



DOMESTIC WASTE COLLECTION

DOCUMENTING COMMUNITY BASED DOMESTIC WASTE COLLECTION PROGRAMMES IN SOUTH AFRICA

Case Study 2: eThekweni Municipality – Managed SME Contractors

Compiled by: Munitech (Pty) Ltd

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i. EXECUTIVE SUMMARY

This is a Direct SME Contract Model. A managing agent is contracted by the Municipality who is responsible for procuring the SME Contractors for and on behalf of DSW and for planning, administering and supervising the collection services that are undertaken by the SME contractors. The SME contractors are contracted directly to the Municipality.

Formal and informal areas are serviced under the programme with parity of service between the informal and formal areas. Some 93 519 formal houses and 97 638 informal houses are serviced under the programme. The following services are provided:

- Collection and disposal of domestic waste on a weekly cycle;
- All streets, street verges, open areas and open stormwater channels are cleaned/litter-picked on a weekly cycle;
- Illegal dumps, piles of rubble and refuse and animal carcasses are removed as and when identified;
- Street drums are provided at points of high litter generation (such as Taxi Ranks) and are cleared on a twice weekly basis;
- Vegetation in street verges is cut and cleared on a three times annual cycle;
- In the informal areas waste is placed in skips positioned at accessible points adjacent to the communities. The skips are taken to the disposal site by a separate contractor at least once a week or more frequently at sites where waste generation rates are high.

A total of 27 SME contractors have been appointed under the programme. Labour-only contracts, where the SME is responsible for collecting waste to skips placed within the contract zone which are cleared under a separate contract, have been established in the informal areas. Comprehensive contracts, where the SME is required to collect the

waste into collection vehicles and transport the waste to the disposal site, have been established in the formal areas. The contracts were procured on the basis of a competitive bidding process. The combination of labour-only and comprehensive contracts provides opportunity for a range of SME levels, with the labour-only contracts providing for entry level SMEs with limited access to finance.

A total of 726 employment opportunities have been created under the programme

No formal structured management/administrative and skills development/training is provided to the contractors and their staff under the programme. Informally, however the contractors are provided with guidance and assistance by the managing agent on an on-going basis.

The SMEs are assisted by the managing agent to establish their businesses, to register with the relevant authorities, to procure vehicles, to access financial facilities and to complete contract specific business plans during the contract initiation/preparation period after award of the contract and prior to commencement of services.

ii. **LIST OF ABBREVIATIONS**

EPWSP	:	Extended Public Works Support Programme
DEAT	:	Department Environmental Affairs and Tourism
DPW	:	Department of Public Works
EPWP	:	Extended Public Works Programme
ESSP	:	Environmental Sector Support Programme
SME	:	Small Medium Enterprise
NSP	:	National Service Provider
PIP	:	Programme Implementation Plan
SSP	:	SME Support Providers
CBO	:	Community Based Organisations
CBWC	:	Community Based Waste Collection
CBWCP	:	Community Based Waste Collection Programme
MFMA	:	Municipal Finance Management Act
MSA	:	Municipal Systems Act
TEDCOR	:	The Entrepreneurial Development Corporation
PPP	:	Public Private Partnership

EMM : Ekurhuleni Metropolitan Municipality
DSW : Durban Solid Waste

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1. INTRODUCTION

A number of community based domestic waste collection models are currently being implemented in South Africa. These models include community based co-operatives, managed contract models and management contractor models. The models generally, albeit to varying degrees, foster the government's strategy of Black Economic Empowerment through the pro-active development of emerging contractors and the provision of business management, administrative and technical support programmes. The aim of this study is to identify examples of these models, to examine them in some detail and to document the detail as case studies. Ultimately these case studies will be disseminated to, *inter alia*, municipalities and other authorities in SA, to assist them in making informed decisions on the application of particular models within their respective areas.

The report is based on interviews conducted with the operating, supervisory and management officials within the respective municipalities, together with relevant documentation provided by them.

Each programme investigated has its particular strengths and weaknesses, and no one programme is considered better than any other.

The following waste collection programmes were examined and documented:

- i) Case Study 1: Ekurhuleni Metropolitan Municipality Domestic Waste Collection Programme.

The model implemented by the municipality is a **Principal Contractor/SME Subcontractor** Model, where a principal contractor is appointed who contracts directly with local SME subcontractors to undertake the collection.

- ii) Case Study 2: eThekwini Emerging Contractor Waste Collection Programme

The programme is implemented by Durban Solid Waste. It constitutes a **Direct SME Contract** model where a managing agent, contracted by the Municipality, is

responsible for planning, administering and supervising collection services undertaken by SME contractors who are contracted to the Municipality.

iii) Case Study 3: Gauteng Domestic Waste Clearing and Collection programme.

This programme aimed at utilising Managing Agent, NGOs and SME contractors to provide a comprehensive service to previously unserved communities. The Managing Agent was responsible for the implementation and management of the programme, as well as the appointment of NGOs and SME contractors. NGOs were appointed to facilitate the management of beneficiaries (members from the local community who participated in the programme) and were also responsible for the day-to-day management of the programme and SMEs. SME contractors were appointed to collect waste from households for disposal at landfill sites. They were also required to transport recyclables to waste salvagers in the area.

iv) Case Study 4: Nelson Mandela Bay Municipality (NMBM) – Co-operative Waste Collection Programme.

The programme is implemented by NMBMM in 9 areas within the jurisdictional area of the metro, servicing some 30 000 households. The collection model constitutes that of a **co-operatives model** and is managed and administered by NMBMM. Nine community co-operatives are contracted to the Metro to provide the waste collection service.

v) Case Study 5: City of Cape Town Service provision in low income and informal areas project.

This model is a **Direct SME contract** model similar to the one implemented by DSW (Case Study 2). The primary difference is that the function of the Managing Agent providing planning, administrative and supervisory inputs and the support services to the emerging SME is fulfilled by the municipality.

2. PROGRAMME

2.1 Background

Waste collection services in the Townships within the old Durban boundaries were previously provided by the KZN Provincial Department of Local Government & Housing. The responsibility for providing these services was transferred to the eThekwini Metro in 1996 after these areas were incorporated under the newly established Local Government structures.

The department responsible for provision of waste services within the Metro, Durban Solid Waste (DSW), were then faced with the challenge of taking over existing services as well as extending services to unserved informal communities within these areas.

DSW did not have the capacity to provide these services internally within the required time frames and decided to outsource both the collection services to locally based SMEs as well as the Planning, Administration and Supervision of the programme.

Following strategic planning sessions, which included community representation, a policy frame work for the implementation of the programme was defined:

- **Parity of service:** all households within the Township areas, whether formal or informal, should receive a similar service to that being provided in the established suburbs within Durban.
- **Community Consultation:** there should be real and meaningful consultation with representative community structures.
- **SME based services:** the target service providers were to be locally based SMEs and the programme should create entry opportunities for a range of different levels of SMEs.
- **Job Creation:** The programme should maximise job creation without compromising the cost efficiency of services.
- **Cost effective servicing:** The programme should be planned and implemented in a manner that ensures a cost effective service that would deal effectively with the quantity of waste being generated and that would achieve high levels of cleanliness.
- **Rapid Roll-out:** The programme needed to be implemented on a fast track basis.

This formed the strategic framework within which the programme was planned and implemented.

The programme commenced in 1996 and currently incorporates approximately 200 000 Households.

2.2 Extent of Programme

The extent of the areas serviced under the programme is as follows:

AREA	FORMAL HOUSEHOLDS	INFORMAL HOUSEHOLDS	INSTITUTIONS (equiv houses)	TOTAL EQUIV HOUSEHOLDS
UMLAZI	32440	37999	5882	76321
LAMONTVILLE	3762	2296	602	6660
CHESTERVILLE	5998	1367	905	8270
WELBEDACHT		4634		4634
CATO CREST	2750	7870	808	11428
KWAMASHU	21075	3630	4124	28829
NTUZUMA	12247	17508	2117	31872
INANDA	15247	22604	1779	39630
TOTAL	93519	97638	16217	207374

Settlement patterns, described in relation to waste collection services, are generally as follows:

- The formal communities range from low income to relatively high income and have relatively well developed internal road networks that can accommodate a kerbside collection service.
- There are high density, relatively inaccessible, infill informal settlements within some of these formal communities where internal road access does not exist and waste has to be carried out to perimeter roads on scheduled collection days.
- The informal communities are generally high density with poorly developed internal road networks with very limited access to individual households. Kerbside collection services cannot be accommodated in these communities and waste has to be carried to central collection points.

2.3 Scope of Collection Services

The following services are provided under the programme:

The services in both the formal and informal areas is based on a once weekly collection from outside the households with general street cleaning and cleansing services.

▪ FORMAL AREAS

- Each household is provided with one refuse bag per week by the contractor.
- Householders place there waste on the street verge on the scheduled collection day.
- The contractor collects this waste from the street verge on the scheduled collection day.
- Institutions and businesses, such as schools and shops, are provided with an agreed quantity of bags every week and waste is collected from agreed collection points on the scheduled collection day.
- All streets, street verges and open stormwater channels are cleaned/litter-picked on a weekly cycle in accordance with a fixed schedule.
- Illegal dumps, piles of rubble and refuse and animal carcasses are removed as and when identified.
- Street drums are provided at points of high litter generation (such as Taxi Ranks) and are cleared on a twice weekly basis.
- Permanent litter pickers are provided at specific points of high litter generation.
- Vegetation in street verges is cut and cleared on a three times annual cycle.

- The contractor collects all waste directly into a collection vehicle and transports it to the waste disposal point (either the landfill site or a transfer station).

- **INFORMAL AREAS**
 - Each household is provided with one refuse bag per week.

 - Householders place there waste outside their households on the scheduled collection day.

 - The contractor collects the waste on these scheduled days.

 - The streets and communal areas surrounding the houses are litter-picked on a weekly cycle.

 - Illegal dumps, piles of rubble and refuse and animal carcasses are removed as and when identified.

 - Waste is taken to skips placed in accessible points adjacent to the communities by the contractors.

 - The waste is removed from the skips and taken to disposal by a separate contractor at least once a week or more frequently at sites where waste generation rates are high.

Contractors are generally responsible for all cleansing services in the contract zone and are thus responsible for the total cleanliness of the entire contract zone.

3. PROGRAMME STRUCTURE AND FUNCTIONAL MODEL

The programme structure is shown in the organisational chart included in as **Annexure A**.

3.1 Programme Management

The structure and model can be described as follows:

- **Programme Management**

Overall programme management is the responsibility of designated DSW officials.

- **Programme Planning, Administration and Supervision**

A Joint Venture comprising of Munitech (Pty) Ltd and Mtshali Sipamla & Associates, has been contracted to act as DSW's agents in respect of the planning, administration and supervision of the programme.

Services provided by the JV include:

- Planning

- Contract zoning
- Collection scheduling
- Contract procurement

- Administration

- Dealing with contractual issues
- Certification of contract payments
- Mentoring and support services to contractors
- Programme financial and budgetary control
- Monitoring and reporting

- Supervision

- Provision of the inspectorate.
- Inspection of contracts to certify works completed.
- Submission of works schedules and returns for generation of monthly payment certificates.

- Dealing with contractors on day-to-day operational issues.
- Dealing with complaints.
- Liaison with communities.

The following personnel are incorporated in the structure:

- A full time programme manager responsible for planning and administration of the programme, supported by a pool of support personnel utilised on an as and when required basis.
- The contract supervisory unit comprises of two units, each with an operations manager and a number of inspectors who are individually allocated to specific contracts.

The unit comprises of one operations manager per 100 000 housing units (approximately) and one inspector per two to three contracts (depending on size and complexity).

3.2 Contract Services

The SMEs contract directly with the Metro.

The procurement policy does not allow access to local SMEs only. The majority of the SMEs active on the programme are, however, resident or based in the eThekwini Metro.

There are essentially three types of contracts:

- **COMPREHENSIVE CONTRACTS IN FORMAL AREAS**

The contractors are required to collect the waste directly into collection vehicles and transport it to the disposal site (or transfer station).

These contracts are applicable in the formal areas with well developed street networks where a kerb-side collection service is viable.

The contractors provide all the vehicles, personnel, materials, consumables and equipment necessary to provide the specified collection services.

The contracts range in size from 7000 to 12000 equivalent houses, with 8000 to 10000 houses being considered the ideal.

These are fairly substantial contracts with monthly turnover between R 120 000 and R 150 000 that generally require two collection vehicles (one primary and one secondary) and employ between 25 and 35 personnel.

These contracts are only accessible to contractors that have access to vehicles and/or finance for vehicles and operating cashflows.

- **LABOUR ONLY CONTRACTS IN INFORMAL AREAS**

The contractors are required to collect the waste and place it in Skips located at accessible sites adjacent to the communities at a frequency of approximately one skip per 200 households. The skips are then cleared under a separate contract.

These contracts are applicable in the informal areas with poorly developed internal street networks and very limited vehicular access to households.

The contracts range in size from 2500 to 5000 households.

These are small contracts with monthly turnover generally not exceeding R 40 000 and with labour forces ranging in size from 10 to 20 personnel.

The contractors do not require costly vehicles and equipment and the refuse bags are supplied by DSW. As such these contracts are accessible to entry level SMEs who would generally not have access to the financial facilities necessary to acquire vehicles and/or to carry high levels of bridging finance.

- **SKIP SERVICING CONTRACTS**

The contractor is required to collect the waste from the skips in accordance with agreed schedules and transport the waste to the disposal point.

The contractors discharge the skips directly into industrial RELs.

These contracts are only accessible to contractors who have access to finance for this type of vehicle.

4. KEY PROGRAMME STATISTICS

A schedule giving detailed programme statistics is appended as **Annexure B**.

These can be summarised as follows:

Criteria	Number	Unit
NO OF FORMAL HOUSES	93 519	Households
NO OF INFORMAL HOUSES	97 638	Households
NO OF NON-RESIDENTIAL EQUIV HOUSES	16 217	Equiv. Households
TOTAL NO. OF EQUIV. HOUSES	207 374	Equiv. Households
NO OF SKIPS/CONTAINERS	207	No.
TOTAL STREET LENGTH	953	km
NO OF COMPREHENSIVE CONTRACTS	20	No.
NO OF LABOUR ONLY CONTRACTS	12	No.
NO OF SKIP CONTRACTS	2	No.
ANNUAL COLLECTION BUDGET	44 000 000.00	R per Annum
ANNUAL MANAGEMENT BUDGET (including DSW internal costs)	4 500 000.00	R per Annum
TOTAL ANNUAL BUDGET	48 500 000.00	R per Annum
AVE. TURNOVER PER COMPREHENSIVE CONTRACT	146 000.00	R per Month
AVE. TURNOVER PER LABOUR-ONLY CONTRACT	38 000.00	R per Month
AVE. COLLECTION COST PER EQUIV. HOUSE	17.79	R per House per Month
AVE. MANAGEMENT COST PER EQUIV. HOUSE	Included in above	R per House per Month
TOTAL AVE. COST PER EQUIV. HOUSE	17.79	R per House per Month
TOTAL MASS COLLECTED	65 000	Tonnes per Annum
UNIT COST	670.00	R per Tonne

Criteria	Number	Unit
TOTAL JOBS CREATED	726	No.
AVE. NO. OF EQUIV. HOUSES PER JOB	290	Equiv. Houses per Job
NO. OF SME's	27	No.
NO. OF WOMEN-OWNED SME's	9	No.

All costs exclude VAT.

5. COLLECTION SYSTEM

The collection system is described above.

Key aspects of operations can be briefly summarised as follows;

- **Comprehensive Contracts**

- The comprehensive contracts normally use two collection vehicles, one primary vehicle (for collection of bags) and one secondary vehicle for street cleaning, verge maintenance and sundry services. The primary vehicle is normally a purpose built waste collection vehicle (often a REL).
- Each vehicle has an allocated collection gang who load the bags placed on the street verge into the vehicle.
- The street cleaning schedule normally aligns with the collection schedule. Gangs of litterpickers will clear each area on scheduled days and will place litter in identifiable yellow bags on the road verges for collection by the collection unit.
- The contractors are required to have a full time manager who is responsible for contract implementation and who is contactable at all times.
- The contractor's employees are required to wear identifiable overalls which assists the inspectorate in confirming that work is being undertaken in the designated areas on the scheduled days.

- Labour-only Contracts
 - The contract zones are divided into 5 approximately equal collection zones, each of which is cleaned on a scheduled day of the week.
 - Waste collected from households and all litterpickings from open/communal areas are placed in yellow bags.
 - The collectors place the bags in wheely bins and pull the bins to the skips where the waste is discharged.
 - The skips are cleared on scheduled days.
 - The contractors are required to have a full time supervisor who is responsible for contract implementation and who is contactable at all times.
 - The contractor's employees are required to wear identifiable overalls which assist the inspectorate in confirming that work is being undertaken in the designated areas on the scheduled days.

The adopted system is considered to be both appropriate and efficient:

- It achieves parity of service with all residents of the Metro receiving the same level of service, regardless of the socio-economic status of the community.
- It has achieved very high levels of community cleanliness.
- It is dealing adequately with the quantity of waste being generated at the source of generation, with virtually all waste generated in the areas now entering the waste stream.
- It provides a holistic and comprehensive service that deals with cleanliness of the community as a whole, and not only collection from households.

- It accommodates the use of SMEs as well as creating access to different levels of SMEs through the different contract types.
- It is appropriate in respect of the settlement pattern and access conditions within each community.
- It is properly scheduled which ensures efficient services and accommodates proper inspection and supervision.
- It is labour intensive.
- It is cost effective.

6. PROGRAMME PLANNING

Planning was handled as follows:

- **PLANNING FRAMEWORK**

The policy framework within which planning was done was developed as set out under 2.1 above. This framework was approved at a Council committee level.

It is essential that such a policy is in place to guide the planning team and to allow for efficient planning and implementation, without needing further policy level approvals during the implementation process.

- **DETAILED PLANNING**

- The size of the contracts was selected based largely on achieving maximum utilisation of resources. Each zone is large enough to warrant a fully utilised collection unit.
- Generally ward boundaries and/or identifiable community boundaries were used as contract zone boundaries.

- Aerial photography was used to quantify the number of informal households in the informal areas.
- Cadastral layouts, together with aerial photography, were used to quantify the formal households.
- Road lengths were measured off the respective township layout plans.
- Institutions and businesses within each zone that would require additional services are identified and specific services are agreed with each of them.
- Quantities were extracted for each zone.
- Each zone was then scheduled into 5 collection zones, one for each day of the week.
- A programme Implementation Plan with all these details as well as detailed budgets was produced.

Development within and adjacent to the contract zones is continuous. A such planning inputs are on-going and the areas are rezoned and/or re-quantified every two years.

The quantification of services is based on real and current data, and is not based on “questionable” statistics that may be out-dated or inaccurate. This process provides for accurate quantities and facilitates the production of accurate schedules for the contracts and equitable payments to the contractors.

The integrity and accuracy of the planning process is considered to be high.

7. SME PROCUREMENT

The normal open tendering system is used for procuring the contracts as follows:

- DOCUMENTATION
 - Tender documentation is drawn up based on the quantities established in the planning process.
 - These documents are submitted to the EM bid specification committee for approval before tenders are advertised.
 - The tender documents are comprehensive and include the details related to how tenders are to be adjudicated, detailed specifications and a detailed schedule of activities in the schedule of rates and prices.
 - Key aspects of the documentation are:
 - Incorporation of provisions for penalising the contractor if he/she does not perform.
 - Provisions to utilise in-house resources, or another contractor, to provide services where the contractor is not performing.
 - Minimum specifications for type of vehicles to be used.
 - Specified minimum wages and clauses emphasising a contractual requirement to comply with the LRA.
 - A payment schedule that is based on payment for work done on a measured basis (e.g. rate per house per week, rate per km of streets actually cleaned per week), with no payment for works not done and additional penalties where services are not provided per the agreed collection schedule.
 - A breakdown of items in the schedule of rates and prices that ensures that tenderers provide for all items necessary to perform the services in accordance with the specifications.

The document provides a practical basis for proper administration and effective control of the contractor.

- TENDERING

- Tenders are publicly advertised.
- A compulsory briefing session is held to provide a detailed understanding of the scope of work, the tendering requirements and the contractual risks and conditions related to the contracts. An explanatory document, highlighting important aspects of the contract, written in both English and isiZulu is issued at the briefing meeting.
- A non-compulsory workshop dealing with the development of contract specific business plans and tendering techniques is held.
- Tenderers without tendering expertise are advised to consult with the various agencies that have been established to assist in tendering processes.
- A 4 week tender period is used to allow sufficient time for tenderers to apply the diligence necessary to compile and submit accurate tenders.

- TENDER ADJUDICATION

The basic adjudication criteria used to guide adjudication is as follows:

- The price tendered should be sufficient to sustain the service.
- The various individual rates tendered should be balanced.
- The tenderer must be able to access the vehicles and finance necessary to undertake the contract.
- The tenderer must have the capacity, or the potential to achieve the capacity, to manage the contract.

The 90/10 preferential points system is used to calculate the points to select the most favoured tender.

The process used aligns with the requirements of the MFMA and is generally as follows:

- The theoretical minimum price necessary to sustain the service is calculated based on theoretical modelling and current market related rates within the programme.
- All received tenders are checked for compliance with the conditions of tender. Those not complying are not considered further.
- All tenders are corrected for arithmetical errors and errors in extension of rates.
- A shortlist of tenders with the most viable tender prices is selected.
- The rates tendered are then checked to ensure balanced rates. Those with substantial imbalanced rates are not considered further.
- The remaining tenderers are called to an interview to establish their capacity to manage the contracts.
- The remaining tenderers are required to submit a business plan.
- The preferred tender, generally being the tender with the highest adjudication points that has the capacity to manage the contract, is selected.
- The preferred bidder is required to show proof of access to vehicles and finance.
- An adjudication report with Departmental recommendations is submitted to the evaluation committee.
- The evaluation committee makes its recommendations to the Adjudication committee.
- The tender is awarded.

An extremely high level of diligence is applied to the adjudication process, with a view to ensuring that the recommended tender is viable and sustainable.

The frequency of “contractor” failures (being instances where the contracts have had to be terminated due to failure to perform) on the programme since 1996 (total of in excess of 100 contracts) has been less than 2.5%. This is indicative of the success of the procurement and adjudication processes.

8. SME SUPPORT SYSTEMS

There are no formal support structure and training programmes in place.

The support provided is based largely on operational assistance, business planning and on-going mentoring.

Specific support services include:

- Business planning and tendering training during procurement phases.
- Assisting SMEs to access finance and vehicles.
- Assisting SMEs to register in accordance with statutory requirements (Receiver of Revenue, VAT, Workmans Compensation, UIF etc)
- Initial business planning
- Day to day operational advice
- Revue of business planning.

The support services, although not structured and formalised, appear to be adequate.

This is verified by the following:

- Less than 2.5% failure rate
- A number of the SMEs repeatedly win new contracts.
- A number of SMEs have grown substantially and have entered other sectors of the contracting market.

Areas of improvement would be:

- More structured support, particularly in aspects associated with regulatory and accounting compliance.
- Formal and accredited training programmes being implemented and/or facilitated through the programme.

9. SME OPERATIONAL PERFORMANCE

▪ **Compliance with regulatory framework**

The majority of the SMEs appear to be operating generally in compliance with the regulatory framework that governs business operations. There have been, however, a number of instances of non compliance with:

- Tax requirements, particularly in respect of VAT payments
- The LRA, particularly in respect of late payment of wages (normally linked to cash flow problems)
- Vehicle roadworthiness and licensing requirements

Most of the failures experienced on the programme have been related to non-payment of VAT. Contractors have been paid VAT but have not paid VAT to the receiver over extended periods. In most cases it has been possible to agree a settlement programme with the Receiver, thus allowing operations to continue. In some cases, however, the receiver has attached payments to the Contractor to the extent that the contractor could not provide the service and the contract has had to be terminated.

▪ **Business Management**

The majority of the SMEs are coping well with management of operations.

There are a number, however, who are not administering and managing the business very well, to the extent that many still do not have a proper understanding of the contractual structure and the manner in which payments are calculated.

A more structured training programme and support service is clearly required to address this.

▪ **Financial Sustainability**

Despite the relatively low cost per household (due largely to very low overhead costs), those SMEs that are managing their contracts correctly are clearly realising reasonable profit levels. This is verified by the following:

- Development of business plans with individual contractors indicates typical profit levels of between 10% and 15 %, albeit with a very low overhead base.
- Most existing contractors continue to tender for renewed contracts at similar rates to those in their existing contracts.
- Many of the contractors have improved their vehicles over time.
- All SMEs are continuing to meet cashflow needs and their financial commitments under the contracts.

The SME waste collection industry in eThekwini is characterised by high levels of competition. This forces tenderers to retain unrealistically low overhead costs. This in turn is restricting SMEs in their growth to more established entities that can compete in the general waste contracting sector.

▪ **Labour Practice**

The SMEs are contractually bound to comply with the LRA, to pay no less than a specified minimum wage and to provide their workers with safety clothing and equipment.

SMEs are required to submit monthly returns scheduling payments made to workers and the workforce is continually inspected to ensure they are wearing safety clothing in order to confirm that they are compliant.

Corrective action is taken and penalties are applied in cases of non-compliance.

SMEs are generally compliant in this regard.

- **Compliance with specifications**

There is a highly structured inspection and measurement system in place that ensures that SMEs are only paid for works completed and are penalised for work not completed in accordance with specifications.

This high level of inspection and payment sanction contributes substantially to a general high level of compliance with the servicing specifications.

The measured frequency of late and/or non-collection is less than 2%.

There are numerous random instances of non compliance (e.g. non collection or late collection often due to vehicle breakdown) that are dealt with effectively and are corrected within relatively short time frames.

- **Vehicle Procurement and Management**

There is no structured support system in this regard.

SMEs are assisted in the selection of their vehicles and provided with support in their application for finance, where this is requested.

The SMEs are required to use purpose built vehicles that are approved by DSW.

A range of vehicle types are in use with many contractors using second hand RELs and Box Trucks.

Many of the vehicles are, however, old and prone to breakdown. This is probably the biggest contributor to late and/or non-collection.

A more structured support system would improve this aspect.

- **Financial Structuring**

There is no structured support system in this regard.

SMEs are given support in their application for financial facilities on request only. This support is limited to letters of recommendation and confirmation of tender/contract details and viability.

Whilst it does not appear to have materially affected the success of the programme it is understood that this does create substantial problems for SMEs.

A more structured support system would improve this aspect.

10. EMPLOYMENT OF LABOUR

SMEs are advised to consult with the relevant community structures when employing labour and are required, as far as is practicable, to employ labour from the communities in which they are working.

There is also a requirement that at least 50% of the labour force should be women.

The SMEs comply substantially with this, with the workforce being generally community based.

11. SKILLS DEVELOPMENT

There is no structured programme in place.

Skills transfer to SMEs takes place through the business planning and operational mentoring services that are provided.

There are no structured training and skills development programmes in place for the workforce.

The education arm of DSW is responsible for on-going education and awareness programmes within the communities being served. These are not, however, directly linked to the programme.

Designated DSW officials are responsible for overall management/control of the programme. As such they are an integral component of the management team and have developed the capacity for on-going management of the programme.

12. PROGRAMME ADMINISTRATION AND SUPERVISION

As described above there is a dedicated Administration and supervisory unit, supported by a range of specialist support personnel that has been established to administer and supervise the programme.

High levels of inspection are applied in accordance with planned schedules to accurately record the work that has been done.

An administrative system has been developed that generates contract payment certificates from the field data submitted by the supervisory unit and that monitors and controls individual contract and programme level expenditures. The system has internal checks that ensures that measured works and payments are compliant with the contract specifications and with the particular conditions of each contract zone. The system also serves as an MIS in respect of waste management and contractor performance. The process flow chart describing the system is appended as **Annexure C**.

The Administrative and Supervisory systems and effort are considered to be comprehensive and appropriate and probably one of the most substantial contributors to the success of the programme.

13. COST RECOVERY

There is no specific cost recovery structure associated with the programme.

Costs are covered through the general rates and through service charges to formal households and businesses throughout the Metro.

There is no cost recovery from informal households.

14. EFFECTIVENESS OF THE PROGRAMME

- **Levels of Cleanliness**

The programme has achieved very high levels of cleanliness that are on a par with the established suburbs in the Metro and substantially better than other areas within the Metro with similar socio-economic profiles that are being serviced departmentally.

There are some sites within the areas that continue to be used as illegal dumping grounds. These are, however, relatively limited and the illegal dumps are generally removed within a fairly short time frame.

This assessment is verified by the fact that the level of cleanliness in these areas was a substantial contributor to the fact that the Metro was awarded the cleanest town award in 2006.

- **Levels of Cleanliness**

Unit costs amount to R 16.03 per house per month for waste collection and R 1.67 per house per month if maintenance of street verges is included.

Given the level of cleanliness this is considered to be extremely cost effective and is substantially less than the in-house costs associated with providing similar levels of service to the established suburbs in the Metro.

This also compares very favourably with unit costs of similar programmes in other Municipalities.

- **SME development.**

As stated previously there are a number of SMEs that repeatedly win tenders and a number that have grown their businesses, both in turnover and scope of services provided.

There are, however, a fair number of SMEs that have not developed and that do not continue to operate after completion of their initial contract.

A more structured training programme and support service would assist in realising improvements in this regard.

The model being used where SMEs are contracted directly to the Metro (as opposed to being subcontracted to a management contractor) is, however, considered to be a real empowerment model with each SME being entirely responsible for his/her business and for the success thereof. The SMEs are run independently of the programme management team and, as such, have to develop the skill and capacity to manage their businesses on an on-going basis.

- **Employee development.**

This is not addressed under the programme.

- **Community participation**

The community was extensively consulted during the early planning phases of the programme which resulted in a general increase in understanding and awareness.

The programme has, however, now become entrenched and levels of community consultation have reduced to a minimum.

Community development is not addressed directly through the programme. DSW do, however, run awareness programmes in these areas in parallel with the programme.

- **Poverty Alleviation**

This is achieved largely through job creation at the community level which in turn results in increased expenditure within the community.

- **Programme Integrity**

The contracts are procured strictly in accordance with Metro procurement policy that aligns with the MFMA.

The contracts are administered and supervised in a highly structured and relatively intense manner to ensure that contractors are remunerated and administered strictly in accordance with the contract documents.

Proper records are kept that will facilitate external audit, if and when this may be required.

There are a number of internal checks built into the administrative and supervisory systems to ensure that these functions are properly provided.

As such the programme integrity is considered to be extremely high.

- **Programme Sustainability**

The programme has been running at its current scale successfully since 1996, thus confirming sustainability.

The relatively low unit costs of approximately R 17.7 per house per month contributes to the capability of the Metro to continue to provide the service. These costs are well within the equitable share amount of R 30 per house per month (for unserved households).

- **Job Creation**

Waste collection services are inherently labour intensive.

The programme has created some 730 sustainable community based jobs with a minimum wage of no less than that applicable to the SA Federation of Civil Engineering Contractors.

- **SME Opportunities**

The programme has created 20 opportunities for comprehensive contracts and 11 in the labour only areas (currently being operated by co-operatives which fall outside of the programme).

15. KEY FACTORS

The following are considered to be the key factors that have contributed to the success of the programme:

- High levels of consultation with community structures in the early planning phases.
- A simple SME based model that is compliant with the regulatory framework governing procurement and service delivery.
- Innovative structure of the contracts.
- Cost effective planning, particularly with respect to contract zoning.
- A real SME empowerment/development model.
- A stable labour force resulting to some extent from contractual conditions written into the contract document.
- Community based employment.
- Documented, effective and auditable administrative and supervisory systems.
- High levels of administrative and supervisory inputs.
- The general cost effectiveness of the programme which underpins sustainability.
- A successful partnership between all stakeholders, all of whom were/are committed to the success of the programme:
 - The Community who are the beneficiaries of the service
 - The Council who have the constitutional obligation to provide the services.
 - DSW Officials who are the line Department responsible for provision of the services.
 - DSW Education Office who are responsible for community awareness and waste education programmes.
 - The programme management agent appointed by DSW as their agent responsible for managing the planning and implementation of the programme
 - The SMEs who are ultimately required to provide the services.

The following are considered factors that should be addressed to improve the success of the programme:

- A more structured SME support system.
- A structured training programme for Employees.

16. OVERVIEW OF THE PROGRAMME

Whilst there is room for improvement as set out above, the programme is generally considered to be a cost effective and highly successful programme. This is borne out by the following:

- The programme was awarded the highest Impumelelo award in 1999 for innovative and effective service delivery in the public sector.
- The programme has been incorporated in the National Housing Departments list of best practices.
- The contribution of the programme to the Cleanest Town award in 2006.
- The fact that the programme is frequently visited by delegations from other Municipalities, from RSA and other African countries, with a view to replication in their respective Municipalities.

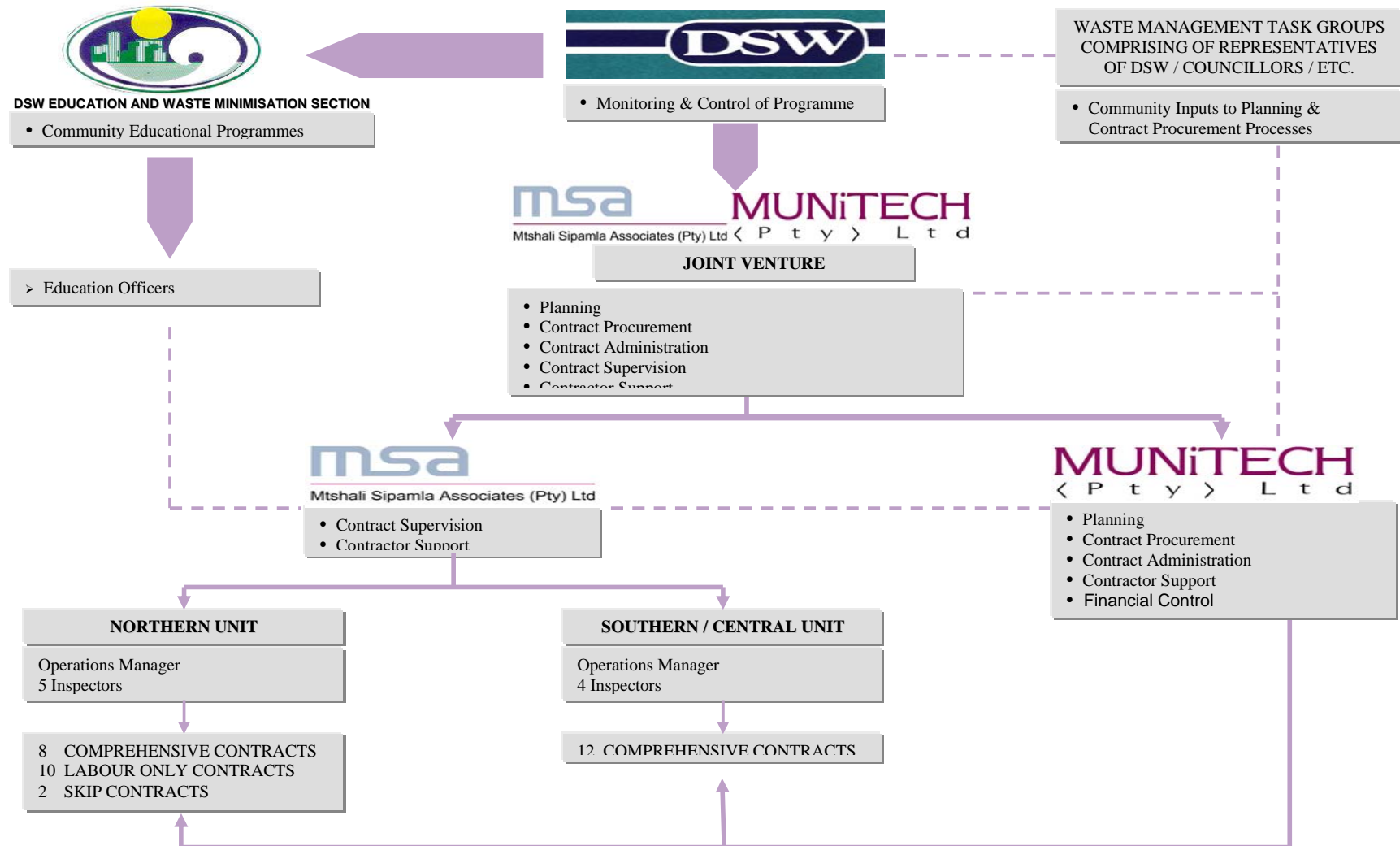
The structure of the programme is relatively simple, is considered to be a relatively low risk solution, complies in all respects with the regulatory framework governing procurement and service delivery and, in addition, creates SME opportunities (thus contributing to LED) as well as a relatively high number of sustainable job opportunities.

As such it is fairly easily replicable in other Municipalities.

ANNEXURE A

PROGRAMME STRUCTURE

DSW WASTE PROGRAMME PROJECT STRUCTURE



* LABOUR ONLY CONTRACTS WERE TERMINATED AND RE-ESTABLISHED AS CO-OPERATIVE CONTRACTS IN 2000. THESE NOW FALL OUTSIDE OF THE PROGRAMME.

ANNEXURE B

DETAILED CONTRACT STATISTICS

CASE STUDY OF eTHEKWINI METROPOLITAIN MUNICIPALITY
DOMESTIC WASTE COLLECTION PROGRAMME

ETHEKWINI METRO

DURBAN SOLID WASTE : COMMUNITY BASED WASTE COLLECTION PROGRAMME

SCHEDULE OF CONTRACTS WITH LOCAL SMEs

CONTRACT DETAILS					HOUSES				COSTS		WOMEN OWNED	LABOUR
AREA	CONTR. NO	CONTRACTOR	ZONE	TYPE	FORMAL	INFORMAL	NON RES.	EQUIV. UNITS	ANNUAL INCOME (EX. VAT)	RATE / MONTH / UNIT		
UMLAZI	WS.5414	PKM BUILD. & CIVIL ENG. CONTRACTORS	UNITS D, T, S AND UGANDA	COMP.	4410	2688	709	7,807	1,766,700	R 18.86		24
	WS.5415	GABHISA SERVICES	UNITS A, E AND V	COMP.	3139	4947	1,109	9,195	1,928,400	R 17.48		34
	WS.5416	K P DELA KUCHI	UNITS B, C AND W	COMP.	3810	3752	665	8,227	1,479,000	R 14.98		28
	WS.5417	GEZINSILA CLEANING SERVICES	UNITS F, G, H AND GEZA	COMP.	3370	8662	467	12,499	2,061,600	R 13.75	100%	30
	WS.5418*	PKM / GABHISA	UNITS J, K AND MGAGA	COMP.	3268	6308	792	10,368	1,680,500	R 13.51		38
	WS.5419	WASTENG (PTY) LTD	UNITS L, M, AA, CC AND EMANDENI	COMP.	3607	4513	728	8,848	1,643,100	R 15.48		26
	WS.5420	UMLAZI CLEANING SERVICES	UNITS P, Q, R AND N	COMP.	4630	3972	655	9,257	1,697,700	R 15.28	100%	40
	WS.5421	BLUETRAN INVESTMENTS	UNITS U, Y, Z, BB AND MALAGAZI	COMP.	6206	3157	757	10,120	1,865,400	R 15.36	100%	47
CBD	WS.5594	WASTENG (PTY) LTD	CLEANING OF CBD AND BEACHFRONT	LABOUR				-	3,893,600			69
CENTRAL	WS.5581	BLUETRAN INVESTMENTS	LAMONTVILLE	COMP.	3762	2296	602	6,660	1,348,300	R 16.87	100%	23
	WS.5676	GEORGE ZUMA CLEANING SERVICES	CHESTERVILLE, WIGGINS, NSIMBINI & PART BONELA	COMP.	5998	1367	905	8,270	1,713,800	R 17.27		28
	WS.5677	GABHISA SERVICES	CATO CREST, DUNBAR AND PART BONELA	COMP.	2750	7870	808	11,428	2,278,100	R 16.61		41
	WS.5665	H B MSIYA	WELBEDACHT, AND ADJACENT AREAS	COMP.		4364	0	4,364	1,655,000	R 31.60		14

CASE STUDY OF eTHEKWINI METROPOLITAIN MUNICIPALITY
DOMESTIC WASTE COLLECTION PROGRAMME

AREA	CONTR. NO	CONTRACTOR	ZONE	TYPE	FORMAL		NON RES.	EQUIV. UNITS	ANNUAL INCOME (EX. VAT)	RATE / MONTH / UNIT	WOMEN OWNED	LABOUR	
						INFORMAL							
INANDA	WS.5670	MAMIZA	GLEBE, SOWETO/MAPULAZI, AMATIKWE, GOQOKAZI & ETAFULENI	COMP.	10895		909	11,804	1,828,600	R 12.91	100%	29	
	WS.5671	INANDA REFUSE REMOVAL	NEWTOWN AND OHLANGE	COMP.	4352	2195	870	7,417	1,599,200	R 17.97		16	
	WS.5542	GABHISA SERVICES		SKIP				-	1,372,300			2	
			CO-OP	AMAOTI A, AMAOTANA	LABOUR		3,812		3,812	857,700	R 18.75		13
			CO-OP	AMAOTI B	LABOUR		1,173		1,173	263,900	R 18.75		4
			CO-OP	AMAOTI C, LANGALIBALELE	LABOUR		2,552		2,552	574,200	R 18.75		9
			CO-OP	BESTERS	LABOUR		1,440		1,440	323,900	R 18.74		5
			CO-OP	DUBE, BHAMBAYI, NEW FARM, MAFUKUZELA	LABOUR		1,525		1,525	343,100	R 18.75		5
			CO-OP	EKUPHAKAMENI, MSHAYAZAFE	LABOUR		1,354		1,354	304,700	R 18.75		5
			CO-OP	EZIMANGWENI, INANDA NO NAME	LABOUR		1,716		1,716	386,100	R 18.75		6
			CO-OP	EMZOMUSHA, NHLANGWANE	LABOUR		3,900		3,900	877,500	R 18.75		13
			CO-OP	INANDA NAMIBIA, INANDA CONGO	LABOUR		1,779		1,779	400,200	R 18.75		6
			CO-OP	STOP 8, AFRIKA	LABOUR		1,158		1,158	260,600	R 18.75		4
	KWAMASHU	WS.5672	JITAS SERVICES	UNITS B, C, D, G AND CAMPSITE	COMP.	6802	1848	1,091	9,741	1,691,000	R 14.47		29
WS.5605		HOMERVILLE INVESTMENTS	UNITS P, K, J, N AND SIYANDA	COMP.	5130	1571	1,657	8,358	1,780,862	R 17.76	100%	19	
WS.5606		NOMA AND DOMBI	UNITS E, F, M, L AND QUARRY HEIGHTS	COMP.	9143	211	1,376	10,730	1,981,900	R 15.39	100%	28	
WS.5448		WASTENG (PTY) LTD		SKIP				-	569,000				
NTUZUMA	WS.5673	NEZAMATHLATHI	UNIT A AND WESTRICH	COMP.	2908	4801	602	8,311	1,428,006	R 14.32	100%	20	
	WS.5244	ZAKHELE REFUSE REMOVERS	UNITS B, C AND MOUNT MORIAH	COMP.	1062	7478	581	9,121	1,921,300	R 17.55		31	
	WS.5675	MAKHAYE CLEANING SERVICES	UNITS E, F, G AND H	COMP.	8277	3336	934	12,547	1,714,100	R 11.38	100%	34	
		CO-OP	NTUZUMA D	LABOUR		1,893		1,893	426,000	R 18.75		6	
TOTALS	20 Comprehensive contracts. 1 CBD litter picking/cleaning contract. 11 Labour only contracts (now transferred to the co-op. programme).				93,519	97,638	16,217	207,374	45,915,368	R 18.45	9 no	726	

NOTES

Costs include for cutting and clearing of vegetation in street verges.

The labour only contracts shown above have been converted to co-operative contracts and are managed under a separate programme. The costs are considered high relative to the SME costs and have thus driven up the overall average cost.

ANNEXURE C

PROCESS FLOW DIAGRAM – ADMINISTRATION OF PROGRAMME

**NORTH AND SOUTH CENTRAL WASTE MANAGEMENT PROGRAMME
PAYMENT CERTIFICATION AND FINANCIAL CONTROL - FLOW CHART**

