina, son Matsoso and beautiful daughter Rakgadi Tsoakae

ABBREVIATIONS

ANC	:	AFRICAN NATIONAL CONGRESS
BOT	:	BUILD OPERATE TRANSFER
COSATU	:	CONGRESS OF SOUTH AFRICAN TRADE UNIONS
CPI	:	CONSUMER PRICE INDEX
DA	:	DEMOCRATIC ALLIANCE
DBSA	:	DEVELOPMENT BANK OF SOUTHERN AFRICA
FEDUSA	:	FEDERATION OF UNIONS OF SOUTH AFRICA
GEAR	:	GROWTH, EMPLOYMENT AND REDISTRIBUTION STRATEGY
GGP	:	GEOGRAPHIC GROSS PRODUCT
GNUC	:	GREATER NELSPRUIT UTILITY COMPANY
IDP	:	INTEGRATED DEVELOPMENT PLANNING
IMATU	:	INDEPENDENT MUNICIPAL AND ALLIED TRADE UNION
KOSH	:	KLERKSDORP - ORKNEY - STILFONTEIN - HARTBEEFONTEIN
LDO	:	LAND DEVELOPMENT OBJECTIVES
LED	:	LOCAL ECONOMIC DEVELOPMENT
MIIU	:	MUNICIPAL INFRASTRUCTURE INVESTMENT UNIT
MSP	:	MUNICIPAL SERVICES PARTNERSHIPS
NACTU	:	NATIONAL COUNCIL OF TRADE UNIONS
NBI	:	NATIONAL BUSINESS INITIATIVE
NER	:	NATIONAL ELECTRICITY REGULATOR
RDP	:	RECONSTRUCTION AND DEVELOPMENT PROGRAMME
PHB	:	PROVINCIAL HOUSING BOARD
PPP	:	PUBLIC PRIVATE PARTNERSHIP
SALGA	:	SOUTH AFRICAN LOCAL GOVERNMENT ASSOCIATION
SAMWU	:	SOUTH AFRICAN MUNICIPAL WORKERS UNION

UCDP : UNITED CHRISTIAN DEMOCRATIC PARTY

VIP : VENTILATED IMPROVED PIT LATRINES

ABSTRACT

The problem of unemployment and poverty has reached alarming proportions in South Africa. It is exacerbated by the closing down of mines and related firms, as well as retrenchments of mineworkers particularly in the KOSH area. Public sector alone cannot cope to create job opportunities.

The redemarcation of local government boundaries has increased both the number of people and the size of municipalities. This means municipalities are facing challenges of extending essential services to previously disadvantaged communities. Municipalities, in the same breath, do not have the financial capacity to ensure provision of quality services and acceptable levels of services.

The purpose, therefore of this study, is to investigate a possible solution to these problems. The 1998 White Paper on Local Government enables municipalities to make use of various options of service delivery. The Municipal Systems Act 32 of 2000 also stipulates that municipalities may use various options i.e. internal or external mechanisms in the provision of services. The Constitution of the Republic of South Africa, Act 108 of 1996, gives an obligation to municipalities to provide services to all communities on a sustainable basis. This simply means whether or not the municipality has development capital, services have to be provided.

The KOSH area municipality is faced with enormous challenges in respect of unemployment as well as infrastructural development and service delivery backlogs. The solution to this problem, in the light of financial constraints facing municipalities including KOSH, is the consideration of public private partnerships (PPP's).

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CHAPTER ONE : INTRODUCTION

1.1 PROBLEM STATEMENT

In recent years calls have been made by different sectors and fora unto the government to create job opportunities. It has become evident that government alone cannot cope with the ever increasing percentage of unemployment. Job creation requires a concerted effort of various stakeholders including local government.

Local Government as the sole sphere of government closest to the people can and should play a pivotal role in the creation of job opportunities. A high rate of unemployment impacts very negatively upon the tax bases of municipalities. Local government alone cannot and will not successfully reduce the high rate of unemployment. The closing down of mines, business etc, coupled with retrenchments and right sizing add more problems to the current situation.

Job creation at local government level can best be achieved through public- private partnerships, sometimes referred to as Municipal Services Partnerships. The Public private partnership concept is perceived by many stakeholders (viz. local government councillors and labour unions) as another form of privatization that would accelerate the already high rate of unemployment. Both public and private sectors cannot resolve the unemployment problem as separate entities. Therefore, there is a need for them to work together in partnerships to create job opportunities.

Public-private partnership is a relatively new concept on local government level which has been piloted for the first time in South Africa in Nelspruit in the Mpumalanga Province (NBI, 1999). In the light of closing down of industries, businesses and mines and the resultant retrenchments, Public private partnerships will have to be considered seriously in job creation strategies at local government level.

There is, however, a daunting challenge facing local government in bringing together all interested parties in well structured Public private partnership as well as managing the process.

The following questions point to the nature of the problem:

- ▶ What is a public-private partnership in the context of a changing local government environment?
- ▶ How did the Nelspruit Public private partnership develop?
- ▶ Are public private partnerships the best vehicle to create job opportunities on local government level?
- ▶ How can public private partnerships be structured to make them relevant, efficient and sustainable?
- ▶ What will the process requirements be to establish public private partnerships in the KOSH area (Klerksdorp, Orkney, Stilfontein and Hartbeesfontein)?

1.2 AIMS

The aim of this study is to investigate public-private partnerships as job creation vehicles by addressing the following:

- ▶ To investigate the origins and theoretical background of public private partnerships in local government;
- ▶ To investigate the Nelspruit public private partnership project as a case study in creating a public-private partnership;
- ▶ To analyze whether public private partnerships are viable and sustainable vehicles for job creation opportunities;
- ▶ To determine the most efficient process to involve all stakeholders in a process to establish public private partnerships;
- ▶ To develop a process suitable for the development of public private partnerships in the KOSH area.

1.3 CENTRAL THEORETICAL STATEMENT

Public-private partnerships will provide a new avenue of job creation in local government.

1.4 METHOD OF INVESTIGATION

Two methods of investigation will be used in this study. A literature study will be done to establish the background and theoretical base to public-private partnerships. The literature study will include an analysis of all the relevant legislation and government policy documents on Public private partnerships at the local government level. An empirical study will then be undertaken through individual, structured interviews with the relevant role-players in the establishment of Public private partnerships. Interviews will be conducted with the top two officials of each of the following:-

- ▶ KOSH Municipality
- ▶ The Southern District Municipality
- ▶ Provincial government (Department of Local Government)
- ▶ Organised business (including black business forums)
- ▶ Civil engineering fraternity
- ▶ Organised labour
- ▶ Political parties (three major political parties in the North West Provincial Government)
- ▶ Financial institution

The purpose of these interviews will be to establish the views and minimum requirements for putting together a Public private partnership, given the advantages and disadvantages. The Nexus database was reviewed and no similar study has been completed or is in progress at this stage in South Africa.

1.5 CHAPTER ORGANISATION

Chapter two presents a historical overview and theoretical background to public private partnerships. Municipalities around the world face enormous challenges of providing quality and acceptable services to their citizens in an efficient and effective way. This chapter argues that public private partnerships should be used by municipalities as an avenue of creating job opportunities.

Chapter three gives an analytical overview of Nelspruit's case study on public private partnerships. The Nelspruit Water and Sanitation Services concession is very prominent due to its complexity and groundbreaking nature. This case study offers significant lessons about the best practice, opportunities, challenges and problems around public private partnerships for municipalities in South Africa.

Chapter four presents a profile of KOSH in respect of socio-economic conditions as well as the status of the physical infrastructure with a particular reference to water and sanitation services. The purpose of this chapter is to indicate the extent of challenges facing the new Klerksdorp City municipality in respect of infrastructural and service provision backlogs.

Chapter five focuses on the relevant role-player's views and perceptions on the public private partnerships in creating job opportunities.

Chapter six concludes this dissertation and recommendations discussed in this chapter may help resolve unemployment as well as infrastructural development and service backlogs.

CHAPTER TWO: THE ORIGINS OF PUBLIC PRIVATE PARTNERSHIPS

2.1 INTRODUCTION

This chapter presents a theoretical background on the origins of public private partnerships. The Public private partnership concept at local government level is relatively new. In the light of closing down of mines and the resultant retrenchments, there need to be diversification of the economy especially in the Klerksdorp-Orkney-Stilfontein-Hartbeesfontein (KOSH) area. Public private partnership is the best vehicle to create job opportunities on local government level. The fact that municipalities are constitutionally obliged to deliver services and lack capacity to do so, the only possible way to deliver municipal services is to go into partnership with the private sector. The public private partnership is discussed in the context of integrated development planning as well as local economic development. The public private partnerships are looked at as a way of creating jobs for the unemployed people and not only as a way of providing municipal services.

2.2 BACKGROUND

The municipalities in South Africa are faced with enormous challenges in respect of service delivery i.e. new infrastructure and improving the existing infrastructure. These challenges have been brought about by a dramatic increase in the population and many citizens who were severely disadvantaged by apartheid.

Local governments around the world have come under tremendous pressure to provide more and better public services. This situation has increasingly "forced" local governments to look for partnership arrangements with the private sector to meet these growing demands. Municipalities around the world have entered into public private partnerships for a number of reasons including:

- ▶ To access outside sources of long term financing for infrastructure investment.
- ▶ To offer access to public services for residents previously unconnected to essential services
- ▶ To reduce operating and maintenance costs for utilities and public services
- ▶ To access specialized sources of management expertise for specific services
- ▶ To access new and advanced technologies in environmental and information services
- ▶ To improve the quality of public services and levels of customer satisfaction

In the United States city of Indianapolis a management contract was concluded following a very difficult situation in 1994. It was overdue for a \$200 million rehabilitation of its sewerage collection and wastewater treatment system and the only available option to pay for it appeared to be through raising local property taxes (White, 1998:7). Businesses were already leaving the city to relocate in the suburbs citing property taxes as one of the main reasons. Instead of raising taxes the city analysed and then entered into one of the first management contracts in the US for the operation and maintenance of its White River wastewater treatment plant. In 1998 when the contract was in its fourth year it was projected that it would serve the city of Indianapolis in \$165 million over the five year life of the contract.

In Manilla, Philippines, with a population of 12 million people, the government faced a growing crisis in its water and sanitation sector during the late 1980's and early 1990's. In 1993 a study, which identified over \$2 billion of needed investments in water and sewerage system, was undertaken. Conditions reached a head in 1995 with the passage of the Water Crisis Act of 1995 accelerating privatisation of the Metropolitan Waterworks and Sewerage System (White, 1998:14). Since then, The Phillipines had achieved considerable success attracting more than \$ 15 million of new private investment in its power, transportation and telecommunications.

It is quite clear that in South Africa, the capacity of existing infrastructure cannot cope with dramatic population increases. Economic decline in the form of slump in the business

environment as well as closure of mines has resulted in high rate of unemployment and poverty. Municipalities are as a result of unemployment adversely affected in respect of non-payment of services.

It is a constitutional obligation for local government to provide services to communities in a sustainable manner and to promote social and economic development (Act 108 of 1996).

It is evidently clear that the traditional way of financing municipal infrastructure cannot cope with the investment needs dictated by the current infrastructure backlog. Municipal infrastructure such as water supply and waste water treatment is key element of the overall infrastructure challenge. Commercial banks, in the same breath, are not interested in long term projects that depend for their viability on the goodwill of local level politicians (Leigland and Thomas, 1999).

The international trend is that many countries responded to the challenges facing local government by involving the private sector in service delivery. The Public private partnership concept at local government level discussed in the following sections is relatively new in South Africa.

2.3 WHAT ARE PUBLIC-PRIVATE PARTNERSHIPS

2.3.1 DEFINITION

The concept Public-Private Partnership can be defined as a contractual relationship where a private party takes responsibility for all or part of a department's functions. This contractual relationship can even involve partial or complete transfer of staff and other assets and resources. When the Public-Private Partnership concept is applied at the local sphere of government it is referred to as a Municipal Service Partnership (Sindane, undated:1). For the purpose of this dissertation the Public-Private

partnership is meant or intended to be at local government sphere.

It would therefore entail a contractual agreement between a municipality and a service provider. A service provider could be a public body, a private company, a non-governmental organization or even a community based organisation (Department of Constitutional Development, 1999).

2.3.2 TYPES OF PUBLIC-PRIVATE PARTNERSHIPS

The Public-Private Partnership at the local government level or Municipal Service Partnership must not be seen as an end in itself but as one of the means available to councils (Municipal Services Partnerships, 2000:11). It is contended that the Municipal Service Partnerships are aimed at service provision with greater flexibility. Municipal Services referred to here are those identified in schedule 4b and 5b in the Constitution (Act 108, 1996). Such a contractual agreement between a municipality and a service provider may take any of the following forms:

2.3.2.1 Service Contract

A municipality pays an agreed fee to a service provider in order to manage a particular aspect of a municipal service. Meter reading and cleaning of building for instance, are very good examples of a service contract.

The duration of the contract is normally shorter ranging from one to three years. Municipalities must begin to engage community based organisations and non-governmental organisations in this form to ensure that capacity and experience are developed.

2.3.2.2 Management Contract

In the management contract, the service provider is invited to take over the responsibility for the overall management of a municipal service. The responsibility to finance the operating, maintenance, repair of capital cost of the service lies with the municipality (Municipal Service Partnerships, 2000:11). A municipality pays a fee to a private company for assuming overall responsibility for operating and maintaining a service delivery or system, allowing it the freedom to make day to day management decisions (Jackson and Hlahla, 1999:569). Management contracts are typically five year agreements.

2.3.2.3 Lease

The municipality's operating assets are leased to the contractor. At the same breath, the service provider is responsible for operating, repairing and maintaining those assets. The service provider pays the municipality rent for the facilities, and could also be responsible for the collection of tariffs from the serviced consumers and therefore assuming the collection risk. In the lease contract, it is not the responsibility of the service provider for making any new capital investments or for replacement of the leased assets. The typical duration of lease contracts is between eight and fifteen years.

2.3.2.4 Concession contract

The service provider undertakes operation and maintenance, finances investments in respect of fixed assets and provides working capital. Assets

are usually transferred to the service provider for the duration of the contract. Ownership of assets vests on the municipality and must be transferred back to the municipality in the condition specified in the contract. Due to high capital costs involved, concession projects are designed to generate sufficient income to cover the service provider's investment and operating costs with an acceptable rate of return. Examples of concession contracts that are relatively recent are the Dolphin Coast and Nelspruit. In the concession contract the municipality plays a regulatory and oversight roles, collecting and retention of service tariffs as well as assuming collection risk are undertaken by the Contractor.

The municipality receives a concession fee for this kind of arrangement which focusses on operating and financing the expansion of existing system components (Jackson and Hlahla, 1999:569). The typical duration of concession contracts is between twenty and thirty years.

2.3.2.5 Build-operate-transfer (BOT)

The service provider designs, builds, manages, operates, maintains and repairs at its own expense, a facility to be used for the delivery of a municipal service. The facility is then transferred to the municipality at the end of the contract. A BOT requires the municipality to pay the private company a fee which may include performance incentives for services provided but leaving the responsibility to collect tariffs with the municipality (Municipal Service Partnership, 2000:11). The typical duration is between fifteen and thirty years.

2.3.2.6 Corporatisation

It occurs when a municipality forms a separate legal corporate entity in order to manage municipal service provision. The entity or enterprise is owned by the municipality but operating it according to business principles. This could take a form of a utility company or a section 21 company. East Rand Water in the Greater Eastrand Metropolitan Municipality is a good example of corporatisation.

2.3.2.7 Public-Public Partnerships

It occurs when a municipality enters into contractual agreement with another public entity for municipal service provision. There are many examples of this partnership in South Africa.

2.3.3 PUBLIC-PRIVATE PARTNERSHIPS IN RELATION TO INTEGRATED DEVELOPMENT PLANNING (IDP'S)

The constitution of the Republic of South Africa gives local government a status of a sphere of government. The sphere of local government is distinctive, interdependent and interrelated to both National and Provincial spheres of government (Act 108, 1996). This sphere consists of municipalities which have the right to govern, on its own initiative, the local government affairs of their communities, subject to both national and provincial legislation.

In terms of section 36 of the Municipal Systems Act 32 of 2000, a municipality must give effect to its integrated development plan and must also conduct its affairs in a manner that is consistent with its integrated development plan.

Municipalities are constitutionally bound to development duties, this means they must structure and manage their administration and budgeting and planning processes to give priority to basic needs of the community and to promote the socio-economic development of their Communities (Act 108, 1996: Sec. 153). Clearly this section becomes relevant in respect of integrated development planning.

The nature of challenges facing municipalities explicitly dictate that they undertake their business in a holistically and strategically manner. Integrating infrastructural development would ensure optimal utilisation of scarce resources. It is argued in this dissertation that increased responsibilities of local government will help provide a new avenue of job creation at local level. It is further contended that this can be achieved through public-private partnerships in the light of the fact that local government alone cannot cope with the current backlogs in respect of municipal services.

The concept of public private partnerships should therefore be seen in the context of integrated development planning, where the planning process takes a range of sectors, development activities and actors into consideration. The integrated development plan should not only be seen to be dealing with the legacy of apartheid of overwhelming backlogs, structural imbalances and a financially and administratively strained state, but breaking with the past.

2.3.4 PUBLIC PRIVATE PARTNERSHIPS IN RELATION TO LOCAL ECONOMIC DEVELOPMENT

In the foregoing section it is argued that public-private partnerships should be seen in the context of integrated development planning. Quite clearly integrated development planning is aimed at the development of local areas. It is argued that, in the implementation of the IDP, there is no point why the involvement of the private sector

in municipal service provision should not be directly linked to the local economic development. It is further argued that the development of localities will result in less unemployment and more employment opportunities to eradicate abject poverty.

The capacity and resources of municipalities will be tested in their efforts of dealing with backlogs in municipal services. These challenges will provide job opportunities especially public-private partnerships.

The involvement of the private sector in trying to meet these challenges will be a positive step to creating job opportunities. Municipalities are duty bound to lead in generating courses of action in which job creation and economic growth are promoted.

2.3.5 PERCEPTIONS ABOUT PUBLIC PRIVATE PARTNERSHIPS

There is debate around the potential and involvement of the private sector in the delivery of municipal services. Mankind tends to be more comfortable with the known than the unknown. Reality is that improving and expanding municipal services to millions of South Africa's citizens will need the involvement of various service providers and municipalities.

According to Jackson and Hlahla (1999:258) a typical response from critics might be as follows:

“the price will rise, quality will fall, jobs will be lost, the poor will not be serviced and excessive profits will be made from a monopoly, which will go unchecked because of corruption.”

The points raised above must not at all be taken for granted as they have some validity

and the negative results which might have happened elsewhere. Later, in this dissertation, a recent case study will be reviewed in respect of points of concern raised above.

It is a fact that there are problems encountered where the service provider is a private sector or even where the service provider is a public sector. It is possible that the private sector does certain things better than government, and government at the same breath does certain things better than private sector and so is the case with non-profit or voluntary organisations.

The following are some of perceptions various sectors have about public private partnerships:

2.3.5.1 Perceptions at government level

The 1998 White Paper on local government states very clearly that it is the municipality's responsibility to ensure that services are provided. The White Paper further states that municipalities could make use of a range of service delivery options. It is the primary argument of this dissertation that public private partnerships will provide a new avenue of job creation in the local sphere of government. The provision of municipal services through public private partnerships will have spin offs to alleviating high unemployment rate as well as poverty eradication. Public private partnerships at local government level will lead to the establishment of business particularly small businesses and a whole range of industrial and commercial activities. These businesses will subsequently create job opportunities for the people and as they expand they will take in more unemployed people.

2.3.5.2 Perceptions at labour movement level

There is concern about the potential for job losses in a service taken over by the private sector. Labour movement's view is that the public private partnership concept is another form of privatisation. It is true that in some instances overseas public sector workers got retrenched following a public private partnership agreement. Notable is the Management Contract in Indianapolis rehabilitation of its sewerage collection and waste water treatment system. The Section in question had 512 city employees and the contractor only needed to line 305. However, the city honoured its commitment to find other jobs for the remaining 207 employees (White: 1998).

Jackson and Hlahla (1999:259) maintain that public private partnerships under consideration in South Africa are driven by the need to expand the service. This would mean an increase in employment for building, operating and maintaining enlarged systems and services. This further means the situation where jobs will be lost is far less likely and it must not be allowed to happen at all in South Africa.

2.3.5.3 Perceptions at financial level

The public private partnerships are under normal circumstances established so that finance can be raised for extending services. It is therefore of great significance that bidding documents and contract documents must be clear in respect of what system or service expansion is required as well as time frames. It is also important that proper planning be conducted before any deals are concluded. This will ensure that extension

of the system or service will not result in unaffordable user charges. This exercise will also ensure that the agreed levels of service may not be as high as those demanded by the people or promised by local level politicians but levels of service must represent best value for money in the name of affordability.

In a public private partnership, poor service, for instance, could be a breach of contract and the costs of proper operations and maintenance would need to be raised by the service provider through sales of course. The reason for this under a new arrangement would obviously be to cover the investment needed to expand the service or system. It is thus very crucial for municipalities opting for the public private partnership route to determine what improved level of service and what rate of improvement and or expansion consumers will be able to afford when the investment is translated into the price of the service. Financial modelling of future scenarios is significant to determine whether the municipality's aspirations will generate price increases that are simply not affordable which will result in political turmoil.

2.3.5.4 Perceptions at civilian level

This is an area that has not been explored fully and it is the intention of this dissertation to extensively explore this area. The critical question is do the unemployed people have to be choosers of jobs created either by the public or private sector? The civilians need to speak out now, for they have been represented by the unions for a long time in this regard. It is an undeniable reality that government alone cannot cope in creating jobs alone. The primary argument of this dissertation is that private sector participation in

infrastructural development and municipal service provision is one of the vehicles that must be used to create job opportunities, enhance economic growth and reduce poverty.

2.4 SOUTH AFRICA'S GOVERNMENT POLICY FRAMEWORK

Section 40 of the Constitution of South Africa clearly stipulates that government (in the Republic) is constituted by three spheres of government which are distinctive, interdependent and interrelated. It would therefore be myopic to regard municipalities as islands of power disconnected from both the provincial and national framework. Municipalities country-wide are expected to fulfil their duties under three broad policy frameworks and a plethora of pieces of legislation.

2.4.1 The first policy framework is the Reconstruction and Development Programme (RDP) which is an integrated, coherent socio-economic framework. It aims at mobilising all the people and the country's resources to the final realisation of a democratic, non-racial and non-sexist future.

RDP views the developmental role of local government as that of integrating areas which were racially divided before and as that of meeting basic needs i.e. providing and maintaining infrastructural services.

2.4.2 The second policy is the economic strategy known as Growth, Employment and Redistribution Strategy (GEAR). In a nutshell municipalities are encouraged to take initiatives, when planning, which will enhance the participation of private sector through investment particularly in municipal infrastructure.

2.4.3 The third policy is the White Paper on Local Government which emphasises the

municipality's responsibility to ensuring that services are provided. This policy document further encourages municipalities to make use of a range of service delivery options. These include management contracts, concessions and leases. It is of utmost importance, therefore, that municipalities should adhere to the following principles stipulated in the White Paper when they consider service delivery options:

- ▶ **Accessibility of service:** Municipalities must ensure that all citizens have access to at least a minimum level of service.
- ▶ **Affordability of Services:** Municipalities should ensure affordability through setting tariffs which balance the economic viability of continued service provision and the ability of the poor to access service and determine appropriate service levels.
- ▶ **Quality of products and services:** irrespective of the delivery mechanism, municipalities remain accountable for ensuring the provision of quality services which are affordable and accessible.
- ▶ **Integrated development and service:** municipalities must adopt an integrated approach to planning and ensuring the provision of municipal services. Municipalities should take into consideration the economic and social impacts of service provision in relation to municipal objective such as poverty alleviation, spatial integration and job creation through public provision.
- ▶ **Sustainability of services:** Ongoing service provisions which is financially viable, that is environmentally sound and socially just use of resources.
- ▶ **Value for money:** best possible use of cost of inputs and the quality and value of the outputs.
- ▶ **Ensuring and promoting competitiveness of Local Commerce and industry:** The job generating and competitive nature of commerce and industry must not be adversely affected by higher rates and service charges on industry and commerce in order to subsidise domestic users.

On the basis of RDP principles discussed above, the National Framework Agreement was signed in 1996 by the South African Government of National Unity, the Federation of South African Labour Unions, Congress of South African Trade Unions and the National Council of Trade Unions. The primary purpose was to establish an agreed process based on stated objectives and principles amongst the parties in respect of restructuring state assets (National Framework Agreement 1996). Some of the objectives of restructuring include: to increase economic growth and employment; meeting basic needs, improvement of the quality and delivery of affordable services; infrastructural development by mobilising and redirecting private sector capital etc.

Subsequent to the above, a breakthrough agreement on Municipal Services Partnership (MSP) was signed in December 1998 (SALGA VOICE, 1999). This agreement signed by the Government, South African Local Government Association (SALGA) and Congress of South African Trade Unions (COSATU) represented a major success between government (Local Government) and the Labour movement on municipal services restructuring. The main purpose of this agreement was to put in place the necessary framework in ensuring that municipal services partnerships take place in an orderly fashion. In fact, it puts emphasis on building the capacity of municipalities as the preferred service providers and allows for private sector participation in municipal service delivery if the municipality lacks the capacity to provide services on its own.

Included in the agreement is the following basic guidelines on private sector involvement in municipal service provision:

- ▶ adherence to environmental standards;
- ▶ proper monitoring of contracts;
- ▶ measures to ensure that private companies do not exploit local residents

- ▶ protection of worker's conditions of service and health and safety standards.

It cannot be over emphasized that private sector participation in municipal service provision does not absolve the responsibility of municipalities to provide services to local residents.

One of the most important policy document to flow from the White Paper on Local Government is the White Paper on Municipal Services Partnership. The White Paper: Municipal Service Partnership is aimed at creating policy environment that enhances the viability and feasibility of MSP or municipal Public private partnerships. Thus creating conditions in which private investors will be confident enough to put money into public infrastructure. The White Paper seeks to address the gaps and constraints in the existing legal and regulatory environment in respect of utilisation of MSP's and how such anomalies could be remedied.

The White Paper seeks briefly to streamline legislation that affect MSP's such as the Water Services Act that authorises the Minister of Water Affairs and Forestry to set norms and standards for water service tariffs; the Electricity Act which authorises the National Electricity Regulator (NER) to issue licences to municipalities to distribute electricity.

2.5 CONCLUSION

The public private partnership at local government level is a relatively new concept. Local governments around the world have come under tremendous pressure to provide more and or better services. Municipalities around the world opted for private sector participation for infrastructural development and service provision and for various reasons. In South Africa, municipalities alone are unable to provide funding in order to provide services on a sustainable

basis. Several types of public private partnerships are being utilised by local governments around the world depending on the specific needs. Public private partnerships have been discussed in the context of integrated development planning and local economic development. Perceptions do exist about the public private partnership at government, labour and financier levels. The area that needs to be fully explored is the perceptions of civilians about private sector participation in municipal service provision and infrastructural development with a view to creating job opportunities.

CHAPTER THREE: NELSPRUIT - A CASE STUDY IN PUBLIC PRIVATE PARTNERSHIPS

3.1 INTRODUCTION

The origins, forms and perceptions about the public private partnerships have been reviewed in chapter two. The rationale of this chapter is to analyze one of the successful case studies of the public private partnerships. This chapter seeks to clearly analyze the Nelspruit concession arrangement with a view to learning important lessons about best practice, opportunities, challenges and problems around the public private partnership for consideration of a similar arrangement for Klerksdorp - Orkney - Stilfontein - Hartbeesfontein area. Public private partnerships are fast becoming an important part of service delivery in South Africa due to redemarcation of municipal boundaries which has led to much larger municipal populations that must receive adequate services.

3.2 BACKGROUND: NELSPRUIT CONCESSION CONTRACT

Nelspruit is the capital city of the province of Mpumalanga. This town used to display typical apartheid characteristics i.e. it was predominantly white with an Indian suburb, Valencia. The African population resided in Kanyamazane and Matsulu about twenty and fifty kilometers from Nelspruit respectively. Both areas were falling under the jurisdiction of then KaNgwane Bantustan. Clearly Nelspruit municipality had no service delivery obligations in those areas then.

In 1994 during the pre-interim phase of local government transition Kanyamazane and Matsulu were incorporated into the new Nelspruit municipality. This phenomenon drastically impacted negatively on the capacity of Nelspruit municipality to provide its "new" residents with essential water and sanitation services. Virtually overnight, Nelspruit's official population increased from 24 000 to 250 000 and the land area under its jurisdiction increased by over eight times (NBI

& MIU: 1999).

Various factors discussed below prompted Nelspruit municipality to consider a partnership with a private service provider:

3.2.1 Poor standards

The standard of service delivery in the former town of Nelspruit was acceptable and very good whilst in other areas consumers regarded services as substandard. The Department of Water Affairs and Forestry previously supplied water and a limited sanitation to Kanyamazane and Matsulu. Service delivery and billing in these areas were often unreliable and in some instances no water and sanitation services were provided (NBI, 2000:5). ~

3.2.2 Non-payment for services

The payment levels for services in Kanyamazane and Matsulu were very low just around twenty one and twelve per cent respectively. This situation led to significant losses. End-users did not pay for services due to a variety of reasons. A lot of consumers perceived services to be of an unacceptably low standard, billing was inaccurate and inconsistent. In addition to reasons mentioned earlier on, the political protests against apartheid in the 1980's and early 1990's established a pattern of non-payment which did not subside even though legitimate local government came into existence after general elections in 1994. Furthermore, consumers are extremely poor and find it difficult to afford water services (NBI, 2000:5).

3.2.3 Lack of funding

The incorporation of Kanyamazane and Matsulu into the former Nelspruit municipality, characterized by service backlogs and low payment levels increased the financial burden on the new municipality. The deteriorating financial position limited council's ability to address infrastructure and service challenges with its own resources. The council was not able to raise the capital funds required to upgrade existing services and to extend network to areas without services (NBI, 2000:5).

3.2.4 Urgency

The changes in local government boundaries effected in 1994 resulted in more than two hundred thousand people in the new municipal area without adequate water and sanitation services. Kanyamazane and Matsulu are both urbanized areas, the lack of potable water and inadequate sanitation system in these areas created unhealthy living conditions and the potential for serious waterborne diseases such as Cholera. Significant political pressures developed around the need for services so the challenge was to reconcile these with fiscal realities (NBI, 2000:5).

If the council attempted to provide the required services within its financial limitations the exercise would have taken about thirty years. Council just lacked the operational capacity and capital funds. In the meantime, expectations had already been raised that service delivery would be expedited under the new democratic dispensation. Under serviced areas were now represented on the council and obviously so, their councillors campaigned for the provision of services. Therefore, council faced a strong imperative to expand service delivery (NBI, 2000:5).

3.3 THE SIGNIFICANCE OF ROLE PLAYERS

In the preceding chapter it was pointed out that there are certain perceptions various stakeholders or sectors have about the public private partnership concept. It is significant therefore to analyze how Nelspruit municipality involved stakeholders in the public private partnership arrangement. A public private partnership conservatively or strictly implies at least two parties will be involved, but the Nelspruit experience highlights an important role of other stakeholders.

The role players mentioned and discussed below have been pivoted at different stages from conceptualizing and developing the project to steering it to implementation (NBI, 2000:1).

► **Council**

In 1996 Nelspruit council decided to investigate the possibility of private sector involvement in the provision of water and sanitation services due to its lack of funds and other resources. When this decision was taken council consisted of forty councillors i.e. twenty six were from the African National Congress led alliance and fourteen from different political parties. An important factor that contributed to the success of this project was the continuous drive and commitment of the then Mayor, councillor Isiah Khoza. He became the champion of the public private partnership. Another important factor was the support the Mayor got from his fellow councillors including an engineer councillor who was able to provide technical support to the negotiating team. Of critical importance, as the process unfolded, councillors developed a set of governance practices to keep the bidding process credible. They, for example, agreed not to socialise with various bidders and this really reduced chances for undue influence in decision making.

▶ **Technocrats**

The then Chief Executive Officer/Town Clerk Mr Roelf Kotze was instrumental in establishing the original initiative and maintaining the momentum of the process. He played a crucial role in mobilising the rest of the management team with specific reference to heads of departments of engineering, finance and legal services. This added technical oomph to the municipalities' negotiating ability.

▶ **Public**

The interests of the public were divergent given the apartheid history of the area. This scenario presented a challenge as the council needed to consult and involve the public in developing the public private partnership. A number of meetings was held to inform the public of developments and to receive their inputs. These meetings were intended to address aspects such-as need, affordability, financial sustainability, elimination of problem areas and the resumption of payment of services - which the community undertook to do. The Development Bank of Southern Africa played a pivotal role in assisting the council in conducting various public information sessions and the public private partnership was also discussed at subsequent community meetings (NBI, 2000:2).

▶ **Trade Unions**

There are two dominant trade unions in the Nelspruit municipality i.e. South African Municipal Workers Union (SAMWU) and the Independent Municipal and Allied Trade Union (IMATU).

IMATU members had no significant problems regarding public private partnership as long as their initial reservations were taken note of i.e. implications of the public private partnership for employment and conditions of employment.

SAMWU Nelspruit branch was consulted on several occasions and they at first had a few problems with the initiative but at the insistence of their head office, their problems became more critical. SAMWU at national level was in principle opposed to public private partnership challenging it at policy level. This situation made it difficult to reach an agreement in fact opposition delayed the process by at least eighteen months.

As negotiations were continuing, SAMWU highlighted the need to focus consultations on labour related issues rather than granting labour. Primarily labour was concerned with the implications of a new arrangement for its members. In fact, had negotiations been confined to this, specific concerns such as job losses, staff transfers or conditions of employment could have been addressed. This simply means the broader the scope of negotiations, the more the process becomes prolonged (NBI, 2000:2).

► **Development Bank of Southern Africa (DBSA)**

The DBSA played a leading role in conceptualising and developing the Nelspruit public private partnership. As a result of its involvement the Bank made available a loan of R3,3 million through its Investment Unit to begin with the investigation which included a socio-economic survey. The DBSA team undertook financial modeling, investigated alternative levels of service, liaised with stakeholders and technical experts and assisted with contracting and procurement procedures.

The DBSA's direct involvement was terminated after a request for proposals (RFP) had been compiled. The argument was that the Bank could not be both player and referee, hence adjudication process did not include them at all. The international team of consultants was selected to manage the bidding process, evaluate proposals etc.

The Municipal Infrastructure Investment Unit (MIIU) an institution located in the DBSA with its separate identity and mission to focus specifically on technical assistance

provided funding and technical advice. MIIU also acted as liaison between the project and national government stakeholders including the Departments of Finance and Constitutional Development (NBI, 2000:3).

▶ **Government department's involvement**

• **Department of Water Affairs and Forestry (DWAF)**

The involvement of DWAF dates back in the apartheid era when they provided water and operated the distribution networks in Kanyamazane and Matsulu areas. Their involvement was also as a result of Water Services Act no 108 of 1997 being the responsible authority as well as performing a regulatory function. The Water Services Act grants the Minister of Water Affairs considerable powers in tariff setting. This is a factor construed by potential private investors as an obstacle to private sector involvement in the provision of water and sanitation services.

• **Department of Constitutional Development (DCD)**

The role played by then Minister Moosa and Deputy Director General Dr Olver gave moral and financial support to the project. The Nelspruit project was deemed as very important to an extent that then Deputy President Thabo Mbeki was continuously kept apprised of the developments.

The Nelspruit negotiations also informed the Municipal Systems Act which forms the basis for future public private partnerships. This is one of the primary experiences shaping the regulatory role around the public private partnerships (NBI, 2000:4).

▶ **Consultants**

A number of consultants were used during the process, acting on behalf of the

municipality, the Development Bank of Southern Africa, the Municipal Infrastructure Investment Unit and the preferred bidder. South African and international experts covered legal, engineering and financial issues. The importance of consultants cannot be over-emphasised as the skills required in a public private partnership are varied and often highly specialised.

The appointment of a foreign based consultant to act as council's team leader was problematic. The team leader was unable to participate throughout the process due to the costs and timing issues associated with international travel.

3.4 THE BIDDING PROCESS

The White Paper on local government stipulates that local government may explore various options of service delivery and extensive consultation with relevant stakeholders must be undertaken. Municipal Systems Act no 32 of 2000 stipulates mechanisms for provision of services. A municipality may provide a municipal service in its area or part of its area through an internal or external mechanism (Municipal System Act 32, 2000: sec 76).

In August 1996 Nelspruit, due to various reasons discussed earlier on in this chapter, opted for a concession contract, as the best one to meet the challenges they were faced with. The concession contract entails granting a service provider the right to use, operate and maintain the municipality's existing and build new assets when necessary. This contract entails also risk sharing between the municipality and the operator as an incentive to the operator to manage the service more efficiently. Under normal circumstances a concession contract takes a long period of about thirty years. The rationale behind a longer period is to enable the operator sufficient time to recover costs and to limit the risk of sharp tariff increases in a shorter period.

3.4.1 Request for proposals

The Request for Proposals (RFP) was issued in December 1996 and provided to pre-qualified bidders at R1 000 per document. It contained background details and the information necessary for bidders to submit proposals. Unfortunately, the document had some deficiencies. The draft agreement was not included in the RFP and the final contract document was only developed at a late stage however, a detailed contract term sheet was included. Fact of the matter is that a full contract would have been more advantageous to the Council. It needs to be pointed out that such a draft contract had never been drafted previously in South Africa. Much of the contract language had to be negotiated page by page as a result (NBI, 2000:6).

3.4.2 Pre-Qualification Process

Eight companies were invited based on their expertise i.e. Aquafund, Biwater, Bechtel/LTA, Colechurch, General des Eaux, Murray and Roberts, SAUR and WSSA. Five of these companies submitted proposals and finally only three were considered i.e. Biwater, SAUR and WSSA. Adjudication was done with the aid of a representative from Valu Ad from the United States and with engineering financial and legal inputs from the firms BKS, Coppers and Lybrand and Edward Nathan and Friedland respectively (NBI, 2000:6).

A two-envelope system was used. The first envelope contained proposals of the bidder on technical solutions, community involvement and the empowerment of previously disadvantaged communities on one hand. The second envelope contained the financial proposal including the proposed tariffs. The envelope would only be opened with the Request for Proposals requirements and the prices were not disclosed publicly (NBI, 2000:6).

3.4.3 Awarding the Contract

Biwater ultimately became the preferred bidder and the contract was signed on 21 April 1999, i.e. eighteen months later. It needs to be pointed out the preferred bidder was not automatically awarded the contract for various factors of the proposal had to be first clarified. Certain financial aspects in the second envelope had to be first addressed, including the upward adjustment of the original price. The process was very lengthy as the Request for Proposal had not dealt with all aspects in sufficient detail.

There were suspensive clauses, all of which had to be met before financial closure could take place. These “conditions precedent” include aspects such as finalised shareholder agreement, operating agreement, lease agreement, DWAF asset transfer agreement, proof of insurance, all permits granted and necessary by-laws passed. All of these must be met or waived before the contract becomes effective.

3.4.4 Key factors

In April 1999, the Nelspruit municipality signed a thirty-year concession contract with the Greater Nelspruit Utility Company (GNUC) a private company jointly owned by British water operator, Biwater and local black empowerment firm, Sivukile Investments. The contract requires the rehabilitation and upgrading of existing facilities, the design, financing and constructing of new facilities as well as operation and maintenance of all facilities. Some of the key features of the Nelspruit Concession include:

- ▶ Greater Nelspruit Utility Company: 90 % owned by Biwater and 10 % by Sivukile Investments
- ▶ Preferred bidder must maintain 26 % shareholding
- ▶ Overall responsibility for operation and maintenance

- ▶ Capital investment (est. R370 million) in first six years
- ▶ 30 year concession, but assets remain property of council
- ▶ Performance guarantee of R8 million
- ▶ Contract implementation fee of R200 000 and annual concession fee of R1.25 million
- ▶ Annual CP1 increase, renegotiated after 5 years
- ▶ R11 million annual payment to lease existing water and sanitation systems (10 years) from council
- ▶ Leasing fees geared to debts on current systems

It must be realised that even if Nelspruit Council has contracted a private company to finance, construct, operate and maintain water infrastructure and services in town, the council remains responsible to regulate and monitor the performance of the operator.

The activities and performance of the private partner will be monitored by a special unit created by the Council, in accordance with the provisions of the contract and applicable legislation. Council will approve the tariffs levied for water and sanitation services. For example, if the contractor stops the supply of these services to a Nelspruit resident or violates any other of a host of performance rules, the council will investigate the circumstances and, as appropriate, levy penalties specified in the contract.

3.5 KEY CONSIDERATIONS

There are key issues that Nelspruit council considered when they were faced with a challenge of providing municipal services to areas that had limited or no water and sanitation services.

These issues are very critical to municipalities when considering a public private partnership in the provision of municipal services.

3.5.1 Legal issues

The Nelspruit Concession contract is legally complex but it was concluded in the absence of customised legal provisions and this compounded the problem. A number of statutory documents relevant to the public private partnership in Nelspruit are discussed below.

▶ **The RSA Constitution**

Section 40 (1) of the Constitution makes provision for three spheres of government which are interdependent and interrelated but also distinct. There is admittedly a hierarchical nature of dealing with the legislation passed by the different spheres of government. But, the expectations of local are clear that it would function as a sphere in its own right and not be subjected hierarchically to other spheres. Section 151 (2) of the constitution stipulates that each municipality may govern the local government affairs of its community on "its own initiative". In addition, section 156 (5) states that "a municipality has the right to exercise any power concerning a matter reasonably necessary for or incidental to the effective performance of its functions.

▶ **Local Government Transition Act**

The most important provision of this Act is section 10 G(7) (a) (ii) which stipulates that Council may by a majority of its members levy and recover levies, fees, taxes and tariffs in respect of any function or service of the municipality. In a situation where a municipality enters into a contract in terms of which on municipality's future decision-making powers are effectively taken away, such a contract could possibly be declared invalid.

This is clearly relevant to a situation where a municipality contractually engages

another party in the delivery of a municipal service. The fact is a council remains accountable and responsible for service delivery. It does not necessarily mean that a council has to actually deliver the service itself.

▶ **Water Services Act**

Section 19 (1) (b) of the water Services Act makes provision for a municipality (as a water service authority) to enter into contracts with private partners for the provision of water and sanitation services. Section 19 (2) provides that a municipality may only enter into a contract with a private sector water provider after all known public sector water service providers, willing and able to perform the relevant function, have been considered. This is a thorny issue and to a certain extent a matter of policy debate for the Water Services Act does not treat or regard public private partnerships as the first choice for municipalities and this could clearly be a disincentive for public private partnerships.

The ministerial powers involved have been the source of controversy. Section 19 (5) empowers the minister to set tariffs.

Critics argue that by allowing the minister to set tariffs for the industry at his discretion, the Act inhibits private partners and increases their risk. There have been indications that this provision has even discouraged some private banks from financing the Nelspruit concession. It is believed that has resulted in the Development Bank for Southern Africa being the sole loan financier (NBI, 2000).

▶ **Municipal Systems Act**

Chapter 8 of the Municipal Systems Act gives effect to the Constitutional obligations outlined in section 152 (1) (b) and 153 (b). The act requires a municipal council to evaluate and select the most appropriate methods of

ensuring delivery of its municipal services. Section 76 of Municipal Systems Act makes provision that a service may be provided through an internal or external mechanism.

The Act requires that the municipal services provided to residents and municipalities to be within the municipality's financial and administrative capacity. The municipality must ensure provision that is fair and equitable to all its residents and communities and of the highest quality service at the lowest cost. The municipality must further ensure that the mode of delivery must entail the most economical use and allocation of resources and be financially and environmentally sustainable.

Where a municipal council arranges for a municipal service to be provided through a service delivery agreement, the council remains responsible for ensuring service delivery. The council must regulate and monitor the provision of service and assets in the implementation of the agreement. The Council must further supervise the performance of the service provider and control the setting and adjustment of customer tariffs by the service provider.

► **Labour Law**

Several legal provisions broadly categorised as labour had to be considered i.e. Labour Relations Act no 66 of 1995, Basic Conditions of Employment Act no 75 of 1997, Employment Equity Act no 55 of 1998 and the Skills Development Act no 97 of 1998. These pieces of legislation affect employment conditions, staff transfers, bargaining and organised relations with labour. These issues will be discussed under human resource matters.

► **Contracts**

The Nelspruit Concession Contract is two fold. First, there is a contract between the Greater Nelspruit Utility Company (GNUC) and the municipality. It sets up the contractual arrangements for the management of water services by a utility with an identity separate from the municipality. GNUC is a private company jointly owned by British water operator, Biwater and a local black empowerment firm, Sivukile. This company acts as a concessionaire and is responsible for the services including operation, maintenance, management and capital investment. The second contract is between GNUC and Biwater, in terms of which Biwater becomes the effective operator of the assets on behalf of the GNUC.

Last, fixed assets remain the property of the municipality and must be returned by the contractor at the end of the concession period.

3.5.2 Technical aspects

A number of factors compelled Nelspruit council to go the public private partnership route. Council took a decision that it could no longer address the vast service backlogs in its new area which now includes, Kanyamazane and Matsulu, areas of former Kangwane Bantustan.

► **Upgrading and repair of existing infrastructure**

The existing infrastructure had long been neglected. This situation created consumer dissatisfaction, as a result, the repair or replacement of metres and pipes became a priority.

▶ **Installing new infrastructure**

Another key issue was the extension of water services network. It included modular extensions to the existing sewage treatment plants, the building of reservoirs and where necessary, water pressure towers, rising mains, trunk lines and internal reticulation. This total cost could not fall on the concessionaire, as it would have been difficult to provide these additional services to poor people while operating the service profitably.

The difficulty to provide additional services to the poor was addressed in a two pronged approach. The first approach involved the use of Rural Reconstruction Programme (RDP) grants from government institutions. Second, the council undertook to make available the benefits of its equitable share from the fiscus or pass it on to the concessionaire by way of consumer tokens for “purchasing” a service. In this way, the base cost of water services to consumers could be reduced.

All residents will have access to RDP level services within five years i.e. 200 m standpipes and Ventilated Improved Pitlatrines (VIP's). This is much sooner than envisaged under direct municipal provision. The levels of service will be upgraded as residents show willingness and ability to pay for higher service levels.

▶ **Operation and Maintenance**

It is a requirement of any Build, Own, Operate and Transfer (BOOT) agreement that the successful bidder has to operate and maintain both the old and the new infrastructure. After the expiry of the agreement all assets are transferred to the municipal council.

The extension of the infrastructure will create temporary jobs during the construction stage. The operation and maintenance of the new system will require labour on a continuous basis.

The perceived threat of job losses can therefore be discounted to a degree by illustrating that such a new system cannot operate without human resources.

3.5.3 Financial issues

Nelspruit council, like many others face enormous challenges of putting up or installing infrastructure to meet the demands of the community. The creditworthiness of councils is so weak that they are unable to access funding for capital investment. The total population of Nelspruit had grown by ten times (from 24 000 to 250 000) whilst the total income of the municipality grew by only 38 % in 1994 (NBI & MIIU, 1999)

▶ Project Funding

A key factor in the Nelspruit public private partnership was that funding could be accessed from sources that are inaccessible for the municipality. Fact is, the municipality may not have considered a public private partnership without such a funding. Nelspruit tried in vain to have both national and provincial to underwrite loans R200 million. It needs to be noted that the Municipal Finance Management Bill confirms that national government will not underwrite any municipal loans.

An initial amount of R150 million was needed for over the first six years. The Greater Nelspruit Utility Company i.e. the preferred bidder had to provide 20 per cent of this amount with the balance coming from the South African financial sector. Two other banks were interested in funding the project and withdrew

later, eventually only the Development Bank of Southern Africa provided funding.

The arranging banks were not prepared to fund the concession due to concerns about the regulatory environment of the R147 million senior debt, R49 million is for the Development Bank Southern Africa's own account while R98 million is to be syndicated.

An integral part of the arrangement was that the successful bidder would take over the servicing of the existing municipal loans of R59 million. The technical competence of the service provider and cash flow projections thus form the basis for funding, not the assets. The projected cash flow has to be adequate to cover operations and maintenance costs, the servicing of the loan and a profit for the operating company. Greater Nelspruit Utility Company will be responsible for collecting service fees, exercise credit control and disconnecting services where necessary.

► **Tariffs**

The tariffs proposed by the preferred bidder in its second envelope had to benefit the consumer when compared to that of the municipality. These are some interesting issues including:

- Tariffs are lower for the average consumer as a result of operating efficiencies and stepped tariff levels
- Tariffs increase was linked to Consumer Price Index (CPI)
- Range of water customers include industrial users, urban domestic users and rural, previously unserviced areas
- Level of service range across communal standpipes, water bailiff, lower pressure roof tanks and full pressure service

- Revenue comes from end-users, collected by concessionaire

▶ **Loans for new assets**

In the initial phase, loans for new assets do not pose a problem as these can be serviced from the flow of income. Should an asset be established towards the end of the concession period e.g. in the 20th year and be financed with a loan having a life span of 10 years, the municipality would be obliged to service part of the loan. Therefore, such assets may only be created with the agreement of the municipality.

3.5.4 Communication

As this is an important aspect, it was apparent that without proper communication, the public private partnership could be jeopardized by significant divisions.

▶ **Public**

Both the Constitution and Municipal Systems Act prescribe community/public participation in governance processes. It is very important for the municipality to get public opinion to be able to take informed decisions in respect of quality and quantity of a service, level of satisfaction with the service based on affordability. This simply means, the public, as consumers should also influence the determination of fees and tariffs.

Nelspruit councillors, supported by a DBSA social specialist, held several meetings with residents and community groupings. This basically involved explaining the project and getting views of people in respect of level of service needed and willingness to pay for such, the socio-economic benefits they wished to derive. **For example there was strong emphasis on involving**

small contractors in construction and maintenance.

▶ **Trade Unions**

At the initial stages discussions between council and its employees progressed relatively smoothly, possibly due to various meetings where immediate fears had been addressed. When the public private partnership discussion went beyond this level, it became an ideological issue and the interactions became more difficult, less pragmatic and increasingly confrontational.

The council suspended negotiations with the preferred bidder after SAMWU's national leadership adopted an objection in principle to private sector participation in service delivery and refused to participate in contract negotiations.

Following a Water Summit that involved labour and other stakeholders, council decided to resume negotiations with the preferred bidder almost after 18 months of delay. The Nelspruit public private partnership demonstrates that negotiations with labour can become protracted and a need for pragmatic approaches while keeping the momentum of talks with both bidders and labour.

3.5.5 Empowerment

A public private partnership implies that the range of benefits extends beyond mere contractual relationship between the municipality and the private service provider. This means service delivery arrangements must provide socio-economic benefits over and above the services they entail. **In the light of emphasis on empowerment and local economic development (LED) municipal public private partnerships must address issues affecting previously disadvantaged groups and facilitate the development**

of emerging businesses. In the Nelspruit case various empowerment components were included.

▶ **Empowerment partner**

A consortium of local civic organisations youth and women organisations known as Sivukile was established. This black empowerment group will eventually own 51 per cent of Greater Nelspruit Utility Company and Biwater 49 per cent. One of the functions of Sivukile is education and training on a large scale on the specific opportunities offered by the project.

▶ **Community Development Fund**

A community development fund was established and the amount to be contributed by the service provider will be escalated in line with consumer price index. An integral part of the agreement is that preference will be given to emerging contractors. The focus is on small, medium and micro enterprises (SMME's) as vehicles of local economic development and eventually job opportunities will be created.

3.5.6 Human Resource issues

One of the major issues in the negotiations was the involvement of the unions and more specifically objections raised by South African Municipal Worker's Union (SAMWU).

▶ **Objections to a public private partnership**

The initial reservations concerned aspects such as potential job losses, unemployment and loss of benefits. When the public private partnership was considered at national level, the debate became more ideological with SAMWU opposing private sector involvement in principle. Issues such as the future of

personnel involved and the principles underpinning these decisions caused major delays.

If labour opposition is anything to go by, the council may not have done enough to demonstrate that installing new infrastructure and operating and maintaining new systems would actually create more job opportunities. There is little systematic evidence as to whether the private operation of a service will lead to job losses. This is such a critical issue of the public private partnership debate that future ventures can only benefit from a detailed analysis of the impacts on labour.

Eventually, an agreement between the Congress of South African Trade Unions (COSATU) and the South African Local Government Association (SALGA) was signed on 11 December 1998, known as the Framework Agreement for the Restructuring of Municipal Service Provision. The document contains few details and acknowledges that public private partnerships are a legitimate option in municipal service provision and commits all parties to seeking optimal social impact. There has been some debate about aspects of the agreement, whether or not does it make sense to view public private partnership as a second option to be explored only after all public service options have been considered. Nonetheless, the agreement confirms public private partnerships as a service delivery option and it was supplemented by the creation of a Sectoral Forum involving major stakeholders. In the final, an agreement was reached on 1 November 1999 and 130 officials formerly employed by the municipality were transferred to the Greater Nelspruit Utility Company. Details of this transfer were finally resolved in the Bargaining Council in Mpumalanga on 25 November 1999.

▶ **Transfer of staff**

The staff were transferred in terms of Section 197 of the Labour Relations Act. This section provides that all the rights and obligations between the old employer and an individual employee at the time of the transfer remain in force between the new employer and the employee. Anything done before the transfer by or in relation to the old employer will be considered done by or in relation to the new employer. A transfer does not interrupt the employee's continuity of employment and no one will be terminated due to the conclusion of the contract. Thereafter, employment, termination and other employment conditions are governed by standard collective bargaining agreements.

▶ **Particulars of transfer**

A key principle was that no employee would lose his or her job. It was also agreed that there would be no reduction in salary or fringe benefits. Finally, career-pathing and training and development are to be the future obligations of the new employer.

3.6 CONCLUSION

The Nelspruit public private partnership clearly came as a result of the inability of the municipality to provide essential service to all residents. The incorporation of the former Kangwane Bantustan created and put tremendous pressure on the then municipality. Nelspruit case study is indicative of problems faced by other municipalities in South Africa.

It actually represents a major milestone in South Africa's efforts to engage the private sector in municipal services provision. It is without doubt that since the general elections in 1994 some municipality have done much in service provision on one hand and some have done little on the other hand. Since, the local government election in the year 2000, the situation is

worse.

An interesting point to note is that the process, in the Nelspruit public private partnership was delayed due to the fears of labour and job losses. In actual fact, this concession contract has not resulted in a single worker being retrenched instead it has experienced over 35 percent increases in employment as well as protection of all job conditions and benefits (SALGA, 2001:18)

The following chapter will look into the profile of KOSH with a view to establishing public private partnership as a avenue or vehicle of creating job opportunities at local government level.

CHAPTER FOUR: A PROFILE OF KOSH

(KLERKSDORP-ORKNEY-STILFONTEIN-HARTBEESFONTEIN)

4.1 INTRODUCTION

The purpose of this chapter is to review the profile of KOSH area (see Annexure C). Focus areas include socio-economic conditions of the residents including employment issues and backlogs on infrastructural development. This chapter seeks to assess the ability of the KOSH municipality to extend service provision to all its inhabitants including rural areas. The jurisdiction area of the City Council of Klerksdorp has increased drastically as a result of the demarcation process. The council is faced with challenges of providing basic services to all communities on a sustainable basis as it is now a Constitutional obligation. The economy of KOSH area is entirely dependent on mining activities as well as accompanying industries. In the light of closing down of mines and the concomitant industries, the rate of unemployment keeps on rising, creating serious problems for the municipality in respect of non-payment of services. It is imperative, therefore, for the municipality to take a lead in diversifying the economy in the area to ensure its viability and survival.

4.2 PHYSICAL CONDITIONS

▶ **Area of jurisdiction**

The area of jurisdiction of the City Council of Klerksdorp is made up of the former Transitional Local Councils of Orkney, Stilfontein and Hartbeesfontein including the surrounding rural areas. The size of the KOSH area is now 4 652,23 km².

▶ **Physical description**

The KOSH area lies within the catchment area of the Vaal River with smaller streams i.e. Schoon spruit, Jag spruit and Koekemoer spruit, running through it. There are

serious development restriction in this area due to natural flood areas and the occurrence of klei areas.

The configuration of landscape is in the form of intermittent ridges in the central and northern areas of Klerksdorp, north and north east of Hartbeesfontein as well as in the vicinity of the Faan Meintjies Nature Reserve.

Dolomitic conditions occur in the south-eastern part of the municipal area, this simply means there is a likelihood of sinkholes. Infrastructural development in the eastern part of Orkney and Stilfontein must be preceded by a thorough geotechnical investigation.

The impact of the mining area in the entire area on land use is very significant. Big chunks of land will be difficult to utilise for there are man-made structures such as slime dams, rock dumps, engineering services as well as complete mines and infrastructure.

4.3 SOCIO-ECONOMIC CONDITIONS

4.3.1 Social Profile

4.3.1.1 Population

The total number of inhabitants in the KOSH area is estimated at 506 642. The urban and rural population account for 485 523 and 21 119 respectively. The following tables show the breakdown of both urban and rural population:

TABLE 1**KOSH: Urban population**

AREA	TOTAL NO OF HOUSEHOLDS	POPULATION	TOTAL	PERCENTAGE
Klerksdorp North	6 182	25 346		
Klerksdorp South	3 912	17 995		
Klerksdorp West	3 906	14 488		
Jouberton	27 195	149 573	207 402	(42 %)
Orkney	3 068	11 965		
Kanana	17 858	98 212		
Mines	7 428	40 854	151 038	(31 %)
Greater Stilfontein	18 096	89 503		
Mines	2 515	13 835	103 338	(21 %)
Hartbeesfontein	263	1 052		
Tigane	4 126	22 693	23 745	(5 %)
TOTAL			485 523	

Source: KOSH LDO: Metroplan

The implication depicted by tables 1 and 2 is that there is increased pressure on the new municipality of Klerksdorp regarding the municipal service provision. In the pre-local government elections era Orkney, Stilfontein and Hartbeesfontein municipalities experienced serious financial problems to an extent that backlogs in respect of infrastructural development resulted. So, the merger of the four municipalities including surrounding areas means an enormous challenge for the new municipality in service provision and investing in infrastructural development.

TABLE 2:**KOSH: Rural population**

RURAL SETTLEMENTS/COMMUNITIES	POPULATION
Blinkwater	204 ±
Brakspruit	397 ±
Dominionville	1 376 ±
Erfdeel	186 ±
Gaanakgomo Maputhie	72 ±
Manngo A Temo	185 ±
Nkagisang	915 ±
Oblale	415 ±
Tshwaraganang	184 ±
Farming population	17 186 ±
TOTAL	21 119

Source: Metroplan, KOSH LDO

It is a fact that population figures will not stay the same, population increases with time due to the fertility rate and in-migration. Table 3 shows population extrapolations based on average growth rate estimated at 3.18 per cent/y for the low income group and 0.24 per cent for the high income group. In any proper planning exercise, for the purpose of development, population projections are significant in order to accommodate future growth.

TABLE 3**Population projections**

AREA	2000	2001	2002	2003	2004	2005
Klerksdorp North	25 346	25 407	25 468	25 539	25 590	25 652
Klerksdorp South	17 995	18 038	18 081	18 125	18 168	18 212
Klerksdorp West	14 488	14 523	14 558	14 593	14 528	14 663
Jouberton	149 573	154 329	159 237	164 301	169 526	174 917
TOTAL	207 402	212 297	217 344	222 547	227 912	233 443
Orkney	11 965	11 994	12 023	12 051	12 080	12 109
Kanana	98 219	101 342	104 565	107 890	111 321	114 861
Mining Area	40 854	40 854	40 854	40 854	40 854	40 854
TOTAL	151 038	154 190	157 442	160 795	164 255	167 824
Greater Stilfontein	89 503	91 870	94 310	86 828	99 423	102 102
Mining area	13 835	13 835	13 835	13 835	13 835	13 835
TOTAL	103 338	105 705	108 145	110 663	113 258	115 937
Hartbeesfontein	1 052	1 055	1 057	1 060	1 062	1 065
Tigane	22 693	12 415	24 159	24 927	25 720	26 538
TOTAL	23 745	24 470	25 216	25 987	26 782	27 603
TOTAL	485 523	496 662	508 147	519 993	532 207	544 808

Source: Metroplan, KOSH LDO

Table 4 below shows an additional expected families over and above the increase based on average per annum. The total figure appears insignificant but must also be taken into account.

TABLE 4**Expected additional families**

AREA	2001	2002	2003	2004	2005	TOTAL
Klerksdorp North	15	15	15	15	15	75
Klerksdorp South	9	9	9	10	10	47
Klerksdorp West	9	9	9	1	10	47
Jouberton	865	892	921	950	980	4 608
Orkney	7	7	7	8	8	37
Kanana	568	586	605	624	644	3 027
Greater Stilfontein	532	548	566	583	602	2 831
Hartbeesfontein	0	1	0	1	1	3
Tigane	131	135	140	144	149	699
TOTAL	2 136	2 202	2 273	2 345	2 419	11 375

4.3.2 Economic Profile

The table below shows the macro economic profile of the KOSH area.

This is an important aspect that shows the extent to which the citizens of KOSH area are involved in the local economy. In any given area on planet earth there are people as discussed in the previous section.

In order for the area to be self sufficient, the people who are economically active need to be involved in economic activities to ensure economic prosperity. The employment and income structures will be discussed as well as the issue of unemployment.

Table 5 below depicts that 80.6 percent of the total economically active population is involved in the mining sector. It is followed by the commercial sector, with the services sector as the third largest contributor to the Geographic Gross Product (GDP). By

implication Table 5 tells that should the mining sector collapse by tomorrow it means the KOSH economy would be severely affected. The collapse would mean job losses from the mines as well as the closure of industries and firms related to mining activities.

TABLE 5

Macro economic profile of KOSH area over time

	SECTORAL CONTRIBUTION TO GDP		
	1988	1991	1994
Agriculture	0.7	0.6	1.6
Mining	80.6	65.2	62.5
Manufacturing	2.2	3.4	3.3
Electricity	0.7	1.3	1.3
Construction	2.6	4.4	4.3
Trade	4.3	8.5	9.2
Transport	1.1	1.3	1.4
Finance	5.1	9.7	8.0
Services	0.7	1.6	8.4
Government	2.0	4.0	-
TOTAL	100.0	100.0	100.0

Source: Senrio/Metroplan

Table 6 shows KOSH's Sectoral input and output sources against North West, Gauteng and other areas.

It is very interesting to note that, mining as the biggest sector contributing to the GGP, has the lowest input contribution. Another interesting phenomenon is that areas outside the North West province contribute approximately 60 per cent to inputs of all KOSH sectors, industry and trade make up the bulk of this.

TABLE 6

KOSH sectoral input and output source

	KOSH		NORTH WEST		GAUTENG		OTHER AREAS	
	Input	Output	Input	Output	Input	Output	Input	Output
Agriculture	3.1	5.8	1.5	1.2	0.9	0.3	4.5	0.8
Mining	2.8	19.0	1.1	2.8	2.1	1.0	1.3	1.9
Industry	8.7	10.3	0.6	0.9	18.8	1.9	3.2	1.7
Retail	9.0	10.3	0.9	3.0	7.0	1.5	1.3	1.5
Wholesale	6.0	8.9	0.6	1.9	126.	1.0	2.3	0.9
Individuals	4.5	13.2	0.4	2.5	0.6	.01	1.3	1.2
Public sector	0.5	0.7	0.5	1.0	0.4	1.0	0.7	1.0
Other	0.1	0.4	0.5	0.7	1.1	0.7	1.3	1.0
TOTAL	34.6	68.6	6.1	14.0	14.0	14.0	15.8	10.1

Source: Quoted by Metroplan: KOSH_LDO By Pretorius: Klerksdorp Nywerheidsontwikkeling strategie, 1994)

4.3.3 Employment structure in urban areas

Tables 7 - 10 (Annexure A) depict the employment structure in the Klerksdorp, Orkney, Stilfontein and Hartbeesfontein urban areas. In general all these four tables show that a larger per cent of people is employed at elementary occupations, craft and related trades workers. The professionals, technicians and associated professionals, man and machine operators, and skilled agricultural and fishery workers sectors do not have many employees. This scenario tells that everything possible, to ensure growth of these sectors, needs to be done. The concept diversification of economy in the KOSH area is becoming more and more critical.

4.3.4 Income structure: Monthly income (Urban areas)

Tables 11 - 14 (Annexure A) show the monthly income in urban areas. In general the tables indicate that approximately 69 per cent of the total population earn less than R1 000 per month whilst an average of 59 per cent are without income.

4.3.5 Occupation structure in urban areas

Tables 15 - 18 (Annexure A) show where most of the economically active population are employed. These tables indicate that mining, community, social services and private households are the largest employers. Manufacturing sector is employing far less people, it is evident therefore that this sector must be nurtured well in order to grow. The remaining larger percentage is clearly unemployed.

4.3.6 Unemployment in urban areas

The majority of people in the KOSH area falls within the adult age group i.e. 20 - 65 years (the economically active population) which account for an average of 54 per cent. Unemployment in the KOSH area is estimated at between 29 and 34 percent which is relatively high vis-a-vis the North West average of 27.3 percent (Table 19, Annexure A).

4.4 PHYSICAL INFRASTRUCTURE

For the purpose of this research only water and sanitation services will be discussed in respect of the KOSH area's profile.

4.4.1 Water Services

4.4.1.1 Klerksdorp

Bulk water supply is currently carried out on behalf of the Southern District Municipality by Midvaal Water Company (not a water board but a non-profit making section 21 company). Consumption of water is monitored by the bulk supply meters. All occupied surveyed stands are supplied with meters in town.

In Jouberton there are about 1141 erven which are not metered.

4.4.1.2 Orkney

Bulk supply is also carried out on behalf of the Southern District Municipality by Midvaal Water Company.

Not all extensions in Orkney have metered connections. About 617 residential erven are still not metered.

In Kanana, almost all extensions have metered extensions with the exception of extension 13 and about 100 erven in extension 7. There are about 64 stand pipes all in all in Kanana.

4.4.1.3 Stilfontein

Bulk supply is also carried out on behalf of the Southern District Municipality by Midvaal Water Company. All surveyed occupied stands are supplied with metered connection in the Stilfontein town.

In Khuma there are 10225 residential erven of which 2665 are not metered. There are only 37 stand pipes in the Khuma extensions.

4.4.1.4 Hartbeesfontein

This area is entirely dependent on ground water. A total number of six production boreholes are connected to the supply reservoirs. It is clear that additional bulk water will have to be addressed as a proactive or as a matter of urgency to allow for future development.

In Tigane there are 4633 residential erven and only 2653 are having metered connections. Hartbeesfontein town has metered house connections.

4.4.2 Sanitation services

4.4.2.1 Klerksdorp

The City Council is handling and operating bulk sewer on behalf of the Southern District Municipality. In the Klerksdorp town all surveyed and occupied stands have sewer connections. In Jouberton about 7336 stands are serviced with the bucket system whilst approximately 15993 stands have sewer connections.

4.4.2.2 Orkney

The City Council is handling and operating sewer installations on behalf of the Southern District Municipality. In the Orkney town there is a complete waterborne sewer system. The waste water treatment plant was recently upgraded for future growth until the year 2009.

In Kanana, approximately 11134 stands use the bucket system whilst 9902

stands have sewer connections. Housing applications submitted include installation of waterborne systems for these areas pending approval by the Provincial Housing Board (PHB).

4.4.2.3 Stilfontein

This area has a waterborne sewer system. The Khuma suburb's extension 6 still operates on a night soil system as well as a few stands.

4.4.2.4 Hartbeesfontein

A conservancy tank system is used in town. The waste water treatment plant is being upgraded by the funds obtained from the Southern District Municipality.

A water borne sewer system exists in Tigane except for Extension 1 which operates on a night soil system.

SUMMARY OF ESTIMATED COSTS: WATER

The new municipality of KOSH will need approximately R10 million to have all unmetered stands installed with meters. There are still extensions that are being served with standpipes, to have all extensions reticulated i.e. installation of water networks, Council would need about R17 million.

Part of the KOSH area that still poses a threat is Hartbeesfontein if the water table level could drop. As indicated this area is still dependent on groundwater, the possibility exists that a water pipeline could be constructed from

Klerksdorp's Midvaal Water Company. The financial implications for such a project could be in the region of R20 million.

SUMMARY OF ESTIMATED COSTS: SEWER

The new municipality of KOSH will need approximately R122 million for sewer reticulation and toilets in the extensions that are still operating with the bucket system. (See table 20). It needs to be mentioned that the suburbs will be fully occupied by families during the 2001/2002 financial year with families from backyards.

4.5 RURAL DEVELOPMENT ISSUES IN THE KOSH AREA

The Land Development Objectives (LDO's) of the KOSH area indicate that there are approximately 21119 people in the surrounding rural areas. The KOSH rural areas can best be categorised into two namely, the commercial farming area and rural villages or communities.

► Commercial farming areas

According to the KOSH LDO's there are approximately 17186 people in commercial farms, a larger part being farm workers. There was no formal survey undertaken to determine the level of service to farm workers living on commercial farms. In an effort to improve the living conditions of farm workers, the Southern District Municipality initiated a subsidy scheme for water, sanitation and electrification of farm worker's houses.

The first big challenge facing the KOSH municipality is to provide basic level of service to the farm workers who live on privately owned land who in terms of government policy are supposed to be receiving free services to a certain level. The real issue is how will

this kind of development be financed in respect of capital development costs, operation and maintenance.

► **Rural communities**

KOSH LDO's indicate that there are about nine rural communities with the population estimate at 3933 people.

The largest area is Dominionville which is a privately owned town. This area comprises a formal old mining town that belongs to a private organisation and informal single quarters characterized by poor living conditions and over crowding. An interesting thing about this area is that houses and plots were sold to individual owners but the streets belong to the private organisation owning the area. The owner provides services to the inhabitants.

Nkagisang is the other rural farm which was bought as a production unit with some 300 beneficiaries. The Southern District Municipality provided water, sanitation and electrical services to this community.

The remaining areas are still privately owned but the Department of Land Affairs is busy negotiating the purchasing of these areas for farm workers. These areas can be regarded as Land Reform projects in the jurisdiction of KOSH area.

The second big challenge of the KOSH municipality is to formalize these areas and to install infrastructural development, and provision of services on a sustainable basis.

4.6 CONCLUSION

The amalgamation of former Klerksdorp, Orkney, Stilfontein and Hartbeesfontein municipalities

as well as the incorporation of surrounding rural areas into one municipality brought about enormous challenges for the City Council of Klerksdorp. Mining and related activities still dominate the economy of the KOSH area. The closing down of mines and related firms and retrenchments have increased the rate of unemployment in this area. The retrenched workers from the mines do not leave the area, they settle placing tremendous pressure on the municipality in respect of providing municipal services to unemployed people. The municipality is facing a serious challenge in respect of service provision and infrastructural development. The City Council of Klerksdorp alone cannot cope but partnership with the private sector will alleviate much of the problems. The public private partnership concept is a very important but sensitive service delivery option. The following chapter looks at the views of important stakeholders in the KOSH's public private partnership arrangement. These views will be analysed with a view to drawing up a structured process in managing the public private partnership arrangement.

CHAPTER FIVE: VIEWS ON PUBLIC-PRIVATE PARTNERSHIPS IN THE KOSH AREA

5.1 INTRODUCTION

Chapter four, on the profile of KOSH area, clearly indicates enormous challenges facing the new municipality. There is an acute backlog regarding infrastructural development, in the same breath, the new municipality has a constitutional obligation to provide basic services to all communities within its area of jurisdiction. The local economy in the area is still dominated by mining activities. It would be unwise to entirely depend on mining as minerals are natural resources that cannot be replenished. The closing down of mines and retrenchment of mineworkers is an indication of serious problems facing the KOSH area. This situation has exacerbated the unemployment rate in the area.

A lot of ideas have been generated regarding diversification of the local economy, what is not happening is implementation of those ideas. In this dissertation, it is argued that the challenge facing the new municipality regarding infrastructural development and service provision could be converted into a job creation strategy. The 1998 White Paper on Local Government gives municipalities various options of service delivery. It is a further contention of this dissertation that public private partnerships at local government level should be used as an avenue for creating job opportunities.

This chapter looks into the views of relevant stakeholders on public private partnerships in the KOSH area.

5.2 VIEWS ON PUBLIC PRIVATE PARTNERSHIPS

The research was undertaken by using strict scientific measures and guidelines. In order to obtain the necessary information 20 respondents of which 18 responded were requested to

complete questionnaires on public private partnerships as an alternative service delivery mechanism that could create job opportunities (see Annexure B)

Respondents represented the following sectors and stakeholders.

- ▶ KOSH Municipality (politicians)
- ▶ KOSH Municipality (officials)
- ▶ Southern District Municipality (politicians)
- ▶ Southern District Municipality (officials)
- ▶ Department of Developmental local government
- ▶ Wesvaal Chamber of Commerce
- ▶ Black Business Forum
- ▶ Civil Engineering Fraternity
- ▶ SAMWU
- ▶ IMATU
- ▶ ANC
- ▶ DA
- ▶ UCDP
- ▶ Financial institutions

Respondents were randomly selected from different levels of management hierarchy. The research was structured in a manner that clear perceptions of the stakeholders can be achieved.

5.2.1 Biographical information of respondents.

Section A of the questionnaire focussed on the biographical information of the respondents

Table 5.2.1.1 Racial group

	%
Black	50.00
Coloured	0.00
Asian	5.56
White	44.44
Total	100.00

Table 5.2.1.2 Gender

	%
Male	94.44
Female	5.56
Total	100

Table 5.2.1.3 Educational level

	%
Std 10 -	0.00
Std 10 +	22.22
Tech Dip	0.00
Tech Higher Dip	11.11
B Tech Degree	5.56
B Degree/Hon	44.44
M A Tech/M A Degree	16.67
Ph D/Degree	0.00
Other	0.00
TOTAL	100.00

Table 5.2.1.4 Designation/Position

	%
Policy making	33.33
Management	38.89
Supervision	0.00
Administration	11.11
Self employed	11.11
Others	0.00
Total	100.00

IMPLICATIONS

Racial distribution of respondents is fair as indicated by statistics. An interesting phenomenon is that this question was optional but respondents understood its importance. This clearly shows that this research is not racially biased but balanced.

Statistics indicate that the majority of the respondents (94.44 %) are male. This situation could be attributed to the fact that top positions in many organisations are still dominated by males. The research targeted the views on public private partnerships of the top two officials of relevant stakeholders.

The educational level of respondents as indicated by statistics is fairly reasonable. Statistics indicate that the majority of respondents have tertiary level qualifications. It can therefore be concluded that the majority of respondents have or had a clear understanding of what public private partnerships are all about.

5.2.2 Perceptions of respondents on public private partnerships

Section B of the questionnaire concentrated on attitudes and perceptions of respondents. Respondents were asked to give their perceptions about public private partnerships as a job creation avenue at local government level. A five point scale was used in this regard: A - representing totally agree and E representing totally disagree.

- ▶ **Public Private Partnerships should be used by the KOSH municipality in the provision of services**

Table 5.2.2.1

	%
STRONGLY AGREE	33.33
AGREE	38.89
UNCERTAIN	5.56
DISAGREE	22.22
STRONGLY DISAGREE	0.00
TOTAL	100

The majority (72.22 %) of the respondents are positive that public private partnerships should be used by the KOSH municipality. This positiveness could be attributed to their understanding of the dynamics and challenges facing the municipality. It could also be their good level of education in understanding the trend whereby municipalities go into partnerships with the private sector.

- ▶ **Public Private Partnerships should assist the KOSH municipality in alleviating infrastructural and service backlogs**

Table 5.2.2.2

	%
STRONGLY AGREE	33.33
AGREE	50.00
UNCERTAIN	0.00
DISAGREE	11.11
STRONGLY DISAGREE	5.56
TOTAL	100.00

Statistics indicate that the majority (83.33 %) of the respondents are positive that public private partnerships should be used in assisting the KOSH municipality in alleviating infrastructural and service backlogs. It can be concluded that respondents are quite conscious about enormous challenges facing the municipality. It can further be concluded that respondents understand government's enabling policies such as the White Paper on local government that municipalities can, if financially unable, provide services in partnership with the private sector.

- ▶ **Public Private Partnerships will secure a capital injection to uplift previously disadvantaged communities**

Table 5.2.2.3

	%
STRONGLY AGREE	22.22
AGREE	44.44
UNCERTAIN	16.67
DISAGREE	16.67
STRONGLY DISAGREE	0.00
TOTAL	100

Respondents (66.66 %) are positive that public private partnerships will bring about capital that the municipality needs to desperately to catch up with backlogs. The population and size of the area have increased so drastically that the new municipality will under no circumstances have the financial ability to address infrastructural and service backlogs that former municipalities experienced.

- ▶ **Public Private Partnerships will ensure efficient and effective service delivery**

Table 5.2.2.4

	%
STRONGLY AGREE	22.22
AGREE	50.00
UNCERTAIN	11.11
DISAGREE	16.67
STRONGLY DISAGREE	0.00
TOTAL	100.00

Statistics indicate the majority (72.22 %) of the respondents are positive about the efficiency and effectiveness public private partnerships will bring about should they be involved in service delivery. This situation can be attributed to the fact that respondents understand the skills and expertise the private sector can bring and a regulatory and governance role the municipality can play.

- ▶ **Public Private Partnerships will attract investment**

Table 5.2.2.5

	%
STRONGLY AGREE	33.33
AGREE	33.89
UNCERTAIN	5.56
DISAGREE	2.22
STRONGLY DISAGREE	0.00
TOTAL	100.00

Statistics indicate that respondents (67.21 %) agree that investment will be attracted to the area through public private partnerships. This can be attributed to the fact that in a partnership arrangement there will be quality services provided which will entice or attract potential investors. Clearly, the attraction of investors to the area will create job opportunities. This phenomenon is demonstrated below by the over whelming majority of respondents:

- ▶ **Upgrading of existing infrastructure through Public Private Partnerships will create job opportunities**

Table 5.2.2.6

	%
STRONGLY AGREE	22.22
AGREE	61.11
UNCERTAIN	5.56
DISAGREE	11.11
STRONGLY DISAGREE	0.00
TOTAL	100.00

- ▶ **The installation of new infrastructure, operation and maintenance of new schemes/systems through Public Private Partnerships will create job opportunities**

Table 5.2.2.7

	%
STRONGLY AGREE	16.67
AGREE	61.11
UNCERTAIN	5.56
DISAGREE	16.67
STRONGLY DISAGREE	0.00
TOTAL	100.00

- ▶ **Public Private Partnerships will facilitate local economic development (LED)**

Table 5.2.2.8

	%
STRONGLY AGREE	27.78
AGREE	50.00
UNCERTAIN	5.56
DISAGREE	16.67
STRONGLY DISAGREE	0.00
TOTAL	100.00

Statistics indicate that respondents are very much positive that local economic development will be facilitated. It can be concluded that respondents understand the public private partnership concept in the context of local economic development. It can

be further concluded that respondents would like to see growth in the local economy which will ensure job creation.

- ▶ **Public Private Partnerships are an integral part of the integrated development planning (IDP)**

Table 5.2.2.9

	%
STRONGLY AGREE	23.53
AGREE	58.82
UNCERTAIN	5.88
DISAGREE	11.76
STRONGLY DISAGREE	0.00
TOTAL	100.00

Statistics indicate that the majority (82.35 %) of respondents are very much positive that IDP encompasses public private partnerships. This interesting phenomenon could be attributed to respondents understanding of public private partnerships as a strategy to provide municipal services.

- ▶ **Public Private Partnerships will promote real black economic empowerment**

Table 5.2.2.10

	%
STRONGLY AGREE	11.76
AGREE	29.41
UNCERTAIN	35.29
DISAGREE	17.65
STRONGLY DISAGREE	5.88
TOTAL	100.00

- ▶ **Public Private Partnerships will assist to set up small, medium and micro enterprises**

Table 5.2.2.11

	%
STRONGLY AGREE	22.22
AGREE	55.56
UNCERTAIN	11.11
DISAGREE	11.11
STRONGLY DISAGREE	0.00
TOTAL	100.00

It is interesting to contrast Tables 5.2.2.10 and 5.2.2.11. The former does not indicate an overwhelming majority whilst the latter indicates that the majority agree. The former scenario could be attributed to respondent's doubts as to how real black economic empowerment can come about due to non availability of capital. Whereas the latter scenario can be understood in the sense that there is a dire need to develop small, medium and micro enterprises. It can be concluded that respondents see the role of SMME's in creating job opportunities..

- ▶ **KOSH municipality has a guiding policy on Public Private Partnerships**

Table 5.2.2.12

	%
STRONGLY AGREE	0.00
AGREE	17.65
UNCERTAIN	52.94
DISAGREE	2.53
STRONGLY DISAGREE	5.88
TOTAL	100.00

Statistics indicate that the majority (52.94 %) of the respondents are uncertain about the existence of such a policy. The uncertainty could be regarded as no policy exists, for the top officials would have participated in the formulation of such a policy.

- ▶ **Water and sanitation services can be provided through Public Private Partnerships**

Table 5.2.2.13

	%
STRONGLY AGREE	16.67
AGREE	50.00
UNCERTAIN	0.00
DISAGREE	33.33
STRONGLY DISAGREE	0.00
TOTAL	100.00

Statistics indicate that the majority of respondents (66.67 %) are positive against 33.33 % who do not agree. The disagreement could be attributed to the fear amongst officials that they would lose their jobs in such an arrangement.

- ▶ **Municipal services can best be provided through privatisation**

Table 5.2.2.14

	%
STRONGLY AGREE	11.11
AGREE	16.67
UNCERTAIN	16.67
DISAGREE	44.44
STRONGLY DISAGREE	11.11
TOTAL	100.00

Statistics clearly indicate that the majority of respondents are negative towards municipal services being provided through privatisation. This situation can be attributed to the fact that respondents know exactly what public private partnerships are. And it can be concluded therefore that, according to respondents who participated in the research, public private partnerships are a good option for both infrastructural development and service backlogs.

5.2.3 Unions and management satisfaction in Public private Partnerships

Section C of the questionnaire put more emphasis on satisfaction of both Unions and management to ensure success in the public private partnerships initiative.

- ▶ **Unions and management should be involved from the outset in the public private partnership**

Table 5.2.3.1

	%
STRONGLY AGREE	61.11
AGREE	27.78
UNCERTAIN	0.00
DISAGREE	11.11
STRONGLY DISAGREE	0.00
TOTAL	100.00

Statistics indicate that the majority of respondents (87.89 %) are very much positive in this respect. This could be attributed to the importance that unions and management attach to public private partnerships by improving the quality of life of the communities they serve.

- ▶ **Unions and management should ensure capacity building and skills transfer in respect of the workers**

Table 5.2.3.2

	%
STRONGLY AGREE	44.44
AGREE	50.00
UNCERTAIN	0.00
DISAGREE	5.56
STRONGLY DISAGREE	0.00
TOTAL	100.00

Statistics indicate that the overwhelming majority of respondents (94.44 %) agree that in a public private partnership arrangement there must be skills transferred from the private sector to the workers. This could be attributed to the manner in which respondents value skills transference. As a public private partnership is a contractual

arrangement that is concluded between public and private sectors over a specific period of time, when that duration expires the public sector workers should be in a position to proceed independently.

- ▶ **Unions and management should ensure that no job losses will occur**

Table 5.2.3.3

	%
STRONGLY AGREE	44.44
AGREE	27.78
UNCERTAIN	0.00
DISAGREE	22.22
STRONGLY DISAGREE	5.56
TOTAL	100.00

The majority of respondents (72.22 %) are against job losses in any public private partnerships. This could be attributed to fears and perceptions people have about public private partnerships. Jackson and Hlahla (1999:259) maintain that in South Africa public private partnerships are necessitated by infrastructural and service backlogs and as such the occurrence of job losses is unlikely.

5.3 CONCLUSION

The statistics indicate that KOSH municipality must as a point of departure formulate a policy that will guide the implementation of public private partnerships in its area of jurisdiction. As a result of the demarcation process the KOSH municipality is facing a big challenge of providing services on a sustainable basis to all citizens within its jurisdiction area. KOSH municipality is faced with infrastructural and service backlogs, fact is no funding is readily available to catch up. The suitable alternative mechanism is the public private partnership route. This route will

create job opportunities now and in the future. The public private partnerships will play a double role, that of providing services to all efficiently and effectively and that of attracting investment to the KOSH area. Last, this route will be followed within the context of the integrated development planning.

6.1 FINDINGS

The challenge facing KOSH municipality to provide essential services to all residents warrants consideration of a partnership with a private service provider. Shifts in municipal boundaries effected in the year 2000 impact heavily on the ability of the new municipality to provide all its residents with essential services. The official population and the land area under its jurisdiction have increased. The KOSH municipality needs a radical and innovative solution if it is going to fulfil its constitutional obligation to make universal service coverage a reality.

The empirical study conducted reveals that the municipality alone cannot cope in addressing infrastructural development and service delivery backlogs in the KOSH area. Statistical data supports the central theoretical statement that public private partnerships will provide a new avenue of job creation at local government level. Statistics indicate that about 72 % of relevant stakeholders believe that public private partnerships will ensure efficient and effective service delivery in the KOSH area. There is no doubt if this could happen, that investment will be attracted to the area. The outcome will be job creation opportunities.

Capital injection that will be brought about by the involvement of the private sector will uplift the quality of life of the previously disadvantaged communities. Private sector involvement will ensure the upgrading of existing infrastructure with the creation of job opportunities in the process. The involvement of the private sector will ensure the installation of new infrastructure undoubtedly human resources will be needed to carry out the job. The operation and maintenance of new schemes and systems will on a continuous basis need more human resources over a period of long time.

The participation of private sector in partnership with municipalities in the provision of services

must be seen as a strategy for facilitating local economic development. Investors need quality and reliable services and the private sector has the skills, expertise and the ability to provide services efficiently and effectively. The municipality remains responsible as the authority and regulator. The municipality's benefit will not be from contract fees but from the increased quality and levels of service for their citizens (Kotze et al, 1999:630). It is against this background that public private partnerships should be viewed in the context of integrated development planning. Statistics indicate that about 81 percent of stakeholders say public private partnerships are an integral part of the Integrated Development Planning.

The KOSH municipality should use public private partnerships as a vehicle for job creation opportunities. Nelspruit concession has created about 35 % of jobs since its inception in 1999 (SALGA, 2001:18). But, public private partnerships should not be seen as the only absolute solution to the unemployment problems in the KOSH area.

Therefore, it is submitted that the recommendations discussed hereunder will help resolve both unemployment problem and infrastructural development and service delivery backlogs.

6.2 RECOMMENDATIONS

An investigation into the origins and theoretical background of the public private partnerships at local government level was conducted successfully. Public private partnerships in South Africa at local government level are used to expand the service to the people who did not receive these services previously, as municipalities are financially unable to access finance. The Nelspruit water and sanitation public private partnership project was analysed with a view to considering the implementation of a public private partnership project in the KOSH area. The Nelspruit public private partnership project is a very good reference guide for municipalities that intend establishing public private partnerships. It has been established through literature review and empirical research conducted that public private partnerships are viable and sustainable

vehicles for job creation opportunities.

Local government has a crucial role to play in managing the process of establishing public private partnership projects. It is therefore recommended that the following process of logical and integrated steps will be suitable for the development of public private partnerships in the KOSH area:

It is very significant that the process of establishing a public private partnership should be linked with:

- ▶ the integrated development planning to ensure that municipalities allocate scarce resources and capacity in an efficient and effective manner.
- ▶ local economic development to ensure that the development of a locality results in less unemployment, more jobs, poverty alleviation and broadened tax base.
- ▶ delivery of service to ensure that better living conditions are enhanced.
- ▶ Batho-Pele principles to ensure that its benefits in respect of improved levels of service and quality of service go to the citizens.

Step 1: Identify issue

It is crucial that an issue be identified, for example, the KOSH municipality has a problem of both water and sanitation services. There are households that still operate with standpipes and night soil buckets. Lack of funding makes it difficult and even impossible for the municipality to provide an acceptable level of service.

Step 2: Identify stakeholders

It is imperative for the municipality to identify all relevant stakeholders in order to ensure a sense of belonging as well as legitimising the process.

Step 3: Consultation with stakeholders

Logically, consultation follows the identification stage. It is in this phase that the issue identified is placed before the stakeholders for inputs and comments. It is during this stage that roles of stakeholders are defined to pave the way for coordinated as well as efficient and effective provision of water and sanitation services.

Stakeholders include amongst others labour unions, management, civil engineering fraternity, community based organisations, non-governmental organisations and the public sector. Above all there must be effective public participation. The success of the delivery system depends on community participation which must be ensured by the municipality.

The community must be kept informed about the identified project. Views of residents must be sought in respect of levels of service people want, their willingness to pay for levels of service they choose and can afford. In actual fact the municipality should consider conducting a research survey in order to obtain resident's views on service levels, affordability levels, needs and other relevant aspects.

Step 4: Determine the way forward

After all the stakeholder's inputs have been received a way forward is determined by the municipality.

Step 5: Establishing the feasibility of PPP's

This stage involves and requires technical expertise, this can be seen by the government's response to the public private partnerships by the establishment of Municipal Infrastructure Investment Unit (MIIU). This unit was established as a non-profit company in 1998 with a life span of five years. The preparation of partnerships is very expensive. The KOSH municipality's budget cannot cover necessary but costly investigations into the feasibility and viability of PPP's. Without such investigations, municipal officials cannot structure bankable

projects or negotiate effectively with potential private partners. It is against this background that it is imperative for KOSH municipality to seek both technical and financial assistance from the MIU. The MIU's fund will assist the municipality to provide resources in order to hire experts to assist with feasibility studies, project packaging work and contract negotiations.

Step 6: Pilot project and feedback

This stage will involve a pilot project with a view to experiencing challenges, problems, opportunities etc. If a pilot project proves to be successful then it can be proceeded with whereby council takes a decision to go the public private partnership route. In the event the project is unsuccessful there must be a review in the feasibility study phase.

ANNEXURE A

TABLE 7

KLERKSDORP

	KLERKSDORP	ALABAMA	MANZILPARK	JOUBERTON	TOTAL
Agriculture, hunting, forestry and fishing	1.21 %	0.18 %	0.44 %	0.30 %	0.61
Mining and quarrying	5.01 %	2.46 %	0.71 %	1.98 %	3.04
Manufacturing	1.82 %	1.93 %	1.78 %	1.42 %	1.59
Electricity, gas and water supply	0.68 %	0.22 %	0.18 %	0.30 %	0.42
Construction	15.3 %	2.09 %	0.09 %	1.73 %	1.67
Wholesale and retail trade	5.27 %	6.64 %	18.92 %	3.42 %	4.34
Transport, storage and communication	1.84 %	1.01 %	0.44 %	1.56 %	1.62
Financial, insurance, real estate and business services	3.49 %	1.15 %	1.51 %	0.82 %	1.75
Community, insurance, real estate and business services	7.94 %	5.62 %	5.24 %	4.51 %	5.75
Private households	6.34 %	2.12 %	12.26 %	4.57 %	5.10
Exterritorial organisations	0.00 %	0.00 %	0.00 %	0.00 %	0.00
Representative of foreign governments	0.00 %	0.00 %	0.00 %	0.08 %	0.05
Industry NEC or unspecified	4.22 %	3.96 %	2.49 %	2.61 %	3.23
Not applicable	55.28 %	70.43 %	55.95 %	76.70 %	68.9
NA: Institution	5.35 %	2.20 %	0.00 %	0.00 %	1.94
TOTAL	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %

TABLE 8

ORKNEY

	KANANA	ORKNEY	TOTAL
Agriculture, hunting, forestry and fishing	0.56 %	0.41 %	0.53 %
Mining and quarrying	8.4 %	20.59 %	10.68 %
Manufacturing	0.69 %	1.21 %	0.79 %
Electricity, gas and water supply	0.22 %	0.28 %	0.23 %
Construction	1.39 %	0.78 %	1.28 %
Wholesale and retail trade	2.56 %	3.69 %	2.77 %
Transport, storage and communication	1.09 %	0.95 %	1.07 %
Financial, insurance, real estate and business services	0.52 %	1.71 %	0.74 %
Community, insurance, real estate and business services	2.43 %	5.02 %	2.91 %
Private households	3.28 %	5.47 %	3.69 %
Exterritorial organisations	0.00 %	0.00 %	0.00 %
Representative of foreign governments	0.00 %	0.00 %	0.00 %
Industry NEC or unspecified	1.42 %	2.39 %	1.60 %
Not applicable	77.43 %	56.83 %	73.58 %
NA: Institution	0.00 %	0.66 %	0.12 %
TOTAL	100.00 %	100.00 %	100.00 %

TABLE 9

STILFONTEIN

	KHUMA	STILFONTEIN	TOTAL
Agriculture, hunting, forestry and fishing	0.48 %	0.25 %	0.31 %
Mining and quarrying	17.44 %	8.69 %	10.89 %
Manufacturing	0.87 %	8.77 %	0.80 %
Electricity, gas and water supply	0.29 %	0.14 %	0.18 %
Construction	0.74 %	1.20 %	1.09 %
Wholesale and retail trade	3.68 %	2.42 %	2.74 %
Transport, storage and communication	0.73 %	1.03 %	0.96 %
Financial, insurance, real estate and business services	1.88 %	0.49 %	0.84 %
Community, insurance, real estate and business services	4.09 %	2.45 %	2.86 %
Private households	6.15 %	2.84 %	3.67 %
Exterritorial organisations	0.01 %	0.00 %	0.00 %
Representative of foreign governments	0.02 %	0.00 %	0.01 %
Industry NEC or unspecified	3.72 %	1.36 %	1.95 %
Not applicable	58.89 %	78.35 %	73.71 %
NA: Institution	0.00 %	0.00 %	0.00 %
TOTAL	100.00 %	100.00 %	100.00 %

TABLE 10

HARTBEEFONTEIN

	HARTBEEFONTEIN	TIGANE	TOTAL
Agriculture, hunting, forestry and fishing	4.39 %	0.67 %	1.12 %
Mining and quarrying	1.84 %	1.00 %	1.10 %
Manufacturing	3.99 %	0.45 %	0.88 %
Electricity, gas and water supply	0.80 %	0.05 %	0.14 %
Construction	1.28 %	1.95 %	1.86 %
Wholesale and retail trade	4.47 %	1.13 %	1.54 %
Transport, storage and communication	1.60 %	0.66 %	0.77 %
Financial, insurance, real estate and business services	2.24 %	0.14 %	0.40 %
Community, insurance, real estate and business services	8.15 %	2.11 %	2.84 %
Private households	2.24 %	4.40 %	4.14 %
Exterritorial organisations	0.00 %	0.00 %	0.00 %
Representative of foreign governments	0.00 %	0.00 %	0.00 %
Industry NEC or unspecified	4.23 %	1.99 %	2.26 %
Not applicable	57.35 %	85.45 %	82.05 %
NA: Institution	7.43 %	0.00 %	0.90 %
TOTAL	100.00 %	100.00 %	100.00 %

(Source: Central Statistical Services: South Africa Quoted by Metroplan KOSH LDO)

TABLE 11

KLERKSDORP

	KLERKSDORP	ALABAMA	MANZILPARK	JOUBERTON	TOTAL
None	37.01 %	61.00 %	43.16 %	53.34 %	48.10 %
R1-R200	3.28 %	1.99 %	6.75 %	2.41 %	2.72 %
R201-R500	7.70 %	60.5 %	9.68 %	8.54 %	8.12 %
R500 -R1000	4.76 %	5.22 %	5.15 %	6.59 %	5.88 %
R1001-R1500	4.97 %	6.60 %	5.77 %	5.32 %	5.28 %
R1501-R2500	6.81 %	6.15 %	7.99 %	2.86 %	4.42 %
R2501-3500	5.63 %	3.62 %	4.97 %	0.99 %	2.75 %
R3501-R4500	4.48 %	1.80 %	2.58 %	0.52 %	1.96 %
R4501-R5000	4.59 %	1.12 %	2.66 %	0.35 %	1.85 %
R6001-R8000	2.40 %	0.45 %	0.80 %	0.10 %	0.91 %
R8001-R11000	1.35 %	0.08 %	0.44 %	0.05 %	0.50 %
R11001-R16000	0.77 %	0.06 %	0.71 %	0.01 %	0.28 %
R16001-R30000	0.47 %	0.01 %	0.18 %	0.01 %	0.17 %
R20001 or more	0.16 %	0.00 %	0.09 %	0.01 %	0.06 %
Unspecified	10.18 %	3.65 %	9.06 %	18.90 %	15.02 %
NA: Institution	5.43 %	2.20 %	0.00 %	0.00 %	1.97 %
TOTAL	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %

TABLE 12

ORKNEY

	KANANA	ORKNEY	TOTAL
None	68.42 %	49.11 %	64.82 %
R1-R200	3.36 %	3.27 %	3.34 %
R201-R500	7.09 %	5.05 %	6.71 %
R500 -R1000	7.28 %	3.83 %	6.64 %
R1001-R1500	5.23 %	4.99 %	5.19 %
R1501-R2500	2.11 %	8.06 %	3.22 %
R2501-3500	0.83 %	7.66 %	2.10 %
R3501-R4500	0.48 %	6.44 %	1.59 %
R4501-R5000	0.23 %	5.53 %	1.22 %
R6001-R8000	0.08 %	2.55 %	0.54 %
R8001-R11000	0.04 %	1.14 %	0.24 %
R11001-R16000	0.01 %	0.53 %	0.11 %
R16001-R30000	0.01 %	0.23 %	0.05 %
R20001 or more	0.00 %	0.03 %	0.01 %
Unspecified	4.54 %	0.94 %	3.87 %
NA: Institution	0.30 %	0.66 %	0.36 %
TOTAL	100.00 %	100.00 %	100.00 %

TABLE 13

STILFONTEIN

	KHUMA	STILFONTEIN	TOTAL
None	73.96 %	37.59 %	64.81 %
R1-R200	2.74 %	3.12 %	2.84 %
R201-R500	6.76 %	5.85 %	6.53 %
R500 -R1000	7.61 %	6.46 %	7.32 %
R1001-R1500	4.99 %	6.22 %	5.30 %
R1501-R2500	2.04 %	8.47 %	3.65 %
R2501-3500	0.72 %	7.44 %	2.41 %
R3501-R4500	0.37 %	6.61 %	1.94 %
R4501-R5000	0.25 %	4.57 %	1.34 %
R6001-R8000	0.07 %	1.93 %	0.53 %
R8001-R11000	0.04 %	0.90 %	0.26 %
R11001-R16000	0.01 %	0.35 %	0.10 %
R16001-R30000	0.01 %	0.16 %	0.05 %
R20001 or more	0.01 %	0.01 %	0.01 %
Unspecified	0.42 %	10.30 %	2.91 %
NA: Institution	0.00 %	0.00 %	0.00 %
TOTAL	100.00 %	100.00 %	100.00 %

TABLE 14**HARTBEEFONTEIN**

	HARTBEEFONTEIN	TIGANE	TOTAL
None	36.02 %	63.74 %	60.38 %
R1-R200	3.43 %	4.11 %	4.03 %
R201-R500	9.82 %	9.21 %	9.29 %
R500 -R1000	6.87 %	3.90 %	4.26 %
R1001-R1500	6.95 %	2.51 %	3.04 %
R1501-R2500	6.87 %	0.93 %	1.65 %
R2501-3500	5.27 %	0.47 %	1.05 %
R3501-R4500	3.04 %	0.18 %	0.52 %
R4501-R5000	2.00 %	0.11 %	0.34 %
R6001-R8000	1.04 %	0.03 %	0.15 %
R8001-R11000	1.36 %	0.00 %	0.16 %
R11001-R16000	0.24 %	0.01 %	0.04 %
R16001-R30000	0.00 %	0.00 %	0.00 %
R20001 or more	0.00 %	0.02 %	0.02 %
Unspecified	9.66 %	14.77 %	14.16 %
NA: Institution	7.43 %	0.00 %	0.90 %
TOTAL	100.00 %	100.00 %	100.00 %

(Source: Central Statistical Services: South Africa Quoted by Metroplan KOSH LDO'S)

TABLE 15

KLERKSDORP

	KLERKSDORP	ALABAMA	MANZILPARK	JOUBERTON	TOTAL
Legislators, senior officials and managers	6.59 %	3.81 %	13.66 %	2.09 %	4.41 %
Professionals	14.34 %	10.58 %	10.92 %	6.82 %	10.55 %
Technicians and associate professionals	12.28 %	5.76 %	3.78 %	5.18 %	8.48 %
Clerks	13.04 %	13.86 %	6.72 %	5.10 %	9.24 %
Service workers, shop and market sales workers	9.58 %	18.03 %	23.32 %	1.76 %	10.72 %
Skilled agricultural and fishery workers	3.25 %	0.21 %	1.68 %	3.30 %	3.11 %
Craft and related trades workers	16.65 %	23.96 %	4.62 %	21.05 %	18.95 %
Plant and machine operators and assemblers	3.87 %	6.24 %	0.42 %	10.32 %	7.00 %
Elementary occupations	20.40 %	17.56 %	34.87 %	35.38 %	27.54 %
TOTAL	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %

TABLE 16

ORKNEY

	KANANA	ORKNEY	TOTAL
Legislators, senior officials and managers	2.70 %	4.36 %	3.18 %
Professionals	6.71 %	10.70 %	7.85 %
Technicians and associate professionals	3.06 %	7.00 %	4.19 %
Clerks	4.68 %	14.17 %	7.41 %
Service workers, shop and market sales workers	10.47 %	8.73 %	9.97 %
Skilled agricultural and fishery workers	2.38 %	1.08 %	2.01 %
Craft and related trades workers	30.24 %	31.96 %	30.73 %
Plant and machine operators and assemblers	11.03 %	5.19 %	9.35 %
Elementary occupations	28.74 %	16.81 %	25.31 %
TOTAL	100.00 %	100.00 %	100.00 %

TABLE 17

STILFONTEIN

	KHUMA	STILFONTEIN	TOTAL
Legislators, senior officials and managers	3.50 %	3.93 %	3.66 %
Professionals	7.01 %	7.14 %	7.06 %
Technicians and associate professionals	3.33 %	7.95 %	5.04 %
Clerks	4.77 %	11.51 %	7.26 %
Service workers, shop and market sales workers	10.43 %	8.32 %	9.65 %
Skilled agricultural and fishery workers	2.61 %	1.51 %	2.21 %
Craft and related trades workers	34.06 %	35.38 %	34.93 %
Plant and machine operators and assemblers	10.18 %	5.67 %	8.51 %
Elementary occupations	23.51 %	18.57 %	21.68 %
TOTAL	100.00 %	100.00 %	100.00 %

TABLE 18**HARTBEEFONTEIN**

	HARTBEEFONTEIN	TIGANE	TOTAL
Legislators, senior officials and managers	5.94 %	2.82 %	3.62 %
Professionals	13.12 %	7.18 %	8.70 %
Technicians and associate professionals	9.41 %	2.22 %	4.07 %
Clerks	18.56 %	2.22 %	6.42 %
Service workers, shop and market sales workers	11.14 %	9.40 %	9.85 %
Skilled agricultural and fishery workers	6.93 %	8.29 %	7.94 %
Craft and related trades workers	18.81 %	22.31 %	21.41 %
Plant and machine operators and assemblers	3.22 %	6.67 %	5.78 %
Elementary occupations	12.87 %	38.89 %	32.21 %
TOTAL	100.00 %	100.00 %	100.00 %

(Source: Central Statistical Services: South Africa Quoted by Metroplan KOSH LDO)

TABLE 19**UNEMPLOYMENT IN URBAN AREAS (MINING EXCLUDED)**

	KLERKSDORP	ORKNEY	STILFONTEIN	HARTBEEFONTEIN
Expected de facto labour force - %	58.69	58.75	61.41	51.83
Employment - %	29.42	26.38	26.46	17.48
Unemployment - %	29.27	32.37	34.95	34.35

(Source: Metroplan KOSH LDO)

TABLE 20

ESTIMATED COST OF SEWER NETWORKS WITH TOILETS TO ELIMINATE NIGHT SOIL BUCKETS

SUBURB	NUMBER OF FAMILIES	ESTIMATED COST (VAT EXCLUDED)		
		NETWORK	TOILETS	TOTAL
Jouberton Ext 5	71	R227 200	R248 500	R475 700
Jouberton Ext 8	186	R595 200	R651 000	R1246 200
Jouberton Ext 15	731	R2 339 200	R2 558 500	R1 897 700
Jouberton Ext 16	742	R2 374 400	R2 597 000	R4 971 400
Jouberton Ext 17	1000	R3 200 000	R3 500 000	R6 700 000
Jouberton Ext 19	1278	R4 345 200	R4473 000	R8818 200
Jouberton Ext 20	991	R3 171 200	R3 468 500	R6639 700
Jouberton Ext 21	820	R2 624 000	R2 870 000	R5 494 000
Jouberton Ext 22	1326	R4 508 400	R4 641 000	R9 149 400
Jouberton Ext 23	1185	R4 384 500	R4 147 500	R8 532 000
Khuma Proper	97	R310 400	R 339 500	R649 900
Khuma Ext 6	1645	R	R5 757 500	R5 757 500
Khuma Ext 8	55	R	R 192 500	R192 500
Khuma Ext 9	97	R	R 339 500	R339 500
Kanana Ext 7	1600	R	R5 600 000	R5 600 000
Kanana Ext 8	138	R	R 483 000	R 483 000
Kanana Ext 9	1363	R4 634 200	R4 770 500	R9 404 700
Kanana Ext 10	1100	R3 740 000	R3 850 000	R7 590 000
Kanana Ext 11	1000	R3 400 000	R3 500 000	R6 900 000
Kanana Ext 12	2835	R	R9 922 500	R9 922 500
Tigane Ext 1	359	R1 220 600	R1 256 500	R2 477 100
Alabama Ext 3	2131	R9 064 700	R7 458 500	R16 523 200
TOTAL	20750	R50 139 200	R72 625 000	R122 764 200

(Source: Klerksdorp City Council Department of the City Civil Engineer)

ANNEXURE B (QUESTIONNAIRE)

1. SECTION A

Details of the Respondents

1.1 Name the sector/stakeholder you are representing :

KOSH Municipality (Politician)	
KOSH Municipality (Official)	
Southern District Municipality (Politician)	
Southern District Municipality (Official)	
Department of Development and Local Government (N/W)	
Wesvaal Chamber of Commerce	
Black Business Forum	
Civil Engineering Fraternity	
SAMWU	
IMATU	
ANC	
DA	
UCDP	
Financial Institution	
None	

1.2 The racial group you belong to
(This is an important question but optional)

Black	
Coloured	
Asian	
White	

1.3 Gender of the Respondents

Male	
Female	

1.4 Please indicate your highest level of education

Lower than Std 10	
Standard 10	
Technikon Diploma	
Technikon Higher Diploma	
B-Tech Degree	
B-Degree/Honours Degree	
Masters Degree in Technology	
Masters Degree	
Doctor's Degree	
Other (Specify)	

1.5 Designation/Position

Policy making	
Management	
Supervisor	
Administration	
Self-employed	
Other (Specify)	

1.6 For how long have you been in this position?

1 month - 3 years	
4 years - 7 years	
Longer than 8 years	
Other (Specify)	

2 **SECTION B**

For the purpose of this research KOSH is used to mean Klerksdorp-Orkney-Stilfontein-Hartbeesfontein area.

Views/Attitudes/Perceptions about Public Private Partnerships (PPP's) at Local Government level

Please mark with the cross in the box you think best represents your views.

- 2.1 Public Private Partnerships (PPP's) should be used by the KOSH Municipality in the provision of municipal services (i.e. water and sanitation services).

Totally agree A	Agree B	Uncertain C	Disagree D	Totally Disagree E
----------------------------------	--------------------------	------------------------------	-----------------------------	-------------------------------------

- 2.2 The unavailability of funds dictates that municipal services need to be provided in partnership with the private sector.

Totally agree A	Agree B	Uncertain C	Disagree D	Totally Disagree E
----------------------------------	--------------------------	------------------------------	-----------------------------	-------------------------------------

- 2.3 Public Private Partnerships (PPP's) will bring/attract investment in the KOSH area.

Totally agree A	Agree B	Uncertain C	Disagree D	Totally Disagree E
----------------------------------	--------------------------	------------------------------	-----------------------------	-------------------------------------

- 2.4 Public Private Partnerships (PPP's) should assist the KOSH Municipality in alleviating infrastructural and service backlogs.

Totally agree A	Agree B	Uncertain C	Disagree D	Totally Disagree E
----------------------------------	--------------------------	------------------------------	-----------------------------	-------------------------------------

- 2.5 Public private Partnerships (PPP's) are integral part of Integrated Development Planning (IDP).

Totally agree A	Agree B	Uncertain C	Disagree D	Totally Disagree E
----------------------------------	--------------------------	------------------------------	-----------------------------	-------------------------------------

- 2.6 Public Private Partnerships (PPP's) will assist the KOSH Municipality to provide services to all its inhabitants on a sustainable basis.

Totally agree A	Agree B	Uncertain C	Disagree D	Totally Disagree E
----------------------------------	--------------------------	------------------------------	-----------------------------	-------------------------------------

- 2.7 Public Private Partnerships (PPP's) will ensure efficient and effective service delivery in the KOSH Municipality.

Totally agree A	Agree B	Uncertain C	Disagree D	Totally Disagree E
----------------------------------	--------------------------	------------------------------	-----------------------------	-------------------------------------

- 2.8 Public Private Partnerships (PPP's) will alleviate financial constraints on the KOSH Municipality's operational and future capital savings.

Totally agree A	Agree B	Uncertain C	Disagree D	Totally Disagree E
----------------------------------	--------------------------	------------------------------	-----------------------------	-------------------------------------

- 2.9 Municipal services can best be provided through privatisation.

Totally agree A	Agree B	Uncertain C	Disagree D	Totally Disagree E
----------------------------------	--------------------------	------------------------------	-----------------------------	-------------------------------------

- 2.10 The upgrading of existing infrastructure through Public Private Partnerships (PPP's) will create job opportunities.

Totally agree A	Agree B	Uncertain C	Disagree D	Totally Disagree E
----------------------------------	--------------------------	------------------------------	-----------------------------	-------------------------------------

- 2.11 Public Private Partnerships (PPP's) will promote real black economic empowerment in the KOSH area.

Totally agree A	Agree B	Uncertain C	Disagree D	Totally Disagree E
----------------------------------	--------------------------	------------------------------	-----------------------------	-------------------------------------

- 2.12 Public private Partnerships (PPP's) will facilitate local economic development (LED) in the KOSH area.

Totally agree A	Agree B	Uncertain C	Disagree D	Totally Disagree E
----------------------------------	--------------------------	------------------------------	-----------------------------	-------------------------------------

2.13 Public private Partnerships (PPP's) will assist to set up small, medium and micro enterprises.

Totally agree A	Agree B	Uncertain C	Disagree D	Totally Disagree E
----------------------------------	--------------------------	------------------------------	-----------------------------	-------------------------------------

2.14 Public Private Partnerships (PPP's) will secure a capital injection to uplift previously disadvantaged communities in the KOSH area.

Totally agree A	Agree B	Uncertain C	Disagree D	Totally Disagree E
----------------------------------	--------------------------	------------------------------	-----------------------------	-------------------------------------

2.15 The installation of new infrastructure, operation and maintenance of new schemes/systems through Public Private Partnerships (PPP's) will create job opportunities.

Totally agree A	Agree B	Uncertain C	Disagree D	Totally Disagree E
----------------------------------	--------------------------	------------------------------	-----------------------------	-------------------------------------

2.16 The KOSH Municipality has a guiding policy on Public Private Partnerships (PPP's).

Totally agree A	Agree B	Uncertain C	Disagree D	Totally Disagree E
----------------------------------	--------------------------	------------------------------	-----------------------------	-------------------------------------

2.17 The KOSH Municipality is capable of implementing Public Private Partnerships (PPP's) initiatives as a service delivery mechanism.

Totally agree A	Agree B	Uncertain C	Disagree D	Totally Disagree E
----------------------------------	--------------------------	------------------------------	-----------------------------	-------------------------------------

2.18 These services are performing well under the Public Private Partnerships (PPP's) projects.

Totally agree A	Agree B	Uncertain C	Disagree D	Totally Disagree E
----------------------------------	--------------------------	------------------------------	-----------------------------	-------------------------------------

2.19 The following services can be provided through Public Private Partnerships (PPP's) :-

(i) Water and Sanitation Services

Totally agree A	Agree B	Uncertain C	Disagree D	Totally Disagree E
----------------------------------	--------------------------	------------------------------	-----------------------------	-------------------------------------

(ii) Solid Waste Management Services

Totally agree A	Agree B	Uncertain C	Disagree D	Totally Disagree E
----------------------------------	--------------------------	------------------------------	-----------------------------	-------------------------------------

(iii) Housing

Totally agree A	Agree B	Uncertain C	Disagree D	Totally Disagree E
----------------------------------	--------------------------	------------------------------	-----------------------------	-------------------------------------

(iv) Refuse Removal/Collection

Totally agree A	Agree B	Uncertain C	Disagree D	Totally Disagree E
----------------------------------	--------------------------	------------------------------	-----------------------------	-------------------------------------

(v) Street Cleaning

Totally agree A	Agree B	Uncertain C	Disagree D	Totally Disagree E
----------------------------------	--------------------------	------------------------------	-----------------------------	-------------------------------------

3 SECTION C

Unions and Management satisfaction as roleplayers in Public Private Partnerships (PPP's). The success of a Public Private Partnership depends on interaction and working together of management and unions.

3.1 Unions and management should be more involved from the outset.

Totally agree A	Agree B	Uncertain C	Disagree D	Totally Disagree E
----------------------------------	--------------------------	------------------------------	-----------------------------	-------------------------------------

3.2 Unions and management should ensure capacity building and skills transfer in respect of the workers.

Totally agree A	Agree B	Uncertain C	Disagree D	Totally Disagree E
----------------------------------	--------------------------	------------------------------	-----------------------------	-------------------------------------

3.3 Unions and management must be satisfied with the roles they play in the Public Private Partnerships (PPP's).

Totally agree A	Agree B	Uncertain C	Disagree D	Totally Disagree E
----------------------------------	--------------------------	------------------------------	-----------------------------	-------------------------------------

3.4 Unions and management should ensure no job losses will occur.

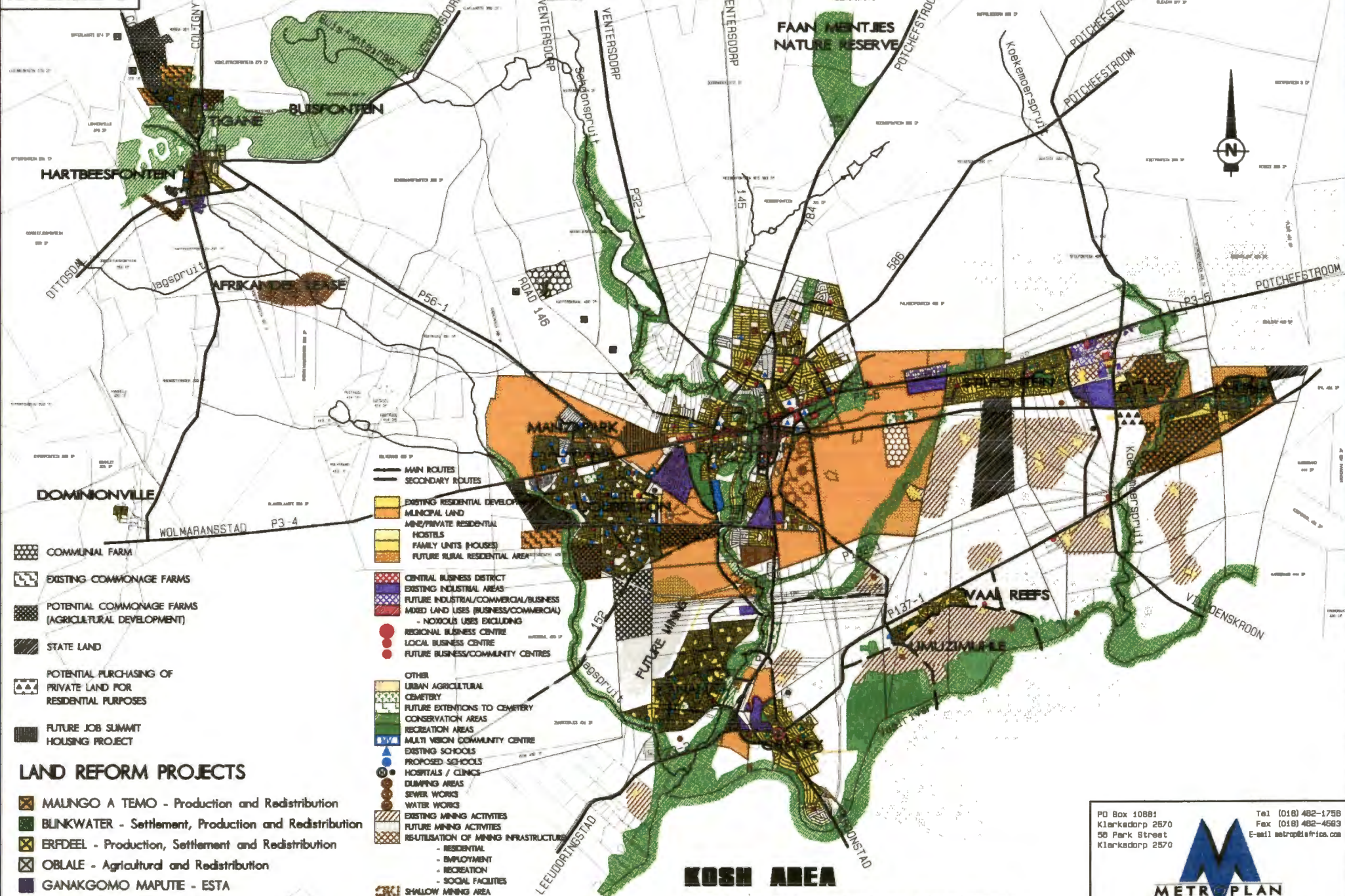
Totally agree A	Agree B	Uncertain C	Disagree D	Totally Disagree E
----------------------------------	--------------------------	------------------------------	-----------------------------	-------------------------------------

3.5 Unions and management should be more involved in monitoring the performance of the Public Private Partnerships (PPP's).

Totally agree A	Agree B	Uncertain C	Disagree D	Totally Disagree E
----------------------------------	--------------------------	------------------------------	-----------------------------	-------------------------------------

ANY COMMENTS AND SUGGESTIONS RELATED TO THE PUBLIC PRIVATE PARTNERSHIPS (PPP'S) AS AN AVENUE TO CREATING JOBS AT MUNICIPAL LEVEL :-

Thank you for your co-operation.



LAND REFORM PROJECTS

- MALUNGO A TEMO - Production and Redistribution
- BLINKWATER - Settlement, Production and Redistribution
- ERFDEEL - Production, Settlement and Redistribution
- OBLALE - Agricultural and Redistribution
- GANAKGOMO MAPUTE - ESTA
- TSHWARAGANANG - Redistribution

- MAIN ROUTES
- SECONDARY ROUTES
- EXISTING RESIDENTIAL DEVELOPMENT
- MUNICIPAL LAND
- MID-PRIVATE RESIDENTIAL
- HOSTELS
- FAMILY UNITS (HOUSES)
- FUTURE RURAL RESIDENTIAL AREA
- CENTRAL BUSINESS DISTRICT
- EXISTING INDUSTRIAL AREAS
- FUTURE INDUSTRIAL/COMMERCIAL/BUSINESS
- MIXED LAND USES (BUSINESS/COMMERCIAL) - NOXIOUS USES EXCLUDING
- REGIONAL BUSINESS CENTRE
- LOCAL BUSINESS CENTRE
- FUTURE BUSINESS/COMMUNITY CENTRES
- OTHER
- URBAN AGRICULTURAL
- CEMETERY
- FUTURE EXTENSIONS TO CEMETERY
- CONSERVATION AREAS
- RECREATION AREAS
- MULTI VISION COMMUNITY CENTRE
- EXISTING SCHOOLS
- PROPOSED SCHOOLS
- HOSPITALS / CLINICS
- DUMPING AREAS
- WATER WORKS
- EXISTING MINING ACTIVITIES
- FUTURE MINING ACTIVITIES
- REUTILISATION OF MINING INFRASTRUCTURE
- RESIDENTIAL
- EMPLOYMENT
- RECREATION
- SOCIAL FACILITIES
- SHALLOW MINING AREA
- AIR PORT
- GOVERNMENT

**KOSH AREA
EXISTING DEVELOPMENT**

PO Box 10881
Klerksdorp 2670
59 Park Street
Klerksdorp 2670

Tel (018) 482-1756
Fax (018) 482-4583
E-mail metroplan@frica.com

METROPLAN
THUSANANG, WE HELP EACH OTHER

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