

How a franchise approach to water services could look based on successes in South Africa

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Abstract Studies undertaken by the CSIR and WRC have found that the concept of social franchising partnerships for the routine maintenance of infrastructure could alleviate and address many challenges in the management of water services. On-going research and pilot implementation has since very much further explored and established the concept of social franchising partnerships for the routine maintenance of water services infrastructure. A substantial body of completed work, of value to water services authorities, potential franchisors and potential franchisees has been published. A pilot project, under way in the Eastern Cape since 2009, has drawn to a successful conclusion. This provided selected infrastructure maintenance services to approximately 400 schools in the Butterworth education district. Irish Aid funded the development of the business model, but the franchisees were paid from the normal Department of Education (DoE) schools operation and maintenance budgets. Despite difficulties arising directly from DoE inefficiencies, the pilot project has proven the value of social franchising partnerships for this kind of work -- the DoE now has a model it can roll out to the rest of the more than 4000 schools across the Eastern Cape which have a similar type of infrastructure. Municipalities in the area have taken up the idea, and have also employed the franchisee micro-businesses to undertake maintenance services. Many opportunities lie in applying the same approach to other operation and/or maintenance activities within the water and sanitation services delivery chain. The time is now ripe to further develop the concept so that it can move up the technology ladder, expanding its range of competencies beyond its current comfort zone.

Keywords franchising; sanitation; schools; South Africa; water services;

Background

Reviews of South African water services infrastructure show that the maintenance of water facilities is below par, in part due to the lack of skills and management by those responsible for the infrastructure (SAICE 2011; DWA 2012). The Eastern Cape was recently found to need over 800 000 toilets to ensure all households have access to sanitation, the second highest backlog in South Africa. It was also highlighted that the lack of skills and capacity to manage existing facilities is a contributing factor for infrastructure failures (Department of Human Settlements, 2012).

Public sector services in South Africa are managed at three levels; municipal, district and provincial. Within the Eastern Cape all three levels have massive failures, and while there are strategic frameworks in place, the management and capacity to fulfil targets is lacking. The Authors of this paper have found that the necessary skills needed by staff to fulfil their roles are absent, and that management of supply contracts is inefficient, often leading to lack of payment or delayed payment for services, and causing contracts not to be finished and areas left unserved. Some of the failures can be attributed to the stringent processes to obtain grant funding for infrastructure improvement, but also the lack of incentives for staff to proactively drive processes forward.

The Ministerial Sanitation Task Team report (Department of Human Settlements, 2012) also reached similar conclusions finding that while grants were available they were difficult to obtain and the predicaments of many municipalities were so dire that many felt disempowered to affect a turn around. The report concluded that *‘there is great potential for public and private investment on sanitation that could increase both benefits and cost effectiveness of public investment’* (Department of Human Settlements, 2012:70).

Introduction

Within the South African context, the provision of infrastructure in the rural areas has, for ideological and financial reasons, often favoured functionality and quantity over quality and sustainability. The imperative to produce demonstrable short-term results has generally outweighed long-term considerations. The focus of education authorities has invariably been on classroom-based activities. Insufficient attention has been paid to the essential supporting infrastructure. Services like sanitation, when available (not always the case), have been provided for at the barest minimum level with insufficient consideration of quality, durability and sustainability. Repair and maintenance issues have often been side lined or ignored due to funding constraints (Mjoli, et al. 2009). Consequently, much rural school water and sanitation infrastructure is either:

- a) Dysfunctional, requiring radical interventions (extensive refurbishment or total rebuilding), as shown in figure 1; or,
- b) Serviceable, but deteriorating, and threatened by further deterioration if not supported by good operation and maintenance, as shown in figure 2.



Figure 1 Dysfunctional school toilet facilities



Figure 2 Serviceable school toilet facilities

Over and above this, at local level the negative impact of poor sanitation and non-availability of clean water in schools deprives learners of the basic infrastructure support they need to allow them to focus on their studies. The health and social problems arising from the lack of these basic services spill over into the community – for example, the learners should be experiencing good water and sanitation practice at school, and should be taking this understanding home, in order to improve the practice at home, but sadly, this is not happening.

The partners. Amanz' abantu Services (a Xhosa phrase meaning water for the people), a civil engineering company, have been operating in the Eastern Cape for over 15 years working on water, sanitation and housing projects with vast experience of the terrain, culture and government bodies in the area. The company has a number of projects focused on construction and installation of infrastructure around the area. After years of construction projects, they along with the Council for Scientific and Industrial Research (CSIR) and the Water Research Commission (WRC), began to question how the newly installed infrastructure was being maintained by the service providers. This in turn led to research into operation and maintenance of facilities. Using their wealth of experience and recognising, as many others have, the private sector opportunities in operation and maintenance, they began to develop a business plan for carrying out this much neglected work.

Through a number of studies, various institutional options, methodologies and approaches were explored as a way of improving operation and maintenance of water services (Wall, 2005; Wall and Ive, 2010; Wall et al, 2011). The favoured model explored by the partnership was modification of a franchise business model known as social franchising.

Social Franchising. Since the 1950s, franchising has utilised the drive of entrepreneurship while reducing many of the risks to small business (Parker and Illetschko 2007:9). Both parties of a franchise have a vested interest in making sure the venture is a success while benefiting from mutual learning and shared experiences (Ahlert et al, 2008:16). The concept of 'social franchising' is defined as '*the application of commercial franchising concepts to achieve socially beneficial ends*' (Montagu 2002) and has been identified in the health sector as a model which can, among other things, assist in the provision of health services and distribution of pharmaceuticals. It can also be appropriate for other sectors, particularly where the quality of the service needs to be driven up and the cost of the service needs to be driven down through using tried and tested delivery mechanisms.

The key difference between social franchising and commercial franchising, like the concept of McDonald's, is driver behind the whole process. McDonald's is a profit driven enterprise which not only seeks to cover costs but to also make the franchisee and franchisor a significant profit. However, Social Franchising seeks to develop an enterprising solution where the community members '*contribute towards meeting their needs either with money or time (or both)*' (Norton, 2010). This approach, while still profit driven to cover costs and allow franchisees to make a living, is motivated by addressing the needs of those most neglected and doing social good.

The research by the WRC, CSIR and interest from Irish Aid and others, prompted Amanz' abantu in 2008 to establish a subsidiary, Impilo Yabantu Services (Xhosa, meaning sanitation for the people), to play the role of franchisor where needed. The concept of utilising this innovative business approach was supported by key officials of the Eastern Cape provincial Department of Education (DoE), who saw its potential to assist them with one of their most intractable problems, namely the poor levels of maintenance of water and sanitation infrastructure at schools. Particularly, they saw its potential for rural schools, where harvested rainwater is generally the only water supply to the school, and the toilets are VIPs

or similar. Agreement was reached that the model would be piloted on the routine servicing of the water and sanitation facilities at selected schools.

In 2009 Irish Aid, the CSIR, the WRC, the DoE and Amanz' abantu signed a memorandum of understanding (MoU) to implement a three-year pilot for routine servicing of water and sanitation facilities at the approximately 400 schools in the Butterworth education district of the Eastern Cape.

Impilo Yabantu and its trainee franchisees in less than three years greatly improved the condition of the school toilets in this education district. This paper reflects some of the key benefits and lessons learnt, and sets out thoughts as to how this franchise approach can be scaled up.

The Pilot Programme

By 2009 Amanz' abantu had developed a usable business model to pilot the Impilo Yabantu franchise. With support from IrishAid and the WRC, and working in an educational district allocated by the Eastern Cape Department of Education, the first franchisees were trained and allocated their schools. The Butterworth Educational District covers nearly 400 schools and spans an area of the Transkei region that is sparsely populated with difficult terrain. The budget for the programme was to come from the school maintenance budgets, which Impilo Yabantu would take a portion of, and bill the DoE on behalf of the school. Each budget varied depending on the size of the school and the number of toilets.

The process of installing a franchise in the Butterworth area began by locating offices and stores for Impilo Yabantu to operate out of and recruiting an in-house team who would assist Impilo Yabantu, but also be able to service school facilities to generate revenue on behalf of the franchisor.

Part of the strengths of a franchise approach is the locality of franchisees. In the Transkei region where there can be large travel times to schools it was important to find franchisees spread over the district to reduce how far they travelled daily and keep travel costs down. The franchisee selection was partially based the locality of applicants but also looked at applicants' ability to manage their own business.

Due to the nature of the work, there were high attrition rates when the reality of cleaning toilets struck home. However based on the lessons learnt from the initial franchisee selection Impilo Yabantu have learnt much about how to select future franchisees for expansion of the programme.

All of the selected franchisees agreed to operate as trainee franchisees under the Impilo Yabantu brand, which meant that they would operate according to the operation procedures, health and safety regulations and the Quality Management System (QMS). At all times franchisees and their staff had to be wearing the Impilo Yabantu branded clothing and be seen to operate as part of a franchise.

The selected trainee franchisees underwent a mixture of theoretical training, focusing on first aid, financial management, completing the necessary paperwork and hygiene education.

Alongside this practical training was carried out on site, where the operations procedures were explained and followed by the trainees to ensure they understood how to work as Impilo Yabantu representatives.

The training was based around procedures developed through trial and error of small pit emptying pilot studies and South African regulations. Procedures explained how to empty and clean latrines and the onsite disposal of faecal sludge. A QMS system was also developed, and ensured the quality of work being carried out for the client and gave the franchise model credibility. This process gives accountability and minimum standards for work being carried out under the Impilo Yabantu banner.

The Impilo Yabantu model allowed franchisees to visit the central office weekly, contacting their allocated schools to inform them of their intended visit. Verification of work done was through photographs taken before, during and after work at the school. Each franchisee would also complete an assessment form for the school, noting any future work for the site to be completed on further visits, such as missing gutters or additional toilet seats needed.

During the three year programme, Impilo Yabantu found that it needed intense management to ensure smooth running of the processes, both on the ground and when dealing with the client. Without a dedicated body to manage the franchise it would have failed. Impilo Yabantu staff were needed to compile data from the field, generate invoices for the DoE to get payment for work done and also to follow up how payment was progressing, which at times was hugely delayed. The delays in payment also had large impacts on the small businesses that the franchisees had established, and financial support was often needed from Amanz' abantu to keep these enterprises afloat.

While the trainee franchisees were not charged a franchise fee, they were expected to provide a work vehicle which meant that some franchisees needed to take out loans to ensure sufficient capital. The fee structure was such that within the three year pilot programme franchisees would be able to have paid off loans and then be able to focus on becoming fully fledged financially stable enterprises.

Programme expansion. At the time of writing, the programme is about to be expanded to cover three further education districts within the Eastern Cape. Based on the lessons learnt from the pilot programme an Implementing Agent (IA) has been recruited to manage the programme and to ensure the accountability and management of the needs of the DoE. It is hoped that operating through an IA will address some of the issues relating to mismanagement and bureaucracy that caused issues during the pilot programme.

The franchise model developed has proved to be very successful in incentivising a professional approach to a neglected area of operation. "Professionalising" these services not only creates job opportunities and encourages small business ventures to move into this sector, but it gives individuals a reason to take pride in having a career in sanitation that may otherwise carry the stigma of being undignified and unrewarded. Instead of entering into a partnership with people who simply leave if alternative employment is offered, the contract

between franchisee and franchisor provides a more stable relationship to ensure that the work commissioned by the client is completed in a set time frame to an expected level of quality.

The restructuring of the relationship between the user, client and service provider transforms a social service into an established business which is guaranteed through the support of the franchise arrangement. The driving force behind success is the franchisees' ambition to succeed, as they have a clear incentive to achieve set standards. They only get paid when they achieve these standards, and grow their own business. Reinforcing this are management systems which ensure quality control over the operations, sustainability through economically viable pricing systems, and responsible health and safety and environmental management systems.

Scaling up

As Ahlert et al (2008) point out, many pilot projects are successfully carried out, but without scaling up they fail to increase the social impact. The Butterworth pilot programme successfully proved that the Impilo Yabantu model can address the shortfalls of water services in schools. Towards the end of the three year programme Impilo Yabantu sought out additional work for their trainee franchisees, by approaching the local municipalities.

For the rural municipality Amatole District Municipality (ADM), the franchisees were asked to empty household toilets. In Govan Mbeki village, with 417 toilets, the Impilo Yabantu franchisees emptied all of the pit latrines, in a six week period. The household work differed to that at the schools as the quantity of faecal sludge was significantly higher and there was no travel between sites. The village was located within a kilometre of the Waste Water Treatment Plant (WWTP) and so Impilo Yabantu cornered off a piece of land next to the WWTP and ploughed trenches into it to dispose of the sludge. As the work progressed the ADM granted Impilo Yabantu permission to dispose directly into the WWTP, saving time when disposing of the sludge.

Since operating in Govan Mbeki village Impilo Yabantu has developed methodologies for accessing household pits and disposing of waste, depending on the type of toilet, topography and geographical location in relation to certain infrastructure. These were tested through work for the ADM in other villages in their jurisdiction. The adaption from one approach to another for specific situations is a major advantage to the franchise model. The franchisor develops the practical guidelines and strategies for the franchise to operate under, and if necessary the franchisor can be called on to develop new plans as needed, or address situation specific issues.

Impilo Yabantu are currently working with the ADM to help them address their sanitation backlog programme and the commitment to maintain household latrines in their municipality. This includes exploring how the franchise model could be adapted to include village representatives, furthering job creation, skills transfer and most importantly timely emptying of full and hazardous pits.

This approach would allow each franchisee to expand their area of work and give them 'eyes on the ground', keeping them informed of the situation in villages and allowing them to plan

where they are working based on the demands of each locality. It would also give the franchisees long term maintenance contracts.

One issue the pilot programme clearly highlighted was the need for continuous work, as the small businesses need to ensure income to pay staff and overheads, and to ensure a profit is made. Issues of late payment from clients also became a significant issue. Therefore in scaling up Impilo Yabantu has a preference for minimum three year commitments from clients to the franchisees.

Currently Impilo Yabantu is about to expand the franchise to work across three educational districts, Butterworth, Cofimvaba, and East London, two of which are rural. This will involve establishing two new bases of operation, in East London and Cofimvaba and establishing new methodologies for working on water borne sanitation found in the peri-urban district of East London. The different sanitation systems will also require different skill sets for the franchise teams.

In approaching the franchisee selection process for this expansion there is much that has been learnt from the pilot programme and much excitement at expanding the franchise to be bigger and more competitive. However being competitive is still a challenge. By using labour intensive methods with the franchise, costs are kept lower and job creation is promoted. However when competing in processes like tendering for work, the franchise is not always the most competitive approach. The franchise approach requires commitment from the client. In return they get a guarantee of quality and efficiency from the franchisor, the community gets the service they need, and locally based people become involved in a sustainable and profitable business that they can be proud of.

Moving Forward

The Impilo Yabantu franchise started with 10 trainee franchisees. Four years later there are now four franchisees that are being upgraded to be capable of working with minimal support from the franchisor. Some of the franchisees are also in the process of establishing their own Closed Corporations (CC) for their franchises, giving their business greater credibility. For the expansion process the recruitment of a further 12 franchisees is need. The work with the ADM, and a possible programme with the Buffalo City Metropolitan Municipality (BCMM), which may hand over management of their communal ablution facilities and their caretakers to local franchisees, will also require further Impilo Yabantu franchises.

As demonstrated by the interest from the ADM and BCMM, there is great potential for the social franchising of the routine maintenance of municipal infrastructure. As part of the greater strategy there are plans to explore the potential of the franchise for services to various government bodies and clinics. Part of the BCMM programme also explores the role the franchise could play in Solid Waste Management (SWM) which is closely linked to sanitation issues.

Impilo Yabantu has also become involved in research documenting and developing Health and Safety guidelines for those working with faecal sludge. This is important in maintaining professional practices in the sector and imparting on franchisees the responsibilities they have

to their staff. Currently an immunisation and deworming programme is under review along with developing health and safety protocols for all aspects of work, such as operation, storage of tools and disposal of water used in washing items in contact with faecal sludge.

We live in a technologically society and the role of mobile communications is ever growing. Impilo Yabantu was originally launched to address the issues of service provision in rural areas. Around six billion people have access to a phone but less than three billion have access to toilets (Kalan, 2013). The growth of mobile technology lead to the recent ‘Sanitation Hackathon’ from the World Bank which encouraged mobile application developers to design applications to address the issues relating to sanitation provision.

Awareness of the issues facing the water sector, like that promoted by the Hackathon, has led to the creation of various applications with potential to aid a franchise in the water sector. For Impilo Yabantu the amount of paperwork generated at each school is a serious concern for expansion of the programme. Currently there is investigation of how these applications could assist with information gathering and data collection.

Another way in which the applications can assist is reporting. Both and schools and household level mobile phone users can report specific problems as they occur, generating reports to a central processing point who can inform the local franchisee. These are options under review as they need someone to be responsible for paying for services, and the risk of abuse of the service by users is high. However in the rural areas, where travel times are long and petrol costs high, a way of being able to remotely understand the exact needs of a situation is anticipated to be a big money saver in the long run.

It is also hoped that through continuous expansion and proof of the franchise approach that competitors will appear to challenge Impilo Yabantu. Those involved in the franchise recognise the role competition plays in improving and refining businesses. As explained at the beginning of the paper the social franchise approach is not primarily profit driven, so other communities can benefit from the services offered by water service franchises, competition is hoped for.

Conclusions

Being a successful franchisor operating at a community level requires patience and benevolence, whilst at the same time insistence on compliance with predetermined standards. Unlike working with contractors, where there are clear cut conditions and contracts, working with franchisees requires nurturing, guidance and most of all (again) patience, to ensure that an environment conducive to stimulating learning and the growth of the franchisees is maintained.

Apart from providing essential operation and maintenance services to skills-short public sector authorities, the partnerships create jobs, provide training, and nurture micro-entrepreneurs. Future pilots must be structured so that when they come to their end the franchisees employed in them will be sustainable micro-business entities, with the necessary skills and sufficient workload and income streams to continue as viable and profitable businesses.

The future of this franchise is at an exciting point with scaling up operations and the inclusion of technology to increase efficiency. As Bill Clinton astutely recognised ‘Nearly every problem has been solved by someone, somewhere. The challenge of the 21st Century is to find out what works and scale it up.’ The authors of this paper believe this is very much the case with the water services sector and that social franchising offers this solution that can be successful at scale.

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