



WORKING PAPER

Preparing a Concession

Working towards Private Sector Participation in
Water and Sanitation Services in
Gweru, Zimbabwe

Janelle Plummer with Godfrey Nhemachena
January 2001

Working Paper 442 04



THE UNIVERSITY
OF BIRMINGHAM



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BUILDING MUNICIPAL CAPACITY
for PRIVATE SECTOR PARTICIPATION
DFID Knowledge and Research Project R7398
in collaboration with the UNDP PPPUE

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Building Municipal Capacity for Private Sector Participation

The Building Municipal Capacity research series is supported with Engineering Knowledge and Research (EngKARs) Programme Funding from the British Department for International Development (DFID). This Building Municipal Capacity Building for *Private Sector Participation* undertaken by GHK International, is being carried out in collaboration with the International Development Department (IDD), University of Birmingham and the UNDP Public-Private Partnerships for the Urban Environment (PPPUE) Programme.

The research aims to analyse and document municipal experiences of private sector involvement in the delivery of services and infrastructure and to formulate a strategic framework for municipal capacity building in private sector participation. The elements of this framework will be supported by in-depth illustrations of the lessons that have been learnt by municipalities in various parts of the world. The purpose of this case study series is therefore to compile a source of material that will inform and illustrate the capacity building framework.

A number of parameters describe the nature and scope of the work. First, the research and outputs are concerned with the participation of the (for profit) private sector in service delivery in cities overwhelmingly troubled with poverty and service constraints. The scope is also limited to those services that fall within the responsibility of municipalities. Combining these parameters has enabled us to focus the research on water and sanitation services and solid waste management.

Second, the research seeks to explore PSP in relation to urban management. Where possible, it intends to explore linkages between the private sector participation, municipal management and poverty reduction. A key concern of each study will be the lessons relevant for dissemination to smaller cities where financial and human resources are particularly constrained.

The case studies in this series are published as working papers and will be made available on the website www.ghkint.com. It is important that they are seen as part of a process and not an end in themselves. It is hoped that the transparency of this work-in-progress will produce greater awareness of the initiatives being undertaken, and promote peer learning amongst municipal officials. We hope it will also promote an openness in the vast arena of private sector participation research. Comments are very welcome.

Janelle Plummer
Team Leader and Series Editor

GHK International
January 2001

Definitions

<i>Private Sector Participation (PSP)</i>	'PSP' refers to the involvement of the private sector in some form, at some stage in the delivery of services. It is a general term that is used to cover a wide range of private sector involvement from the service contract, management contract, concession and BOT. It may also include informal sector participation.
<i>Public-Private Partnerships (PPP)</i>	'PPP' specifically refers to those forms of partnership in which government establishes an arrangement with the private sector and in which the private sector provides some form of investment. As such, the terminology PPP tends to exclude service and management contract arrangements, but includes leases and concessions.
<i>Privatisation</i>	This term is used to mean the transfer of ownership to the private sector. Divestiture is beyond the scope of the research.
<i>Service delivery or service provision</i>	The terminology 'service delivery' has generally replaced 'service provision' removing the implication that there is a provider and a recipient. This distinction is not always adhered to and so will not be overly stressed in this work.
<i>Pro-poor or poverty focused</i>	These terms have achieved different levels of favour at different times. Pro-poor implies that the overall aim is beneficial towards the poor, while poverty focused implies a greater degree of targeting.
<i>Consultation or Participation</i>	These terms have very different meanings in participation literature, and are not used interchangeably. Consultation means that a stakeholder was contacted and their views sought. Participation is generally used to refer to a two-way flow of information and implies a greater degree of influence over the decision-making process.
<i>Municipal</i>	The term municipal refers to the local level of government. It is at the 'municipal' level of government that is frequently, and increasingly, responsible for urban services and infrastructure. It is also the implementation arm of government, being responsible for executing policy. Technically this work also includes local level (line) agencies responsible for service delivery.
<i>Capacity Building</i>	The term 'capacity building' draws on a UNDP definition which includes a broader understanding of capacity which includes organisational development, human resource development and regulatory framework. The terminology municipal capacity building refers specifically to organisational and HRD issues and whatever regulatory framework issues are within the scope of municipal government.

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Janelle Plummer
GHK International

jplummer@mweb.co.za
jplummer@ghkint.com

Acronyms

CBO	Community Based Organisation
DBSA	Development Bank of Southern Africa
ESAP	Economic Structural Adjustment programme
EU	European Union
GCC	Gweru City Council
GDP	Gross Domestic Product
HH(s)	household(s)
IMF	International Monetary Fund
LAPF	Local Authority Pension Fund
MIIU	Municipal Infrastructure Investment Unit, DBSA Southern Africa
MLGNH	Ministry of Local Government and National Housing
MLWR	Ministry of Land and Water Resources
MLGRUD	Ministry of Local Government Rural and Urban Development (now MLGNH)
MoU	Memorandum of Understanding
NGO	Non-Governmental Organisation
PPA	Participatory Poverty Assessment
PPP	public private partnerships
PSP	private sector participation
RFP	Request for Proposals
SAUR UK	Société d'Aménagement Urbain et Rural, United Kingdom
UFW	unaccounted for water
USAID	United States Agency for International Development
WDC	Ward Development Committee
WTP	Willingness to pay
ZESA	Zimbabwe Electricity Supply Authority
ZNWA	Zimbabwe National Water Authority
ZIPAM	Zimbabwe Institute of Public Administration and Management

Partnership Profile

During the mid-nineties the national policy towards decentralisation in Zimbabwe opened the door for urban local authorities to re-examine the manner in which they were fulfilling core functions. Many municipalities, like Gweru, were still recovering from financial difficulties created in the post-independence period and sought mechanisms to ease the strain on municipal finances. At the same time, and in the light of the economic structural adjustment programme, a number of initiatives by the Central Government aimed to build awareness of the potential of commercialising municipal operations including private sector participation in the delivery of municipal services.

A number of successful commercialisation and partnership initiatives (specifically concerned with security, entertainment and the liquor undertaking) created an environment in which the Council gained confidence in private sector involvement and relinquishing the role of provider of municipal functions. In 1997, Gweru Municipality began a move toward the more ambitious and sensitive process of developing a partnership with the private sector to deliver water and sanitation services throughout the entire municipal area. The municipality then embarked upon a lengthy process aimed at establishing a PPP that responded to the specific physical needs of the town and the political and financial objectives of the council. In 1998, after a process of pre-qualification, 7 international consortium were invited to tender. At the outset the GCC was open to a range of options, but with specialist advisory support redefined their objectives to ensure investment formed a primary part of the arrangement. In 1999 SAUR UK (Société d'Aménagement Urbain et Rural) was selected to work towards a concession. SAUR UK then carried out detailed feasibility studies in the city and raised a number of issues for further discussion (the level of investment, the regulatory framework and the level of the tariff).

The process of reaching the Memorandum of Agreement was relatively smooth, characterised by professionalism, effective management and transparency, and ensuring adequate skills for the task at hand. Despite the textbook approach and the caution that the GCC has showed throughout the process, the negotiation has stalled. This has been attributed to two major concerns: (a) the macro-economic and political climate in Zimbabwe in 1999-2000 (during the period of negotiation the Zimbabwe dollar devalued by 50%); and (b) the municipal commitment to gradual increase in tariffs and their rejection of the 100% increase proposed by SAUR (UK). However since the negotiation stage, the council has introduced a programme of massive tariff increase and thus removed one of the primary hurdles in the negotiations. It is not clear at this stage what the outcome will be or when the negotiations will proceed.

While the central government of Zimbabwe actively promotes government partnerships at all levels, it was the process in Gweru Municipality that prompted change to the national regulatory framework. With donor support, consultants were appointed to scrutinise the legislative and regulatory framework for any implications on the operating context of local government. At the time of writing this case study, crucial changes are anticipated which will enable the municipality in Gweru to proceed and others to follow. At this time however there is no sign of a specific piece of legislation for public-private partnerships.

Perhaps one of the most significant contributions of the Gweru case for municipal capacity building is the manner in which capacity issues have been addressed. There

would appear little left to chance. To date, there has been a clarity about the skills needed for the process of establishing PSP, the skills available within the municipality and the gaps which lie between. Where skill gaps have been identified, they have been filled with experienced international consultant expertise. These PPP specialist inputs are envisaged not only in terms of advice and guidance in decision-making, but also in terms of skills transfer and awareness building. Senior management has stressed the valuable and essential role of such external support.

There has also been a strong emphasis placed on consensus building. Due to significant stakeholder consultation, there would now appear to be some agreement amongst administrative officials at most levels, politicians, trade unions, NGOs and residents organisations that the municipality could not continue to manage the ailing services of the city and that a partnership arrangement would be likely to result in much improved services. This support has been achieved because of the assurances given by both the municipality and the private sector partner that there will be no job losses, that the terms and conditions of employment for all workers would be favourable, that the tariff increases will be controlled by the municipality and that the transparency which has characterised the process to date would be pursued in the future.

Partnership Data (proposed partnership)

Location	Gweru, Zimbabwe
Sector	Water Supply and Sanitation
Level of Infrastructure	Primary, secondary and tertiary
Target Group	Total population of Gweru – approx. 250,000
PPP Objective	Investment, technical skills and improved service delivery
Arrangement	Concession proposed, agreement incomplete
Size	Capital programme of US\$29 million for 25 years Current Revenue US\$4 million.
Duration/programme	25 years Preparation commenced 1997-8, Evaluation September 1998 Memorandum of Agreement in place July 1999 Concession contract still under negotiation
Primary Stakeholders	Gweru City Council SAUR UK (Société d'Aménagement Urbain et Rural) Ncube Burrow, Engineering Consultancy Zimbabwe Technical Assistance support provided by USAID Specialist advisers from PADCO
Ownership	Gweru City Council retains ownership of infrastructure
Key Characteristics	<ul style="list-style-type: none"> • Formulated and modelled on World Bank Guidelines • The process helped initiate change in national policy and legislation to create an enabling environment • Strong focus on consultation with civil society and developing a wide range of stakeholder agreement • Watsan PSP developed after commercialisation and PSPs in other areas (security, entertainment) provided evidence of potential success • Significant support from external PPP specialist • Strong sense of confidence, leadership and control • Primary importance of capacity building
Issues concerning services for the poor	<ul style="list-style-type: none"> • No clear focus on issues concerning the poor but in the future steps will be taken to develop a strategy. Tariff is beneficial to the poorer groups
Lessons Learnt	<ul style="list-style-type: none"> • Planning and preparation are crucial. • All stakeholders must be identified and fully involved from the outset. • Transparency is essential to reduce resistance to the PPP. • Support to employees is the key concern. • Keep your feet on the ground • Exposure to other PSP arrangements is very helpful and underpins the role of officials and councillors. • Private sector partners need to be addressed with equal skill. • PPP specialist consultants reduce risk and promote skill transfer • A stable macro-economic climate is essential • Municipal officials have a role in pursuing an enabling environment
Capacity building / capacity concerns	<ul style="list-style-type: none"> • Gaps clearly identified. Plan established for filling skill gaps established and implemented. Strong attention to consultancy support. • Skills required include: legal and negotiation expertise; tender evaluation expertise and contract development; • Skills development through exposure and training workshops underpinned the PSP initiative from the outset.

1 Introduction

The process of establishing private sector participation in the city of Gweru in Zimbabwe originated in 1995-6 when the Zimbabwe Ministry of Local Government, Rural and Urban Development (MLGRUD) launched a number of national workshops on the commercialisation and privatisation of local government services. This initiative was undertaken in parallel with other similar reforms at the time of the World Bank led Economic Structural Adjustment Programme. While the emphasis lay on commercialisation, the approach included the possibility of delegating management to, and instigating partnerships with, the private sector. It promoted and exposed managers from cities throughout Zimbabwe to the changing role of local government and the potential for new forms of management at the municipal level.

In 1997, after reorganising a number of other municipal functions, the Gweru City Council (GCC) agreed to launch a PPP in water and sanitation services in the city. There followed, in some respects, a textbook tale - a preparation process which stands as a valuable illustration of the approaches encouraged by donors promoting private sector participation in urban service delivery. Yet, early in 2001, Gweru City has still not signed a final agreement. Mounting political unrest and macro-economic turmoil led to growing caution on the part of the private operator. While the Memorandum of Understanding (signed some 18 months ago) still remains in place, the future of the whole initiative is unknown.

Despite this, the Gweru case provides an opportunity to examine the process of establishing a public-private partnership for the delivery of water and sanitation services. While many partnerships provide useful lessons in the formulation process, the details of the implementation process obscure the details of the early preparatory stages. Few other cases permit such a focus on the process of formulation. The study is thus limited to an examination of the pre-concession period. While this is a partial and limited view of municipal-private sector interaction, for the purposes of building municipal capacity it provides a wealth of lessons for municipalities elsewhere.

In terms of the wider research undertaking, the Gweru case not only provides a snapshot of the road to a concession. It contributes valuable lessons on consultation processes, on the role of donors and external agents in supporting new municipal initiatives and on the importance and impact of capacity building as a key motivation for municipal reform. Following this introduction, section 2 presents an overview of the external context in which the City of Gweru operates. This includes the political, economic, administrative context and the policy and regulatory framework. This is followed in section 3 by a description of the background to the current initiatives with the private sector in water and sanitation in Gweru. This particularly focuses on the urban management framework in which private sector participation generally emerged and the existing water and sanitation service context. Section 4 presents the steps taken to establish a water and sanitation partnership, tracing the process from the first council agreement to the current lull in discussions. The remainder of the paper then explores aspects of partnership building for the purposes of disseminating lessons to municipalities elsewhere. Section 5 presents some of the key issues in more detail including the issues of consultation and specialist support. Section 6 considers how this partnership arrangement can, in practical terms, lead to benefits for the poor. Section 7 details the capacity issues and capacity building. The paper concludes in Section 7 by summarising the key lessons of the Gweru case - highlighting the particular concerns of Gweru municipal officials and the lessons they would like to share with peers elsewhere.

A case study datasheet and a partnership profile are provided separately at the front of this document to provide a snapshot of the process to date.

2 The External Context

Political and Economic Context

The partnership proposed in the City of Gweru was initiated and developed in an extremely unstable political and economic environment.¹ The growing political unrest and economic instability in Zimbabwe is now a matter of widespread international concern. In 1980, when independence was achieved from the former colonial and racially discriminatory regime, the average income per person was US\$950 and a Z\$ was worth more than a US\$. At this time, the government actively pursued policies to promote a more equitable life for the citizens and focused particularly on improving the health and education services for those who had been disadvantaged during white rule. However during the 1980s the country developed large budgetary deficits. By early 1991, the rising unemployment led the Government to accept a stringent Economic Structural Adjustment programme (ESAP) and the country entered into an era of liberalisation, de-regulation and macro-economic stabilisation – ostensibly with the goal of improved balance of payments and increased foreign investment to stimulate growth and employment.

However during the mid-nineties, when unemployment was estimated at 25-30%, spending went haywire. Massive budget deficits and public borrowing amounting to 10% of GDP led to key international agencies (particularly the IMF, the World Bank and the EU) withholding financial assistance and development support (including the economic development programme). By 1997-98, the decision-making of the government began to further undermine international confidence. Amongst these decisions, the unbudgeted pensions for particular groups (war veterans and political detainees) and the threat of expropriating land belonging to white commercial farmers, scared potential investors. This pattern continued in 1998-9, when the Government spent approximately one-third its annual budget on the Congolese war and failed to repay IMF loans.

In 2000, the country has been hampered by a scarcity of fuel, sporadic power cuts and rising unemployment (now around 50% of the workforce). The central government gave pay rises of 60-90% to the civil service. The net result has been an even greater shortage of international currency and the government failure to meet balance of payment obligations. Inflation averaged at about 50% for 1999-2000 financial year, and international confidence is at its lowest point since independence. Investment has therefore been seriously curtailed. As an agricultural centre with a limited industrial base, the problems of the country are directly reflected in Gweru.

During the period in which the Gweru Concession has been formulated, the Zimbabwe currency has suffered from massive devaluation. When the tender was advertised in November 1997, the currency was Z\$18 to \$US1, following a plunge to Z\$40 in late 1998, inflation peaked at 70% in October 1999. By March 2000 the value was Z\$38 to \$US1² and in early December 2000 Z\$50 to US\$1 with an average inflation rate of over 50%.

¹ This text on the political and economic context of Zimbabwe is drawn from Batley (1998) p3-6 and The Economist April 22, 2000 p19-20.

² The Economist April 22 2000 p20.

Policy framework

In the mid-nineties in the context of significant constraints on public sector investment, and closely linked to the Economic Structural Adjustment Programme (ESAP), efforts were introduced to focus on improving the efficiency and management at the local level of government. A particular focus of these efforts was the delivery of services in urban areas.

In this context, in 1995, the Senior Secretary of Local Government, Rural and Urban Development (MLGRUD) launched government policy by “*encouraging urban local authorities to consider options for commercialisation, privatisation and contracting in and out some or all of their services*”. More specifically, encouraging the “*introduction of competition with private sector contractors in the delivery of urban services [to] generate significant benefits arising from possible lowering unit costs and better quality of service provision*”.³ At a ‘turning point’ workshop for local authorities aimed at promoting commercialisation in municipal management a national study on the commercialisation of local authority services was initiated. At this time, the MLGRUD provided guidelines on which ‘direct’ and ‘support’ services were appropriate for commercialisation⁴.

While the launch of PPPs in Zimbabwe suggested some scope for private sector participation in ‘fundamental’ services, the directives erred on the side of caution. *It is often regarded as desirable for fundamentals services which affect both the natural environment and the nation to remain in the public sector, particularly where extensive capital investment is involved. The water and sewerage services provided by local authorities would fall into this category. However this does not mean that all aspects should be excluded from consideration, only the elements concerned with access and supply. Thus it would be appropriate to include billing and collection of revenues, the execution of maintenance and capital works and the provision and maintenance of vehicles and plant in the commercialisation study. Whilst there is likely to be significant scope for improvement in the technical areas of storage, treatment and distribution, the issues involved are beyond the scope of the study.*⁵

Despite this guarded view and the ambiguous messages that were being sent by government to donors and investors,⁶ this 1996 commercialisation study played a major role in local government reform in the country. It clearly set out options, proposed which services lent themselves to commercialisation, and suggested options most suitable for the services under consideration.⁷ Following the completion of the study, national government agreed on two main approaches to implementation:

- *A fast track approach* through which local authorities continue at their own pace deciding on what to implement and how. Local authorities develop their own implementation plans and they obtain external assistance as and when they require it;
- *A central co-ordinated approach* to establish a task force set up by the ministry which centrally co-ordinates the work of local authorities and is particularly focused on more complex functions. Local Authorities were asked to provide an indication in which functions support would be needed.

³ Speech by the Senior Secretary of LGRUD May 1995.

⁴ Workshop materials MLGURD (1995) Water and sanitation services were considered to be appropriate ‘in part’.

⁵ Ibid.

⁶ In July 1996 at the opening of parliament President Mugabe committed himself to the commercialisation/privatisation programme of public enterprises but linked the programme with a much earlier commitment for the indigenisation of the economy’ quoted in Batley 1998, p6.

⁷ Price Waterhouse 1996 p2.

Despite gaps within the overall policy framework, key pieces were being put in place, and municipalities were handed the opportunity to take up commercialisation and contracting out to fulfil their urban management roles.⁸

Figure 2.1

Task Force for Commercialisation of Local Authority Services

In 1996, a national level Task Force for Commercialisation of Local Authority Services was established to take forward national policy and all 22 local authority managers in the country were charged with the task of proposing commercialisation options within their own municipalities. Apart from the advisory and monitoring role and the aim to raise awareness and maintain momentum toward PPPs, the specific objectives of the taskforce included:

- *coordinating the implementation of commercialisation by individual authorities at the policy level. Provide clarification on any policy issues*
- *designing a Commercialisation Action Plan for guiding the commercialisation strategy*
- *designing Performance Improvement Indicators for specific activities.*

The members of the taskforce were drawn from a range of interested stakeholders. The Gweru City Council is a significant actor in this task force filling 3 out of the 8 positions.

- *MLGNH Department of Development, Planning and Coordination (DPC);*
- *MLGNH Department of Local Authorities Administration (LAA)*
- *MLGNH Programme Coordination and Monitoring Unit (PCMU)*
- *Urban Councils Association nominee: the Executive Mayor of Gweru*
- *Town Clerks Forum nominee: the Town Clerk of Gweru*
- *Town Treasurers Forum nominee: the City Treasurer of Gweru*
- *Town Engineers Forum nominee: the Town Engineer of Mutare*
- *Housing Directors Forum nominee: the Housing Director of Chitungwiza*

The taskforce suffered from some early organisational weaknesses. In the first instance the Taskforce was not provided with an administrative secretariat, constantly monitoring experiences and problems in municipalities. While the MLGURD established the taskforce they did not utilise the mechanism to bring about capacity and policy change. For the municipalities the taskforce did not provide ongoing advisory services which would have been useful in the early stages of commercialisation processes. On the other hand as Gweru had 3 members on the task force they were able to facilitate change in particular areas which would constrain the city from private sector involvement in their target areas. Working groups were established to report on progress in particular sector areas (including solid waste, trading, and liquor undertakings).

Legislative Context

The regulatory framework for PSP in water and sanitation is neutral - not yet favourable or enabling. At the broadest level, the constitution and the 4th five year plan allow public agencies to enter into partnerships with the private sector, but it is neither mentioned nor encouraged. More specifically, the legislative framework relating to municipalities does not create specific impediments to private sector involvement to fulfil municipal functions. The legislative framework relevant to PSP in the delivery of water and sanitation services in Zimbabwe is primarily comprised of the Urban Councils Act (1996), the Water Act and the ZINWA Act (1998). These

⁸ In late 1998, Batley noted that there is little evidence of any initiatives involving the private sector in water and sanitation, that private financing for waterworks was limited to conventional borrowing and was either still in the pipeline (such as the funding for the Zambezi pipeline) or had stalled as in the case of the BOO scheme for the Biri dam. Initiatives were stalling due to a lack of matching funding and guarantees. Batley (1998) p74.

Acts provided the basis for Gweru City Council to embark on an initiative that involved both private sector management and investment.⁹

- *Urban Councils Act*

The *Urban Councils Act (1996)* in Zimbabwe is the act through which national decentralisation policy has been promulgated. It provides Urban Local Authorities with a wide range of powers and responsibilities for the provision of services.¹⁰ These functions include the basic services of water supply, sanitation, refuse removal and health services and a range of non-essential services such as the theatre and liquor undertakings. While the Urban Councils Act is not explicit about private sector participation arrangements in municipal management, a number of provisions are of relevance. These include the requirement to run separate water and sewerage accounts, the provision for councils to borrow from the private sector, and that councils have the authority to sign contracts with the agreement of the MLGNH (and are therefore able to enter into an agreement with a water and sanitation operator).

As the provision for councils to borrow from the private sector is also qualified by a requirement to obtain Central Government approval to borrow - a process which is burdensome and costly - change has been proposed. (Borrowing from the private sector (whether by loans or bond issues) is regulated by the Ministry of Finance, but in the first instance, approval is sought from the Ministry of Local Government and National Housing who acts as a conduit to other government ministries for such processes). The consultancy carried out for the Municipal Finance Working Group¹¹ to facilitate local authority access to private sector finance, proposed changes to a number of provisions of the Urban Councils Act.

“Section 293 concerning Security pledges maintains that all loans (including stocks and bonds) “shall be secured and charged upon the assets and income of the council.” This language limits the ability of councils to issue revenue bonds or sign concession agreements secured by specific revenue streams. Several councils are considering revenue bond insurances and the initiative in Gweru towards a water and sanitation concession suggests that the Act should be amended to give greater flexibility to councils in structuring financial agreements.”

“Section 290 concerning Borrowing powers requires councils to obtain “borrowing powers” from the Ministry as a precondition to borrowing money (or issuing stocks and bonds). It is anticipated that through decentralisation, an increasing number of councils will seek to raise capital through borrowings or the issuance of stocks or bonds. The consideration of every “borrowing powers” request will put considerable demands on Ministry resources and will slow down the financing process. The Act should be amended to establish debt limitations for all councils as part of the central government’s macroeconomic policy. Councils that demonstrate sound fiscal management (e.g. balanced budgets) and whose proposed borrowing falls below the debt limitation should be allowed to access the credit markets without obtaining “borrowing powers” approved from the ministry. Under this amendment, councils would be required to file annual debt profile reports with the Ministry.”¹²

⁹ This brief description does not attempt to describe the complexities of this context, nor the apparent discrepancies between recent research and that described by Urban Council actors. For an extensive account of the legislative framework, the key institutions and reforms and the policy conflicts, see Batley 1998.

¹⁰ See Urban Councils Act Schedule 2

¹¹ The following discussion on the proposed changes to the Urban Councils Act is drawn directly from a note produced for the Municipal Finance Working Group by Brad Johnson, USAID Consultant.

¹² Brad Johnson, Duane Morris and Heckscher note for MFWG (no date)

- *The Water Act (1976 amended 2000)*

The Zimbabwe Water Act, like the neighbouring South Africa Water Act is concerned with the control and utilisation of water resources rather than the delivery of water services. It seeks to provide for the planning of optimum development and utilisation of the water resources of Zimbabwe. In particular, it provides for the allocation of water rights, the responsibility for water sources and the regulatory function of government and to this extent provides a number of relevant clauses pertaining to the roles and responsibilities of national and local government. The overall authority is vested with the Minister of Rural Resources and Water Development whose function shall be to ensure the equitable and efficient allocation of available water resources. Section 6c states that in performing this function the Minister shall *encourage the participation by consumers in all sectors.* There is no explicit reference to PSP.

- *Zimbabwe National Water Authority Act (1998)*

The ZNWA Act replaced the Regional Water Authority Act in 1998 to establish and provide for the functions of the semi-autonomous Zimbabwe National Water Authority. The functions of the Authority include:

- *advising* the Minister on the formulation of national policies and standards (including policy on water quality, bulk water supply).
- *fixing charges for the sale of raw water* but Section 30 clearly states that ZNWA's powers to fix charges for the sale of raw or treated water is subject to the Minister's approval.
- *managing and planning* for equitable national water resources;
- *encouraging and assisting* local authorities (in the discharge of their functions under the Urban Councils Act with regard to the development and management of water resources in areas under their jurisdiction and in the provision of potable water and disposal of waste water)

- *Bye-laws*

Municipal officials have described the changes to the Urban Councils Act as having a 'domino' effect on local byelaws. Under these Byelaws the GCC has the authority to:

- ration water
- disconnect for non-payment misuse or contamination
- inspect consumer premises
- establish and maintain meters
- decide on dispute resolution
- prohibit / regulate bore holes and inter connection with water mains

These byelaws will need to be changed to grant the private operator the same rights as the engineering department to carry out their work. A simple illustration of this is the need to ensure that the operator engineer also has the right to inspect infrastructure and facilities on private land. However, like many post-independence countries the problem is not the content of the legislative framework but the capacity of the national level agencies to enforce the regulations (e.g. the water quality and effluent standards) and render the regulatory framework meaningful.

Institutional and Administrative Context

Responsibilities are divided between the central level government and the local authorities as described in Figure 2.1. The key institutions at the central level are the

Ministry of Local Government and National Housing and the Ministry of Water Resources. In general terms, the central government performs an indirect provider role including resource allocation, regulation, approval, while the local government performs a 'direct' provider role. The central government is responsible for national policy formulation and monitoring. Bye laws are met because council implements the work itself.

Figure 2.2
PSP Responsibilities of different levels of Government for Water and Sanitation

Central Government	Local Government ¹³
<ul style="list-style-type: none"> • Policy and strategy • Legislative and Regulatory Framework (effluent and water quality) • Investment Planning • Allocation of National Funds (project planning) • Donor assistance • Monitoring and evaluation • Regional Planning • Checking administrative competence in local authorities • Management and provision of bulk water supplies including setting of bulk water tariffs • Approval of proposed consumer tariffs • Approval of private financing • Training and technical advice 	<ul style="list-style-type: none"> • Delivery of water services including bulk water supply and distribution to all households. • Delivery of sewerage services including treatment and removal. • Responsibilities for the formulation and enforcement of bye-laws on specific matters including water and sewerage • Setting consumer water tariffs (subject to approval of MLGRUD); • Building and contracting infrastructure • Operation and maintenance of infrastructure

At the present time, the central government through various agencies is promoting 3 different forms of public investment funding either centralised state planning (influenced by political priorities), rationalised reformed administrative arrangements of the PSIP (currently lacking the financial resources to invest) or private financing.¹⁴ However one of the key problems identified by Batley¹⁵ in relation to private financing is the organisational confusion between the MLGNH and the MLWR 'about how and how far to promote and co-ordinate local authority access to private finance'. This is exacerbated by the lack of skills at the central level to:

- monitor credit worthiness of councils;
- facilitate access to private funding;
- negotiate and set up appropriate contracts (BOO, BOT, concessions); and
- regulate and co-ordinate public and private works in to a national system.

Batley notes that the most significant restraint on municipalities coming down from the central government is the refusal or incapacity of some government bodies (police, army and prisons) to pay their bills and control water consumption.¹⁶ Evidence from Gweru supports this observation. The primary debtors in the water and sewerage accounts are the Airforce of Zimbabwe, the police, the provincial water engineer and the Army. The total government debts represents over US\$ 200,000

¹³ See Batley (1998) p 19-21 for a more detailed description, including areas of confusion in roles and responsibilities.

¹⁴ Batley (1998) p74.

¹⁵ *ibid.*

¹⁶ Batley (1998) p64.

nearly 20%¹⁷ of the total debt and approximately equal to one quarter of the total annual watsan expenditure of the council.

Despite the capacity constraints identified by independent observers,¹⁸ the experience of the management team in Gweru is that municipalities enjoy significant autonomy from the central level of government. The lack of any intermediate (state or provincial) level of government to influence roles and relationships underlines this sense of autonomy. The Town Clerk of Gweru stresses that the administrative framework within which the municipality functions has not adversely affected action toward PPPs.¹⁹ This outlook concurs with that reported from Bulawayo²⁰ where officials have highlighted what they can now do (rather than what they can't) and that reduced restrictions and control are the result of the ESAP. Notwithstanding this perspective, in relation to water and sanitation, the central government shift from a policy of tariff increase restraint to a policy which now generally encourages appropriate tariff increases, as well as providing freedom to offer competitive salaries to attract more professional staff, have both had impacts on the autonomy perceived at the municipal level.²¹

Unlike many administrative frameworks, all municipal staff members are appointed by the municipality,²² all training and development of staff and personnel matters are handled within the municipality. To attract potential staff, the municipality must ensure that conditions of service (salaries, incentives etc) are competitive as they compete on the open market for qualified personnel. Gweru City Council experiences little turnover of staff (at manual/clerical grades, middle management and senior management) and has established an extremely stable staff body to take PPP initiatives forward. Capacity building initiatives have generally lead to institutional and well as individual learning.

The manner in which the municipality is structured is the responsibility of Council on the recommendation of the Town Clerk. Consequently, changes to the departmental structure to accommodate the demands of increasing private sector involvement are entirely up to the Gweru City Council. However many of the council procedures (such as financial procedures, procurement and tendering) are determined under the Urban Councils Act and have been put in place to encourage accountability and transparency at the local level. Planning procedures are also set down in the Act and decision-making is subject to MLGNH approval.

3 The Gweru Context

Background

Gweru City in Zimbabwe is estimated to have an overall urban growth of 4.8% and a population of approximately 250,000. Due to the low population density of the existing city, the majority of this growth is concentrated in existing areas - a pattern

¹⁷ Figures provided by GCC as at August 2000: Government Debt Z\$10 217 289; Others Z\$39 632 832 Total Z\$49 850 121.

¹⁸ Batley (1998) and Masuko (1996). Masuko may explain this in his discussion on intergovernmental relation where he says "...this depends less on formal arrangements than on political relationships within the system..." p 53.

¹⁹ Town Clerk, November 2000

²⁰ Batley (1998) p67.

²¹ *ibid.*

²² The Town Clerk and Heads of Department must be approved by the Local Government Board an independent board appointed by the Minister of Local Government in terms of the Urban Councils Act. There have been few instances of any disapprovals.

that is reinforced by the tendency for rural migrants to move in with relatives already established in the urban area. As a result, Gweru is not, at present, experiencing the expansion that might have been expected by such annual growth. Rather it is witnessing the densification of the low-income areas of the city. Amongst other impacts, this is resulting in a widening gap in density between poor and non-poor areas, and consequently infrastructure and service provision to these areas is under increasing pressure.

The 1996 Poverty Study conducted by the Social Dimension Fund, Ministry of Public Service, Labour and Social Welfare indicates that poverty in Gweru is in the region of 45-55%. Council officials however suggest that a higher figure of 60% is more likely, as the criteria leading to this assessment are more appropriate for rural poverty and do not address the complexities of poverty in the urban context of Gweru. If indicators such as access to housing, security and employment were included, it is thought that there would be around 150,000 low-income residents in the city. With an urban growth rate of 4.8%, it would appear that a vast majority of the people living in or migrating to Gweru are also poor.

The poverty context in Gweru, like elsewhere in urban Zimbabwe is characterised by widespread unemployment and the lack of income earning opportunities. At the time of writing, the average HH income of poor groups is estimated at \$Z6,500 (or \$100) per month.²³ In the absence of a participatory poverty assessment we are unable to detail the characteristics of poverty in the area. However, it is likely that apart from unemployment, poor health, severe overcrowding and the habitation of small, unserviced, derelict spaces are central characteristics of the poverty experienced.²⁴

The Urban Management Framework

The Gweru City Council is an organisation that is managed with political and administrative consistency. Immediately following independence, council finances were jeopardised by rash spending on the part of the council, but this practice has been replaced by cautious and targeted expenditure. For the last 5 years, and in accordance with the Urban Councils Act, the GCC has established a small annual surplus. This is largely achieved by allowing revenue-raising functions (which includes water and sewerage) to subsidise functions such as health and social services.

The process of involving the private sector in Gweru originated in 1995, through central government capacity building on the commercialisation of local government services. Workshops were held with local government managers to expose and familiarise key actors to the benefits to be gained from commercialising a range of municipal functions. To some extent at least this initiative was a direct result of the national Economic Reform Programme led by the World Bank, and while the emphasis lay on commercialisation, it clearly included the possibility of delegating management and paved the way for local authority functions to be privatised. Amongst other directives, the MLGRUD provided guidelines on which 'direct' and 'support' services were appropriate for commercialisation. Water and sanitation services were considered to be appropriate 'in part'.²⁵ All 22 local authority managers in the country were charged with the task of proposing commercialisation options within their own municipalities.

²³ Exchange rate in late 2000 was Z\$50= US\$1

²⁴ No participatory poverty assessments have been carried out in Gweru.

²⁵ Workshop materials MLGRUD 1995

In the city of Gweru, this resulted in a process by which the Town Clerk prepared a report for Council (May 1995) on possibilities for PSP involvement. At this time, councillors (particularly the chairs of committees) had been included in capacity building initiatives at the central level to expose and familiarise the political wings of local government to the process of commercialisation. Not least in part due to this capacity building, council welcomed the report by the Town Clerk, and a joint council meeting prepared a proposal outlining which municipal functions would be subject to further consideration.

By September 1996, the Gweru Town Clerk notified the MLGRUD of the GCC intention to move forward with the commercialisation of 20 municipal functions. This included water and sanitation services. The Town Clerk also highlighted the need of the council to have assistance in preparing feasibility studies to enable action in certain functions. During this period a number of other local authorities had begun the process of changing the way they managed and deliver a number of non-essential municipal services. Exchange of experiences between urban managers improved capacity and confidence, and a number of important workshops held at national level provided ongoing motivation.

It is interesting to note that the process of introducing the private sector in Gweru focused on effective urban management. It was not applied to one sector only, but was seen as a new approach to the way the city would be managed. The urban management decision was to commercialise as many services as were appropriate and possible.

The second important characteristic of the Gweru process at this stage was that there was no fixed agenda or adherence to one option. Of the first 3 functions which were commercialised (distilleries, theatre and security services) each was approached in a very different manner. The distillery operations were reorganised into a commercial enterprise, wholly owned by the council; a lease arrangement was established for the theatre; and security services are managed through annual service contracts. Thus, a key part of the development of healthy municipal finances and one of the notable characteristics of town management prior to any private sector participation initiative in water and sanitation services, was the drive towards the commercialisation of municipal functions. Figure 3.1 provides a description of the functions which were reorganised, including those that directly involved the private sector.

Figure 3.1
Municipal services proposed by council for commercialisation in 1995

- | | |
|--|---|
| • <i>Security Services</i> | • <i>Grave Digging</i> |
| • <i>Water and Waste Water</i> | • <i>City Theatre</i> |
| • <i>Property valuation</i> | • <i>Liquor Undertaking</i> |
| • <i>Legal services</i> | • <i>Vacuum Tanker Services</i> |
| • <i>Vehicle and Plant maintenance</i> | • <i>Abattoir</i> |
| • <i>Building Projects</i> | • <i>Pest Control</i> |
| • <i>Schools Clinics</i> | • <i>Cleansing</i> |
| • <i>Grass Cutting</i> | • <i>Roads and Drainage Maintenance</i> |

Figure 3.2
Previous experience of Private Sector involvement in Municipal Function

<p>Theatre 1996 Lease Contract 10 years</p> <p><i>Prior to management contract the city theatre was run by the Housing and Community Services Department of the GCC with approximately 8 staff. This function ran at an annual loss of approximately Z\$400,000 (US\$20,000 at 1995 prices). In 1996 the Council approached the Gweru Theatre Guild to takeover the management for a 10 year period. The theatre assets remain with the council, and the council undertook immediate repairs of approximately equivalent to 2 years losses to bring the building and fixtures to the level required, since that time the contractor has assumed responsibility for o and m. The Guild pays the council an annual fee of Z\$12,000. They are responsible for all fee collection and the operator retains all profits from services provided. Since commercialisation, theatre services have improved for the community and the council obtains a small lease fee rather than a significant loss.</i></p>
<p>Security / enforcement services 1996 Service Contract 1 year</p> <p><i>A cost comparison in 1996 showed that the private sector could deliver security services at a lower cost, more effectively, than the municipality. As a result, the GCC tenders on an annual basis these service contracts to local companies. Performance is monitored by the chief security officer. Indicators of improved effectiveness include: decreased no. of break-ins at municipal buildings; increased no. of arrests; and fines for violating municipal byelaws. The GCC continues to provide some security services to ensure the ongoing employment of security guards, however the GCC has introduced a policy to ensure no more staff recruitment in the municipal police unit and intend to create service contracts for all similar services in the future.</i></p>

Figure 3.3
Corporatisation and Commercialisation of Operations

<p>Liquor Undertaking 1997 Corporatisation</p> <p><i>The Gweru liquor undertakings were commercialised in 1997, they are registered as company, are an autonomous body, wholly owned by council with an independent Board of Directors. Before corporatisation, liquor undertakings made a substantial loss which drew unnecessarily on council resources. In 1996 the estimated net loss was \$Z 980,000 (\$US490 000). This was turned around when the commercialisation took place and the management was taken over by skilled private sector managers. Dividends are now paid to council. In 1999, the annual profit was approximately 11 million Z\$ (US\$200,000); in 2000 profit is estimated to be in the order of Z\$15m (US\$750,000).</i></p>
<p>Grass Cutting and Grave Digging 1996 Contract Workers</p> <p><i>Manual grass cutting was originally carried out by fulltime municipal employees. In 1996 the GCC began to phase out this approach. Those employees still remaining have been transferred to other manual labour functions and this function is now carried out by contract workers paid on a daily or monthly basis. Unemployed labourers are able to approach the council at any time to seek contract work grass cutting. They are paid per task at a rate above the minimum wage.</i></p> <p><i>Grave digging was originally carried out by full-time municipal employees. This was reorganised in 1996 and graves are now dug by contract workers (paid on a unit rate) but still managed by the GCC.</i></p>

The experience and success of these initiatives created an environment in which the Council felt it was able to embark upon the more ambitious move toward private sector involvement in the water and sanitation function. The Town Clerk stresses that all officials and politicians experienced a steep and helpful learning curve through these first initiatives and that by 'extending the barriers' in other sectors the council gained invaluable experience in stakeholder consultation. The Gweru case thus provides an illustration of a municipality which gradually and deliberately developed a commercialisation process involving private sector actors in a range of sectors in a range of ways. Each initiative is free standing but each a part of an overall strategy. In terms of outcome, the degree of success varies but all sectors, with the exception of solid waste,²⁶ have led to large-scale improvements in efficiency and service.

Existing Services and Infrastructure in Gweru

An important characteristic of the existing infrastructure in Gweru is the very high level of water and sewerage network coverage. Unlike most cities in Sub-Saharan and southern Africa, the majority of households have immediate access to water supply. In the case of the low-income areas, previously segregated from the former white areas of the town, this typically means a tap located in the yard or external to the building. It is also estimated that 90% of households have access to sanitation services connected to the network while the remaining 10% are septic tanks. This high level of network coverage makes the city water and sanitation services an attractive proposition for a private operator.

Responsibility

The Gweru City Council has acted as the provider of the water and sanitation services in the city since the 1930's. The Council has been responsible for all operations, (primary, secondary and tertiary) including the safe and adequate supply of water to all consumers; and the safe removal, treatment and disposal of wastewater within the city of Gweru. In the GCC, these operations have been carried out by the Engineering Department, responsible for water and sewerage systems and the Division for Environmental Health (a sub-directorate of the Health Department) which is responsible for some sanitation services.

Existing Infrastructure and resources

There are 4 primary water sources and 2 water treatment plants in the city. Water is extracted from one of 4 water sources (2 reliable, one subject to some caution, one supplying raw water only) and is treated in one of 2 water treatment plants. 4 Booster pumping stations and some 34 km of mains link these sources to the town. The water distribution network consists of 450km of mains (50mm to 675mm diameter) and 23,000 connections of galvanised pipes. In 1998, leakage was estimated at 32% of the raw water abstracted owing primarily to the deterioration of the primary transmission and frequent bursting. Commercial losses were estimated at 11%.²⁷

The sewerage system consists of 300km of concrete and asbestos pipes and various pumping stations separated into 2 systems. Approximately 15% of the effluent is filtered for agricultural irrigation purposes.

²⁶ In the solid waste sector the GCC attempted to develop micro-enterprise employee ownership schemes. This has currently stalled, but the Town Clerk is looking toward solid waste as the next sector to be reorganised.

²⁷ SAUR UK (1998)

The water and sewerage department employs 206 staff to maintain this system, including 97 maintenance, 84 operators and 6 professional staff in the engineering department, and 19 meter readers under the supervision of the treasury department. 3 staff members are required for the operation of septic tanker service provided by the Health Department.

Deterioration of Service Provision

Increasingly however, in a context of rapid urban growth, the density of occupation and the rapid deterioration of infrastructure, there has been growing dissatisfaction with the quality and quantity of water supplied, and marked concern with the sanitation system in the city. During the period 1990-96, water supply, treatment and distribution was hampered by constant service disruption due to the ongoing repair of pipes and the urgent upgrade required on the majority of pumps and boosters. In order to meet minimum acceptable standards, the reticulation systems require constant maintenance at high cost to the council. The existing situation with respect to water loss and leakage in Gweru is critical. UFW was estimated at 52%²⁸ between the water source and the consumer. Council statistics indicate high pressure in parts of the system and deteriorating infrastructure results in approximately 600 bursts/month over 450km of pipework. Lack of meter calibration and maintenance exacerbates distribution problems.

Sanitation services are more problematic. During the power failures, sewage effluent has not at times complied with World Health Standards and there is a potential of water table pollution. Moreover the deteriorating condition and overall pressure on the sewer network and treatment works has resulted in a continual drain on the municipal resources. Departments are unable to respond adequately to complaints or carry out the repairs required. The sewage treatment works in particular are in need of significant renovation works. Those areas still connected to septic tank systems are not being serviced by the council regularly and are not being maintained at acceptable levels. The lack of facilities and equipment in the council (one 18 year-old truck services the entire municipal area), as well as the lack of capacity in the community to manage the septic tanks effectively has resulted in constant overflows. Recently the necessary upgrade and improvements of vehicles and equipment have not been made because of the ongoing discussions about alternative options for service delivery. Private contractors have now been invited to provide this service, and are paid by council for service rendered.

Accounting of water and sanitation services are managed through separate water and sewerage accounts. The water account includes for the costs associated with the provision of water supply in the town including for instance: chemicals, electricity, manpower, repairs and maintenance, debt servicing, capital investment and raw water. The sewerage account includes similar sub-components plus the costs of providing septic tank services. The composite watsan figure of Z\$8,379,798 (US\$167,416) included in the Annual Financial Report represents 26% of the annual council expenditure.

²⁸ This was later revised to 43% by the SAUR UK preliminary survey.

Current tariffs

The tariff includes a standing charge to cover the fixed costs of the service; a volumetric charge based on actual usage; connection charges which are calculated to cover costs as well as other miscellaneous charges. Meters are read monthly. There are currently three categories of customers catered for in the tariff structure. The domestic tariff is a rising block tariff, which includes a lifeline tariff for 1-10m³ (kilolitres) per month at cost. This is currently Z\$3.38/m³ (approx. US\$0.67).

The existing tariff and changes proposed to the tariff structure in Jan 2001 are described in Figure 3.4. The percentage increase of 140% indicated below compares with an increase of 177% in the price of raw water and an increase of 350% for the price of electricity.

Figure 3.4
Tariff Structure

WATER	1998	1999-2000	2001	% change
Domestic				
Fixed Charge	59.10	82.75	140.68	
High Density	59.10	82.75	140.68	140%
Unmetred	10.15	14.20	24.14	
Consumption Bands				
<10m ³ (kl)	3.38	4.73	8.04	
11-15	4.48	6.27	10.66	
16-21	4.64	6.50	11.05	140%
22-25	4.86	6.80	11.56	
excess	5.06	7.08	12.04	
Industrial				
Any	84.95	118.95	202.22	
Flat rate-potable	4.46	6.24	10.61	140%
-untreated	4.13	5.78	9.83	
Commercial (including Govt departments)				
range	140.60-1988	196.85-2783	334.65 – 4731	140%
rate per m ³	4.73	6.62	11.25	

SEWERAGE	1998	1999-2000	2001	% change
Domestic (Fixed charge)				
Rateable	43.90	76.90	130.73	
West suburbs	43.90	76.90	130.73	198%
Communal	10.15	17.80	30.26	
Mtapu	43.90	76.90	130.73	
Quarters/block	105.60	184.80	314.16	
Domestic				
Vacuum tanker service	270.00	472.50	803.25	198%
Commercial/Industrial				
Basic Charge	684.45	1140.80	1939.36	198%
Conveyance per m ³	0.660	1.1	1.89	
Treatment per m ³	0.270	0.46	0.78	
Additional per m ³	0.030	0.046	0.078	

Significant change is planned in January 2001²⁹ when the average tariff will increase by another 70%, presenting an overall change since 1998 (when the tariffs were examined) of 140%.³⁰ For a typical low-income household with a wage level of \$100 per month, the cost of water and sanitation services is currently estimated at approximately Z\$5121.40 per month for 10 litres (water) and \$Z76.90 (sewerage).

Customer Management, Billing and Debt

GCC managers do not consider customer management as one of their strengths. At times, bad publicity and public discord over the way customers are managed have accompanied the inadequate and low quality water and sanitation services. The GCC argues that the composite problem of inadequate infrastructure and poor customer management has helped to create a culture of non-payment for services and a resistance to tariff increases (sometimes even in areas where there was a history of regular payment). This non-payment has limited the funds available for service improvements, resulted in even more inadequate service delivery and consequently even greater levels of non-payment.

All meters are read and billed monthly. Due to the lack of municipal finances³¹ there is no structured programme for meter replacement, and the SAUR preliminary study indicated that meter-reading staff report difficulties in locating some meters and hence miss a number of meters each month. At this stage however the GCC is in the process of incorporating a new billing and accounting system (after a successful pilot in the Senga district office). Billing is increasingly computerised and bills are distributed by post in middle-income areas and by hand in low-income areas. No reminders are sent, but a 10% discount is provided for customers paying on time. Customers must pay their bills at one of 3 offices or at a local building society where the Council has established a special payment facility. No postal payments are accepted. A number of payment options are available to customers including monthly payment and six-monthly payment at any district office, but further consideration could be given to the specific problems of the poorest groups. 20% of the current water and sanitation debt (described above) in Gweru is owed by Central Government agencies (such as the army) which have facilities in the municipal area.

Since independence, poor communities in Gweru have developed a sense of ownership of the Council. *“the council is theirs, they feel they own it and they do not need to pay for the services it provides.”*³² Poor households prioritise expenditure for food and clothing over housing and services which they have always expected to receive from government. This trend has been exacerbated in recent years by the impacts of the economic crisis - the loss of jobs and massive price increases of basic commodities. Non-payment for services has created growing concern within the council and despite the reservations of many councillors, the GCC has recently begun to enforce non-payment procedures and cut-off water supply to those defaulting in payment.

Current problems with customer management tend to lie with collection and enforcement (rather than billing) particularly in high density areas and inadequate or insufficient meters. In addition to this the poor condition of intrahousehold facilities and equipment such as leaking taps and cisterns (while not the responsibility of the

²⁹ All proposed tariffs are subject to the approval of the central level Ministry of Local Government and National Housing. The Town Clerk does not envisage any problems in obtaining this approval.

³⁰ The municipality also operates a cost recovery approach to connection.

³¹ This refers to limited municipal finances generally, the water account itself is in surplus but this revenue is currently used to subsidise other municipal services.

³² Interview with the Mayor, March 2000.

council) are a deterrent to payment.³³ Steps to help rectify such problems through maintenance programmes funded by customers but organised by the GCC may well help to improve payment ratios.

In 2000, the GCC joined the Municipal Development Programme, a move which enabled the council to receive an independent assessment of some of the services provided by the municipality. The objectives of the MDP Survey were to:

- to carry out an opinion survey to determine what the residents think of the services provided by the municipality;
- introduce a service delivery system as a management tool intended to improve efficiency in local service delivery;
- introduce local integrity systems so as to enhance accountability, transparency and guard against corruption;
- raise awareness of the effect of corruption with regard to service delivery.

The Town Clerk is hopeful that the study will provide greater insight into customer perceptions (and ultimately increase accountability of those councils and officials), orient service provision towards residents concerns and priorities, provide a voice to those with concerns, and provide a platform for greater community-council dialogue.

4 Establishing a partnership for water and sanitation services

Objectives of a public-private partnership

In the light of the deficiencies described above, the Gweru City Council recognised that it had neither the capital nor the staff to meet the immediate and long term requirements which would result in an acceptable level of service delivery to all residents in Gweru. The lack of financial resources was exacerbated by the increasing difficulties in procuring government funds for capital projects and the increased area for which the council was responsible. In this context, and with the experience of private sector initiatives in other municipal functions (discussed earlier), the Council therefore decided to explore the possibility of private sector participation in water and sanitation services.

At the outset, the concerns of the Treasury Department of the Gweru City Council exerted pressure for significant change in the water and sanitation function. Their primary concern was that municipal resources were being drained for extraordinary levels of operation and maintenance, and that the status quo was not sustainable. The implication of this pressure was the need for a partnership with the private sector that would provide finance for investment in the deteriorating system and the skills and expertise needed to solve technical problems.

The GCC has stated the objectives of private sector participation as follows:

- to delegate the tasks of managing and operating water and sanitation services;
- to access capital markets; and
- to improve effectiveness and efficiency in the delivery of services in the city.

³³ SAUR UK Technical Proposal

The council argued that despite arrears of \$Z32 million and the massive leakages of water (they estimated initially at 50%), the council was able to maintain a profitable water and sanitation service. The council therefore argued that if a significant portion of the leakage could be rectified, a private sector actor had a sound basis for establishing a viable contract.

The tender documents outline 9 primary problems within the city:

- deterioration of water storage dams
- the impact of the drought over the last decade
- funds used on the urgent upgrading of the major water treatment plant seriously undermined the financial resources of the municipality
- the asbestos cement water distribution network has approx. 9000 bursts per year
- water loss is around 50%³⁴ of water extracted, costs of raw water (paid to government) have increased by 300% and consumer payment is unreliable
- service reservoirs and main booster station have reached their design capacity
- sewage pump stations are old and are a continuous source of spillage resulting in pollution of nearby water courses
- the sewer reticulation system is overloaded and blockages average 7500 per year;
- water and sanitation services are undercapitalised, lack technical expertise, reliable equipment and utility vehicles.

The first steps

In early 1996, at the same time that the GCC began the process of commercialisation in non-essential services, officials and councillors also began to consider future arrangements for water and sanitation services. A number of other opportunities (such as training workshops) mobilised various champions within the council to bring about change. In July 1996, the City Engineer attended a World Bank funded workshop in South Africa and became aware of various materials which could be used to direct the process of developing private sector involvement in water and sanitation services. Various one-off learning processes included:

- discussions with a regional private operator who explained the benefits of private sector participation;
- increased understanding of a business culture approach and performance management of municipal services;
- exchange visits with the twin city of Basildon (including studying the experience in private sector participation in street cleaning);
- municipal journals promoting best practice in competitive tendering etc.

The culmination of these activities was the council decision to pursue private sector participation in water and sanitation services. A delegated management contract was selected as the most appropriate form of contract because it enabled the GCC to opt for private sector involvement in a tempered manner, providing the staff and councillors with the opportunity to learn from, and develop commitment to, this shift away from municipality as provider.

Once consensus was agreed within the Council body, the GCC then approached civic groups to describe the problems they were facing in respect to the ongoing delivery of water and sanitation services in the city. With general support and interest, the GCC then began a process of consultation and capacity building (specifically in relation to the role of the private sector) amongst a wide range of community based

³⁴ This figure was later revised by SAUR UK to 43% (32% leakage and 11% commercial loss).

organisations, ratepayers and residents associations, trade unions and business organisations. Some key members of the business community came to the meetings as champions of the process and thence led others through this process. The various agendas of these organisations brought with them an equally diverse range of concerns. The key stakeholders in Gweru are outlined in figure 4.5 and discussed further in section 5.

Council agreement to pursue a partnership for water and sanitation services was linked to a number of key issues. In particular, there was widespread concern for the employment terms and conditions of council employees and a commitment to ensuring that all employees would be reemployed; and second there was equally widespread concern that the process invited corruption. The council therefore assured the public that mechanisms would be introduced to provide transparency and promote accountability. An openness to and with the public was considered essential.

Figure 4.1
Key Stakeholders

Government	Private Sector	Community
Gweru City Council Government of Zimbabwe (which departments?)	SAUR UK Zimbabwe National Chamber of Commerce Confederation of Zimbabwe Industries Ncube Burrow and Partners	Consumer Council Ward Development Committees Political parties Residents and Ratepayers Assoc Municipal Workers Union Zimbabwe Congress of Trade Unions Churches Women's groups Youth groups Sporting Clubs Burial Societies Housing Co-operatives Homelessness group

The first step in the process was a national advertisement for the 'delegated management of water and waste services'. This was accompanied by a statement that the Gweru City Council was primarily looking for an *'investment linked contract whereby the contractor would provide complete service within the area currently served by the local authority'*. The Gweru City Council clearly stated its intention *'to transfer all the water and sanitation departments responsibilities to a contractor'*. Expressions of interest were received by 7 national and international operators with various levels of experience in the water sector and municipal service delivery.

The pre-tender qualification process enabled contractors to propose their approach and following an evaluation of these proposals in early 1998, 5 qualifying tenderers were invited to make presentations of the bids to the city. The audience included the elected council, the GCC administration staff and representatives of civil society in Gweru. The intention of the presentations was to expose the public to all the options available, to get to know the applicants; and to shortlist potential operators for further discussions.

Following the presentations, the tenders were evaluated by the GCC management team, and an evaluation report produced shortlisting 3 tenderers. At this point some concern developed within the management team. While they had reached this point of the process successfully without support, concerns were raised about the imbalance

in skills that now existed between specialist international operators (familiar with the process) and a management team (embarking on this process for the first time). This concern was accentuated by an increasing shift towards a longer term, investment linked contract. As the tenderers had each proposed different arrangement and options (including affermage, concession and joint venture arrangements) the GCC was tasked not only with evaluating proposals, but making judgements as to which was the most appropriate contract option. It was therefore decided to draw in the assistance of international specialists to assist in the completion of the evaluation stage and in June 1998, the GCC approached USAID to provide technical assistance for the establishment of the PPP.

In order to secure these services, the management team organised for terms of reference for the consultancy services to be drawn up. In essence the GCC proposed that an international multi-disciplinary consultant assist in the evaluation, advise on the way forward for the GCC, and act as advisor to the City of Gweru for the appointment of the private operator. The consultant was to have a range of skills, including financial, managerial, legal and technical expertise. An internal task force was convened to work with, assist and learn from the consultant appointed.

In the first instance, the consultant proposed that an addendum be issued to each tenderer, in order to clarify the GCC position, to obtain more information on the capacity of the private companies and to understand in more detail the approach proposed. This addendum³⁵ asked each consortium to provide responses to issues which dealt with the changing concerns of the council. In particular:

- *tariff increases*: a proposal describing how the proposal would deal with tariffs in the context of inflationary pressures;
- *capital improvements*: a proposal indicating the willingness and ability to fund capital improvements (replacements, major rehabilitation, new plant and network) - this indicated a major shift in thinking from a management contract to a concession agreement.
- *Interim period / data gathering / contract negotiations*: a proposal for how the operator would proceed into the period between selection and contract signing (including management assistance during the data gathering-negotiation period);
- *the identification of a sole responsible party*: naming the party responsible for all aspects of the contract, and the individuals who would staff the project.

The addendum to the original GCC documents enabled the Council to clarify their own requirements and to state them as specific actions or conditions. It included the key concerns of company viability, reemployment of the council workers, and the capital investment required. In order that a plan of action could be clearly established, the council taken through the benefits and drawbacks of the options open to them once the responses were received. These included:

- (1) to proceed with the concession with data gathering and management services to be provided at a fee;
- (2) to proceed with the concession with data gathering and management services not provided;
- (3) to hire the preferred firm to manage watsan services for 1-2 years and to generate data and plan.³⁶

³⁵ RFP Addendum Number 1: Request for Proposals Continuation and Amendment

³⁶ See Annex C

The consultant was also tasked³⁷ with the responsibility for developing the methodology for selecting the operator. Accordingly, a matrix system for evaluating (scoring) proposals was defined which identified the criteria to be considered and relative importance. This evaluation method, which aimed to promote and ensure transparency in the decision making process, included 8 criteria with differing weightings:

- Commitment to business (100)
- Financial capacity (100)
- Management skills (40)
- Technology transfer and employee training (80)
- Sole party identified (40)
- Specific project personnel (60)
- Provision for absorbing municipal employees (100)
- Plan for tariff increases (80)

The Consultant reviewed the three responses together with the Internal Task Force and prepared a report for consideration by the Town Clerk. The Consultant then presented the findings to the full Council, recommending the appointment of the tenderer with the highest evaluation. As a result of this process, in September 1998, SAUR UK was notified that they had been selected. In the following month, Gweru CC and SAUR UK began the relevant negotiations in order to define and agree the necessary steps for implementation.

The Preferred Proposal

The responsibilities being delegated to the private sector include all water and waste services: water from the dam and waste water removed and disposed and treated safely. This will therefore include supply, treatment, distribution and customer management. The proposed arrangement is inclusive of all unserved, partially served low-income settlements and intends to result in expanded coverage of water and sanitation services to all parts of the city. Yet it is important to note that the network coverage (water over 90%, sewerage 80%) Gweru is already significantly higher than that achieved in most other African cities. With this in mind, the Gweru contract does not include for large lengths of newly laid pipework. While system expansion may be needed at some point in the next 30 years, it is not needed at this stage. Rather the focus is on upgrade, rehabilitation and infil.

The SAUR UK proposal outlines a concession (or partial concession) agreement for 30 years between SAUR UK (supported by SAUR Services) and the Gweru City Council. This option was considered most appropriate because the existing infrastructure needed refurbishment and alternative sources of finance were required to allocate the investment required. Despite the general umbrella of a concession contract and the implications for investment, the SAUR UK proposal relies on external sources of funding (which it is assumed that the GCC will have to secure). *'At this stage of development of the services at Gweru, it is important to conserve and make use of the access to financing by aid, the rates of which are particularly favourable to the development of the water and sanitation sector.'*³⁸

³⁷ In addition to these tasks the consultant also carried out a significant amount of capacity building – both through formal sessions (such as working with the middle management taskforce) and informal information sharing with the management team and the council. This is discussed further in section 6.

³⁸ SAUR UK Proposal (1998)

One of the primary components of the proposal is sewerage management. This is explicitly aimed at rectifying sewerage problems (pipe bursts and back siphonage) and generally upgrading the existing network. Furthermore, the programme of sewerage works envisaged by the Gweru City Council intends to prioritise the poorly serviced areas of the city (such as Mutapa), upgrading those areas which were excluded from previous World Bank Urban Housing programmes and now in desperate need of investment, and making temporary improvements unnecessary. Municipal objectives in the programming of where, to whom and how these sewerage works will be undertaken will need to be explicitly stated in the investment programme.

Both SAUR and the GCC are keen to ensure that levels of services are consistent across the city. Notwithstanding the importance of this objective, the extensive coverage of the network also means that it is financially effective and sensible to promote both water and sewerage connections (rather than lower level alternatives) and to promote as many metered household connections as possible.

The tariff structure established by the council and to be taken up in the proposed concession is a rising block tariff structure. It is intended that the Council maintain control of the tariff after the contract is signed. At the preparation stage decision-making over the tariff has been strongly influenced by:

- the strong political pressure against significant increases in service costs with the shift to public-private partnership;
- the perception that the concessionaire is able to establish a viable contract by rectifying significantly reducing UFW.

Originally, the council proposed to the operator that the first block of the tariff will provide a basic supply of water and removal of waste at cost in addition to the fixed charge. In late 1998 early 1999 at the time of these discussions the rate per cubic meter amounted to approx. Z\$33.80m³ or \$US 0.10 per 1m³. Unsurprisingly, the tariff proposed and the overall cost structures envisaged by the GCC contributed to some difficulties in finalising the contract. The operator stressed that they would want to see a 100% increase in tariff over the first 2 years (while the council envisage an increase up to a maximum of 40%).

However in the intervening period, the GCC has quite independently raised this tariff, seemingly to the amount proposed by SAUR UK. Tariff increases in January 2001 will increase this rate to over Z\$80.00 per 10m³ but due to the massive rate of inflation this represents only US\$1.20 per 10m³. Further increases are expected again in July 2001, which will increase this rate by another 55% to Z\$124.60 per 10m³. While this is significantly greater than the rate of inflation, and represents some 140% increase up to the January 2001 (see Figure 3.4), it is not yet clear if this will answer the concerns of SAUR UK. When compared with rates elsewhere, this is still very cheap water.

One of the key conditions of the contract set out in an addendum to the contract requirements was the voluntary transfer and reemployment of all municipal water and sanitation staff. All bidders conformed with this requirement, offering incentives (such as better conditions, training and offers of transfer within the company). It is anticipated that all staff have agreed to transfer to the concessionaires operating company once the contract is in place.

The municipality and the proposed concessionaire both have publicly expressed their intention to promote a labour-based approach to construction, repair and

maintenance. In their presentation to the City of Gweru, SAUR gave the assurance that they would err toward labour based approaches to service improvements, and the Mayor and Town Clerk are committed to intensifying employment creation initiatives. While the practicalities and the scope of including such labour based methods are not known at this stage, it is likely that this practical mechanism will be pursued in the terms of the final contract. Within the municipality, there are suggestions that existing initiatives with the informal sector will also be extended to include the development of micro-enterprises with trade skills such as plumbing and electricians needed by the concessionaire to fulfil their investment programme.

Apart from the role of the stakeholders such as community leaders and churches in the transparent decision-making process of council, there is no defined role for communities or for their representatives after the contract has been signed.

The Action Programme

The first phase task identified by SAUR UK focused on data collection.³⁹ This aimed to establish and collect data required for the evaluation of the needs of the water and sanitation services; and to assist SAUR in familiarising itself with the existing infrastructure and services of the Gweru City Council. Like all tenderers SAUR UK had committed to meeting the costs of data collection in their proposal and undertook this process between November 1998 and March 1999. The GCC undertook to provide all the necessary support needed to ensure that these tasks could be carried out. A team of the operator's staff carried out the preliminary surveys in Gweru and resulted in an analysis of the water and sanitation services and recommendations for actions to be undertaken. This survey work included an analysis of:

- water sources
- water treatment
- the capacity and condition of the water distribution system (including the storage, boosters, mains and distribution network)
- leakage (technical and commercial losses)
- water quality
- the capacity and condition of the sewerage system
- the organisational structure of the water and sewerage department including the strengths and weaknesses of the organisation
- the existing water and sewerage tariffs and tariff policy
- meter reading and billing
- payment and collection
- debt

A Memorandum of Understanding

During this 'Data Gathering Phase' the GCC negotiated a Memorandum of Understanding with SAUR UK. For this process, the GCC enlisted the support of a number of legal and PPP specialists including the consultant responsible for advising on the evaluation process, the Ministry of Local Government and National Housing (Legal Division) and the GCC nominated local legal consultants. A protracted process of negotiations then took place to agree the various provisions which would ensure the MoU met the interests of each party.

³⁹ The proposal made by SAUR clearly stated their agreement to pay for the data collection and preliminary investigation stage of the work.

SAUR UK pursued a very detailed form of MoU. The content included is significantly more detailed than the contract documentation necessary to enable an operator to undertake the preliminary surveys and other activities of the pre-concession period.⁴⁰ In its final form, the Memorandum of Understanding ultimately defined the content, terms and conditions of the relationship between the parties for the purpose of preparing the preliminary surveys, the programme for the pre-concession period, and set down the principles underlying the negotiation and execution of the concession contract.

The second phase, also to be undertaken by SAUR UK at its own cost, involved 'setting up the proposal'. This phase aimed to establish the conditions for the provision of water and sanitation services of Gweru CC under a Concession Contract and included the provision of:

- an investment programme (completed)
- a proposed legal and institutional framework (incomplete)
- the proposed organisation of the company and operational plan (incomplete)
- the conditions with respect to the tariff policy (completed)
- an investment financing schedule (completed)
- the personnel and human resources policy framework (incomplete)
- the performance criteria (incomplete)
- the draft concession contract (incomplete).

Current Status

After the completion of the preliminary surveys and the formulation of an investment plan – a time which coincided with increasing political and economic instability – SAUR UK expressed their doubt about the viability of the contract. While SAUR UK described the key problem as the proposed tariff, the GCC see the slump of the Zimbabwe dollar, together with the international concern over the political unrest as the main cause for the interruption in negotiations.⁴¹

In early 2000, in response to the overall context, SAUR UK compiled and submitted a revised business plan. As much of this did not reflect the terms under which they were offered the contract, the GCC felt unable to accept it. Since that time negotiations have been unendurably slow, leaving GCC quite unsure of what the future will hold. At the time of writing, the Memorandum of Understanding between Gweru City Council and SAUR UK is still in place although the operator has not met a number of the programme provisions. The agreement is effective for 2 years from June 1999.

As the council has an effective agreement with SAUR UK they have not formally debated or discussed alternatives. Given the recent and significant increase in tariff, the GCC has prepared itself well for a time when discussions with an operator can resume.

⁴⁰ Records show the concern shown by the consultant over the prescriptive nature of the MoU.

⁴¹ SAUR UK have since confirmed that stating that it would be difficult to obtain acceptance from a Board sitting in Europe, for any significant actions in Zimbabwe.

Figure 4.2
Calendar of Events

Action taken	Timeframe
First discussions about PSPs National level capacity building	1995-96
Report to council - feedback from national level workshop	May 1995
Councillors attend national level capacity building workshops	1995-96
New mayor in GCC	January 1996
Proposal for GCC functions	September 1996
Launched commercialisation / PSP in 3 municipal functions	July 1996
Town Clerk investigates activities aimed at the development of a business culture (performance management, bench marking, competitive tendering)	1996-97
International operator visits Gweru and gives PSP seminars	September 1996
Town engineer attends World Bank workshop on private sector participation in water and sanitation	July 1996
Corporatisation of Liquor Undertaking	July 1997
First targeted discussions about private sector participation in water and sanitation, receive PSP toolkits.	May 1997
GCC begins discussions with community and union stakeholders	mid 1997
Pre-qualifications for PSP in watsan invited	September 1997
Presentations by selected consortium to GCC and other concerned stakeholders	March 1998
Analysis of pre-qualification submissions	March 1998
Municipal Finances Working Group Workshops Public-private Sector Roundtable	May 1998
GCC approaches USAID for technical assistance	June 1998
PSP Specialist consultant appointed and begins assisting GCC in the process	July-September 1998
Addendum issued focusing PSP on investment opportunities	July 1998
In-house capacity building with senior and middle level management and councillors	August-September 1998
Consultant leads selection process with task force and management team, presents recommendation to Council	Early September 1998
Council adopts recommendation of SAUR UK as the preferred form with an alternate.	Mid-September 1998
Staff authorised to notify firms and schedule steps for data gathering and concession contract negotiations	Mid-September 1998
Proposed operator undertakes preliminary investigation and feasibility studies	November 1998 - March 1999
Memorandum of Understanding formulated and signed	March - June 1999
GCC approaches USAID for further technical assistance	December 1999
First indication of difficulty	January 2000
Presentation to GCC of SAUR UK Business Plan	February 2000

5 Key issues

The Consultative Process

Once the council had agreed with the general principle of private sector participation in water and sanitation services in Gweru, the municipality adopted an approach which was as transparent and accountable to the people of Gweru as possible. This meant ensuring that the choice of a private sector partner was made *with* the people, for their benefit. This approach was not only desirable but essential in the context of Zimbabwe where a relatively active civil society exists. Consisting of ratepayer's associations, trade unions, co-operatives etc., it is common that a consensus between the municipality and civil society be sought through discussions (particularly at ward level), consultation and public debates. The role of the councillor is critical to this end, consulting with different organisations in policy development and listening to the grievances and aspirations of the people. This process has helped to ensure that local government is responsive to public demand.⁴²

Both the political and administrative arms of the GCC have therefore fostered a series of relationships with key individuals and groups within the community. It is argued that the fear and scepticism which characterised the attitudes at the outside have gradually been replaced with the support of most stakeholders. A key lesson has been that transparency has created confidence and ultimately has shielded the municipality from criticism.

The relationship with the trade union has been treated with importance throughout the process. A number of lessons have been learnt in relation to dealing with trade unions, and many of the hardest lessons were learnt on other privatisation initiatives within the municipality. To some extent, the municipality and the unions had both undergone a massive learning curve by cutting their teeth with the contracting out of the theatre and security services, and commercialising the distillery. As a result, the Municipal Workers Union has been involved in all parts of the process, the municipality has nurtured that involvement and respected the concerns of the employees. SAUR UK has also played an important role in building confidence and providing guarantees from the private sector perspective. The trade union has been present at negotiations with the private sector, at the tender presentations, they have met separately with SAUR UK and have heard from all parties that:

- all staff will be given jobs within the operating company - there will be absolutely no job losses;
- the terms and conditions of employees at all levels will improve; and
- management staff will be offered incentives (overseas travel and work opportunities) unlikely in the public sector.

The relationship with the Chamber of Commerce was also treated with great importance. Little work needed to be done to encourage Gweru business however and support from the Chamber of Commerce has been unanimous from the outset.

While it is reported that community leaders have participated in discussions and presentations, there is little clarity provided on the community consultation process. The community representatives consulted are community leaders or those known to be influential, there is no indication of any grass roots participatory process. This may be something taken up with more pro-poor initiatives in the future. The municipality

⁴² Masuko (1996) p 57.

stresses that a key lesson for them was that community support can be easily achieved if leaders are involved from the start.

A number of officials highlighted the importance of NGOs (mostly church groups) underpinning the process through their public support. Apart from this 'spiritual' support, there is no defined role for NGOs in the forthcoming partnership. In the cultural context of Gweru, the support of the churches was important to underpinning the community support for the process.

Figures 5.1 and 5.2 provide a summary of the stakeholder interests and the manner in which these issues were dealt with in the formulation stages. The actors selected by the GCC to describe their consultative process include a range of governmental (central level) business and NGO stakeholders. The GCC has always stressed the importance of involving central government representatives at key steps in the process.

Figure 5.1
Government stakeholders

Government Stakeholder	Concerns/Interests	Response
Ministry of Local Government and National Housing	To monitor process to ensure government policy on PPP is met; To promote the first water and sanitation PPP in Zimbabwe; Disseminate experience to other local authorities	Ensure notification of all stakeholder meetings and decision-making forum; Provided access to the development of all documentation.
National Economic Planning Commission	To understand and promote their role in capital financing	Ensure notification of all stakeholder meetings and decision-making forum;
Ministry of Water Resources and Development (Provincial Water Engineer)	To continue to supply bulk water to Gweru City; To ensure that existing bulk water charges are met the private operator To plan	Ensure notification of all stakeholder meetings and decision-making forum; Enable operator access to MWRD

Figure 5.2
Non-public sector Stakeholders

Civic Organisations	Concerns/Interests	Response
Consumer Council	To protect consumer rights	Control of tariff remains with GCC; Performance standards ensure quality of service
CBOs	To ensure transparency in the PPP process. To protect consumer interests and reliable and affordable service.	Public tender and public meetings over Council retaining control of tariffs.
Churches	To protect poorer groups from any negative impacts of PSP	Control of tariff remains with GCC; Performance standards ensure quality of service

Commerce and Industry	Concerns/Interests	Response
Chamber of Commerce	To ensure reliability and efficiency of service To ensure commercial tariffs are kept to a minimum	No GCC response required, commerce positive towards PPP
Chamber of Industry	To ensure reliability and efficiency of service To ensure industrial tariffs are kept to a minimum	No GCC response required, commerce positive towards PPP
Trade Unions	Concerns/Interests	Response
Zimbabwe Congress of Trade Unions	Employees would not lose jobs Conditions same or better than existing	Ensure handover of all staff to operator; Terms and conditions the same as or better than existing conditions; Future conditions pegged against council terms and conditions; Skills development (local and international) would be provided by operator to meet requirements
Municipal Workers Union	As above Pension scheme (LAPF) carried over to new jobs	Assurance that current scheme would be maintained – the operator pays into LAPF. Seeking an amendment to Local Authorities pensions Act to enable transferred employees to retain fund membership
Utility Companies	Concerns/Interests	Response
Zimbabwe Electricity Supply Authority	To ensure that the PPP does not disrupt existing operations	Ensure notification of all stakeholder meetings and decision-making forum; Enable operator access to ZESA in preliminary survey

SAUR UK met with interest groups independently to address labour issues.

Access to international guidelines and specialist expertise

Like most municipalities embarking on PPP arrangements, the relationships with private sector actors in the development of a PPP in Gweru, and with the selected bidder, were developed without any history to such relationships with international business, and without any experience to draw upon. In the first instance the management team relied on information acquired through workshop training (discussed in section 7). Guideline documents produced by the Department for Constitutional Development in South Africa, provided a comprehensive picture of private sector participation in municipal service delivery, the options and their implications. This document was reproduced and circulated amongst the council and other interested stakeholder as a reference for the presentation and early evaluation stage. The other key reference was the World Bank Toolkits on private sector participation in water and sanitation published in 1997, but reaching Gweru only in 1998.

Figure 5.3
Municipal Stakeholder Interests

	Concerns/Interests	Response
Town Clerk	More effective and sustainable urban management practice	Careful selection of an experienced Private Sector Service Provider.
	Better service provision	Competitive tendering of the WSW
	To introduce capital and technology not available in the city	RFP had specification for capital and technology transfer to Gweru.
	To enlist the support of the community	Invited stakeholders to consultative meetings with bidders.
	To ensure that the PPP succeeds in meeting council objectives.	Enlisted the support of government, development agencies, consultant and community for successful implementation of proposal.
	Conferred with government throughout the process.	Conferred with government throughout the process.
Treasurer	To alleviate the drain on capital resources within the municipality;	RFP had specification for capital transfer to Gweru by the private company.
Health Department	To remove the septic tank service from departmental functions; to bring about improved access to basic services affecting public health.	Ensure that service provide took over the septic tank services too. Ensure maintenance of public health standards and public safety.
Engineering Department	To provide more effective services; To introduce new technology To introduce new plant and equipment To ensure job security for staff	Assessed service provider's capacity in financial resource mobilisation and credentials of strategic staff to run the service. Technology transfer. Rehabilitation of plant and equipment, part of the contract. To ensure takeover on existing or better conditions of service.
Water and sanitation staff Maintenance staff Operators Professionals Meter readers	Job security Terms and conditions of employment	Ensure handover of all staff to operator; Terms and conditions the same as or better than existing conditions; Future conditions pegged against council terms and conditions; Skills development (local and international) would be provided by operator to meet requirements
Political representatives Mayor Committee Chairs Councillors WDC	Not to lose votes and popularity Seen to handle PPP transparently To provide better affordable services for all residents	Ensuring transparent tender procedures Retain control of tariff Ensure performance standard
Ward Development Committees	To ensure reliable affordable service To ensure they are involved and adequately consulted	Invited WDCs and all stakeholders to become a part of the process and to own the formulation of the PPP

By the time a final decision had to be made, the GCC management team decided that the only way they could be confident that they had fully understood the implications of the various proposals, was to draw in to the team specialist PPP expertise. They appointed a consultant immediately and thus bought the specialist skills lacking in the council. All stakeholders stressed this was a critical move in the process of decision-making.

Champions and a change friendly environment

Within the municipality, politicians have directed the initiative and played a key role in the direction of the partnership. The political arm of the Gweru Municipality is well educated and has developed an understanding of the scope and nature of the PPP throughout the development process. The current Executive Mayor is very supportive of the process and has spread this enthusiasm amongst the councillors and the people of Gweru. There has also been some degree of capacity building amongst councillors in working with their constituency and their decision-making role as councillors. The driving force of the 'change friendly' environment on the administrative however is a charismatic and strong leader in the long standing Town Clerk who has himself seen great change in the financial status of the municipality and the approach to delivering municipal functions.

The Town Clerk appears to have developed a co-ordinated management team, despite some reservation, has unified their efforts toward the PPP. The Town Clerk attributes that support to a number of aspects:

- capacity building and improved knowledge;
- lack of staff turnover and well established partnerships between key members of the management team;
- involving the second tier of management in the process; and
- promoting change and developing an environment which encouraged ideas and new approaches; and
- Addressing the individual concerns of each key staff member and describing the benefits of the arrangement in terms relating to their role and their fears.

Figure 5.3 above provides an analysis of the various concerns of staff members within the municipality and the way that these concerns were addressed.

The influence of the economic and political context

The ultimate issue affecting the success of the preparation process was outside the hands of the Gweru City Council. Nevertheless, a key issue and a key warning for other municipalities lies in the stability of the economic and political environment. Greater understanding of that environment (described in section 2 above) and its implications at the outset may well have resulted in a different outcome.

6 A pro-poor partnership in Gweru?

The development of the Gweru concession, like other PSP initiatives in the town was conceived in the pursuit of improved urban management. The council objectives and the methodology adopted to date all reflect a primary concern with the changing role of local government. In relation to municipal functions concerning the delivery of

services and infrastructure this means ensuring that the method of delivery, whatever that may be, provides the residents of Gweru with the best service at the lowest price. Prompted by the ongoing deterioration of the system and the current levels of leakage, the Council concluded that they would need assistance to meet this municipal function, that the function may be better performed by an actor outside the municipality and that costs could be reduced by more efficient and skilled management. Lower costs to the council means lower costs to the consumer and the release of municipal funds for other purposes.

It is in this urban management context (which includes both the poor and the non-poor) that the proposed partnership has developed. The process to date has not explicitly focused on delivering a 'pro-poor arrangement'. On the one hand, the PPP is not set in the context of an integrated poverty reduction strategy⁴³ and on the other, the nature, scope and process envisaged for the PPP itself has not been developed with a particular bias towards or focus on the poor. However to the extent that at least 60% of the urban population of Gweru is currently living in poverty, the urban management objectives and the PPP process envisaged to improve the delivery of water and sanitation services will undoubtedly impact upon the lives of the poor in the city. For the purposes of definition, the arrangement currently envisaged in Gweru is therefore poverty-inclusive but could not be said to be poverty-focused.

Within the current PPP proposal it is possible to identify a number of decisions which begin to lay the foundations of policy regarding the poor. While these may not have been explicitly defined as such, together they make up a set of parameters on which the future delivery will be based and on which the proposed concessionaire has based their financial proposal. These policy decisions affect the level of service, the price of the service, the options and choices open to the poor and the actors include in the delivery process.

Given that the concession framework may still change and a range of issues are unknowns, this section explores three critical issues.

Tariff design

A primary problem encountered by poor households is a lack of safety and security in their lives, and a partnership which improves this aspect of their lives would be beneficial. A key aspect of security is financial security.⁴⁴ The contract implications of this (and the issues discussed below) are centred around the tariff design, payment mechanisms and subsidies, but other implications include the involvement of a range of actors (e.g. CBOs and NGOs) and the adoption of processes targeted at poorer groups (e.g. community involvement in construction).

The tariff structure in place in Gweru at present and intended to be taken into any partnership arrangement is structured as a rising block tariff which provides a lifeline (survival) tariff for the first 10m³ of water. Details of the tariff structure in relation to household income are provided in Figure 7.1. The total tariff for all municipal

⁴³ Within the council, poverty reduction initiatives are developed as specific activities relating to either income generation or social welfare needs identified by councillors and staff. These include for instance the provision of vending sites for informal sector activities; shelter for small-scale enterprise activities; skills training for youths and women; promoting urban agriculture in vacant land in the city; food and blankets for the very poor.

⁴⁴ Following the work on pro-poor developed for this building municipal capacity research, other aspects of security and safety would include improving access to tenure security and access to affordable credit.

services proposed for January 2001 (calculated as a percentage of an average low-income household) is 9.1%.

Figure 6.1
**Proposed monthly expenditures for municipal services
Low Income Households**

	1999-2000	% of average poor HH income*	Jan 2001	% of average poor HH income*
Water	130.05	3.4%	221.08	4.4%
Sewerage	76.90	2.0%	130.73	2.6%
Refuse	64.90	1.7%	109.99	2.1%
Total	271.85	7.15%	461.80	9.1%

* based on a 10m³ consumption and the income of a cleaner/messenger of US\$100 per month in the public sector (exchange rate Z\$3800 in June 2000 and Z\$5000 in Jan 2001).

A superficial investigation suggests that the tariff structure proposed in Gweru places a burden for monthly payments which is generally within an average low-income householders ability to pay. However while it is essential and understood that services must be provided at a cost the poor can afford, it is also necessary to ensure that committing to regular monthly payments does not undermine their coping strategies.⁴⁵ At this stage there is no discussion on how those poor households will cope in difficult times if they each have a fixed monthly outgoing. Consideration will need to be given to more targeted subsidies⁴⁶ and developing flexible payment and credit mechanisms.

The subsidies included in the current and proposed arrangement are focused mainly on the first tariff block (the cost of Z\$8.04 per m³ passed on to the consumer compares with the cost of Z\$5.96 per m³ for the production of treated water); and the cross subsidies favour low volume users over high volume commercial and residential users. (The full implications of this lifeline tariff have not yet been considered by the council, but prior to signing the concession it will be necessary to determine whether or not this acts as a deterrent for the concessionaire to install these connections, and the performance requirements which can be introduced to ensure that the poor are benefiting from improvements in a timely manner).

Improved service levels

There can be no doubt that the council intends to improve the living environments of poor communities. The aim is to deliver water and sanitation services to all residents and the council has established a *one city, one service concept* to this end. The intention is to provide the same service to all residents irrespective of income. The approach taken will not therefore consider a range of service options (such as communal toilets, septic tanks and pit latrines) to match affordability but rather the design standard established is for both water and sewerage connections for each household. While this

⁴⁵ Typically poor households cutback on services, food and other expenditure in a crisis and the poorer the household, the more they have to reduce their monthly outgoings as they do not have assets to fall back on.

⁴⁶ The current lifeline tariff is available to all, not just the poor.

differs from the growing interest in service gradation promoted by various development agencies⁴⁷ there are various local issues, which explain this decision.

The one-standard-for-all approach reflects an important issue applicable to the post-independence states of Southern Africa. In the historical context of racial discriminatory policy and colonial rule, such as that found in Zimbabwe, low-income areas have generally remained or developed around the former 'township' areas which were provided with lower standards of service (communal stand-pipes/taps and communal toilets) than white areas. While these services were provided free (subsidised through the tariffs applied elsewhere), the norm established and associated with racial discriminatory policies was high standard service for the white areas of the town and low standard services for the black areas. The idea of different levels of service is thus conceptually linked, not to affordability as proposed by the World Bank and other agencies, but to the discriminatory practices of the previous regime. Symbolically, service gradation perpetuates a norm of better services for some than others.

Unlike many other cities of Africa, in the context of Gweru (and other urban centres in Zimbabwe) it must also be acknowledged that the wide coverage of the network and the extremely high proportion of the population connected to the water and sewerage system has already established a precedent for household connections. At this time it is estimated that nearly 100% of the population have a water connection attached to their house, and 80% are connected to the sewerage network. This not only creates expectations, but means that the infrastructure for network connections, while deteriorating, is largely in place and that the majority of the work will be infill and repair rather than expansion of the network.

In Gweru, senior municipal officials point out that accepting reduced service levels for the poorer groups can and will affect the way the poor perceive their status and the status of others. To this extent they report that such a concept is disempowering to the low-income people in the city. They also stress that the past culture of non-payment for services must be rectified to establish a viable operation. Improvements to the level of service are an essential aspect of the introduction of a comprehensive user-pays approach to water and sanitation services in the city. The GCC therefore sees the higher service level being closely linked to willingness to pay and essential for greater equity and sustainability of service provision.⁴⁸ The issue of graded service levels must therefore be seen in the light of the characteristics of this context, and the donor preference for tiered levels of service as a means towards coverage and affordability must be seen in the context of other political priorities.

Yet, experience elsewhere also suggests there are a number of potential constraints to the successful implementation of this approach. By establishing this policy, the council has opted to 'define design standards' (i.e. to define the inputs of the concessionaire in low-income areas). Experience in established PPPs indicates that this can limit the operational flexibility of the concessionaire (how they will reach the poor, and ultimately how they make operating and investment decisions).

From the perspective of the poor, the one city-one service concept also has a range of potential implications. Notwithstanding the historical and political reasoning for the decision, the poor have not necessarily participated in that decision-making process and it can be argued that this decision has reduced the opportunity for the poor,

⁴⁷ Lyonnaise des Eaux is also piloting significant schemes using alternative technologies in low-income areas.

⁴⁸ Officials also stress that it is almost impossible to collect tariffs on communal facilities.

particularly the very poor, to choose another option. A judgement has been made that the poor should not have the option to pay less for instance for a shared tap service. Willingness to pay (WTP) surveys have been carried out for the offered option only, and there has been no discussion of other options to match affordability (or to meet other requirements).

While this one-service-standard may be desirable and possible for a majority of residents including many of the poor, an inherent assumption is that the poor are an homogeneous group, that they can *all* afford capital and recurrent costs associated with this service provision. Given the ratio of poor to very poor, it is also very likely that a significant number of the very poor will find the capital and recurrent costs (tariffs, connection costs as well as appliances) of individual household connections unaffordable. If there is some truth in this argument, and a small number of households do not sign up for a household connection, the contract does not allow any flexibility for the operator to offer alternatives. This may result in the increased marginalisation of the poorest of the poor, but it may also delay the process of improving services in poor areas. For instance, in such a situation communal taps cannot be removed until all residents have a household connection, and poor households with connections may opt to use the communal supply as it is free to them or cheaper than their own. Hence the user-pays principle is compromised.

As suggested earlier in relation to tariffs, at this stage there is no discussion of potential financial mechanisms that will support the poor groups and households to afford the costs of connection. Yet it is likely that some poor households would be able to subscribe to, and benefit from, the high level of service if initiatives were developed which enabled them to spread or minimise connection costs (e.g. micro-finance schemes or lower prices in exchange for labour). At this stage neither the GCC nor SAUR UK have capacity to promote activities such as these which underpin strengthen the livelihoods of the poor.

Thus a conflict exists. The decision to provide a high level of service is considered in the interest of the poor who can afford it. It ensures that they receive the same level of service as the wealthier groups, is consistent with improving status within the community and to cost recovery, however it also removes their ability to choose. This ability is one of the most important aspects of the well being and empowerment of the poor. It is likely that this will lead to the marginalisation of the very poorest group (including female headed households and other vulnerable householders) and introduce complex constraints on the rate at which the works progress.⁴⁹

Understanding the needs, assets and capacity of the poor

At this stage, the GCC has only limited knowledge on the nature of the poverty and the capacity of low-income groups. 'Low-income' people are generally treated as an homogeneous group. Those with a voice dominate discussions. In most contexts this means that the characteristics of the poor groups addressed by council decision-makers are not representative of the poorest, and policies and poverty responses are likely to be relevant to these stronger groups and rarely to the weakest.

One of the primary dimensions of successful service interventions in poor areas is therefore the development of a process through which the whole poor community has participated in the identification of their problems (have provided information) and in the planning of the solutions (have been a party to decisions made over aspects

⁴⁹ The Gaborone City Council and authority responsible for water in Botswana recently encountered this problem in areas where household connections were mandatory. (GHK, 1998)

which affect their livelihoods). This involves explicit and active efforts to disaggregate the idea of one 'low-income' group and explore the heterogeneous characteristics of urban poverty. It enables a wide range of poor people to describe how they perceive their poverty and to enable them to identify and prioritise their needs. Without exception the result is a description of a range of problems and priorities. The mechanism frequently used for this purpose is the participatory needs assessment or participatory poverty assessment (PPA). It thus provides the benefits of both community: participation and detailed information.

Apart from ensuring that information and decisions are owned and that women and other marginalised households are given a voice a PPA places sectoral (e.g. water and sanitation service) needs in the context of a broader understanding of the livelihoods of the poor. This approach therefore provides information on coping strategies and the impacts of shocks (such as retrenchment or drought) on affordability and willingness to pay (WTP). It sees the WTP and affordability surveys as an integrated part of and not isolated from assessments of livelihoods. This may result in very different answers than those obtained through discrete affordability and willingness to pay surveys. The Town Clerk is aware that developing this understanding is an important step to be taken if the partnership arrangement is to maximise the potential benefits to the poor and ensure that women and other vulnerable groups are included in and not marginalised from the benefits of the partnership.

While the approach adopted in Gweru was built on donor guidelines, it has not necessarily taken account of the learning curve of previous concessions and more recent discussions about pro-poor contract arrangements. However the delays in signing the agreement have created an opportunity for exploration into the poverty-focus of the arrangement. For this, the GCC will require specialist advice. This advice should provide support for demand-led approaches and participatory processes (including the PPA and participation in other stages of the decision-making and implementation process), for targeting the poor through the scope of intervention and programming, the implications of tariffs and the formulation of financial support systems to assist maximise the benefits of service improvements and provide support to poor households in a crisis, the opportunities for linking water and sanitation interventions to other poverty reduction interventions (hygiene programmes, housing improvements).

The degree to which a pro-poor approach can be achieved will depend also on those municipal urban management strategies and actions which link this water and sanitation PPP to other urban management and poverty reduction strategies. The council has not yet created a strategy for these linkages.

7 Key Capacity Issues

The Gweru City Council is led by charismatic leaders in both political and administrative roles. Both the Mayor and Town Clerk show a commitment to the development of PSP and an innate capacity to understand the requirements of partnerships with the private sector. But this commitment and enthusiasm is further enhanced by their individual and collective capacity to identify where the skill gaps in the municipality lie and to facilitate mechanisms for filling such gaps. This places Gweru at a tremendous advantage.

On the administrative side, the municipality of Gweru is characterised by long-standing appointments and consistency of leadership. Unlike some municipalities

where this may have led to some stagnation, this would appear to have led to an institutional maturity and a capacity for effective team working to meet the challenges that faced urban municipalities in Zimbabwe in the late 1990's. Many of the senior officials have been educated outside Zimbabwe and have been exposed to a range of other municipal processes and activities. In this context of developing private sector involvement this has meant that the team has, after consensus building, ultimately been united in its efforts to work towards an effective solution. In the final event, all have supported the shift towards PPPs - though this does not imply that there has not been some reluctance, concern or caution aired by members of the management team at various times.

On the political side, the Executive Mayor has held the Mayorship since 1996. Suffering from the excesses of the post-independence council and consequently working within tight financial parameters, the current council is well educated and generally able to comprehend the key issues and concerns for the municipality. The preferred operator found the council well-informed and co-operative.⁵⁰ The sound relationship established between the political and administrative wings, mentioned earlier, seems to provide an effective working environment.

Skills and skills development

Perhaps one of the most notable issues concerning capacity in Gweru is the general level of exposure of various elected and administrative officials to urban management elsewhere and to new policy and processes. In the most part, this skills development is achieved through a wide range of national, regional and international formal training workshops.⁵¹ Figure 7.1 provides details of some of these opportunities, the contents, participants, appreciation and the direct and indirect impacts on GCC activities. This exposure has led to a significant change in attitudes and processes within the council and has enhanced the GCC capacity to play a meaningful role and increased confidence in the ongoing negotiation over an investment linked, long-term concession agreement for water and sanitation services.

Perceptions within the municipality⁵² over the skill gaps within the council vary, some believing that some skill gaps are significant and others stating that the municipality is competent in all areas. Those skills identified for strengthening (by bringing in specialist skills to train middle level management) in the future include:

- negotiation and contract development
- legal and financial expertise
- technical (engineering) expertise

However discussions to date have not led to any disaggregated understanding of skills and the three categories identified above need further investigation in the future. The following analysis provides a framework for considering the skills and a preliminary analysis of the general trends. This should be seen in the light of Figure 7.1 that provides an indication of the relative strengths and weaknesses of various municipal actors.

⁵⁰ Interview with Patrice Lavis SAUR UK June 2000

⁵¹ Gweru is also twinned with Basingdon in the UK. The opportunity for learning through this arrangement is appreciated by senior officials.

⁵² In their experience with other municipalities, SAUR UK found the Gweru officials and political representatives informed and competent in technical administrative and management matters.

Figure 7.1
Strengths and Weaknesses of GCC Skills

	Strengths	Weaknesses
Senior Management	<ul style="list-style-type: none"> • Well qualified university graduates • Exposure to best practice • Stability • Good working relationships • Commitment to move forward and not to stagnate • Confident decision-makers • Commitment to change once established • Strong relationship with council over PPP approach. 	<ul style="list-style-type: none"> • Weak negotiation skills at outset • Some have greater capacity to comprehend new concepts and their implications than others; • Attitudes can be anti-change in the first stages • Some lack ability to communicate information and goals to subordinates; • Relations to middle level management could be better • No staff available to specifically focus on poverty issues.
Middle Management	<ul style="list-style-type: none"> • Supportive of senior management • Technically competent professionals • Able to comprehend and contribute to goals, some do so with confidence. • Corruption has been limited • Good relationship to trade unions /community groups. 	<ul style="list-style-type: none"> • Some individuals lack confidence • Some not always as discerning as they should be • Lack of sufficient critical analysis • Some lack maturity and experience in the council • Lack of exposure and experience in resource management • Some staff focused on the poor through specific welfare-oriented activities.
Councillors	<ul style="list-style-type: none"> • Well educated councillors able to comprehend their role • Understanding of the PSP is adequate and has facilitated change • Stable unified council that works well together • Capacity to make decisions is not thwarted by disagreement • Strong leadership 	<ul style="list-style-type: none"> • Commitment to different issues varies • Councillors do not meet their constituency enough • New councillors do not always have an understanding of the urban management function.

- *Urban Management*

Given the partnership arrangements in other non-essential municipal functions which preceded the formulation of a PPP in water and sanitation services, the senior managers of the municipality were already conversant with the concept and potential of PPPs. The Council's urban management strategy was clearly aimed at developing PPPs to ease the pressure on municipal finances, to alleviate staffing constraints and to enhance the quality of services provided in the city. Past experience provided them with some knowledge of dealing with the local private sector, useful and applicable even with the more ambitious move to international partners in basic service provision. If skills were and are lacking at this urban management level, it concerns the capacity of the municipality to develop a convergence between PSP, urban management and poverty reduction. This has not been explored to any significant degree.

Specific reference has been made of the need to develop councillor capacity and create opportunities for councillor training. At present councillors attend a general induction of politicians into municipal affairs, held in Gweru CC by the legal department. This is followed by an executive course for politicians held in Harare that provides a general background to the role politicians are expected to play in council affairs.⁵³ (e.g. Councillors are expected to hold regular meetings to explain the ramifications of debt and to promote civic awareness). However there has been no specific capacity building process which targets the need for knowledge on the nature and scope of PPP arrangements and which would have assisted the councillors in their role as decision-makers. Further concern that councillor's capacity be developed so that they are able to take on the role as trustee of the municipality as much as the advocates of voters.

The process of developing a water and sanitation private sector partnership has brought with it broader urban management benefits. In particular it has opened up the council to urban management initiatives being undertaken elsewhere. As a result of the experience, the Town Clerk joined the International City Management Association and now represents Zimbabwe in that forum.

- *External Operating Context*

The management staff at Gweru Council exhibited the skills required to understand the limitations and possibilities created by the external context. Not only were they able to understand the constraints of the legislative, policy and administrative operating context, they were actively involved in initiating change to the national regulatory framework. Three senior representatives (the Mayor, Town Clerk and City Treasurer) are members of the eight-person National Taskforce for PPPs, and have begun to directly influence the policy and legislative context for PPPs in Zimbabwe. More recent initiatives to bring about legislative reform that will enable the expansion of municipal finances have been keenly attended and absorbed by the management team.

Given that all decision-makers in the council were new to the concept of PPPs and the various requirements of the operating environment, they have taken up a steep learning curve since the idea of an international consortium was floated. As a result it is unsurprising that they were not able to predict the impact of the macro-economic climate and the degree to which it would over shadow the development of the water and sanitation PPP. Increasingly however there has been a recognition amongst senior municipal officials that the political and economic troubles in the country have led to caution on the part of international investors.

- *Project preparation and initiation*

The Gweru City Council conducted the early stages of the process without significant external assistance and without any external capacity building. They had access to and utilised generic documents such as the World Bank PPP Water and Sanitation toolkits and the South Africa Guidelines for PSP in municipal service delivery, and accessed additional information through workshops and the internet. As a result of this information and local experiences with the private sector, they developed sufficient confidence to engage with the concept of PPPs in water and sanitation, to assess the benefits and to develop the public support needed to embark upon a process that would lead toward a PPP. The driving force created for taking the PPP concept

⁵³Zimbabwe Institute of Public Administration and Management provides (very popular) seminars for councillors on the decision-making role of a Councillor and key issues encountered in council affairs.

forward included the Mayor and the management team. This proved an effective institutional mechanism to bring about change. With general support and guidance, the Director of Engineering Services initiated a transparent process.

- *Understanding of transparency, ability to implement transparent tendering and evaluation procedures*

In-house GCC skills and knowledge were sufficient to initiate and prepare a PSP, to invite expressions of interest, select the short list and interview operators which pre-qualified. However as the process developed the management grew concerned that about their ability to execute the evaluation process effectively, they were concerned about the complexity of the arrangement, the duration of the agreement which they would commit to and the obvious imbalance in skills between themselves and the well-established international operators. The management team was also concerned with the issue of transparency and how to establish a process that emphasised transparency. By approaching and securing technical assistance from USAID, the Town Clerk demonstrated the municipality's capacity to identify these skill gaps and also demonstrated knowledge of the mechanisms available to fill those gaps.

- *Working with consultants and specialist advisers*

The Town Clerk has a keen understanding of the benefits of independent consultant and when and how to use them. The GCC effectively prepared Terms of Reference for a consultant to join their project co-ordinating team. The scope of the ToR specifically focused on those areas where the management team felt that the GCC was exposed and ultimately aimed at enhancing the confidence of the municipality in the negotiation process. The consultant appointed reports that the municipality worked well with external technical assistance, and the management team report that the consultant played an essential role in facilitating the process, understood their objectives and helped them to achieve them more directly. Recently, in the light of the current hiatus, the GCC has again approached USAID for technical assistance setting out the legal, technical and negotiating capacity deficiencies they envisage in the future.

- *Consultative processes with civil society*

Perhaps one of the most notable abilities demonstrated by the GCC concerned the ongoing consultation process. The council embarked on private sector participation in water and sanitation by first developing the support of the people of the city. The Unions, residents and business groups were all treated as full partners in the process.⁵⁴ They were invited to discuss the problems the council was having in fulfilling water and sanitation functions and a party to initial discussions about the options for addressing these problems. As the process developed the council aimed to involve civil society at all stages. In particular, they were invited to the presentations by all operators, were provided with evaluations of the proposals. Following the selection of a preferred operator, they were able to meet SAUR UK representatives directly.

On the other hand, one of the problems of the consultation process which has not yet been addressed is the need to build community capacity to ensure consultative processes are meaningful and community representatives are more able to participate and express concerns. Such capacity building needs to cover not only the benefits and drawbacks of the private sector involvement, but also the strengthening of negotiation skills, public speaking and confidence skills. The GCC has no experience in working with the poorer groups in the city in a manner which is inclusive and

⁵⁴ Interview with Sam Coxson, PADCO

participatory. This is another area where skills development (and employing staff) would be likely to lead to a more pro-poor PSP arrangement.

- *Alternative partnership arrangements*

The GCC is aware of the basic PPP options and has some limited experience of service contracts and leases in non-essential services in the city. However, like every municipality embarking on a substantial contract, a PSP water and sanitation partnership is untried and untested and they have no direct experience of the concession versus the affermage or the management contract. This has been addressed as best as possible through formal workshop training and key officials at senior and middle management levels have an understanding of the key aspects of different PPP options. Additional visits to other municipalities operating contracts and detailed examination of cases would deepen that knowledge. As the future direction of the contract is unknown, the municipality would benefit from strengthening this knowledge base through more direct exchange.

The final selection of the partnership option (discussed above) was based primarily on the need for investment in the network, and this long-term requirement has been prioritised to the exclusion of other parameters (e.g. the economic and political stability needed to attract such investment). In hindsight it can be argued that the GCC did not demonstrate, at an early stage, an understanding of the financial viability of different PPP options, align that with the local context and decide on an option which was immediately viable. On the other hand the GCC may have demonstrated an understanding that getting the right contract in the long-term is more important than immediate achievement.

- *Technical aspects of the concession form of contract*

Prior to the SUAR submission, the majority of the decision-makers in the GCC had little or no knowledge of the nature and scope of the concession contract. Indeed in 1997, few such partnerships existed on the African continent.⁵⁵ Since that time, the senior management team and the internal taskforce of middle managers have been provided with training on the primary aspects of the concession. This aimed to arm them with a better understanding of the nature of the contract they were entering into and particularly to promote understanding of the benefits and drawbacks for the negotiation process.

Despite this familiarisation and the high-level of technical competency within the municipality, it would seem that the GCC does not have sufficient technical knowledge of the key elements of a concession (e.g. financing, tariffs, expansion mandates). The management team have recognised this skill gap, and sought technical assistance through donor funding. The primary question in terms of capacity building, is to what extent a municipality itself needs these specialist skills. Notwithstanding the GCC perception that they need to understand the steps and processes and the rationale for decision-making, given that the council will not set up another concession for decades it seems impractical to suggest that the skills should be attained in-house. This echoes the approach adopted within the MIU in South Africa, where the aim is to arm officials with the ability to write ToR for specialists and not to undertake the burden of contract preparation and negotiation

⁵⁵ Queenstown in South Africa, Abidjan in Côte d'Ivoire and Dakar in Senegal.

themselves.⁵⁶ The baseline is *knowing what the process is about and how to get the skills to make it happen.*⁵⁷

- *Understanding of financing arrangements*

The GCC have demonstrated a sound understanding of tariff structures and the implications of tariffs. The tariff structure currently in place provides a life-line tariff to poorer groups and penalises those utilising large quantities of water. There is a cost recovery approach to other costs (e.g. connection costs) as well as established cross-subsidies. There is however currently no established practice of issuing reminders and enforcement of cut-off procedures.

It is important to note that the council's capacity to balance political and social requirements with economic viability has developed significantly in the last 2 years in the wake of massive inflation (which made any tariff not aligned with costs unviable). In 1998 at the initial stages of partnership development, the GCC was still of the mind that the acceptance of the partnership arrangement depended on the acceptance of the tariff structure. To this end they saw the tariff being increased gradually over a few years and their approach erred heavily towards social and political acceptance. Today however, even without the concession agreement, they have revised tariff levels to meet financial requirements.

The areas identified as requiring additional skills are first 'to promote an understanding of investment plans and their implications'. This is an area of support requested through USAID. The second area requiring skills development concerns financing arrangements in relation to poor communities. Despite being well along the way in the formulation of the concession the GCC (or SAUR UK) have not undertaken affordability and willingness to pay surveys, nor have they shown any capacity to develop, or concern for payment arrangements targeting the poor communities.⁵⁸

- *Understanding of technical problems and solutions*

One of the key reasons for bringing in the private sector was that the Director of Engineering Services recognised that a municipality can no longer keep up the same skills as the private sector, and, in a city the size of Gweru could never support a team with the same qualifications. To this extent, it would be expected that technical understanding of the approach proposed by the operator would be limited. To this end, the GCC see it necessary to obtain external technical assistance (through the operator) for the feasibility studies and problem identification, data gathering stage, as well as in the technical proposals for reorganisation and upgrade. Despite this the Director of Engineering Services has demonstrated a sound understanding of municipal requirements and options for change.

Neither the operator nor the municipality demonstrated an understanding of technological options in relation to the poor, and, without significant capacity building neither are likely to take forward participatory processes through which the poor can participate in planning and constructing upgrade works.

⁵⁶ Barry Jackson, MIIU, March 2000. To this end, the MIIU have emphasised the need for improving the level of competency of consultants as a part of their mandate.

⁵⁷ Sam Coxson PPP Adviser to the GCC, June 2000.

⁵⁸ The Town Clerk has stressed that he would like to see the concession arrangement signed more cognisant of aspects affecting low-income groups.

Figure 7.2
Training of GCC staff and representatives 1996-2000

	Training	Participants	Appreciation	Impact for GCC
1996	Privatisation and Commercialisation of Public Services (ZIPAM) (Civil Service CollegeUK)	Executive Mayor Town Clerk City Treasurer	An appreciation of the scope and nature of PPPs	Acceptance of PPP concept for Gweru. Awareness of the range of options of commercialisation, full privatisation and PSP.
	Commercialisation of Local Authority services (Price Waterhouse)	Executive Mayor Town Clerk City Treasurer	Orientation to the potential of PPPs in the context of LA's in Zimbabwe	Identification of municipal services to be commercialised in Gweru.
	PSP in water and sanitation services (World Bank workshop)	Director of Engineering Services	Sector specific orientation for municipal engineers in watsan PPP	Confidence to include the water and sanitation function in Council PPP arrangements; Ability to prepare, pre-qualify and evaluate tenders
1998	Best practice in LG Administration (Regional Conference)	Town Clerk City Treasurer	Dissemination of best practice including PPPs.	Determination to develop PPP philosophy. Enhanced capacity to comprehend the basics and practical realities in managing PPPs process.
	In-house workshop for senior management	Town Clerk, Treasurer Director Housing, Director Medical Services, Chamber Secretary, Director of Engineering Services Council, Chairpersons Standing Committees	Familiarisation with the concession contract and the negotiation process	Enhanced capacity for all activities in pre-concession period including the Memorandum of Understanding
	3 in-house workshops for middle management provided by USAID Training in proposals and amendments, city options, PPP Models, methodology for evaluation, model Concession Agreement	Interdepartmental Task Force. All GCC departments. Reps of Workers Union. Councillors.	Familiarisation with the process of developing the Private Sector Participation for watsan services. The role of the GCC Taskforces.	Better capacity to evaluate tenders. Improved dissemination of objectives; More champions of PSP in GCC.
	Municipal cooperation within SADC member states (SADC Local Government Conference, SADC Region, Johannesburg)	Town Clerk	Promoting municipal cooperation and PPP for development.	Provided more conceptual and practical capacity building for PPPs.
1999	USAID sponsored study tour of SA: Municipal finance & management.	City Treasurer	Familiarisation with private sector financing of urban infrastructure. Visited Nelspruit.	Better understanding of the financing arrangements of the proposed concession.
	Integrated Water Management	Director of Engineering Services	Importance of involving all stakeholders inclusive private sector in water management.	Enhanced conviction to involve all stakeholders in the management of WSW.
2000	Municipal capital markets (World Bank, New York)	Town Clerk	Role of private capital in urban development	Enhanced capacity to deal with concession agreement; Commitment to ensuring investment-linked partnership arrangements
	Infrastructure for Development: Private Solutions and the Poor (World Bank, London)	Town Clerk	Reaching the poor through private sector involvement in infrastructure	Commitment to including pro-poor objectives in concession contract

- *Understanding of capacity building*

The GCC has demonstrated a highly developed understanding of the general need for capacity building and many of the skill gaps that should be targeted. In the past, training opportunities have been seized but training has depended on supply (what was being offered) rather than demand (what the council needed). However in the future the staff of the municipality would benefit from a more systematic and demand-led approach to capacity building - to assess training needs and then identifying the most viable and appropriate options for ongoing training. Most importantly, the GCC has demonstrated they understand mechanisms whereby individual learning can be institutionalised. This is clearly illustrated in Figure 7.2 by the almost immediate and direct impacts of a number of training events in which officials participated. The 2000 Budget has also stressed the importance of human resource development. Training needs are to be identified in each department and then fed into an overall capacity building programme.

- *Understanding of risk management*

The GCC have demonstrated some understanding of risk management but have identified this as a skill gap requiring external support. The Town Clerk stresses that they will rely heavily on their specialist advisers to provide them with the necessary recommendations and justification for the allocation of risk. Unlike other cases, they have demonstrated that they understand that risk must be appropriately and sensibly allocated to ensure a sustainable partnership arrangement. To this end expectations are reasonable and follow best practice established elsewhere.

- *Understanding of legal and contractual aspects of PPPs*

The GCC have identified that one of their key weaknesses concerns the legal aspects of the partnership and the scope and implications of contractual provisions. To address this skill gap they see the need for international specialists to work with their own local legal advisers. While they do not possess the capacity to take this on fully, they have recognised the importance of getting-it-right and of understanding that some provisions need to be addressed with great care and experience.

The GCC would also appear to have the technical capacity to grasp the need for and implications of performance requirements. They work in an environment where seeking advice is acceptable and it would be expected that the Director of Engineering Services would seek specialist support to ensure that all definitions of the performance was properly specified.

With regards to the legal framework, the GCC has developed capacity of the last years and understands the fundamental opportunities and constraints of the national legislative framework. They have played a key role in its promoting its revision.

- *Ability to conduct contract negotiations*

The GCC have emphasised that they lack the skills necessary to negotiate effectively with an international private operator accustomed to the process and more aware of the implications of contract provisions. They are presently concerned that they do not have the ability to ensure the council's interests in the process of contract negotiation and administration. This will ensure specialist skills are brought in to ensure that their negotiating position is protected.

Organisational development

At this stage, there little consideration has been given to the need for organisational change. The Town Clerk has suggested that while such change is inevitable, it is currently premature to embark on organisational change, such change will be timed with the introduction of private sector participation in water and sanitation and discussed with consultants. It is however well recognised that this change is an important aspect of improving the efficiency and capacity of the municipality to meet its defined roles and responsibilities.

Attitudes

In Gweru, attitudes towards private sector involvement in municipal services have changed dramatically over a five-year period. Before 1995, the municipal administration and most of the key stakeholders would have endorsed the belief that the private sector should not be involved in basic services which must remain the responsibility of the public sector. Yet today there is widespread acceptance that the council can maintain responsibility without itself acting as provider. The champions of this change in Gweru are champions for the country, they are centrally involved in bringing about the change necessary to ensure a more conducive regulatory environment and have led the way by providing a model for PPPs in Zimbabwe.

One of the keys to developing the capacity of the political and administrative arms of the council has been through the creation of a change-friendly environment. This is clearly one of the lessons that the Town Clerk imparts as being fundamental to their successful transition into the philosophy of managing the municipality with the strategic involvement of the private sector.

To this end, the management team first familiarised themselves with the facts about PSP and investigated the opportunities of PSP, in preference to upholding less-informed assumptions. This has not led to a wave of unbridled commitment to widespread privatisation, but a guarded and receptive approach to proposals that make sense within the municipality. This approach has then been imparted to the next level of management and to the council decision-makers mostly through external actors, but always supported by the Mayor and management team. Interest has been fostered and all managers have played a role in the process either through the management team or the internal task force. These mechanisms have been effective in creating this 'change-friendly' environment where officials are willing and able to make suggestions and to contribute actively in the process. That is not to say that resistance has not and does not arise at different points in the process.

All staff appears to benefit from the on-going support of senior management, aimed at gradually changing attitudes and winning support. In the future this needs to be pitched in terms of the personal benefits to employees as the Gweru lesson suggests that change is assisted and positive attitudes created by appealing to the individual interests of staff members.

8 Lessons for other municipalities

A range of important lessons have been learnt within the GCC through the preparation process, and during this interim waiting period. Many are the result of the particular national circumstances affecting the ultimate capacity of the municipality to finalise a private sector arrangement but many are applicable and helpful for municipalities elsewhere. This section disaggregates these lessons in relation to three key municipal actors: the Executive Mayor, The Town Clerk and the City Treasurer.

The Executive Mayor

- *The choice should be made with the public for the public*

Effective consultation with interest groups creates a supportive environment and problems encountered do not then become political burdens. The customer is the owner of the company.

- *Going public minimises fears of corruption*

Complete transparency throughout the process helps establish the confidence of the general public and minimise concern about corruption often associated with public-private partnerships.

- *Consultancy support brings in a level of refinement that cannot be attained in the municipality*

Specialist expertise provides the municipality with skills procured through developing many partnerships. This level of refinement is not available in a municipality which has not negotiated a PPP with an international operator before.

- *It is important to document the process and be ready for unforeseen setbacks*

It is essential that municipal officials undertake the process with caution and are not overly confident. Documenting the process provides some comfort in the event something goes wrong.

The Town Clerk

- *Create a change friendly environment*

The attitude towards change begins with the Town Clerk and Mayor. The situation must encourage change and lead to mechanisms to bring about this change. This includes making staff feel welcome to make suggestions and able to contribute without fear of failure.

- *The importance of creating champions of the PSP process*

More disciples develop through capacity building, through exposure to other PPPs, through involving lower levels of management in executing the work and fostering those officials who show interest. Outside specialist seen to be objective, should be used to impart the message and are most effective in building support. They should be specific about their objectives and requirements. It is necessary to create an opportunity to motivate councillors, staff and civil society.

- *Know your weaknesses and deficiencies and make sure they are filled.*

Don't be shy to discuss deficiencies within the municipality and make an effort to access donor funding to fill them. Be able to see there are things you do not know about.

- *External Specialist Expertise is needed to get the partnership right.*

The specific keys to understanding proposals and defining requirements need to be done by someone who does this as a full-time occupation, and not by people whose occupation it is to run a municipality. Specialists should also play a capacity building role, specifically training middle and senior management. An external consultant also promotes transparency and accountability. Their presence does so, and they are able to introduce mechanisms (such as the evaluation matrix) which enable open and indisputable selection. An external consultant also brings with them superior negotiation skills and the ability to develop the MoU and contract with confidence.

- *It takes time to develop a common position with regard to the tariff regime*

At the outset there is likely to be political concern with increasing tariffs. It is therefore necessary to retain control but be realistic over the change that can be absorbed. Cost recovery tariffs are difficult to achieve. However, with time and capacity building many stakeholders can be convinced of the importance of a proper tariff structure.

- *A stable macro-economic climate is essential*

The partnership is likely to be influenced by the macro-economic and political environment. Successful completion, whatever the steps taken in formulation will depend on the changing incentives created by the economic and political setting.

- *Participation of stakeholders and consensus building is critical.*

Change needs to be supported by stakeholder agreement. It is necessary to involve all stakeholders throughout the entire process. Problems and answers are then owned by all.

- *Negotiations should not be protracted because of the number of variables*

The experience in Gweru highlighted the complexity of the process of establishing a partnership and the number of pieces that need to fit together. While it is necessary to be cautious it is also necessary to maintain momentum as contextual circumstances change and the process may have to start all over again.

- *Municipalities have a role in creating change*

In the context of a legal framework not yet supportive of the PPP approach to service delivery, municipalities must induce change. Municipalities have a responsibility to create a supportive legislative and policy context if it does not already exist. Laws are only amended with pressure.

The Treasurer

- *The absence of clear guidelines and regulatory framework are not always an impediment to change.*

Will power and motivation among actors at the municipal level yields enough impetus for the creation of an environment in which reforms can take place.

- *Change agents require knowledge, tact, exposure and courage to bring about the shift in attitudes necessary and to ensure the ongoing support of key stakeholders.*

'Plunging into unknown and new waters' does not come easy in public establishments. Steering change may result in territorial clashes between key municipal actors but managers are bolder when continuing with the same course points to inevitable failure.

- *Financial information needs to be presented in a transparent and straightforward manner to enable the analysis of available options.*

The documentation and presentation of financial information must be clear. It should not be clouded in accounting and financial jargon as this discourages contributions from other non-financial disciplines. The decision to explore new approaches is frequently driven by financial constraints.

- *It takes time but success is sweet and everyone wants to be associated with it when it comes.*

Generally, municipal management errs towards satisfying requirements rather than maximising potential opportunities. There is a tendency for officials to prefer the status quo. The pains and consequences of failure are often perceived as being greater than the fruits of success. As a result of this, officials should always expect a long turnaround for changing attitudes within municipal bodies. It is worth it in the end when success comes.

- *Nothing beats teamwork, openness, consultation*

The openness of the process in Gweru has meant that the problems were not attributed to the Council but owned by all.

- *The ability to acknowledge one's shortfalls and seek guidance when it is due.*

It is essential for managers to expect gaps in capacity in relation to the new area of private sector participation, to acknowledge these gaps and know where to access support when needed.

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Annex A Key informants

Executive Mayor	James Bwerazuva
Town Clerk	Godfrey G Nhemachena
City Treasurer	Justus J Mika
Director Engineering Services	Jones Nanthambwe
Director of Housing and Community Services	Zephrah Chakauya
Deputy City Treasurer	Edgar Mwezi
Assistant Chamber Secretary	Joseph Chilimbe
Assistant Director Health	Christopher Tayali
Development Manager SAUR UK	Patrice Lavisse
PPP Specialist Consultant 1998 (PADCO)	Sam Coxson

Annex B Options⁵⁹

In order to be clear as to what the City may want to do relative to the RFP Addendum responses, it is necessary to layout what the possible options are and then to proceed with a clear plan of action. Given the fact that the options are intricate and interwoven with many considerations, it would be best if we took time now to look over the options and decide what course the City would like to take.

Option 1: Proceed with concession with management services

Data gathering, management services provided (at a fee) and negotiations undertaken [estimated time frame 12-18 months]

- Pros:
- (1) City can start immediately on the process
 - (2) City can realize management and cost savings almost immediately

- Cons:
- (1) Cost of management fee
 - (2) Contractor is in no rush to complete the data gathering stage

Option 2: Proceed with concession

Data gathering, management services are not provided and negotiations are undertaken [estimated time frame 6-9 months].

- Pros:
- (1) City can start immediately on the process
 - (2) City limits the data collection time and requires the contractor to commit to a service rate
 - (3) No negative impact on the utility budget by paying a fee for management

- Cons:
- (1) No or little cost reduction based on management responsibility not being transferred
 - (2) Resistance from the firm stating that adequate data gathering time is not provided for

Option 3: Hire the preferred firm to manage for one or two years and to generate data and system status (plan) - specific point of data gathering and system cost reduction / rehabilitation plan could be fully developed.

- Pros:
- (1) Would allow the City to develop fully the financial and technical status of the system from which to proceed with a concession tender
 - (2) Puts the City in full control of the process and does not obligate the City for more than one or two years

- Cons:
- (1) Would have an immediate cost impact on the utility budget that mayor may not be offset by cost reductions.
 - (2) Would possibly require the reissue of a tender for management services

⁵⁹ Prepared by Sam Coxson PADCO Consultants September 1998

Annex C Evaluation criteria and weighting system⁶⁰

The evaluation criteria must be given scoring values in order to put into perspective those items which the City feels are the most critical to its desired outcomes from the Private Sector Participation. What follows is a description of each criterion and some discussion about it.

Criterion 1 **Commitment to the Business**

In this element we try to determine how long the private entity has been in business and how long that company has provided contract management and concession services. The time involved in the business will give some indication as to how well the company can respond to specific circumstances in Gweru, having encountered similar circumstances elsewhere. Additionally, the time in the business is some indication of the staying power of the company given the fact that we are looking at a concession that is long term (typically 25-40 years, some even longer).

Using the point range for each topic in parentheses, score the topic within the range given based on all information provided (Statement of Qualifications, Request for Proposals and interviews):

- Length of time as a management or concession service provider (0-60 points)
- Size of Company or Consortia (0-20 points)
- Number of relevant personnel to be provided to Gweru (0-20 points)

Criterion 2 **Financial Capacity Of Proposer**

This criterion looks at the financial position of the specific entity to provide the concession services and its ability to provide capital improvement for Gweru water and wastewater services. The timing of specific improvements and the specific amounts can only be determined after the asset condition inventory has been completed. However, the general financial capacity of the specific entity to provide substantial capital should be evident.

- Financial Statements (0- 40 points)
- Stated capacity to raise capital for Gweru System Improvements (0-60 points)

Criterion 3 **Management Skills**

This criterion looks at (1) general management of the concession firm and (2) the volume of similar concessions undertaken by the firm.

- Persons presented as the Firm's Management Team (0-20 points)
- Current concessions being provided to similar entities (0-20 points)

Criterion 4 **Technology Transfer and Employee Training**

Technological transfers are one of the important features the private sector participation process can bring to the provision of water and wastewater services. Such technology transfers may bring about increased capacity or reduced cost or

⁶⁰ Prepared by Sam Coxson PADCO Consultants September 1998

both. Additionally, the private sector partner can train municipal employees in the use of new technology , procedures and equipment.

- Proposed Track Record For Technology Transfers (0-40 points)
- Proposed Employee Training Track Record (0-40 points)

Criterion 5 Proposer's identification of a sole party responsible for the Concession

For purposes of contract negotiations the City of Gweru needs to have each proposer specify the entity which will have the authority to commit to contractual and financial provisions in the concession contract.

- Identification of sole responsible party (0-40 points)

Criterion 6 Identification of Specific Project Personnel

In order to evaluate the specific personnel background and experience of those who will be working in Gweru, these individuals need to be identified and full resumes provided

- Specific individuals that will be working on the Gweru project and their resumes provided (0- 60 points)

Criterion 7 Provision for and Clarity of Municipal Employee Absorption Program

The City is critically interested in how the private sector participant will work with the City and its collective bargaining units to assure the municipal employee that he or she will have continued employment and that transfer of employment to the private partner does not reduce salary, wage or fringe benefits.

- Provision for selection, transfer of municipal employees to the private sector partner (0-80 points)
- Clarity of transfer and training program (0-20 points)

Criterion 8 Proposer's Plan for tariff Increases

Proposers have indicated that they have specific plans for dealing with rapid inflation, unstable currency and other aspects which affect the level of tariff required to successfully provide water and sewer services in Gweru. Concurrently, some proposers have stated that they could reduce costs which may offset part or all of the need for increased tariffs.

- Clear, understandable plan for current and future tariffs (0-40 points)
- Water and wastewater system cost reduction strategy (0-40 points)

Evaluation Scoring Matrix

1	Commitment to business	(100)
2	Financial capacity	(100)
3	Management skills	(40)
4	Technology transfer and employee training	(80)
5	Sole party identified	(40)
6	Specific project personnel	(60)
7	Provision for absorbing municipal employees	(100)
8	Plan for tariff increases	(80)

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