

40th WEDC International Conference, Loughborough, UK, 2017

**LOCAL ACTION WITH INTERNATIONAL COOPERATION TO IMPROVE AND
SUSTAIN WATER, SANITATION AND HYGIENE SERVICES**

**Evolution of the social franchising approach to water
and sanitation maintenance in South Africa**

Kevin Wall & Oliver Ive (South Africa)

PAPER 2806

The paper describes how the innovative social franchising partnership approach to the routine maintenance of sanitation and water infrastructure has evolved over a period of 15 years, from its origins in research into the condition of infrastructure, through three successive research projects including pilots on the maintenance of low-technology sanitation facilities, to implementation. The paper also describes the business procedures, the lessons learned from these pilots, and the first large-scale implementation contracts. Whereas other approaches to improve service delivery have also built capacity and developed skills, many of them have had limited success because they have not enjoyed sufficiently strong incentive structures and support systems. In contrast, the very practical social franchising partnership approach is built on a robust foundation of mutual support and incentives.

Problem statement

Neglect of maintenance of water and sanitation services infrastructure, and poor operation of this infrastructure, are together significantly eroding the value which the construction and commissioning of this infrastructure was intended to have brought to communities and economic activities in South Africa. Year after year, the operation and maintenance of water and sanitation services (hereinafter ‘water services’) infrastructure in South Africa has in far too many cases been found to not comply with the required standards (DWA 2014; DWS 2015 and 2016). This research has also shown that the main problem (by no means the only problem) is usually shortfalls in the skills and management of the institution responsible for the services. For example, recent work under the auspices of the Water Research Commission (WRC) has on a sample basis in a cross-section of water services institutions revealed the often crippling extent of the lack of skills, always at least in part due to the employment of underskilled staff, especially in the relatively more senior posts. (Vienings and Lima 2015)

These operation and maintenance shortfalls are particularly manifest in the quality and reliability of basic infrastructure serving the majority of citizens. The consequent service delivery failures are warning signs that far-reaching turnaround strategies need to be implemented in order to improve South African municipal service delivery.

The state of school sanitation in particular has been highlighted in the media, thanks in part to activist organizations such as Section 27 and Equal Education which, when not having issue with the Department of Basic Education and provincial departments of education on textbook delivery, teacher shortages or the number of school toilets, have drawn attention to the poor state of the school toilets, even in urbanized provinces such as Gauteng (Mtshali 2014). The design and state of sanitation facilities in rural schools is the focus of a recent WRC project, which reported the ‘Filthy, smelly facilities and full pit latrines [which] prompt learners to walk home if they live nearby, or relieve themselves in the veld, where they may be vulnerable to rape. Missing doors on toilet stalls result in a lack of privacy that is an affront to human dignity’ (Matthews 2015).

The job creation potential of maintenance programmes is seldom mentioned, which, in a country with extremely high unemployment numbers, is surprising. Using a conservative estimate of 5 million households with engineered on-site sanitation systems such as Ventilated Improved Pit Latrines (VIPs) –

which need to be serviced (including emptying) at regular intervals – at least 100,000 permanent jobs, eminently suitable for the great numbers of South Africans with only basic schooling, could be created. In the context of this paper, it must furthermore be noted that the overwhelming proportion of this work could readily be done by small business enterprises or community-based organizations. Thus there would be no shortage of work for them – if the budgets were in place, together with systems to procure and spend!

Social franchising partnerships: the method

Water services franchising partnerships can broadly be described as business-to-business partnerships, whereby small locally based enterprises enter into a business partnership with a larger established enterprise, with the purpose of these partnerships being:

- to establish a previously untrained person in the franchised business, and to enable them to operate it efficiently and profitably on an ongoing basis in accordance with guidelines supplied;
- using a tried and tested approach, to ensure sanitation and water facilities and systems are operating in a reliable manner and in accordance with the specified availability, quality, hygiene and environmental standards.

Long established in the commercial sector, franchising utilizes the drive of entrepreneurship while reducing many of the risks to small businesses. Both parties of a franchise have a vested interest in making sure the venture is a success, while benefitting from mutual learning and shared experiences.

This paper describes the work to date on an innovative adaptation, to address quality and reliability of service delivery, of commercial franchising principles. While the innovation is certainly not applicable to all situations, it can, if upscaled, address the quality and reliability of service delivery in many of the circumstances frequently encountered in the sanitation and water sector in South Africa. This innovation is the social franchising partnership approach to the routine maintenance of sanitation and water infrastructure, last reported on at WEDC in 2011 (Wall et al 2011).

Social franchising is defined as ‘the application of commercial franchising concepts to achieve socially beneficial ends’ (Montagu 2012), and has been identified as an approach appropriate for use in sectors beneficial to society (e.g. the health sector), where the quality of the service needs to be raised and the cost of the service needs to be driven down through the standardisation of proven delivery mechanisms. In short, the social franchising partnership approach to infrastructure services delivery marries unrelated concepts i.e. commercial franchising principles (*think of fast food outlets and video stores!*) with infrastructure service delivery (*think of toilets, taps and pothole repair!*), creating an innovative model.

Social franchising partnerships: the evolution

Evolution of the social franchising partnership approach to the routine maintenance of sanitation and water infrastructure has, in brief, been:

- In the early 2000s, the Council for Scientific and Industrial Research (CSIR) grew concerned at what appeared to be the single-minded focus of government on addressing the service delivery backlogs of the previously underserved by funding and rolling out new infrastructure of various types (housing, roads, sanitation and particularly water). The concern was that little attention was being paid to the operation and, particularly, the maintenance of this infrastructure, and thus much of the infrastructure would as a consequence not last its design life.
- The CSIR researched this, documenting not only the neglect of the new infrastructure, but also the very large and growing backlog in terms of old infrastructure which needed refurbishment and rehabilitation, or replacement. The support of government grew gradually, a highlight being the approval by Cabinet of the National Infrastructure Maintenance Strategy which had initially been drafted by the CSIR.
- Simultaneously, the CSIR investigated studies of selected institutional options which could assist in the improvement of engineering services operation and maintenance. Given the background of the researchers, the water and sanitation sector was chosen as the focus for this research. The potential of the social franchising partnership model soon emerged.
- Given that the WRC has an ongoing interest in institutional options for service delivery, it soon linked up with the CSIR. The first fruit of this was a 2005 report which surveyed the concept of franchising partnerships, assessed its possibilities for water services operation and maintenance, and confirmed the potential. (Wall 2005)
- The next WRC appointment of the CSIR called for a range of studies, including modelling of a small number of hypothetical applications of the concept. In order to assist with the modelling, the CSIR

brought on board the private sector water services provider Amanz'abantu Services (Pty) Ltd, thereby beginning another long-running partnership. (Wall and Ive 2010)

- A pilot ran from 2009 until 2012 – this is outlined below.
- This research, and the interest shown by public sector owners of infrastructure, prompted Amanz'abantu in 2008 to establish a subsidiary, Impilo Yabantu (meaning 'hygiene for people' in Xhosa), to play the role of franchisor where needed.
- Since then, Amanz'abantu with its local franchise partners has been implementing the approach, working with Eastern Cape municipalities and the provincial Department of Education (ECDoE) to address low-technology sanitation and water infrastructure operational issues on a significant scale. In less than a decade, several thousand previously unusable school and household toilets have been restored to a usable condition. Simultaneously, sustainable jobs were created and skills transferred in the workplace.

Thus, to sum up, the research has found that franchising partnership models, developed in the private sector for providing a wide range of services, could be adapted to suit the requirements of the water services sector. The resultant social franchising partnership concept is a valuable and viable addition to the current range of institutional models for the operation and/or maintenance of public sector sanitation and water services infrastructure.

Whereas it was originally thought that municipalities would be the first to procure social franchising partnerships, and whereas many of the officials approached expressed interest, there was a reluctance to be the pioneer of this new and untested concept. The first significant interest in utilising this innovative business approach came from key officials of ECDoE, who saw its potential to assist them with one of their most intractable problems, namely the poor levels of maintenance of water and sanitation infrastructure at schools. Particularly, they saw its potential for rural schools, where harvested rainwater is generally the only water supply to the school, and the toilets are usually VIPs) or similar. In less than three years, the franchisor and its trainee franchisees greatly improved the condition of all the school toilets in the chosen pilot area, the Butterworth education district.

Whereas other more commonly encountered institutional approaches to infrastructure operation and maintenance (e.g. in-house responsibility for operation and maintenance) have incorporated the building of capacity and development of skills in attempts to improve service delivery, many of these approaches have had limited success because they have not, in addition, enjoyed sufficiently strong incentive structures and support systems. In contrast, the innovative and practical social franchising partnership approach is built on a robust foundation of mutual support and incentives.

The Butterworth pilot project

The water and sanitation infrastructure at very large numbers of rural schools is either:

- dysfunctional, requiring radical interventions (extensive refurbishment or total rebuilding); or
- serviceable but deteriorating, and threatened by further deterioration if not supported by good operation and maintenance.

The negative impact of poor sanitation and non-availability of clean water in schools deprives learners of the basic infrastructure support they need to enable them to focus on their studies. The health and social problems arising from the lack of these basic services spill over into the community. For example, the learners should be experiencing good water and sanitation practice at school, and should be taking this understanding home in order to improve practices there, but sadly this is happening too seldom.

The key to success is the willingness of the public sector authority owning the infrastructure to outsource its responsibility for routine servicing, and the ability of this authority to procure, appoint and direct micro-businesses to undertake the work under the guidance of the franchisor. The ECDoE was willing to do this, and in 2009 Irish Aid, the CSIR, the WRC, the DoE and Amanz'abantu Services agreed on a three-year pilot for routine servicing (*akin to the 15,000 km routine servicing of a motor vehicle!*) of water and sanitation facilities at the approximately 400 schools in the Butterworth education district.

A scope of work was agreed on and training and operation plans were developed. Advertisements called for parties interested in becoming 'water services franchisees' to come forward. The franchisor, Impilo Yabantu, identified residents in the target area who have the appropriate skills and temperament to run franchisee micro-enterprises and who, once they had received training, were willing to enter into a contractual agreement. The franchisor assisted the franchisees through the setting-up phase, including the basic business and administrative training, and the development and training of the operational methodology. For the most part, they employed women from the surrounding rural villages.

A key component of the service provided by the franchisees was that of inspection of and reporting on the serviceability and suitability of facilities. Reports compiled from inspections were submitted to the district managers of the DoE at monthly meetings, after which maintenance and repair lists were agreed on for implementation over the next month. In this manner, ongoing service relationships were developed between the franchisees, the school principals and the DoE's district managers. The franchisor also developed and adopted a Quality Management System (QMS).

The franchisees billed the schools each time they did cleaning and maintenance. But all of the development costs – i.e. the development of the concept, development of the training schemes, doing the training, preparing the operations manuals, and so on – were funded by a major donor (Irish Aid), the WRC and also the in-kind contributions of the franchisor and the CSIR.

This pilot proved over and over the value of the franchise arrangement. The franchisor played a very active role, not only managing the administrative part of the process (e.g. compiling invoices and chasing payment by the ECDoE), but also being responsible for ensuring random checks on franchisees for quality control, and processing the vast array of 'before' and 'after' photographs from each school. Another key role of the franchisor in the pilot was that of 'fire-fighting' – addressing problems and issues as they arose – for example payment delays, failure of equipment, and schools found to have no working or even repairable sanitation or water facilities (for the latter, provision then had to be made).

The municipal work

The schools pilot prompted municipal interest. In 2011 the Amathole District Municipality (ADM), a mostly rural municipality, asked that, as a trial run, all of the 400-plus household pit latrines in Govan Mbeki village, Dutywa, be serviced. The household work differed from that at the schools in several respects, including that toilet superstructure, pedestal and slab could sometimes be moved (if they had to be, in order to allow access to the pits) and also that travel between sites was not required.

ADM has since made several further appointments for the franchise to do the same kind of work in other areas. Up to the present time, several thousand household toilets have been serviced, and restored to a usable condition, all paid for by ADM from its operation and maintenance budgets.

Factors affecting viability and costs

The pilot underlined that the rolling out of the programme will sink or swim on financial viability – on which the cost of undertaking the servicing obviously has a significant bearing.

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

The biggest single influence on cost was continuity of work – or lack thereof. To illustrate: once the franchisees were able to strike up a routine, they could each service up to five household toilets each day, and dispose of the contents. Obviously, ability to work at this pace brought the cost per toilet down substantially. In any scaling up, therefore, a minimum three-year commitment from clients is preferred, and the permission to proceed with the work and the ability to fund it should roll out continuously, without interruption, during that period.

While none of the above is unique to franchising partnerships, the point is underlined that, when pricing a service, service providers have to be keenly aware of all the variables, and that the cost of an effective service can vary between wide parameters.

The worst problems in the Butterworth schools pilot were related to payment delays and slow decision-making; thus payments to the franchisees initially had to be covered through partner funding and by the franchisor's principal (i.e. Amanz'abantu), these costs being recovered much later from the ECDoE. In contrast, the franchise partnership's performance concerning training, safety, efficiency and of course infrastructure operation and maintenance service delivery, was excellent.

Establishing the franchisor as designated lead service provider independent of other responsibilities ensured that throughout the project it kept focus on overcoming issues and challenges. From the outset it was accepted by the pilot project stakeholders (including the board of Amanz'abantu) that Impilo Yabantu

would not make a profit during the Butterworth schools pilot. Its purpose was to pioneer the franchise approach and to overcome hurdles, ensuring that the project stayed afloat.

Franchises are not unique in needing to be paid in full and on time in order to stay alive. All types of outsourcing by public sector bodies are jeopardised if those bodies are unable to pay in strict accordance with contractual requirements. Everything else being equal, stand-alone micro-enterprises will go under first, followed by franchisee micro-enterprises, and thereafter by larger businesses.

Post-pilot

As noted earlier, the primary objective of the Butterworth schools sanitation and water servicing pilot project was to develop and test an outsourcing concept which could be used for rolling out similar services to most of the more than 6000 public schools across the 23 education districts of the province. Without question, it successfully achieved this, having developed usable and replicable business plans, with tried and tested operating procedures, for the maintenance and routine servicing of the sanitation and water facilities commonly found in the schools and households of the small towns and rural areas.

Scaling up has to be financially viable; that is, the owner of the infrastructure which receives any kind of service from the franchisees must pay them the fees agreed upon beforehand. This income stream must be steady and sufficient for each franchisee to cover all costs – including both a reasonable wage for the franchisee herself/himself and franchisee's fees to the franchisor – and also to build a prudent level of reserves to cover the lean times when clients prove to be tardy payers and/or work is slow to come. Impilo Yabantu has strictly followed this principle when approaching any opportunities.

The biggest project has been that of undertaking routine servicing work in four education districts (three of them predominantly rural) within the Eastern Cape, viz. Dutywa, Butterworth, Cofimvaba and East London. Contracts were let late in 2013, and regular servicing of the sanitation facilities at nearly 1400 schools commenced. This three-year contract has now ended. Whereas the original intention was that it would be followed by further contracts, the financially mismanaged and cash-strapped ECDoE has regrettably not deemed maintenance to be of sufficient importance to deserve more than token budgets.

On the municipal front, the franchisor is continuing to help ADM to further address its commitment to maintaining household latrines. This includes exploring how the concept could optimise the participation of members of the local community so as to ensure timely toilets servicing, while furthering job creation and skills transfer. Other services being considered include:

- Undertaking water and sanitation servicing in dense settlement areas (for example, managing communal standpipes and ablution facilities) and for communities living on the rural fringe, as well as solid waste collection, recycling and disposal.
- Expanding the franchise operations to provide a wider range of services, initially by introducing additional services such as solid waste disposal. This would be a natural extension of the on-site sanitation programmes, given that, without a collection service, pit toilets rapidly fill up with inorganic waste.

Whereas the African Development Bank has set aside £1 million to demonstrate faecal sludge management through mobile treatment technology and to establish and implement an efficient long-term menstrual health management in schools, progress with this is dependent on the smooth rollout of the schools sanitation programme, with which it was intended to partner. This smooth rollout, as noted above, has not been achieved.

The client's competence to monitor performance and enforce contract compliance is key to it effectively using the microenterprise sector. For franchising tenderers to succeed, specific emphasis would need to be placed in the clients' terms of reference on the achievement which franchising can bring of the quality and other parameters – and some assurance must also be given that the client will monitor compliance effectively. Clients willing to incorporate these considerations will in return receive guaranteed quality and efficiency. In addition, communities will receive the services they need, and locally-based people can become involved in a sustainable business of which they can be proud.

Conclusions

Being a successful franchisor operating at the bottom of the economic pyramid requires patience and benevolence. At the same time, insistence on compliance with predetermined standards is required. Unlike working with contractors, where there are contracts with clear-cut conditions and penalties for non-

performance, working with franchisees requires the franchisor to nurture and guide in order to ensure that an environment conducive to stimulating learning and the growth of the franchisees is maintained.

Apart from providing essential operation and maintenance services to public sector authorities who are short of skills, the partnerships create jobs, provide training, and create and thereafter support micro-entrepreneurs. Projects must be structured so that, when they come to an end, the franchisees have developed into sustainable micro-business entities with the necessary skills, sufficient workload and income streams to continue as viable and profitable businesses.

References

- DEPARTMENT OF WATER AFFAIRS (DWA). 2014. *2013 Blue Drop Progress Report: South African Drinking Water Quality Management Performance*. Pretoria, South Africa.
- DEPARTMENT OF WATER AND SANITATION (DWS). 2015. *Briefing the Portfolio Committee on Water and Sanitation*. 3 June 2015. Pretoria, South Africa.
- DEPARTMENT OF WATER AND SANITATION (DWS). 2016. *Strategic Overview of the Water Sector in South Africa*. Version 1.7, March 2016. Pretoria, South Africa.
- MATTHEWS, S. 2015. *The crusade for sufficient schools sanitation*. The WaterWheel, Water Research Commission, Pretoria. October 2015.
- MONTAGU, D N. 2012. *Franchising of health services in developing countries*. Health Policy and Planning. 17 (2): 121–130. <http://repositories.cdlib.org/cgi/viewcontent.cgi?article=1004&context=big>.
- MTSHALI, M. 2014. *Unsanitary toilets due to funding crisis: appalling conditions found at schools surveyed*. The Star, Johannesburg, South Africa. 22 July 2014.
- VIENINGS, Adie, and LIMA, Michelle. 2015. *Integrated water sector skills intervention map based on a sector skills gap analysis*. Water Research Commission, Pretoria. March 2015.
- WALL, Kevin. 2005. *Development of a framework for franchising in the water services sector in South Africa*. WRC Report No. KV 161/05. Water Research Commission, Pretoria.
- WALL, Kevin, IVE, Oliver. 2010. *Going with the franchising flow: an exploration of partnerships for the operation and maintenance of water services infrastructure*. WRC report No K5 1610, Water Research Commission; Pretoria.
- WALL, Kevin, BHAGWAN, Jay, and IVE, Oliver. 2011. *Piloting franchising O&M partnerships: connecting unrelated concepts, to create something innovative*. WEDC conference, Loughborough, July 2011.
- WALL, Kevin, IVE, Oliver. 2013. *Social franchising partnerships for operation and maintenance of water services: lessons and experiences from an Eastern Cape pilot*. WRC Report No. TT 564/13. Water Research Commission, Pretoria.

Contact details

The authors, both civil engineers, pioneered the approach described.

Professor Kevin Wall
University of Pretoria
Department of Construction Economics
Private Bag X20
Hatfield 0028

Oliver Ive
Managing Director
Amanz'abantu Services
PO Box 19442
Tecoma 5214
