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Private sector participation in the delivery of municipal services Kitwe

By MK Banda

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Making Cities Work

SINPA
CENTRE FOR IMPLEMENTATION
OF NATIONAL PLANS OF ACTION



PROJECT PAPERS

SINPA Research Report

**PRIVATE SECTOR PARTICIPATION IN THE DELIVERY
OF MUNICIPAL SERVICES KITWE**

Institute for Housing and Urban Development Studies

SINPA

**‘Support to the Implementation of the National Plan of Actions
(Zambia)’**

**Private Sector Participation in the Delivery of Municipal
Services Kitwe**

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M.K. Banda Copperbelt University, Kitwe

A.W. Saka Management Services Bureau, Lusaka

H. Mengers Institute of Housing and Urban Development Studies Rotterdam

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Executive Summary

Activities of Local Governments in Zambia are derived from Section 6 of the Local Government Act Chapter 281 of the Laws of Zambia. These activities are many and varied. A local authority may discharge any of the functions within its area. The Act allows local authorities to enter into contract for the discharge of any of its functions.

Zambia, like any other government around the world, is in the process of reviewing its obligations to its citizens. A common theme is private sector participation as partners in the provision of services.

Rather than maintaining all the functions of providing municipal services, local authorities through the proposed decentralisation policy are expected to delegate responsibilities to private sector participants.

In this report a review of the current Kitwe City Council functions has been made with the aim of identifying core and non-core activities. The review revealed that the Kitwe City Council is striving to perform its functions and has accordingly addressed the strategic plan for this purpose. The guiding mission statement is to improve the quality of life of the residents through the development of the sound economic environment and to provide quality social services and infrastructure. The major objectives of the strategic plan include:

- making the Council more responsible and effective in meeting the needs of the stake holders;
- ensuring quality representation by attracting individuals of good standing to vie for councillorship and;
- developing and motivating the human resources.

The Council has employed well-qualified human resources in all the departments. However, the current human resource is characterised by low morale and poor motivation arising from lack of resources to implement good management practices.

The review further revealed that many activities of the Council are frustrated by political interference from influential people. The interference in the majority of cases is for personal gain rather than for objective developmental gains. Consequently, many Council activities appear to be haphazard, unplanned and ineffective.

The bureaucratic organisation structure of the Council affects its responsiveness to the demands and needs of the general public. The organisation reaction gives the impression to the general public as uncaring and bothered by outside demands and pressures. The effect internally, on the human resource is the generation of low morale and the development of a general lethargy. Overall, organisation inertia and ineffectiveness develop.

The staffing position of the Kitwe City Council has shown that many departments are understaffed. The prevailing staffing level has resulted in blocking of the achievement of the Council objectives and ultimately has affected the effectiveness of the organisation.

The current staffing position is as shown below:

Department	Establishment	Actual	Vacancies
Engineering	206	112	94
Public Health	49	28	21
Legal Services	32	17	15
Water/Sewerage	111	40	71
Finance	168	83	85
Housing/Social Services	215	56	159
Administration	49	33	16
TOTAL	830	369	461

The Council is currently 55.42% understaffed. Council functions have been adversely affected by the staffing position and by the limited and ineffective injection of adequate funds. The consequences are dilapidated infrastructure and poor delivery of services.

Furthermore, the review focussed on the analysis of core activities with a view to addressing the current ailments eventually and to improve the efficiency and effectiveness of the Council through external delegation of identified activities and internal rearrangement of some of the activities

Proposed measures have been made to assist Kitwe City Council with the delegation of the functions. and reorganisation.

The report draws attention to:

- i) Possible options for private section participation (PSP).
These are in two groups: public and private ownership
In public ownership the assets remain with the Council and the private sector participation is through the following options:
 - Service contracts
 - Management contracts
 - Lease agreements
 - Concessions
In private ownership the assets are partially or fully transferred temporarily or permanently to the private sector through the following options:
 - Build –Own-Operate-Transfer (BOOT) and its variations such as Build-Operate-Transfer (BOT) and Build-Own-Operate (BOO)
 - Reverse BOOT
 - Joint ownership or mixed companies
 - Outright sale.

Details of the above options are contained in Annex I

- ii) Organisation reforms and measures.
Essentially, these are of two kinds: organisation development (OD) and specifically human resource management (HRM) measures.
Organisation Development (OD) a process aimed at enhancing organisation effectiveness through planned change, can be effected at three levels at Kitwe City

Council. These levels of activities are as follows:

- First level, the creation of an enabling environment through appropriate government legislation, regulation, policy decision making and deliberate sensitisation. Firstly, this calls for concerted lobbying of central government by the Council through normal contacts with officials and agencies concerned with local government. Secondly, this is followed by the actual decentralisation of the local government administration as a policy decision of the central government. Thirdly, political sensitisation of the general public about Council management and administration creating an atmosphere conducive for implementing organisation changes.
- Second level OD activity involves the Council undertaking an internal education and sensitisation campaign of its councillors, management and workers through seminars, conferences, and short courses. During the campaigns the various groups are introduced to imminent changes that are to take place at the Council with the expected implications.
- Third level OD activity is the actual implementation of restructuring and reorganisation programmes. While these changes are being implemented, the education and sensitisation campaigns continue introducing appropriate phases of the planned changes.

HRM measures – the purposes of these measures at Kitwe City Council are several. These aim to identify the future requirements of the human resources at all levels of the organisation; to compare the future requirements with the present workforce; and to determine the numbers to be recruited or phased out based on the organisational strategies and objectives.

There are two reasons for HRM measures at Kitwe City Council. These are:

- To achieve an effective and efficient use of its human resource, and
- To achieve a high level of employee development and motivation.

Without the effective use of a motivated human resource, the Council would fail to deliver the desired quality service to the city residents.

Details of the above measures are contained in Annex II.

iii) Priority functions for delegations

The activities of the Council have been assessed and classified into core and non-core functions. The assessment has been based on a number of criteria, which include:

- The specified functions in the Local Government Act;
- The Kitwe City Council mission statement;
- The marketability of function; and
- The expected performance, benefits and risks involved in delegation.

Non –core activities have been classified into first and second priority functions for delegation. Each activity has been described and details are presented with regard to relevance of delegation.

For first priority functions this took the form of a checklist against which comments have been provided. Details of the analyses are contained in Annex III.

For second priority these are discussed in section 4 of Chapter 4.

iv) Proposed new organisational structure

The new structure is intended to have fewer levels of authority and wider spans of control. The new structure is further to foster creativity and flexibility in decision making, and high productivity and motivation on the part of staff and workers.

The net result of the reorganisation is to enhance responsiveness of the Council to the needs and expectations of the various stakeholders.

Details of the new organisational structure are contained in Annex IV.

The report recommends a process and steps for reorganisation and delegation to include:

i) *Developing a proposal for technical and financial assistance for reorganisation of the Kitwe City Council.*

It is fairly obvious from the review that the Council neither has the resources or the ability to effect a reorganisation programme. External assistance would be necessary in the areas of finance and other areas. This would be in the form of external funding and the appointment of external intervention agents who would collaborate with the Council in the implementation of changes.

Alternatively external intervention agents could assist the Council in formulating project proposals for reorganisation and the resulting documentation be circulated to donor agencies and development banks to source project financing and implementation.

Without reorganisation the Kitwe City Council would collapse as business organisation do.

ii) *Establishing a team to guide the delegation process, develop and negotiate retrenchment packages, to guide the tendering and bidding process.*

The Kitwe City Council needs to establish such a team made up of persons from the Council itself, the Chamber of Commerce, Donor Agencies, Private Business Organisations and other interested parties. This is to ensure transparency and fairness.

iii) *Developing capacity of departments to monitor performance of contractors, conduct inspection of work done by contractors and administer contracts.*

In this respect the Council needs to strengthen the Legal department and sections of some departments to ensure that the Council's accountability is upheld in light of external delegation of responsibilities to private sector participation.

Without a strong monitoring arm, the external delegated activities would deteriorate and services cease to be delivered either causing deprivation of the city residents of

services or subjecting residents to poor service delivery.

iv) *Training of staff that will be deployed in the reorganised Kitwe City Council.*

A reorganised Council will require the services of employees whose attitude and morale is in line with the aspirations of a new organisation. Deploying the same employees with the previous attitude and approach to work would defeat the aims of reorganisation.

To overcome this, attitude training as well as training to improve employee skills are imperative to ensure the right attitudes and skill appropriateness are provided and maintained.

v) *Recruitment of staff for contract monitoring and management.*

As this is a new area of accountability, there is need for the Council to recruit appropriately qualified staff to ensure the proper execution of contract work by private sector participants in the delivery of municipal services.

vi) *Overall capacity building for successful implementation and maintenance of change programmes.*

Change is something people do not readily welcome. Without a deliberate and concerted effort in change management any plans for change are likely to fail unless an appropriate capacity building and education of staff are continuously carried out. In this respect the intervention of an external change agent is imperative to ensure the continued implementation of change.

Chapter I: Background to the Study

1.1 National context of the Project

Zambia with its 10.7 million inhabitants underwent several social and economic changes in the last ten years that make the country today one of the least developed countries in the world. The underdeveloped primary sector and the unbalanced secondary sector have made Zambia vulnerable to the market forces that were unleashed with globalisation. The secondary sector is dominated by the mining industry in the Copperbelt region and the decline in copper prices in the late 1980s weakened the country's economy considerably. Under the pressures of IMF, the World Bank and the European Union, Zambia adopted a Structural Adjustment Programme in the early 1990s. Ten year later it was concluded that the programme is 'biting hard without bringing the benefits hoped for' (EU Courier, July-August 1999, p.19). Poverty, unemployment, malnutrition and bad health are on the increase. The emergence of HIV/AIDS has also hit hard in Zambia, so much so that the average life expectancy at birth reduced with ten years to 42.7 years (Economic Intelligence Unit, UNDP/World Bank). WHO also reported in a recent bulletin that because of the virus Zambia has about 1 million orphans.

Public services, among them health care, are becoming too expensive and are, effectively, on the decline as the result of reduced public revenues. The Government Zambia has embarked on different strategies that could help out to overcome the current deficiencies. A Public Sector Reform Programme was initiated in 1996, public services are reorganised to allow the private sector to provide public services, and privatisation of the copper mines was set in. The government has initiated a decentralisation process. A Decentralisation Policy Bill was prepared in 1996. The Bill will delegate several public services to lower tiers of government, among them the municipal councils. The Bill has not been passed by the Parliament yet.

Kitwe with 700,000 inhabitants and in the heart of Copperbelt region faces all the social and economic ails of the country. The decline in demand for copper and the fall of copper prices has resulted in severe unemployment and a dwindling business that was erstwhile supporting the mines. The income of the Council fell too, as the yield of property taxes fell and the fiscal support of the central government disappeared. The current financial capacity allows the Kitwe Council allows just paying salaries. Maintenance, let alone, new capital works were barely undertaken for the past 10 years. The quality of services in Kitwe deteriorated which effected the payment discipline of its citizens negatively.

In this context, the SINPA project would meet a tremendous challenge to find opportunities to turn around the downward spiral of misery. In March 1997, a project formulation workshop laid out the objectives and components of the SINPA project. The outcome is reflected in the SINPA Project Document submitted to NEDA. The participants to the workshop included all major stakeholders and possible partner capacity building institutions, including the Copperbelt University. The four objectives of the SINPA-Zambia project were agreed and these are¹:

1. Kitwe City Council staff has improved capacity in strategic areas;
2. Capacity building institutions run activities relevant to local government and its partners;

¹ See Project Proposal for SINPA, September 1997, p. 5-3 and Plan of Operations, September 1998, p. 12

3. Linkages are improved between the demand and supply of capacity building services;
4. Relevant experiences are documented and accessible.

In addition to these objectives, the overall aim of the SINPA-Zambia project is to evolve and institutionalise an approach to encourage and support local implementation of policy and activities within the framework of the National Plan of Action². The experiences developed within the context of Kitwe will form the basis for the development of this approach.

A number of meetings and workshops were held in 1997 and 1998 with the parties involved in the Project and these identified the following activities to be initiated in 1999 (Annual Plan SINPA-Zambia 1999):

- O. Orientation workshop for councillors of Kitwe
- A. Manpower development for agreed core activities
- B. Widen the resource base of the KCC
- C. Improve responsiveness of the council to needs of the stakeholders
- D. Stimulating economic development in Kitwe
- E. Refuse collection

1.2 This report

The focus of this report is on ‘A. Manpower development for agreed core activities’. The objective of this activity is to support the KCC to make an informed and well-balanced plan about the retaining of core activities and to initiate the process of delegating activities to other parties/agencies (downsizing), and to, subsequently, build the necessary capacity to execute these activities effectively.

The scope of work includes:

- Analysis of the current municipal activities. This includes; to differentiate each service into operational/functional units, to assess the external feasibility of delegation, to assess the internal feasibility of delegation, to suggest models of delegation, to suggest scenarios of delegation, to indicate costs and benefits, to indicate legal implications, to indicate the risks, to indicate social implications;
- Formulation of organisational and manpower requirements, reforms and measures for agreed core and delegated activities; and
- Formulation of a manpower capacity building strategy.

The team consisted of Mr. A. W. Saka, Director Management Service Bureau in Lusaka, Mr. M.K.Banda, Copperbelt University in Kitwe and Mr. H.Mengers, IHS.

The structure of this report is as follows:

1. Background
2. Context of delegating functions to local governments and the private sector in Zambia.
3. Current Situation
4. Proposed measures
5. Conclusions and recommendations

² See Project Proposal for SINPA, September 1997, p. 5-8, and Plan of Operations, September 1998, p. 34

Chapter II: Context of delegating functions to Local Governments and the Private Sector in Zambia

Local Government is a creation of the Central Government. This means that the State and Government Administrative System have serious bearing on the nature and role played by Local Government in Zambia. Local Authorities in Zambia are established under Section 3 of the Local Government Act Chapter 281 of the Laws of Zambia.

Upon establishment, functions are delegated to each local authority through Section 61 of the Act.

A Local Authority or Council may discharge any functions conferred on it by the Local Government Act within its area. The Act also allows Councils to enter into contract for the discharge of any of its functions.

In discharging its functions Kitwe City Council derives its authority from the Local Government Act. The Kitwe City Council can at the same time subcontract some of its functions to the private sector.

This chapter reviews the decentralisation policy, creating competition, principles and procedures for privatising, implications of private sector participation, and options available for private sector participation.

2.1 Current decentralisation policy in Zambia

Governments around the world are in the process of reviewing their tasks toward citizens. One common theme is to delegate responsibilities to other partners rather than maintaining these functions themselves. In fact, there are many municipal services that – with a suitable contractual agreement - can be provided as effective and efficient as the municipality can, if not better. It is no longer a matter of course that water supply, sanitation, public health services, refuse collection, billing and collection are seen as pure public services that cannot be delivered by any other institution than the government. Many such services in developing and developed countries have already been successfully delegated. It is no longer a question whether or not to delegate, but a question of how to successfully delegate.

Delegation of municipalities' services to other parties has assumed importance in the decentralisation policy that is under preparation by the Government of Zambia. The Decentralisation Policy aims at:

- improvement of the enabling environment for the private sector growth through investments in infrastructure and human resources;
- restructuring of the delivery of infrastructure and services to enhance efficiency and sustainability; and
- removal of subsidies and the encouragement of private sector participation in infrastructure services provision under the Public Sector Reform Programme.

Further more, the Policy proposes that:

- a) Councils be empowered to mobilise resources without seeking ministerial approval;
- b) The Local Government Amendment Act No. 30/95 empowers councils to appoint and discipline their personnel without reference to the Minister. The Act has also abolished the Local Government Service Commission and in its place established Provincial Local Government Appeals Boards to facilitate decision making at the provincial level with regard to discipline and appeal cases;
- c) Community participation activities in the process of decentralisation are further recognised by the government through the Public Service Reform Programme of 1993. The objective here is to provide direction and facilitate the efficient and effective implementation of the decentralisation of appropriate government functions and operations from central government to the provinces and districts. Under the reform programme, a framework for planning and co-ordinating development through the National Development Co-ordination Committee, Provincial Development Co-ordination Committee and District Development Co-ordination Committee is introduced.

The Decentralisation Policy is yet to reach the Cabinet for consideration and approval.

The Policy stresses the important role of private sector and the communities in local development. Delegation is the logical consequence of the Policy thereby allowing local governments to take up more responsibilities from central governments and to arrange for partnerships that will deliver the services to the public. In some countries, it has become even a necessity to delegate, as local governments do not have the financial means, expertise or capacity to run such services. It is in this context that the Kitwe City Council seeks to identify the core activities that should remain within the KCC's realm of duties and other activities that can be delegated to other parties.

'Parties' have been defined in general terms as they may include several organisations that have a legal status:

- Companies (private or limited, registered with the Chamber of Commerce and under the Zambia Companies Act);
- Co-operative societies;
- Associations;
- Neighbourhood development committees; and
- Clubs.

2.2 Creating competition within the Local Governments

Creating internal and external competition

In order to deliver services at the lowest cost and to maintain quality of services, it is essential that competition be created before commissioning work to private parties. Competition also needs to be maintained after the commissioning the work so that the suppliers maintain their quality of services and are not tempted to increase prices unwarrantedly. For an optimal delivery of services, it is not necessary to delegate services to private parties. Competition

also can be introduced within local government organisations. There are several mechanisms that effectively create competition within government. These include: introduction of performance standards and unspecified budget ceilings; autonomy in staff deployment by the management, hiring of contracted labour, mandates to give out of service contracts, to do capital investments, to mobilise co-financiers, to enhance revenues and to introduce cost savings measures.

Another option is to let the concerned department also submit a bid. However, unfair competition should be avoided. Local Government institutions may, for example, exclude certain costs that private companies have to include in their bid, such as VAT, depreciation and maintenance of buildings and equipment, administrative and management overheads, insurance and debt servicing on loans.

Removing legal restrictions

Existing legalisation, by-laws and government orders often hamper internal and external competition. These can relate to providing mandates to management of departments without further detailed approval procedures or to hand over statutory municipal function to private parties (e.g. the collection of service charges). The restriction are often not related to the fact that existing legislation do prohibit such operations but rather the lack of any reference. Many administrations do only venture into fields that have legally been defined and do not like to take the risk for venturing into undefined areas without the risk of higher authorities intervening. When such statutory restrictions exist they need to be removed by introducing additional legislation that will allow for such operations. If this is not possible, the expected restriction may be neutralised by involving the higher authorities in such initiatives and to obtain their consent to proceed. Proper correspondence and continual lobbying are however, important in order to avoid sudden changes in support.

Removal of statutory restrictions also aims at enlarging the entry of more suppliers. Meaning more bidders and more competitive prices. The entry of more suppliers will also avoid unnecessary development or growth of monopolies or cartels of only a few suppliers.

Creating fair competition

To have competition also means to create equal chances to all possible competitors. This may provide a problem to some of the smaller suppliers who may not easily have access to credit (national, foreign). Central Governments – if the decentralisation policy so desires – may create access to credit or be a guarantor for a part of the loan. Another area that may be more effective in providing equal opportunities is the waiver of taxes for a certain period or providing assistance in importation of goods and equipment.

Suppliers may, nevertheless, be unable to raise sufficient capital from the market to make serious bids for municipal operations. In some municipal operations it will be possible to make available the equipment, installations or assets available to the supplier at a price (lease). A supplier may also be unable to provide a serious bid given the size of the operation (geographic, capital investment or size of the consumer group). In this case the service may be broken up in smaller geographic areas, specific consumer groups or specific levels of services (transportation, kerb side collection or market waste collection, private domain pest control or public domain pest control only).

2.3 Principles and procedures to be followed when privatising

Transparency and public participation

As privatising statutory municipal services are an operation that will attract considerable political and public attention, if not suspicion, it is critical to be transparent in each step of the process. The services that are considered for privatisation, the terms and conditions of privatisation, the tendering procedure and the main points of the contracts to be signed, the rationale to select certain suppliers and even the acceptable prices may need to become public information. More public consultation and involvement is a matter of course in the privatisation process. Information about important decision need to be public through the conventional government channels, but this may not be sufficient. Public hearings and the local newspapers may need to be added to make sure that a large portion of the public is aware of the developments and have a chance to react. In this way, local governments show accountability for their actions.

Representation in decision making bodies

Another requirement may be to bring in public representation in appraisal committees and monitoring agency. Corporations or Registered Societies must have compulsory public representatives in their Boards or Society. In addition, it may be required to establish an Arbitrator, a Consumer Complaints Cell or an Ombudsman to handle complaints.

Tendering, assessment of bids and contracts

It may be necessary to have an independent body do the assessments of bids. This is meant to avoid any suspicion of giving advantage to any of the bidders. For larger contracts, it may also be necessary to separate the assessment of technical quality of the bid from the financial bid. Any irregularity, deviation from the established procedures should be checked and corrected. This again, is meant to avoid public suspicion and to prevent legal litigation by disadvantaged parties or suppliers.

The duration of the contracts need to be related to the required capital investments and expected financial recovery period. Too short contracts will discourage possible suppliers and increase the price of services. Too long contracts will discourage selected suppliers to keep their services up to the mark, as there will not be any serious competition in the near future.

If a service is privatised for the first time or limited experience is gained with such partnerships, it may be necessary to include clauses that allow the government – in consultation with the supplier – to amend the contract when changing circumstances or profitability so dictate. Again transparency is required.

When a large number of bids have been received and the service has been organised in several packages to be provided by several suppliers, there is no threat or the formation of monopolies or cartels. But when the number of bidders are limited and a few suppliers tend to acquire several packages of the services there is a serious risk of cartelisation and monopolies, particularly, if the bids only vary marginally in price, are higher in price than has been seen in other cities and seem to be the result of ‘cutting up the cake’ between a few suppliers. If such suspicion exist, it is advisable to advertise again for the same tenders.

In any case, the verification of the track record of suppliers (certification) needs to be done by independent institutions. Solvability, performance of past work, quality and size of the workforce, etc. are all-important indicators of the capacity of the company to execute the service satisfactorily.

Back-up provisions

It should be borne in mind at all times that the service delivery may be interrupted due to a labour conflict or a conflict between the government and the contractor. As the municipality continues to be statutory accountable for the delivery of the service, back-up arrangements need to be in place to temporarily take care of the delivery of service. A supplier in an adjacent area may do this by another department's crew, by a neighbouring municipality or by maintaining a core stock of equipment and trained staff (who are employed in other sections) who can run the service. Such arrangements need to be agreed to before entering into a contract with the private party. When the interruption of the service takes a serious cause, the contract should provide for clauses by which the municipality can (temporarily, legally and technically) take over the supplier's operations. In such cases the municipality needs to be indemnified for the cost for these operations.

Preliminary bids, tariffs and cost-benefit analysis

When there is insufficient indication of the contract value that will be arrived at for a particular service, it is necessary to do a preliminary bid. Selected contractors can be invited to prepare a bid. The bid will be a starting point to make a cost-benefit analysis of the public versus the private operations. In the comparison all costs and returns for both parties should be included in both cases: public and private run operations. Reference should be made to the same expected performance standards.

A list of costs to be considered in the analysis is shown in Table 2.1

Table 2.1: Cost elements for comparing public and private operated services

Party Type of operation	Public agency	Private party
Public operation	<ul style="list-style-type: none"> - Current and additional staff expenses - Redeployment, retrenchment and training expenses - Surveys, audits and inventories - Additional management contracts - Setting up improved financial, planning and management systems - Current and additional equipment and vehicles expenses - Additional investments for expansions - Debt servicing - Depreciation and reservations - Buildings and maintenance - Public relations and complaints - All administrative, supervision and management overheads 	- None

Private operation	<ul style="list-style-type: none"> - Tendering, bid assessment and contract preparation - Redeployment, retrenchment and training expenses - Setting up monitoring, contract management and supervision systems - Recruitment and training of monitoring, contract management and supervision staff - External legal advise (contracts, tariffs), evaluations and accountants. - Transition costs for rents, assets valuation and assessments, brokerage, etc. - Earnings out of sale of assets and stocks - Costs related to grants, bank guarantees and security as agreed in the contract. - Continued recurrent costs and debt servicing - Costs related to maintaining back-up capacity/arrangements - Depreciation and reservations - Buildings and maintenance - Public relations and complaints - All remaining administrative, supervision and management overheads 	<ul style="list-style-type: none"> - All costs included for delivering the service as per agreed contract (tariff, lump sum for the duration of the contracts)
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Note: Earning and costs need to be estimated based on the same performance standards

All the above operational and cost elements need to be backed by recorded policy and management decisions. In particular the agreements on time-bound agreements on tariffs are essential. Further sufficient political, administrative and legal immunity should be established. Responsibilities, rights and autonomy of government should be elaborated in the contract.

Where large capital investments are involved or contractors need a ‘maturation’ period, government guarantee and securities could be involved. It is important that these are clearly targeted and time-bound. An incremental approach for private investments and degree of sunkness of investments may be followed. Sustenance of such provisions should be made conditional to performance and increasing solvability of the company. Targets need to be set and included in the contract. Financial monitoring in these cases becomes important. Guarantees can also take the form of ensuring a minimal demand or supply. This may be applicable for contracting out mechanical services or electrical work (streetlights). This guarantee also provides the basis for setting the standard tariffs and the performance standards.

Needless to say that strict (on-line) monitoring of performance is required in the above partnerships. Warning and penalties procedures for under-performance should be spelled out.

Effective regulation

As there is often little trust in private parties running public services, governments tend to include many regulations and contract conditions. This may prove counterproductive. Regulations should be focussed on the bare but essential necessities: output and performance. These should be focussed on what rather than on how. It is a common experience that over-regulation strangles private sector participation, is a barrier to a healthy competition, i.e. hinders many suppliers to come forward, and reduces cost-benefit margins.

Under-regulation also spoils the potential of private sector participation. It will invite bad performance, poor service, and loss of image and reputation of all partners involved in the contract.

It is imperative to determine whether there is sufficient experience to suggest that regulation is required. If there is little evidence, it is better to start with a lighter form of regulation. More regulation could be introduced if the accumulating experience so warrants. Such an approach is more desirable than having heavy regulation up-front without a sufficient empirical base. Imposed regulation should be related to clearly defined objectives. This will help in critically reviewing proposed regulations and avoids regulations for the sake of regulation without any obvious benefit or rationale.

Once the regulations are established, the functions to monitor and enforce should be spelled out and assigned to an authority. Such an authority should have the best access to information and expertise to interpret the information would be an obvious choice for monitoring. An authority that has best legal mandate to enforce and has the legal expertise to successfully pursue is best placed for enforcement purposes. Enforcement should have provisions for recourse to allow the private party to defend their interests.

In cases where there is little experience with private sector participation in municipal services, regular reviews of validity of the contract is required. This ‘contract oversight’ will help to accumulate and bundle experiences and to improve future contracts.

Agreed contract tariffs and consumer pricing

The agreement between the public and private party on the right tariff (or price) of a service is crucial to the success of the partnership. Principally, tariffs agreed to by the parties should cover all cost for which the marginal cost method could be used. See also table 3.1. The tariff may consist of two components. A fixed part to cover fixed (financing) cost and a variable part to cover variable costs.

The agreed tariff need not be similar to the price that is charged to the consumer. The right price will ensure sufficient demand for the service, ensure sufficient revenue, proper service levels and avoids pilferage, the cutting of corners or exclusion of marginal consumers.

For water, telephone, parking and electricity charges it is common to agree to a rising block pricing and/or congestion pricing. The operational and technical implications and practicality need to be examined. ;

A government institution has the duty to plan for future consumption and the pricing may include a reservation for immediate expansion to serve more citizens and more areas. The pricing of municipal services will in most cases have an element of cross subsidy to under-serviced, marginal areas or users. This is common for solid waste services and water supply where communal services are (partly) financed by the revenues earned in higher income areas. Similarly the prices may constitute a compensation between unbundled services to enhance competition and effective demand (supporting social objectives) for some services.

There will always be services that cannot be priced at affordable levels. Hence, a gap will be created between the earnings and the expenditures based on agreed tariffs between the public

and private party. Transfers of general revenues (taxes) should compensate the gaps.

Tariffs and prices are temporary and subject to inflation of prices. Prompt and straightforward price/tariff regulation is required based on objective indicators such as price index or inflation rate, performance reports, feed-back and corrections.

2.4 Implications of the Transition to Private Sector Participation (PSP)

There are several implications for the local government that will transfer municipal services to a private party. These include:

Building up capacity for new/expanded functions (on contract management and oversight, regulation, participation, risk assessment, pricing, financing and investment planning);

- Recruit experts, enhance skills of existing staff in a programmed manner;
- Hire missing expertise on contract basis;
- Make a re-deployment, re-organisation plan for the agency;
- Absorption of redundant staff under the contract agreement;
- Retrenchment into other departments; skill training in a programmed manner; and
- Buy-out arrangements, including skill training and financial compensations.

At the very early stage of policy and management decision these implications need to be explored and included in the agendas of consultation and negotiations with all parties: the private party, the unions, colleague departments and neighbouring local governments.

2.5 Options for private sector participation

Private participation varies from the fulfilment of limited attributes to overall responsibility. PSP has eight main options, which vary in the degree of involvement of the private sector, the risk for the public and private sector, the private operator's autonomy and responsibility, the required capital investment, the duration of the contract, and the contractual relationship with the consumer.

Groups of PSP options

These PSP options may be grouped into two distinct categories. In the first group, the ownership of the assets remains with the local government or the public sector, whereas in the second group, partial or full ownership is transferred (permanently or temporarily) to the private sector. Each group includes four options, which will be reviewed in the order of increasing private sector involvement. The first group—public ownership—includes:

- Service contracts
- Management contracts
- Lease arrangements
- Concessions.

The second group—at least partial private ownership—includes:

- BOOT (Build-Own-Operate-Transfer) and its variations such as BOT (Build-Operate-Transfer) and BOO (Build-Own-Operate)
- Reverse BOOT
- Joint ownership or mixed companies
- Outright sales.

Detailed explanations of each of the above options are detailed in Annex I.

Chapter III Current Situation

The present administration of municipal councils in Zambia is controlled by the Central Government through the Ministry of Local Government and Housing. As a consequence, Councils carry out their activities as appendages of the Ministry. Under this prevailing condition, Councils are over dependent on government direction. The imposed organisational structure instead of ensuring efficiency has bred rigidity, inflexibility and inefficiency.

In this chapter the report examines current issues with regard to organisation, strategic plan, current organisational set up, staffing position and proposed core functions.

3.1 Current organisational, functional and human resource issues

Kitwe City Council has as with other councils in Zambia, its functions listed in the Local Government Act of 1991. These functions are either mandatory or discretionary. There are 63 functions listed in the Act ranging from brewing beer to refuse collection. These functions have been grouped under the following headings: - general administration, advertisements, agriculture, community development, public amenities, education, public health, public order, registration, sanitation and drainage.

At present Kitwe City Council is striving to perform these functions and has accordingly addressed a strategic plan for this purpose.

3.2 Strategic Plan and Mission Statement

The Kitwe City Council has a well-developed five-year strategic plan covering 1999-2003. Individual departments participated in the formulation of the plan under the supervision and guidance of the Institute of Public Administration IPA of Ireland.

The mission statement for the Kitwe City Council is to improve the quality of life for the residents through the development of a sound economic environment and to provide quality social services and infrastructure.

The guiding values are the provision of an efficient, reliable and equitable service to the residents of Kitwe under an atmosphere of transparency and accountability.

Council's Objectives and Strategies

The major objectives of the strategic plan for Kitwe City Council include firstly, making the Council more responsive and effective in meeting the needs of the stakeholders; secondly, ensuring quality representation by attracting individuals of good standing to vie for councillorship and thirdly, developing and motivating the Councils human resources.

The strategies for achieving the stated objectives include the establishment of Township Councils to deal with matters of respective zones; eradication of bureaucratic tendencies; petitioning the Government to set higher minimum academic qualifications for eligibility to contest elections; and improving human resource management through introduction of training programmes, performance appraisals and improved conditions of service.

Organisational Assessment

The Kitwe City Council conducted its own organisational assessment using the SWOT analysis technique. The assessment shows as major strength, the existence of dedicated and very well qualified employees among its human resource. The major weaknesses are highlighted as the poor state of infrastructure, bureaucratic tendencies and a de-motivated human resource.

The assessment reveals as an opportunity for the Council, the ever-increasing demand for quality service delivery to the residents. A major threat to the Council's plans is the ever-increasing political interference that for most part constrains the running of the Council's activities.

Human Resource Management

The City Council has employed qualified human resource in all the departments. However, the human resource is characterised by low morale and poor motivation arising from lack of resources to implement good human resource management practices.

In all departments there are well-documented job descriptions which can be used as a base for improving human resource management. The Council does not have an established employee performance appraisal system. Implementation of job evaluation exercises has not taken off owing to the lack of financial resources.

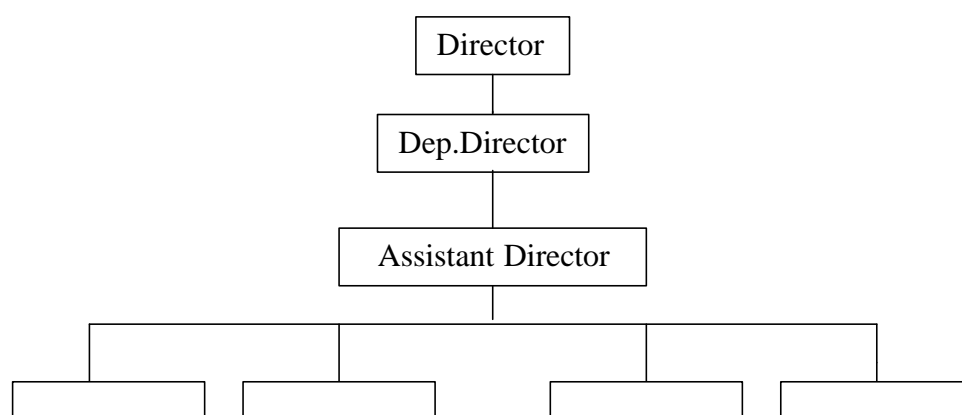
Political Interference

Many activities of the Council are frustrated by political interference from influential people. This interference in the majority of cases is for personal gain rather than for objective developmental gains. As a result, many Council activities appear to be haphazard, unplanned and ineffective. At times the Council appears to dance to the tune of strong political individuals much to the detriment of the Council's business.

Political influence on a decreasing degree and frequency comes from the elected Councillors, District political leadership and National political leadership of the ruling party.

3.3 Current Organisational Set-up

The organisation structure of the Kitwe City Council is top heavy. The pattern of structuring in most of the departments is one on one for three levels. The position of Director has below it a Deputy Director, which has below it an Assistant Director with all other sections reporting to it. The typical structure is as shown:



The above type of organisation structure inhibits the Council's responsiveness. This is typical of bureaucratic organisations, which practise a heavy reliance on rules, procedures and regulations to guide people in action and/or decision making.

Organisational reaction and/or responsiveness is slow, giving the impression to the general public as uncaring and unbothered by outside demands and pressures. Internally, the effect on the human resource is the low morale, as officers are not given the chance to be proactive or creative. Instead of flexibility organisational inertia as well as a general lethargy develop.

The general dependence on superiors, rules, procedures and regulations for guidance affects the productivity and effectiveness of the Council.

3.4 Staffing Position of Functions at Kitwe City Council

The staffing position of each of the following functions shows the labour establishment as the authorised strength, the actual present staff in the managerial, non-unionised employees and the vacancies. The fourth column shows the actual strength of unionised workers whose numbers vary according to workload and are frequently supplemented by casuals. These are classified as **Division IV** employees.

Engineering Department

The Engineering Department comprises several sections, each dealing with specific activities outlined below:

The department provides engineering services to the City of Kitwe and it is a core activity operational in nature.

The department's labour establishment by section is as shown:

Section	Establishment	Actual	Vacancies	Division IV
Directorate	03	03	-	
Administration	25	14	11	18
Electrical	18	02	16	14
Mechanical	21	03	18	29

Section	Establishment	Actual	Vacancies	Division IV
Architectural	11	01	10	48
Roads	18	04	14	57
Building Insp.	16	04	12	-
Parks	03	01	02	112
Town Planning	06	01	05	-
Land Survey	08	02	06	08
Fire Brigade	76	76	-	09
Transport	01	01	-	60
TOTAL	206	112	94	355

On average the department is 46% understaffed, with all the major sections severely affected.

Public Health Department

The Public Health Department provides both curative and preventive public health services. The curative wing comprises a number of clinics spread out the entire area falling under the Kitwe City Council. These clinics offer limited medical services. Complicated cases are referred to the Kitwe Central Hospital.

The preventive wing comprises health educators and inspectors, pest controllers and a laboratory, which constantly looks out for outbreaks of diseases.

The department is a core activity and operational in nature. The department's labour establishment by section is as shown:

Section	Establishment	Actual	Vacancies	Division IV
Directorate	02	01	01	-
Health Inspection	07	05	02	-
Cleansing	03	01	02	108
Pest control	02	01	01	31
Administration	12	07	05	08
Medical Services	09	07	02	-
Health Education	10	05	05	04
Medical Laboratory	04	01	03	04
TOTAL	49	28	21	157

The above picture represents an average of 43% understaffing of the whole department.

Legal Services Department

The Legal Services Department provides legal advice to all other Council departments and committees including the Full Council in all legal matters. In addition, the department represents other smaller councils in legal matters.

These activities are classified both core and functional operational in nature.

Section	Establishment	Actual	Vacancies	Division IV
Directorate	02	01	01	01
Litigation	05	01	04	

Section	Establishment	Actual	Vacancies	Division IV
Conv./Contracts	05	01	04	
Licensing	03	03	-	
Dead Registry	03	02	01	
Registry	07	05	02	
Administration	07	04	03	
TOTAL	32	17	15	-

The department lacks qualified lawyers and legal assistants to fill the vacancies in Litigation and Conveyance/Contracts Sections. On average the department is 47% understaffed.

Water and Sewerage Department

The department provides and distributes potable water to the residents of Kitwe. The department is also responsible for the collection and treatment of wastewater and disposal of sludge. These activities are classified as core and operational in nature.

The department's labour establishment by section is as shown

Section	Establishment	Actual	Vacancies	Division IV
Directorate	04	04	-	-
Administration	05	04	01	04
Accounting	19	09	10	22
Water Treatment	37	12	25	80
Laboratory	07	01	06	-
Sewerage	19	07	12	60
Electrical	10	02	08	14
Mechanical	10	01	09	-
TOTAL	111	40	71	180

The department is 64% understaffed with serious shortfalls in the critical sections of water treatment, sewerage, electrical and mechanical support sections.

Finance Department

The purpose of the department is to collect, account and safeguard the financial resources of the Council. The department includes a revenue collection section as well as a business section running liquor undertaking in some residential areas of Kitwe. These activities are classified as core and are functional in nature.

The department's labour establishment is as shown:

Section	Establishment	Actual	Vacancies	Division IV
Directorate	04	03	01	
Administration	12	05	07	
Revenue	02	09	(07)	
Expenditure	08	05	03	
Accounting	30	09	21	

Section	Establishment	Actual	Vacancies	Division IV
Valuation	08	04	04	
Computer	27	21	06	
Commercial	03	04	(01)	
Establishment	13	11	02	
Stores	07	02	05	
Liquor	54	10	44	
TOTAL	168	83	85	

Note: () = Over employed

The above picture shows some over employment in the revenue and commercial sections. In spite of this, the department is 51% understaffed with substantial shortfalls in accounting and liquor undertaking sections.

Housing and Social Services

The department is concerned with providing and facilitating the provision of services to the community. These services are aimed at improving the living conditions of the residents.

Until recently, the department was responsible for the provision of housing to the residents of Kitwe. As a result of the presidential decision, the housing units have now been sold off to occupants.

The remaining activities of the department are classified as core and operational in nature.

The labour establishment is as shown.

Section	Establishment	Actual	Vacancies	Division IV
Directorate	03	03		
Administration	15	07	08	14
Community Development	104	29	75	16
Squatter Compounds	10	03	07	
Library	22	07	15	07
Amenities	02	01	01	45
Housing	26	01	25	
Settlement Improvement	33	05	28	03
TOTAL	215	56	159	100

It is assumed that in due course the authorised labour establishment will be reduced to reflect the present state. The overall staffing of the department is on average 73.5% understaffed. The sections of community development and squatter settlement improvement need strengthening.

Administration Department

The main purpose of the department is to create and facilitate a conducive environment for

other departments of the council to work efficiently and effectively. The department provides administrative support to the other functions of the Council.

This department is classified as core and functional. The labour establishment is as shown:

Section	Establishment	Actual	Vacancies	Division IV
Directorate	05	05		
Administration	06	04	02	18
Personnel	08	06	02	
Public Relations	06	03	03	
Registry	05	02	03	
Typing Pool	06	06		
Committees	05	03	02	
Printing	05	02	03	
Security	03	02	01	124
TOTAL	49	33	16	142

On average the department is 33% understaffed.

The Overall Organisation

The composite staffing of the Council's departments is summarised below:

Department	Establishment	Actual	Vacancies	Division IV
Engineering	206	112	94	355
Public Health	49	28	21	157
Legal	32	17	15	-
Water & Sewerage	111	40	71	176
Finance	168	83	85	-
Housing & Social Services	215	56	159	100
Administration	49	33	16	142
TOTAL	830	369	461	930

The above table clearly shows the extent of understaffing. On average the council is 56% understaffed. It is operating at less than half the capacity.

It is therefore not surprising that, given the low staffing levels and the ineffective injection of adequate funds, the council is headed for a decline and eventual collapse. Unless these issues are adequately addressed, the residents of Kitwe will continue experiencing poor delivery of services and the council itself as an organisation will experience worse difficulties.

It has become imperative to identify and focus attention on core functions of the council in order to address the observed ailments. The overall aim should be to improve the efficiency and effectiveness of the council through external delegation of identified activities and internal rearrangement of some of the activities. This implies downsizing of functions and improving effectiveness through active deliberate intervention programmes such as capacity

building of the affected functions. This will need organisational development programmes complemented by organisation reforms and measures as detailed in Annex II.

3.5 Proposed core and non-core functions

The team has made an assessment of functions that could be considered core and non-core functions of the Kitwe City Council. The assessment has been based on a number of criteria which include the specified 63 functions in the Act on Local Government (1991). A Councils mission statement, the marketability of functions, expected performance benefits and risks involved in delegation. Non-core activities have been distinguished into first and second priority functions for delegation. See the Table 3.1 below. The list has been tuned to the feedback that was obtained during a presentation to the directors and Councillors of Kitwe City Council held on 15th April 1999. The rationale of this assessment will be further elaborated in the following chapters.

Table 3.1 Proposed Core and Non-core functions for Kitwe City Council

Core and non-core Department	Core sections (chapter 4)	Sections considered 1st priority for delegation (chapter 5)	Sections considered 2nd priority for delegation (chapter 6)	Other sections
Engineering	<ul style="list-style-type: none"> ❖ Fire Services ❖ Town Planning ❖ Building and Development Control ❖ Surveying ❖ Administration 	<ul style="list-style-type: none"> ❖ Mechanical Section ❖ Building Maintenance ❖ Architectural Design 	<ul style="list-style-type: none"> ❖ Electrical Section ❖ Parks and Gardens ❖ Roads 	
Public Health	<ul style="list-style-type: none"> ❖ Health Inspectorate ❖ Administration 	<ul style="list-style-type: none"> ❖ Medical Services ❖ Medical Laboratory (curative and preventive) ❖ Refuse Collection ❖ Pest Control 		<ul style="list-style-type: none"> ❖ Health Education was proposed to shift to Housing & Social Services Dept.
Legal Dept.	<ul style="list-style-type: none"> ❖ Litigation ❖ Conveyance ❖ Contracts ❖ Legal Advisory Services ❖ Deeds Registry ❖ Registry ❖ Administration 			<ul style="list-style-type: none"> ❖ Licensing has been proposed to be shifted to Finance
Water and Sewerage Dept.	<ul style="list-style-type: none"> ❖ Discussions are going on to convert the dept. into the Nkana Water and Sewerage Company. This includes collection of water charges. Retrenchment of the Department's staff is a possible implication of this reorganisation. 			
Housing	<ul style="list-style-type: none"> ❖ Community Development ❖ Settlement Improvement ❖ Sites & Services ❖ Library ❖ Administration 	<ul style="list-style-type: none"> ❖ Amenities (markets, shops and stalls) 	<ul style="list-style-type: none"> ❖ Community Development ❖ Sites & Services 	<ul style="list-style-type: none"> ❖ Housing Section will be phased out as a result of the sale of Council houses

Core and non-core Department	Core sections (chapter 4)	Sections considered 1st priority for delegation (chapter 5)	Sections considered 2nd priority for delegation (chapter 6)	Other sections
Finance	<ul style="list-style-type: none"> ❖ Revenue ❖ Expenditure ❖ Accountancy ❖ Valuation ❖ Licensing ❖ Establishment/Administration ❖ Stores 	<ul style="list-style-type: none"> ❖ Debt collection ❖ Commercial (revenue, taverns) 	<ul style="list-style-type: none"> ❖ Valuation 	<ul style="list-style-type: none"> ❖ Computer Section is proposed to decentralise to each department headed by a senior officer who reports to the TC. ❖ The Internal Audit Unit is proposed headed by a senior accountant and who report to the committee of FGPC.
Administration	<ul style="list-style-type: none"> ❖ Administration ❖ Personnel ❖ Security (enforcement bylaws, KCC premises & buildings) ❖ Public Relations ❖ Typing Pool ❖ Registry ❖ Committee services ❖ Printing (internal documents) 	<ul style="list-style-type: none"> ❖ Security (KCC installations) ❖ Printing (general and public documents) 		

Chapter IV Proposed Measures

In this section the proposed core functions are presented with suggestions for strengthening the activities of the departments. Subsequent to the classification of activities as core and non-core presented in the previous section, it is suggested that the core activities be restructured in a way that eliminates top heaviness and the long chains of communication. The restructured departments will also require strengthening through recruitment of the required human resource and the training and development of the retained employees and the retrenchment of others.

As suggested in chapter 3 and Annex II, these changes need to be implemented in phases to allow for an enabling environment to be created, the education of various groups and the actual change implementation in the affected sections/departments.

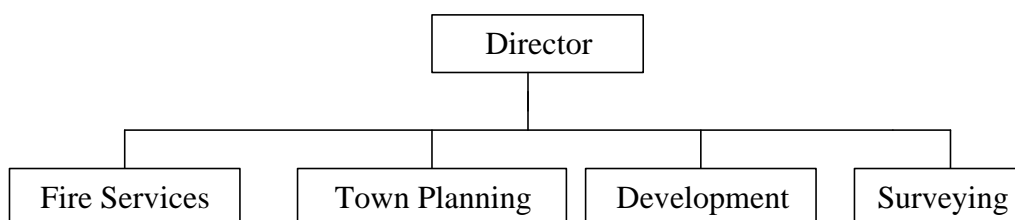
The suggested changes by department are shown and discussed below:

4.1 Proposed Organisation of Core Functions

Engineering Department

The department currently comprises fire services, town planning, building and development control surveying, mechanical, electrical, building maintenance, architectural design, roads, parks and gardens. Of these sections mechanical building maintenance, architectural design, electrical, roads, parks and gardens are candidates for external delegation.

It is therefore proposed that the new structure of engineering department be as shown in the diagram below:



The Fire Services Department will require strengthening by purchasing new fire tenders and the establishment of new fire stations in the outlying areas of Itimpi and the mine areas of Mindolo and Wusikili.

The other sections require strengthening through recruitment of the shortfall of staff. Additionally, the present require further training or refreshing through seminars and special short courses.

With regard to the delegated sections, the department requires recruitment of qualified persons to deal with contractors and to monitor their work.

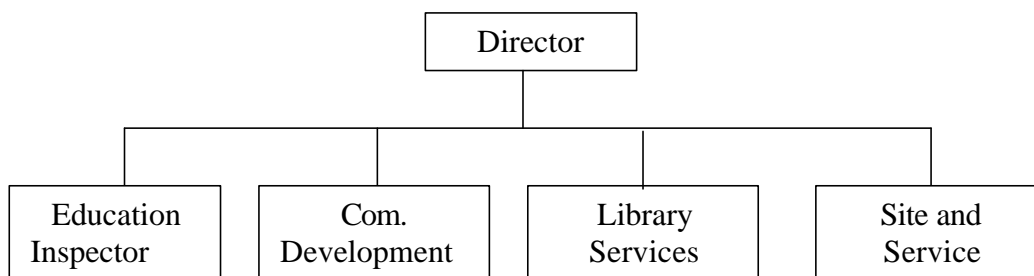
Public Health Department

The Public Health Department currently comprises the following sections: Health Inspectorate, Refuse Collection, Pest Control, Medical, Health Education, Nutrition and Laboratory.

Most of these sections will be delegated to other units and organisations. For example the Medical Section will move to the Health Management Board, Refuse Collection and Pest Control are candidates for external delegation to the private sector.

It is proposed that this department merge with Housing and Social Services to form Public Health and Social Services.

The proposed structure is shown in the diagram below.

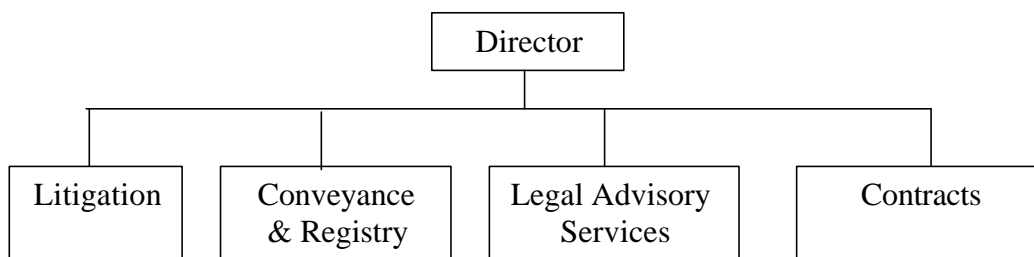


The Library Department will require strengthening through the acquisition of new and current reading materials for existing libraries and the establishment of new libraries in the Ndeke/Chamboli area.

Some activities of the Community Development and Sites and Services Department will require working very closely with some of the Non-Governmental Organisations currently working in these areas.

Legal Services

The department will require overall strengthening through the recruitment of legal personnel to ensure the provisions of the desired legal services of the department arranged are shown.



The department will continue to be small, manned by qualified legal personnel working as a group but with varied expertise in the areas shown in the diagram. Such an arrangement is an alternative to the above differentiation of activities shown as sections of the department.

Water and Sewerage

The department will be established as an independent company delivering services to both Kitwe and Kalulushi under the name of Nkana Water and Sewerage Company. The department will be reorganised by whoever will be appointed as head of new company.

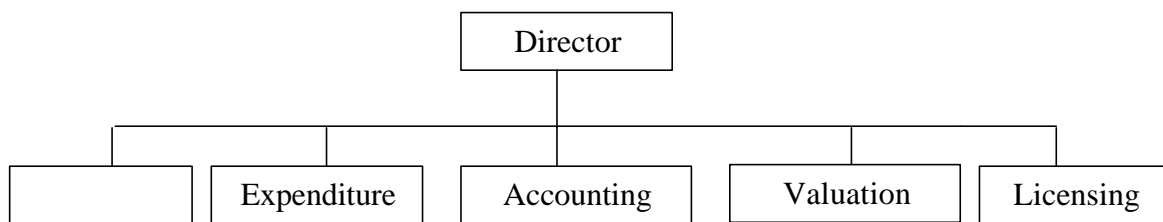
The proposed move will have retrenchment implications for some of the current employees. It is assumed that the Kitwe City Council will assume responsibility over retrenchment unless Central Government will do so.

It is therefore proposed that the Kitwe City Council draws up a package proposal to financing and development agencies, donor and other agencies, seeking financial assistance in the establishment of the new organisation, paying off retrenched persons and funds for capacity building of the remaining council activities. It is suggested that agencies such as ADB, the World Bank and similar agencies such as UN agencies should be among those approached.

The new Water and Sewerage Company will need to introduce and implement progressive human resource programmes and processes to avoid organisational ineffectiveness.

Finance Department

The department is large and includes revenue expenditure, accounting, valuation licensing, stores and commercial services. Debt collection and commercial aspects of revenue and valuations are proposed for delegation. The remainder of the activities should be reorganised as shown:

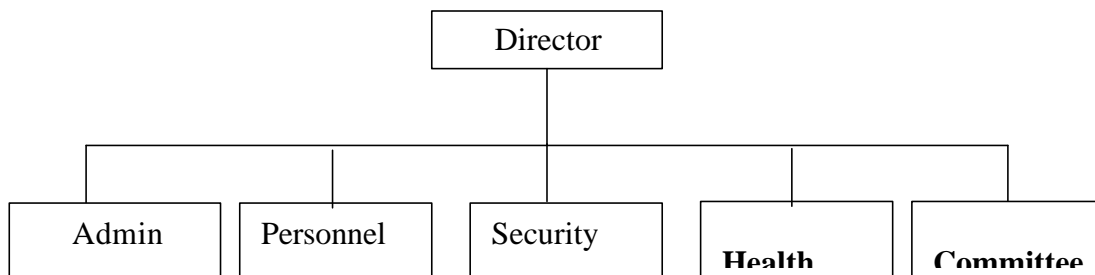


The department will need further strengthening through the recruitment of the required staff. It may become necessary to merge some of the sections to reduce overlap and improve service activity especially revenue collection and licensing sections.

Administration Department

The department is very vital to the smooth running of other departments by providing administrative and personnel support. Of the many and varied support services, only two sections are candidates for delegation. These are part of security and of printing.

The remaining activities of the department will be arranged as shown in the diagram:



Other smaller sections such as typing pool, registry and printing can be assigned to either administration or personnel.

The restructured department will continue to create and facilitate a conducive environment for the other departments of the Council. In particular, the sections of administration and personnel will need strengthening through recruitment, as these sections will continue to provide officers to other departments. In addition, there will be a need to improve the human resource programmes and practices if the reorganised Kitwe City Council is to perform effectively. The personnel function will require additional strengthening, as it will be in the forefront of organisational change and development.

4.2 Business Management

The restructured council will need to concentrate on improving the delivery of quality services to its residents. The Council will deliver these services itself through the remaining core activities and by the private sector participants.

There will be need to maintain a strong liaison between the Council and the private participants. This will entail monitoring the performance of the various participants in the delivery of municipal services. They will also need to adopt a business like approach in dealing with outsiders and also developing and creating further business opportunities within the city.

To this end the Kitwe City Council will require the services of a business manager for liaison and business development.

4.3 Proposed first priority functions for delegation

In Annex III the identified 1st priority functions for delegation is presented these are: -

- Mechanical section
- Building maintenance
- Architectural design
- Medical Services
- Medical Laboratory
- Refuse Collection
- Pest Control
- Amenities (markets, shops and stalls)
- Debt Collection
- Commercial (revenue, taverns)
- Security (KCC installations)
- Printing (general and public documents)

After the description of each service, details are presented with regard to relevant aspects of delegation. This takes the form of checklist against which comments have been provided. These include:

- Service is technically separable
- Dependencies of other departments on this service are limited; need for co- ordination is low
- Service is legally separable (accountability)
- Decision and approval making requirements
- Options that are available for delegation
- Level of service can/needs to be diversified for different users and areas
- Service can be self-financing: consumers are chargeable
- Service can be self-financing: consumers are excludable in case of non- payment)
- Consumers cannot easily substitute when prices goes up (substitutability)

- Service is not sensitive to monopolies and competition can be ensured: area differentiation, client group differentiation
- Low sunkness of investment (low capital investment prior to starting services)
- Lay-off, redeployment requirements are not significant
- Companies exist with sufficient capacities: certification, manpower, capital expertise
- Conditions that may be put up are reasonable to KCC: guarantees, tariffs, contract duration, etc. by company.
- Approximate annual contract value
- Monitoring, field inspection and supervision manageable for KCC
- Requirements for public relations, complaints and addressal are manageable for KCC
- Expertise requirements at KCC for monitoring, contract management, litigations are available
- Annual cost for KCC in monitoring, inspection, etc.:
- Low risks for citizens when service is interrupted
- Low financial risks for KCC when service is interrupted
- Low operational risks for KCC when service is interrupted
- Low environmental risks when service is interrupted
- Special terms and conditions are desirable: duration contract, tender procedures
- securities, tariff setting and adjustments, risk prevention, performance standards
- Overall assessment and recommendations

The tables contained in Annex III present the team’s preliminary assessment which need to be further verified in consultation with the respective departments and based on further field research.

Here below is a summary of salient recommendations on each of the designated functions for first priority delegation.

Section	Recommended Actions:
Mechanical	<ul style="list-style-type: none"> • Opt for national pretender procedure for management contract, which can later be converted into a lease or concession.
Building Maintenance	<ul style="list-style-type: none"> • Use service contracts for the maintenance of buildings • Use local contractors in high-density areas to bid for small works.
Architectural Design	<ul style="list-style-type: none"> • Use service contracts
Mechanical Laboratory	<ul style="list-style-type: none"> • Enter into service contract with Health management board for Copperbelt Province to run the laboratory and to deliver an agreed package of laboratory tests at agreed tariffs – in support of the preventive operations runs by the Council.
Refuse Collection	<ul style="list-style-type: none"> • Delegate incrementally on a concession basis • Invite bids from local NGOs and CBOs for smaller neighbourhood packages.
Pest Control	<ul style="list-style-type: none"> • Issue tenders for several concessions for pest control in both public and private domain in selected areas.
Amenities	<ul style="list-style-type: none"> • Issue tenders for management contracts for existing markets.

Section	Recommended Actions:
	<ul style="list-style-type: none"> • Proceed with leases for open and closed market stalls. • Proceed with leases for shops for duration of 5 years
Debt Collection	<ul style="list-style-type: none"> • Issue tenders for service contracts for debt collection for duration of 2-3 years • Maintain a back up arrangement in case of disruption of services.
Commercial	<ul style="list-style-type: none"> • Either leases taverns for duration of not more than 5 years. • Or sell taverns outright at market value. • Or go for hire-purchase wit open subscription
Security and Printing	<ul style="list-style-type: none"> • Issue tenders for service contracts for security of Council installations. • Unbundle security of installations into groups or areas to create competition. • Proceed with service contracts of printing of general and public documents, forms etc

4.4 Proposed second priority functions for delegation

In this section the identified 2nd priority functions for delegation are discussed. These functions are technically separable and can be delegated to external agencies or contracted out. As Local Governments do not have the financial means, expertise or capacity to run these functions, it is imperative for the Council to delegate responsibility to other parties. These parties can be private companies, co-operatives, associations, neighbourhood development committees and clubs.

These sections are rather small but hold significant importance to the Kitwe City Council’s responsibilities. The sections are presented and discussed as follows.

Alternatively the Kitwe City Council should consider turning these functions initially into independent business units delivering the required services. Later, the ownership of the units should be transferred to the private sector. This in essence is following a BOOT strategy.

Given the poor staffing levels and the lack of financial resources BOOT strategies would not be feasible. In light of this, there only remains one alternative that of external delegation with the options of entering into service contracts, lease agreements and concessions.

For more details on BOOT strategies and options for private sector participation see Annex I.

The sections and their proposed options for delegation are presented below:

Section	Responsibilities	Delegation Option
Electrical	Maintenance of Traffic and	Management contract

Section	Responsibilities	Delegation Option
	Street lights	
Roads	Maintenance of roads in the Council and residential areas	Management contract for designated area.
Parks and Gardens	Maintenance and improvements of open spaces and parks	Management contract
Community Development, Site and Service	Implementing improvements and development of communities	Service contract
Valuation	Estimating value of property equipment, etc.	Management contract

4.5 Social Implications

From the information available, it is rather difficult to determine how many people would be retrenched, how many would require retraining and how many would be re-deployed. These figures can only be accurately determined after exhaustive assessment of the staffing requirements of a reorganised Council.

However, it is reasonable to assume that some sections could be affected, notably those earmarked for external delegation. As earlier alluded to, the Council will need to solicit for funds from financial institutions and development agencies.

Chapter V: Conclusions and Recommendations

From the analysis of the present status of Kitwe City Council, it is quite evident that KCC has been ailing and is declining. The major cause for the ailment is the poor injection of funds necessary to sustain vibrancy.

This review represents an effort to diagnose the status of the Council and suggests possible actions. In this chapter, an overview of proposals is given, the proposed new organisation is outlined, process of reorganisation and delegation capacity building requirements are suggested. Lastly proposed external intervention is outlined.

5.1 Overview

The above analysis for first priority functions for delegation has shown that many services can be delegated without serious staffing or financial implications. It is proposed to initiate delegation of these functions as soon as possible. These include:

- a) Medical Services
- b) Medical Laboratory
- c) Refuse Collection
- d) Pest Control
- e) Amenities (markets, shops and stalls)
- f) Debt Collection
- g) Commercial (revenue, taverns)
- h) Security (KCC installations)
- (i) Printing general and public documents

In chapter 4 and Annex III, the best option for delegation has been presented. Generally, it is important to unbundle these activities in several packages for which several companies can bid. These packages can be designed for specific geographic areas or for groups of citizens, tax/levy payers. Thereby, competition is ensured and a reasonable price for the services offered. For some activities, it is desirable that the KCC maintains a basic capacity in case of interruption of emergencies. However, these teams should comply with the same performance standards, as the private companies have to maintain. For further details, see chapter 4.

In line with KCC's mission statement, the delegation of services will increase the yield of revenues and resources will be freed up that can be allocated for KCC's core activities.

The analysis has also indicated that the presented information needs to be verified by the respective departments and additional information needs to be collected to make a final decision about the function to be delegated. These include the current expenditures for the service concerned, including all overhead costs (building, administration and management). In addition the market value of some of KCC's assets (shops, taverns and others) need to be assessed.

The analysis has illustrated that the KCC has to prepare itself for a strong monitoring function, an enhanced public relations function that will include the handling of complaints. The monitoring capacity comprises of technical, administrative/financial and legal expertise and the current staff strength needs to be reviewed and enhanced in this specific field.

It is also clear that for some functions, retrenchment of staff will be unavoidable. It is, therefore, of utmost importance to improve the financial management of KCC with immediate effect and to allow spending for core functions only. Without a sound financial base and good financial management no reform will be able to succeed. Good financial management and efforts to seriously delegate non-core functions to the private sector will attract the interest of multi-lateral, bi-lateral aid and financial assistance institutions. It is proposed that technical and financial assistance be requested from these institutions that will include:

- assistance in the internal reorganisation of KCC for its core functions;
- assistance in capacity building for reorganised departments;
- assistance in capacity building in good financial management;
- assistance for tender preparation, tendering, contract preparation, commissioning and contract management of non-core municipal activities to be provided by the private sector; and
- assistance in developing and financing alternative retrenchment packages for redundant municipal staff.

This proposal could be developed in the context of the Public Sector Reform Programme of the Government of Zambia.

Retrenchment packages will also include the encouragement of KCC employees to set up their own company with initial technical assistance of the KCC and with the guarantee of an agreed volume of work in first two years of the operations. This retrenchment package is feasible for several municipal activities.

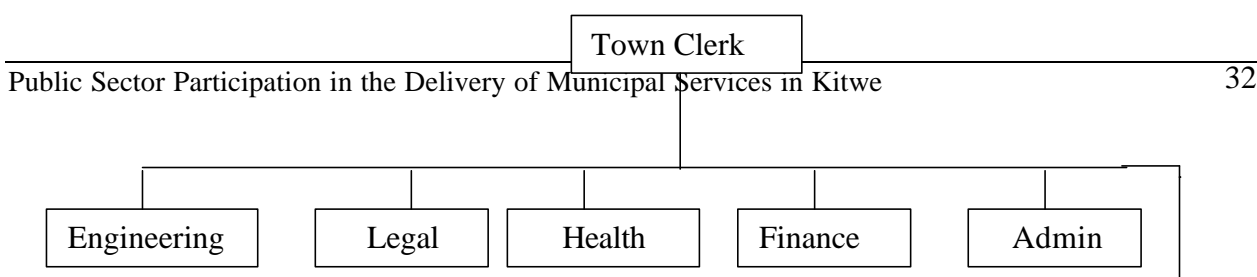
5.2 New organisational set-up

It is suggested that after the implementation of the proposed organisational changes, a smaller and leaner Kitwe City Council organisation will emerge.

The new organisation will have fewer levels and increased span of control for some levels, resulting in creativity, flexibility, and high productivity and motivation on the part of staff and workers.

The net result of the reorganisation is the enhancement of responsiveness of the Council to the needs and expectations of the various stakeholders.

The new structure of the Council will be as shown with details of each department as shown earlier.



Detailed departmental organisational structures are attached as Annex IV.

5.3 Process and steps of reorganisation and delegation

The following process is proposed for the strengthening of KCC's core functions and for the successful delegation of non-core functions to the private sector:

- a) verify collection information and provide additional information;
- b) improve the financial base and financial management of the KCC with immediate effect;
- c) increase the understanding of delegation of functions to the private sector among the decision makers and executives of the KCC;
- d) re-examine the first priority functions for delegation and provide a logical sequence, starting with no-cost, self-financing and low-risk operations first;
- e) develop a proposal for technical and financial assistance for reorganising the KCC for bilateral and multi-lateral aid and financial assistance institutions;
- f) confirm the list of core, non-core activities with the Council;
- g) set up a team to guide the delegation process with a legal, administrative and technical officer. The team will have the tasks to develop and negotiate retrenchment packages, to prepare the tender documents and procedures, to develop suitable performance standards and a monitoring system, to guide the tendering and bidding process, to develop the contracts and to guide the transfer. External advisers may be brought in to assist the team;
- h) develop capacity at the departments, and at the Legal and Finance Department to monitor performance, to conduct inspections and to administer the contracts;
- i) Conduct training for staff that will be deployed in the new organisation;
- j) Identify, recruit and conduct training for staff that will be employed in monitoring and contract management functions.
- k) Initiate and implement overall organisational change management.

5.4 Capacity building requirements

The capacity building requirements for the successful implementation of the above are:

- a) Orientation of councillors and management into the operational, technical, administrative and legal implications of delegation of services to the private sector;
- b) Internal capacity to prepare, guide and complete the transfer of non-core functions to the private sector
- c) Internal capacity to monitor and administer contracts and
- d) Internal capacity to develop and manage new business ventures.

In line with the expected capacity building requirements, it is proposed under the SINPA-Zambia project to undertake the following activities under ‘A. Manpower development for agreed core activities of the KCC’:

- a) A two-day orientation programme for councillors and management of the KCC on operational, technical, administrative and legal implications of delegation of services to the private sector;
- b) Technical assistance for the preparation of the transfer of one selected non-core functions to the private sector. The non-core function will be selected in consultation with the KCC. This will include the elaboration of contract modalities, retrenchment requirements, tender requirements, monitoring and contract administration requirements.
- c) Technical assistance in the internal reorganisation of KCC for its core functions and capacity building of reorganised departments.
- d) Technical assistance in the establishment and guidance of a team set up to spearhead the delegation process.
- e) Technical assistance in the implementation of overall organisational change to improve and sustain organisational effectiveness.

5.5 Proposed SINPA activities in 1999-2000

2ND Quarter 1999

Report Presentation to KCC	SINPA
Consideration of Report	KCC
Agree on areas of collaboration and assistance	KCC/SINPA
Hold a two-day orientation programme	SINPA

3rd Quarter 1999

Establish team to guide delegation process	KCC
Selection of one non core function for transfer to private participation.	KCC/SINPA
Implement transfer and monitor performance	KCC/SINPA

4th Quarter 1999

Review of performance of transferred function and initiate others.	KCC/SINPA
Agree on internal reorganisation programmes	KCC/SINPA
Select one department for reorganisation and implement.	KCC/SINPA

1st Quarter 2000

Review performance of reorganised department and extend to other departments.	KCC/SINPA
Initiate organisational development activities	KCC/SINPA

2nd Quarter 2000

Review the progress of delegation	KCC/SINPA
Review the progress of internal reorganisation	KCC

Assess capacity building assistance required

SINPA

List of References

Kitwe City Council Strategic Plan 1999-2003

Local Government Act, 1991

SINPA Annual Plan, April 1999 SINPA Workshop Proceedings

Kitwe District Council – Job Evaluation Report 1992

The National Health Service Act 1995

Proposal to Set Up Solid Waste Management – Schweizer Ltd

District Council Establishment Register 1986

Persons Interviewed

- | | |
|-----------------------|-----------------------------|
| 1. Mr P. Kaminsa | Public Health |
| 2. Mrs I.T. Mundia | Legal Services |
| 3. Mr. D. M. Silondwa | Water and Sewerage |
| 4. Mr. Chola | Water and Sewerage |
| 5. Mr. A.S.P Jere | Water and Sewerage |
| 6. Mr. J. Ngwata | Engineering |
| 7 Mr. B.M. Waluzimba | Engineering |
| 8. Mr. A.K. Mwaba | Water and Sewerage |
| 9. Mr. Silwamba | Water and Sewerage |
| 10. Mr. E. Appel | Kitwe Chamber of Commerce |
| 11. Mr. M.B. Mbaimbai | Administration |
| 12. Mr. A. Simwinga | Town Clerk |
| 13. Mr. A. Choobe | Housing and Social Services |
| 14. Mrs. M. Mwanza | Housing and Social Services |
| 15. Mr. Mwansa | Administration |

Annex I: Options for private sector participation

Private participation varies from the fulfilment of limited attributes to overall responsibility. PSP has eight main options, which vary in the degree of involvement of the private sector, the risk for the public and private sector, the private operator's autonomy and responsibility, the required capital investment, the duration of the contract, and the contractual relationship with the consumer.

Groups of PSP options

These PSP options may be grouped into two distinct categories. In the first group, the ownership of the assets remains with the local government or the public sector, whereas in the second group, partial or full ownership is transferred (permanently or temporarily) to the private sector. Each group includes four options, which will be reviewed in the order of increasing private sector involvement. The first group—public ownership—includes:

- Service contracts
- Management contracts
- Lease arrangements
- Concessions.

The second group—at least partial private ownership—includes:

- BOOT (Build-Own-Operate-Transfer) and its variations such as BOT (Build-Operate-Transfer) and BOO (Build-Own-Operate)
- Reverse BOOT
- Joint ownership or mixed companies
- Outright sale.

Service Contracts

Service contracts are the simplest form of private sector participation, whereby the public authority retains overall responsibility for operation and maintenance of the system, except for the specific, limited scope services that are contracted out. The public authority also bears all the commercial risk and must finance fixed assets as well as working capital. The responsibility of the private contractor is limited to managing its own personnel and services efficiently. Service contracts can cover a wide range of activities. Typically, service contracts are used for maintenance, emergency repairs, operating machinery and vehicles, billing and collection, inspections, testing, research, public information and education, upgrading of existing or construction of new facilities, and equipment rental.

Public authorities that plan to use service contracts extensively may need to undergo some changes to fulfil their new role, which shifts from execution to supervision. For example, institutional reforms may be required to decentralise control, to provide technical assistance at the local level, to enforce standards for quality and control, and to manage staffing changes.

Service contracts are usually set for periods of one to two years and are usually renewable. These contracts required little or no fixed investment on the part of the private firm. Because

the contract period is short, contractors are subjected to frequent competition, which encourages efficient performance. In large urban areas, different firms can be contracted in separate geographical areas to deliver the same services. Multiple contracts ensure adequate competition and enable the authority to compare costs and performance on an ongoing basis.

A major benefit of service contracts is that payments to the contractor are linked to the work performed, instead of guaranteed wages paid to a public utility's workers. For example, a contract for testing of ground water at the disposal site would stipulate that the company is paid a set amount for the submission of the test results and a report.

Management Contracts

Management contracts are more comprehensive arrangements, where the public authority transfers to a private company responsibility for the entire operation and maintenance of a system. This gives the private company the freedom to make day-to-day management decisions without assuming any commercial risks. Under this arrangement, the contractor has no direct legal relationship with the consumer. The private contractor acts at all times on behalf of the public authority. The local government or public authority retains financial responsibility for the service and has to provide funds for working and investment capital.

Payments to a management contractor are usually proportional to some physical parameters, such as an improved efficiency, volume of waste processed or improved collection rates. Such a payment system creates an incentive for increasing productivity. In case the management contractor does not control the functions affecting productivity or quality, it is often compensated on the basis of a fixed fee.

Because management contracts do not require the contractor to make large investments with long payback periods, their duration is generally from three to five years. They can also feature an option to convert to more intensive, longer-term PSP arrangements. In many cases, management contracts precede leasing or concession contracts. In this case, their main purpose is to put the utility in order when the quality of service is poor or when accounting, consumer records, and information on the physical facilities are not reliable or available.

Lease Contracts

Lease contracts are arrangements whereby a private operator rents the facilities from the public authority for a certain period and is responsible for operation, maintenance, and management of the system. The public authority, which remains the sole owner of the assets, is responsible for capital expenditures for new projects, replacement of vehicles, debt service, and tariffs and cost-recovery policies.

Leaseholders are responsible for all operation and maintenance functions, including offices, vehicles and spare parts, renewals, replacements, and financing working capital. In many cases, leaseholders pay the owners a rental fee sufficient to service the debt and finance part of the investment programme.

Lease contracts can be medium or long-term in duration. They usually last five to ten years but can be extended for as long as twenty years.

Payments to leaseholders are contingent on the difference between the tariff revenues collected and the operating costs. The contractor should be guaranteed a reasonable return on investment and have incentives for maintaining efficient operations. The fact that the contractor depends on collections for revenue is an incentive to provide good service and establish good billing and collection practices. In the case of solid waste management, where there is no direct collection fee, the basis is a unit rate paid by the local government for each of ton of waste collected, transported or processed.

The risks involved in a lease arrangement tend to be limited, making them a low-risk PSP option, which allows a private firm to become acquainted with the system and may pave the way for more extensive involvement in the future. When risks are limited, there is more competition from potential private partners, which benefits the public authority. In most cases, the public authority assumes the capital investment risk, and the leaseholder assumes the commercial risk.

The lease contract usually provides for automatic periodic revisions of the contractor rate using price index formulas. It is also common to have periodic renegotiations of the rates and cost index formulas on the basis of results achieved. In this way, savings that the leaseholder has been able to achieve during past years can be passed on to consumers, if the public negotiators are knowledgeable about the potential for reducing costs.

The lease contract also states the penalties that will apply in the case of poor performance. Lease contractors usually put up a security deposit that can be called in by the public authority if performance is unacceptable. If, for example, a major goal of involving the private sector is to reduce waste accumulation in the city, penalties for not meeting this quality standard can serve as a contractually backed incentive. A common performance indicator is the amount of collected waste and uncollected waste as surveyed with intervals in the city.

Concessions

In a concession, the private contractor, or concessionaire, has overall responsibility for the services, including operation, maintenance and management, as well as capital investments for the expansion of services. The fixed assets, however, remain the property of the government or public authority, but they are entrusted to the concessionaire for the duration of the concession contract and must be returned in the same condition at the end of the concession period.

The advantage of combining responsibility for operations and investments in the same entity is that it provides an incentive to the operator to make efficient investment decision, because their consequences will affect it directly. It also provides an incentive for technological innovations, because the operator will benefit directly from any efficiency improvements.

Concession contracts for large investments (e.g. an incinerator) usually run for twenty to thirty years, depending on the level of investments and the payback period needed for the concessionaire to recover investment costs. The concessionaire retains exclusive rights for the duration for the contract. When the contract expires, all works and equipment are turned over to the government or public authority. If some capital expenditure have not been fully amortised by the end of the contract, the contract usually allows the contractor to be compensated accordingly.

Under concession contracts, the contractor is paid for its services directly by the consumer, based on the contractually set price. The contractor retains the balance of revenues after paying back any taxes and charges levied on consumers by the public authority. If expenses exceed revenues, the private company suffers losses, which is the largest risk it assumes.

Penalties in concession contracts are levied if the concessionaire fails to meet either the targets for service coverage or the quality of service specified in the contract. The penalty fines should be explicitly linked to each cause and should ascend, as the breach of contract becomes more serious. The penalties are generally paid to the regulatory agency.

BOOT Contracts

Under a BOOT contract, a firm or a consortium of firms finances, builds, owns, and operates a specific new facility or system. After a predetermined period of time, ownership of the facility is transferred to the public authority. BOOT contracts have not been used extensively in the municipal services sector but are becoming increasingly common in the power and transportation sectors. BOOT in the municipal service sector are attractive mostly for new plants that require large amounts of financing—for example, an incineration plant, a large composting plant, a large water treatment plants or wastewater treatment plants—but they are not suitable for waste collection, transportation, water distribution or wastewater collection systems.

Under a BOOT contract, the public authority is often responsible for determining the demand for the service being contracted and, therefore, for the size of the facility. Demand is often guaranteed by the contracting agency, and problems may arise if there are differences between real and estimated demand. This demand can, in the case of incinerator, be assured by the legal obligation of selected industries, hospitals and manufacturers to deliver their waste to the incinerator and payment of a fixed fee per ton. This has been the practice in many developing countries for industries, which produce chemical wastes.

The duration of BOOT contracts is almost always the period of time that is needed to retire the debt incurred and to provide a return to equity investors. At the end of this period, the contractor transfers the facility to the public authority. In some cases, provisions may be made for holding new negotiations to determine possible ongoing private interest in ownership or participation in operations.

A BOOT contract can represent a substantial risk for the private firm, if there are no assurances that the output of the investment will be paid for by the public authority or that the quality of services will be uniform and according to design standards. The enforcing capacity of the public authority to ensure that only legal discharges into the source will be allowed is a special risk for the private operator.

Experience with BOOT contracts has shown that four issues require careful consideration. First, the legal basis for private sector involvement in areas often reserved for the public sector has to be established. The second issue pertains to the effect on financing caused by the size and length of time of these contracts. The time taken to implement a BOOT transaction is usually longest for the first one undertaken by a country. Subsequent projects may be expedited due to previous experience. Many BOOT projects tend to be large and can cost millions of dollars. The large size and the long maturities required raise the complexity

of the financing package and, often, the number of financiers needed to complete the package.

The third issue pertains to pricing and contractual arrangements. Pricing and contractual arrangements in some cases have to cover the project's foreign exchange risk because infrastructure BOOTs rarely have foreign exchange revenues, but dividends to foreign equity investors as well as debt service of external loans need to be in foreign currency. Pricing is also difficult because it is often predetermined, and the private investor does not have the opportunity to recoup early losses by realising higher profits when industry conditions improve. These pricing arrangements are often based on pre-construction estimates of capital costs and project implementation times. An additional dimension, for example an incinerator, is the price that will be given in return for generated electricity that can be fed back into the grid. This requires a state government decision that involves the Energy Department.

And, fourth, the level of tariffs and the quality of service provided can become particularly sensitive because, in most cases, the private company is providing a service directly to consumers.

A slight variation of the BOOT system is known as BOT, whereby ownership is transferred to the public sector as soon as the facility is completed, and the function of the private firm is only to build and operate it. Another variation is BOO, whereby ownership is not transferred to the public sector but remains with the private firm that builds and operates the facility.

Reverse BOOT Contracts

In countries where economic or political risks are high, private sector firms either may not be interested in participating in a BOOT-bidding process or may request very high-risk premiums in return for their participation. In these cases, it may be preferable for the public sector to finance and build the plant itself and then to contract a private firm to operate the plant over a long period of time. To acquire the plant gradually, the private firm pays an annual fee to the public authority, which usually covers the full debt service of the entire investment cost.

The lower risk of reverse BOOT, as compared to BOOT, may encourage more private sector firms to participate. Reverse BOOT offers the advantages of efficient private sector operations and encourages the private operator to maintain the facility well because it expects to become the owner at some point in the future.

Joint Ownership

In some cases, it may not be feasible to pass full responsibility for investment and operations to the private sector, particularly during the initial stages of a sector reform program. If the country environment is risky, capital investments may have to be separated from operations in order to attract private involvement in operations. In such cases, where it is desirable to maintain a higher degree of private sector participation than service or lease contracts allow, joint ownership may be a good solution. Under joint ownership, a private sector firm and the public authority incorporate a firm under the normal commercial code. Initially, they have equal or almost equal shares, and later, the public authority may sell off its shares. Although both own shares, the public authority may keep a golden share, which entitles it to special powers that may be used only in specific situations. The private partner typically has majority

representation on the board of directors of the new firm, even though the public and private equity shares are equal. In this case, the private sector partner prevails in the day-to-day management of the new firm. A qualified majority as required by law makes more substantial decisions.

Joint ownership companies require a corporate agreement that spells out in detail the objectives of joint ownership, the duties and obligations of the two partners, and their rights. In particular, the corporate agreement should spell out how profits will be shared between the public and private partners. Successful jointly owned companies could be expected to establish creditworthiness and to raise capital by floating bonds or issuing notes. This has the advantage of limiting public sector debt, an important sector objective.

In countries with a weak regulatory tradition, joint ownership may satisfy regulatory requirements because a board of directors represents the public sector and will have broad insight into the firm's operations.

This model has been successfully applied for an incineration plant for the Rijnmond industrial area in the Netherlands, where local government, the chemical industries in the region and national government owned the plant for a share of 45-45-10 per cent, respectively.

Outright Sale

The sale and private ownership of water supply and sewerage systems may be prompted by the desire to completely separate ownership from operations and maintenance. It is also a way for the public sector to raise revenues. The attraction to private buyers depends mainly on the rates they are permitted to charge, because the installations themselves have virtually no alternative value. Even when solid waste management systems are privately owned, it does not follow automatically that the collection and disposal sites are also private.

In the case of solid waste management, weighing bridge operations, sanitary landfill operations with a view for future development purpose (golf course or recreation park), hospital waste incineration, vehicle maintenance, and installing and maintaining waste containers at market sites can be considered for outright sale.

Comparison of PSP Options

The eight PSP options reviewed vary in the private and public entity's roles in ownership, financing, and management. To varying degrees, all these options promote the operational efficiency and commercial viability of water and sanitation utilities. At the same time, they introduce competition, improved cost recovery, and, in most cases, performance-based compensation.

They feature flexibility and the potential to progress from less risky arrangements with no private investment to more risky arrangements that involve private investment as the two parties gain credibility and confidence. A combination of options is also possible, for example a lease for distribution systems and a concession or BOOT for an incineration plant.

Service and management contracts are designed to improve operations within specific activities, usually in the short term. The public authority retains ownership and responsibility

for the system. Arrangements in which the contractor assumes commercial risks offer the advantage of motivating the contractor to improve the efficiency of the least-cost output than are service contracts in which compensation is not linked to revenues. Concessions may be preferable to lease contracts if there are advantages to assigning responsibility for investment, in addition to operations, or if large amounts of private capital are required. The operator is well placed to forecast demand and make investment decisions that will satisfy demand in a commercially viable way.

Only in concessions does the private operator have an incentive to invest efficiently, because it is responsible for recovering both current and capital costs. In contrast, in lease contracts, the lease that is responsible only for current costs may influence the public owner of the assets to make excessive investments in order to reduce the operating costs. The potential conflict is greater if the lessee/operator belongs to an integrated group that manufactures equipment, while at the same time providing advice to the public owner on investment decisions.

Because BOOT contracts involve gradual transfer to the public authority or the private contractor at some future time, they can be a useful transitional approach in countries where the private sector has previously not had any role in providing urban services.

Joint ownership or mixed companies can reduce risks and attract private sector involvement more readily. Full privatisation by selling assets or floating shares on the stock market is the most advanced option, but it is rarely used in the sector.

Table 2.2 provides a summary comparison of the four PSP options in which ownership remains with the public sector: service, management, lease, and concession contracts. It shows the sharing of responsibilities between the public and private sectors, with respect to the financing of investments and working capital, as well as the contractual relation with the consumers and the setting of rates. The private capital needed, the private sector responsibility and autonomy, as well as the financial risk involved grow from low to high in the options compared.

Table 1: Main Features of PSP Options with Public Ownership

Type of contract	Service contract	Management contract	Lease contract	Concession contract	BOOT	Joint Ownership	Outright Sale
Financing of investments	Public sector	Public sector	Public sector	Private sector	Private sector	Joint according to shares	Private sector
Financing of working capital	Public sector	Public sector	Private sector	Private sector	Private sector	Joint according to shares	Private sector
Contractual relation with consumers	Public sector	Private sector on behalf of public sector	Private sector	Private sector	Private sector	Established corporation	Private sector
Private sector responsibility and autonomy	Low.....	.....	.....	.....High	.....High	.....Medium	.....High
Need for private capital	Low.....	.....	.....	.....High	.....High	.....Medium	.....High
Financial risk	Low.....	.....	.....	.....High	.....High	.....Medium	.....High
Duration (years)	1-2	3-5	5-10	20-30	20-30	20-30	20-30
Responsibility	Public sector	Public sector	Contract	Contract	Contract	Contract	Contract

Type of contract Aspect of PSP	Service contract	Management contract	Lease contract	Concession contract	BOOT	Joint Ownership	Outright Sale
for setting rates	Work done—unit price, lump sum	Cost-plus and productivity bonus	Basic rates	Rates	Rates	Rates	Rates
Method of payment	Rates	Rates	User overcharge	Not applicable	Not applicable	Consumer charges, general revenues	Not applicable
Method of recovering public expenditure	Improve operating efficiency	Improve operating efficiency	Improve operating efficiency	Mobilise private capital	Mobilise private capital	Mobilise private capital	Mobilise private capital
Main objective of PSP							

Annex II: Organisational Reforms and Measures

Organisational reforms and measures can be arrived at and implemented through organisation development - a process aimed at enhancing organisational effectiveness through planned change. Organisational development OD involves finding out what has gone wrong in an organisation and then apply remedies to correct the ailments. OD is also applicable to healthy organisations. Such use stems from the view that there is always room for improvement.

The Kitwe City Council has been a sick organisation for a long time. The ailments of the Council are well known: political interference, lack of adequate financial resource, declining revenue and many more including a de-motivated workforce. OD is necessitated by a central fact of life: rapid far reaching change. Environmental changes have telling effects on organisations' well being. Sometimes and unfortunately management being human in nature, has a tendency to resist change and cling to old patterns and tactics that are no longer effective. OD assists an organisation to adapt and improve its chances for success and continued survival.

The City Council needs OD intervention now more than ever, especially as the millennium approaches. The primary goal of OD is to enhance the Council's effectiveness. The Council's effectiveness is dependent on two aspects. Outcome variables which involve the concrete outputs/service including profits, productivity, group and individual performance, employee satisfaction, absenteeism and turnover. Secondly, process variables involving the nature of human relationships and interactions within the organisation including such processes as motivation, decision making, communication and conflict resolution.

Three levels of OD activities are imperative for successful intervention at the Kitwe City Council. The first level deals with the creation of an enabling environment through appropriate government legislation, regulation, policy decision making and deliberate sensitisation. This calls for concerted lobbying of government by the Council through normal contacts with officials and agencies concerned with local government. For example, there should be clear cut legislation regarding the removal of revenue earning activities to be replaced by other means of generating revenue or to be replaced by increased government funding. For instance, with regard to the fuel levy collected on the Copperbelt, there should be an equitable and proportionate disbursement of funds for road maintenance. This can only be achieved by revisiting the appropriate legislation. At present only Lusaka City is enjoying road rehabilitation and maintenance.

Secondly, decentralisation of the local government administration is a policy decision, which if approved will create an enabling environment for the Council to be more effective and be insulated from frequent political and governmental interference.

Thirdly, political sensitisation of the general public about Council management and administration would create an atmosphere conducive for implementing organisational changes. The holding of frequent seminars could do this for elected Councillors and administrative secretaries with regard to national policy issues relating to Council administration.

The second level OD activity involves the Council undertaking an internal education and sensitisation campaign of its councillors, management and workers through seminars, conferences and short courses. During these campaigns the various groups would be introduced to imminent changes that are to take place at the Council with the expected implications.

The third level OD activity is the implementation of restructuring and reorganisation programmes. While these changes are being implemented the education and sensitisation campaigns should continue introducing appropriate phases of planned change. The idea is that OD is not a stopgap measure but a long- range measure, which involves integrating many change implementation programmes.

Successful implementation of OD requires the participation of a change agent from outside the Council. Such an agent would act as a catalyst. A do-it- yourself activity is discouraged for reasons bearing on attitude, lack of seriousness and resistance to change.

Manpower Requirements and Measures

The purposes for assessing manpower requirements for the Kitwe City Council are several. These aim to identify the future requirements for employees at all levels of the organisation both in terms of quantity and quality; to compare future manpower requirements with the present workforce; and to determine the numbers and types of employees to be recruited or phased out based on the organisation strategies and objectives.

The reasons for Council's manpower needs assessments are twofold: to achieve an effective and efficient use of its human resource; and to achieve a high level of employee development and motivation. Without the effective use of a motivated human resource, the Council would fail to deliver the desired quality service to the city residents.

In analysing the manpower requirements there are three phases to undertake. These are forecasting the demand for human resource; analysing the present human resource; and designing and evaluating alternative programs to reconcile demand and supply.

Demand for Manpower

The Council's stated objectives, which have a direct bearing on manpower, are its desire to make the Council more responsive and effective in meeting the needs of residents and to develop a manpower resource through the implementation of modern human resource management and training.

The over-riding organisational demand factor is increasing and improving the quality of service delivery. This assumes that financial and operational plans are to be fully implemented including the delegation of some sections of Council activities.

Supply of Manpower

The two sources of manpower supply are internal and external. The present manpower inventory has been subjected to turnover rates. These rates have affected the numbers adversely since the Council has for a long period been working under severe constraints and conditions. There are few manpower numbers on the current inventory.

The external sources of manpower in Zambia are colleges, universities and the general labour market. The education system is the only reliable source of the required manpower. The labour market can yield the required manpower only if the Council has the right type of organisational inducements.

Among these inducements are organisation, compensation, starting salaries, frequent salary reviews and increments; current incentive systems; and the Council's fringe benefits. All these can all influence the number of people attracted through the recruitment process.

Institutions and organisations, which have a reputation for providing career opportunities especially for those joining fresh from colleges, are more likely to attract a large number of qualified persons. Management and employee development opportunities enable present employees to grow personally and professionally. Assisting present employees in career planning develops feelings that the company cares. This acts as an inducement to potential employees.

The Council's overall image and reputation serves as an inducement to potential employees. Factors that affect an organisation's reputation include its general treatment of employees, the nature and quality of its services and its participation in worthwhile social endeavours. In this respect the Council needs to improve its image.

Manpower Programmes

The manpower programmes are designed to enhance and improve managerial decision making with regard to demand and supply of manpower for the Council under different conditions.

In some of the Council's sections, demand for manpower equals the supply. For example, this could be applied in the administration sections and the fire brigade. When and where this is the case, the distribution of employees among different positions, with various skills or in various locations may not match. The balancing process may involve transfers, promotions, demotions and even retraining. Demotion is not recommended as this could generate poor labour relations and also generate a feeling of distrust in the management of the Council.

In departments and sections where there is a shortage of employees, several actions are possible. If the shortage is small, overtime work or overloading can be used to bridge the shortage. When the shortage is of higher skilled employees, training and promotions of current employees supplemented by recruitment of lower skilled workers, is a possible solution. Previously laid off employees may be recalled and engaged on contract basis. Another possibility is to subcontract work to outside agencies.

Recruitment

The Council's recruitment efforts must relate to the overall manpower planning of the organisation, which are in line with the stated objectives outlined for the period 1999-2003.

The sources of recruitment for the Council are two-fold: internal and external sources. There are several advantages for internal recruitment. Internal recruitment is a morale booster for

those promoted, motivates good performance in employees, causes a succession of promotion and improves the organisation's return on its investment and is lower in terms of costs.

There are disadvantages of internal recruitment. Notable is inbreeding of ideas, poor work attitudes and habits, possible morale problems for those not promoted and the existence of political infighting for promotion.

Internal recruiting should be done in a transparent and objective way. To do this successfully, the Council requires the maintenance of a skills inventory from which to launch the exercise. In addition there should be in existence a fair and objective performance evaluation system. The Council should have a strong employee and management development programme to ensure that its employees can handle larger responsibilities.

Organisations have at their disposal a wide range of external sources for recruiting personnel. Organisations, which are growing rapidly or have a large demand for technical, skilled or managerial employees, need external recruiting. The Council's need for manpower is relatively small. External recruitment should only be used to fill the shortage as they arise.

Advantages of external recruitment include the bringing in of new insights and perspectives into the Council and the lower costs incurred in recruiting than in training and developing from within. Disadvantages include longer adjustment and orientation period for new recruits and causing morale problems for internal candidates.

External recruitment can be achieved through advertising in the public media. This is a common practice for many organisations. The Council should consider an alternative method by using registered employment agencies to recruit its personnel. Employment agencies save a lot of time and bother. Costs are still less than those incurred through training and developing own personnel.

Training and Management Development

Economic, social, technological and governmental changes significantly influence organisational objectives and strategies. Changes in these areas can make skills learned today obsolete in the future. Additionally planned organisational changes can make it necessary for employees to update their skills or acquire new ones. This is so for the Council.

Successful and effective training and management development must be directed toward the accomplishment of organisational objectives such as improved quality of service delivered to the residents of the city. This implies that the Council should only commit its resources to those training and development activities that can best help in achieving its objectives.

Training and development are preceded by a needs assessment analysis. This is a systematic analysis of specific training and development activities required by an organisation to achieve its activities. Given the inadequacy of the Council, outside intervention may be necessary in order to assess the training and development needs and to develop the desired programmes and format.

Performance Appraisal

The Council requires an objective system for appraising the performance of its human resource. The performance appraisal system involves determining and communicating to an employee how he or she is performing on the job and ideally establishes a plan for improvement.

Performance appraisals are used for a number of purposes, they are used for making administrative decisions relating to promotions layoffs and merit pay increases. They provide input for determining both individual and organisational training and development needs. They are also used for encouraging performance improvement. They can be used as input to human resource planning.

Performance appraisal is an important function of human resource management. The Council requires such a system in order to improve its human resource management. In this respect it needs outside intervention in order to establish an effective performance appraisal system.

Motivational Programmes

One major reason for employee performance appraisal is to reward those who do more and/or better work with compensation. It is compensation for effort, but this can be considered as a reward or status symbol. People want to be compensated fairly and are therefore concerned about fair treatment in pay. Equitable pay can be determined in a number of ways. Effective organisations use well-defined human resource systems, such as job evaluation, to see that employees are paid fairly. Money is not the only form of reward. Incentives and perks are additional and/or alternative forms of reward.

The Council requires introducing an organisational reward system concerned with the selection of the types of rewards to be used. Such rewards must relate to employment with the Council and must include both intrinsic and extrinsic types. Intrinsic rewards are cardinal to individual motivation and commitment to work. They are rewards internal to the individual normally derived from involvement in certain activities or tasks. Intrinsic rewards are a sense of achievement by an individual, feelings of accomplishing, informal recognition, job satisfaction, personal growth and status.

Extrinsic rewards are those controlled directly by the organisation and are tangible in nature. These rewards include formal recognition by title, fringe benefits, incentive payments, pay, promotion, social relationship and work environment.

Relating rewards to performance requires that performance is accurately measured and this is not easily achieved. It requires discipline to actually match rewards to performance.

Implementing such a programme requires desirable preconditions such as trust in management, absence of performance constraints, trained supervisors and managers, good measurement systems, well communicated pay policy and flexible reward schedule.

One other relationship needs to be considered that of job satisfaction and reward. Job satisfaction is an employee's general attitude about the job. The reward system has a significant impact on the level of employees job satisfaction. The manner in which the

extrinsic rewards are dispersed can affect the intrinsic reward and satisfaction of the recipients.

Job satisfaction can be affected by factors, which are either organisational or individual such as attitude toward the work group, general-working conditions, attitude toward the company, monetary benefits and attitudes toward supervision. Where these factors result in job satisfaction, this eventually leads to high motivation and commitment to the organisation. Where there is a negative effect job dissatisfaction results affecting eventually, increases in turnover rates, absenteeism, accidents, strikes, grievances and even sabotage.

To implement a good reward system the Council will clearly need outside intervention and assistance.

Annex III: Proposed First Priority Function for Delegation**Table.1 Delegation assessment of the Mechanical Section, Engineering Department**

Item:	Description:
Name of the department	: Engineering Department
Service considered for delegation	: Mechanical Section
Current tasks	Maintenance of all rolling stock, vehicles and installations of the KCC
Current manpower employed	Establishment: 21, Actual: 5, Div.IV: 89, Casual workers: ...
Current expenditure (manpower, materials, overheads, etc.)	Part of overall departmental expenditure
Current performance	Current capacity and budgets are limited to keep up maintenance requirements. Insufficient stocks to even care out small repairs. Many vehicles wait for spare parts to be bought. Some works are already contracted out.
Service technically separable	Yes, for major repairs, overhaul and scheduled maintenance.
Dependencies of other departments on this service are limited; need for co-ordination is low	Major repairs, overhaul and scheduled maintenance can be planned and temporary arrangements made for the time of mechanical attendance. Small repairs that directly effect operations of KCC service may not be separable due to need for immediate attendance.
Service legally separable (provision in the current legislation to delegate)	No objections.
Will KCC continue to be accountable for service delivery?	Yes.
Decision and approval making requirements	Simple. At department level.
What options are available for delegation	Service contracts for selected repairs and maintenance works. Management contract, lease and concession for KCC's workshops.
Level of service can/needs to be diversified for different users and areas	Possible for vehicles, fixed installations and ambulant repairs and maintenance.
Can the service be self-financing (Is the KCC chargeable, and excludable in case of non-payment)	Service contracts, management contracts: no Lease and concession: yes, when other clients can be serviced
Can client easily substitute when prices goes up (substitutability)	Service, management contracts: no Lease and concession: yes, other suppliers can be hired.
What mechanism are required to avoid monopolies and ensure competition: area differentiation, client group differentiation	Service contracts: through piece-meal and short duration contracts Management, lease and concession: duration of contract and existence of other suppliers in Kitwe
Is there high sunkness of investment (capital investment prior to starting services)	Service, management contract: limited Lease and concession: probably due to poor state of workshop assets and equipment.
Lay-off, redeployment requirements	Service, management contract: to the extent of work delegated Lease and concession: to the extent that the leaseholder and concessionaire does not want to re-employ KCC staff.
Do companies exist with sufficient capacities: certification, manpower, capital, expertise	Service contracts: at local scale sufficient Management, lease and concession: at national scale sufficient
What conditions may be put up: guarantees, tariffs, contact duration, etc. by company.	Service contracts: usual contract conditions Management, lease and concession: capital requirement to rehabilitate workshop, partly recruitment of presents staff, longer duration of contract.
What will be the annual contract value (annual)	Not able to assess, depends of size of work and delegation option (management, lease, and concession). Pretender required.
Is monitoring, field inspection and supervision critical?	Yes, in all cases based on performance standards of delivered work.

Item:	Description:
What change is required for public relations, complaints and addressal?	Service, management contracts: no change Lease, concession: Dept. will have to follow-up on unattended complaints with the lease-holder and concessionaire
What expertise is required at KCC for monitoring, contract management, litigations?	Service contracts: no additional expertise Management, lease, concession: administrative and contract management expertise required to monitor operations
Is this expertise and capacity available at KCC?	Management, lease, concession: Limited within the department
What annual cost will be involved for KCC in monitoring, inspection, etc.,	Service contracts: 1 legal, 1 administrative and 1 technical officer Management, lease, concessionaire: 0.5 legal, 1 administrative and 0.5 technical officer
Risks for citizens when service is interrupted	Limited as other suppliers can be hired.
Financial risks for KCC when service is interrupted	Limited, as it will result in non-payment by KCC. Legal cost in case lease and concessions may be substantial when interruption persists
Operational risks for KCC when service is interrupted	Only in case of long interruptions, alternative suppliers, management contract holder, lease-holder and concessionaire need to be found
Environmental risks when service is interrupted	Limited
What terms and conditions are desirable: duration contract, tender procedures, securities, tariff setting and adjustments, risk prevention, performance standards	<i>Service contracts:</i> piece-meal, based on unbundled pieces of work, quality standards, unit prices based on quotations, short contracts, clauses for non-performance, open tendering procedure, Kitwe based. <i>Management, lease and concession contract:</i> quarterly financial and volume targets to be set, mandates to be provided for management decisions, investment package to rehabilitate workshops, recruitment suitable staff, retrenchment of selected staff, 2-3 years minimum duration, clauses for non-performance, open tendering procedure. Allow other clients to be serviced.
Overall assessment and recommendations	<ol style="list-style-type: none"> 1. It is recommended for the KCC's workshops (vehicle and machines) to opt for a national pre-tender procedure for a <i>management contract</i>, which can later be converted into a lease or concession. The bids will indicate expected contract values and the acceptance of proposed contract conditions. 2. Retrenchment requirements need to be part of the negotiations with the bidders. Duration of the contract may have to be extended to 4-5 years to recover the payment of retrenchment packages. 3. For selected major ambulant maintenance activities (KCC installations) to opt for <i>service contracts</i>. 4. It is also recommended to maintain a core staff of 2-3 technician (mechanical, electrical) and to attend to small mechanical works of immediate nature at all departments. 5. Overall supervision and management structure of the department needs, hence, to be reduced. Savings may be used to finance retrenchment packages.

Table 2 Delegation assessment of the Building Maintenance Section, Engineering Department

Item:	Description:
Name of the department	: Engineering Department
Service considered for delegation	: Building Maintenance
Current tasks	Maintenance of all buildings in the possession of the KCC: Civic Centre, other offices and houses.
Current manpower employed	Establishment: 16, Actual:4, Div.IV: - , Casual workers: -
Current expenditure (manpower, materials, overheads, etc.)	Costs charged out to department or unit.
Current performance	Current capacity and budgets are limited to keep up maintenance requirements. Deterioration of the assets is wide spread. Some minor works are already contracted out.
Service technically separable	Yes, for non-pity maintenance and repairs.
Dependencies of other departments on this service are limited; need for co-ordination is low	Maintenance and repairs can be planned and temporary arrangements made for the time of maintenance. Small repairs that directly effect operations of KCC service may not be separable due to need for immediate attendance.
Service legally separable (provision in the current legislation to delegate)	No objections.
Will KCC continue to be accountable for service delivery?	Yes.
Decision and approval making requirements	Simple. At department level.
What options are available for delegation	Service contracts.
Level of service can/needs to be diversified for different users and areas	Possible for different type of buildings, components of building and areas.
Can the service be self-financing (Is the KCC chargeable, and excludable in case of non-payment)	No.
Can client easily substitute when prices goes up (substitutionality)	Service contracts: Yes, other suppliers can be hired
What mechanism are required to avoid monopolies and ensure competition: area differentiation, client group differentiation	Service contracts: through piece-meal and short duration contracts
Is there high sunkness of investment (capital investment prior to starting services)	Service contract: limited
Lay-off, redeployment requirements	Service contracts: negligible, natural lay-off
Do companies exist with sufficient capacities: certification, manpower, capital, expertise	Service contracts: at local scale sufficient
What conditions may be put up: guarantees, tariffs, contact duration, etc. by company.	Service contracts: usual contract conditions
What will be the annual contract value (annual)	Not able to assess, depends of size of work.
Is monitoring, field inspection and supervision critical?	Yes, in all cases based on performance standards of delivered work. Non-payment as penalty.
What change is required for public relations, complaints and addressal?	Service: no change
What expertise is required at KCC for monitoring, contract management, litigations?	Service contracts: no additional expertise
Is this expertise and capacity available at KCC?	Limited within the department, will be acquired from Contracts Sections of Legal Department

Item:	Description:
What annual cost will be involved for KCC in monitoring, inspection, etc.,	Service contracts: 0.5 legal, 0.5 administrative and 0.5 technical officer
Risks for citizens when service is interrupted	Limited as other suppliers can be hired.
Financial risks for KCC when service is interrupted	Limited, as it will result in non-payment by KCC.
Operational risks for KCC when service is interrupted	Only in case of long interruptions, alternative suppliers need to be found.
Environmental risks when service is interrupted	Limited.
What terms and conditions are desirable: duration contract, tender procedures, securities, tariff setting and adjustments, risk prevention, performance standards	<i>Service contracts:</i> piece-meal, based on unbundled pieces of work, quality standards, unit prices based on quotations, short contracts, clauses for non-performance, open tendering procedure, Kitwe based.
Overall assessment and recommendations	<ol style="list-style-type: none"> 1. It is recommended to use service contracts for the maintenance of buildings based on the above conditions. KCC can establish a record on the supplier's performance, which will be used in appraising bids in the future. 2. As some works are small, require limited skills and are located in high density areas, it is advised that local contractors in high density areas can bid as part of community development programmes in consultation with the Housing and Social Welfare Department. Some training in preparing bids may be provided. 3. Redundant staff will be encouraged to set up their own business with financial assistance for a certain period in stead of retrenchment packages. 4. It is also recommended to maintain a core staff of 2-3 technician (painters and carpenters, Division IV) and to attend to small mechanical works of immediate nature. 5. Overall supervision and management structure of the department needs, hence, to be reduced. Savings may used to finance retrenchment packages.

Table3 Delegation assessment of the Architectural Design Section, Engineering Department

Item:	Description:
Name of the department	: Engineering Department
Service considered for delegation	: Architectural Design
Current tasks	Design, review and layout of all extensions of existing buildings, new buildings and other civic assets of the KCC.
Current manpower employed	Establishment: 11, Actual: 1, Div.IV:48 , Casual workers: -
Current expenditure (manpower, materials, overheads, etc.)	
Current performance	Current capacity allows only for limited architectural design. With the sale of housing stock and no new buildings at the moment, there is little employment. Workload depends on capital investments of KCC and this is negligible at the moment. Some work has been contracted out in the past.
Service technically separable	Yes. Information and ToR to be provided by departments.
Dependencies of other departments on this service are limited; need for co-ordination is low	Except for co-ordination of legal aspects of the contracts (Legal Department), each department without contractual involvement of Engineering Department can issue assignments and ToR. Technical involvement may be maintained.
Service legally separable (provision in the current legislation to delegate)	No objections.
Will KCC continue to be accountable for service delivery?	Yes.
Decision and approval making requirements	Simple. At department level in consultation with Legal Department and with technical inputs from Engineering Dept.
What options are available for delegation	Service contracts.
Level of service can/needs to be diversified for different users and areas	Possible for departmental assignments, capital investment and projects.
Can the service be self-financing (Is the KCC chargeable, and excludable in case of non-payment)	Service contracts: no. Costs can be included in project cost and to be recovered through rents and sales.
Can client easily substitute when prices goes up (substitutability)	Service contracts: yes, other suppliers can be hired.
What mechanism are required to avoid monopolies and ensure competition: area differentiation, client group differentiation	Service contracts: through piece-meal and short duration contracts.
Is there high sunkness of investment (capital investment prior to starting services)	Service contracts: limited
Lay-off, redeployment requirements	Service contract: limited (1 person). Could be encouraged to set up own architectural bureau with guaranteed but declining amount of work for 2 years instead of retrenchment package.
Do companies exist with sufficient capacities: certification, manpower, capital, expertise	Service contracts: at local scale sufficient
What conditions may be put up: guarantees, tariffs, contract duration, etc. by company.	Service contracts: usual contract conditions.
What will be the annual contract value (annual)	Not able to assess, depends of size of work.
Is monitoring, field inspection and supervision critical?	Yes, in all cases based on performance standards of delivered work.
What change is required for public relations, complaints and addressal?	Service contracts: no change.
What expertise is required at KCC for	Service contracts: no additional expertise

Item:	Description:
monitoring, contract management, litigations?	
Is this expertise and capacity available at KCC?	Not in all departments, technical support may be requested from Engineering and Legal Dept.
What annual cost will be involved for KCC in monitoring, inspection, etc.,	Service contracts: In total less than 0.5 fte ³
Risks for citizens when service is interrupted	Limited as other suppliers can be hired.
Financial risks for KCC when service is interrupted	Limited, as it will result in non-payment or non-assignment of work to the supplier by KCC.
Operational risks for KCC when service is interrupted	Only in case of long interruptions, alternative suppliers need to be found.
Environmental risks when service is interrupted	Limited
What terms and conditions are desirable: duration contract, tender procedures, securities, tariff setting and adjustments, risk prevention, performance standards	<i>Service contracts:</i> piece-meal, based on unbundled pieces of work, quality standards, unit prices based on quotations, short contracts, clauses for non-performance, open tendering procedure, Kitwe based.
Overall assessment and recommendations	<ol style="list-style-type: none"> 1. It is recommended to use service contracts for the architectural design work based on the above conditions. KCC can establish a record on the suppliers' performance, which will be used in appraising bids in the future. 2. Redundant staff will be encouraged to set up their own business with financial assistance (guaranteed but declining amount of work) for a two-year period in stead of retrenchment packages. 3. Overall supervision and management structure of the department needs, hence, to be reduced. Savings may used to finance retrenchment packages.

³ fte = full time equivalent employee

Table.4 Delegation assessment of the Medical Services Section, Public Health Department

Item:	Description:
Name of the department Service considered for delegation	: Public Health Department : Medical Services
Current tasks	On behalf of the government the management, supervision of staffing of 17 health clinics in the city. Curative and preventive services to the citizens.
Current manpower employed	Establishment: 9, Actual: 7, Div.IV: 54, Casual workers: -
Current expenditure (manpower, materials, overheads, etc.)	At the expense of KCC: limited, only administration and management.
Current performance	Though there are only 2 vacancies, the services are hampered by the dwindling incomes due to overall poverty situation and decreasing revenue position of the KCC. There are frequent shortages of medicines and replacement and expansion of basic equipment is long overdue. Donations (local, national and international) help from time to time.
Service technically separable	Yes. It has been decided to transfer the operation of 17 clinics to the Health Management Board for the Copperbelt region, a semi-public and autonomous national institution. It is also proposed that the curative laboratory tests will be absorbed into the Board's operations. It is yet unclear whether these institutions will expect a financial contribution of the KCC. It is expected that they may not be able to run at commercial fees and subsidies from government will be required. It is unclear whether the assets are the property of the KCC and will be maintained by the KCC.
Dependencies of other departments on this service are limited; need for co-ordination is low	Co-ordination and information exchange is sensitive in the area of health education (now to be transferred to the Welfare Dept.), pest control and preventive medical laboratory testing (both Public Health Dept.). See under 'Service technically separable'.
Service legally separable (provision in the current legislation to delegate)	No objections.
Will KCC continue to be accountable for service delivery?	No, after the management of this service has been transferred to the Copperbelt Health Management Board.
Decision and approval making requirements	Involves the Government and the departments of Public Health, Welfare, Finance (retrenchment?) and Engineering (assets' maintenance?).
What options are available for delegation	Corporatisation (Health Management Board)
Level of service can/needs to be diversified for different users and areas	Services are already diversified in price and quality according to citizen's affordability. Further diversification may be explored.
Can the service be self-financing (Is the KCC chargeable, and excludable in case of non-payment)	Possibly not. Low-income clients are exempted or pay low fee, while higher income pay regular fee. Difficulty to differentiate income levels at the counter. High discretionary levels when deciding about fees. Strong need for a rationale, objective system.
Can client easily substitute when prices goes up (substitutionality)	At the current pricing levels: no. Alternative is self-medication and non-medication with all possible health risks.
What mechanism are required to avoid monopolies and ensure competition: area differentiation, client group differentiation	Competition in this service area is not desired in the near future. The monitoring capacity of government to assess the quality of health services provided by any other clinics is extremely limited.
Is there high sunkness of investment (capital investment prior to starting services)	Reasonably high. Mainly for building, instruments and equipment.
Lay-off, redeployment requirements	The government has paid most of the staff and they will be absorbed in the Board. A retrenchment package is not required.
Do companies exist with sufficient capacities: certification, manpower,	Health Management Board.

Item:	Description:
capital, expertise	
What conditions may be put up: guarantees, tariffs, contract duration, etc. by company.	Financial contribution in the running of the clinics (subsidy component). Partly absorption of current KCC staff. Maintenance of the buildings by KCC.
What will be the annual contract value (annual)	N/A.
Is monitoring, field inspection and supervision critical?	No, though monitoring of the services and providing feedback to the Board is in the interest of the KCC. It is unclear whether the KCC is represented on the Board.
What change is required for public relations, complaints and addressal?	Will now be handled by the Board. Health awareness and pest control remains KCC's tasks and needs to be co-ordinated with the operations of the Board.
What expertise is required at KCC for monitoring, contract management, litigations?	N/A.
Is this expertise and capacity available at KCC?	N/A.
What annual cost will be involved for KCC in monitoring, inspection, etc.,	N/A.
Risks for citizens when service is interrupted	The occurrence of these risks is negligible as it continues to be a semi-public operation controlled by the government. In case it may happen (due to lack of funds, payment of salaries, or strikes), the risks are high. There will be no government run back-up options available. Diseases may spread rapidly without medical services.
Financial risks for KCC when service is interrupted	Limited.
Operational risks for KCC when service is interrupted	Limited.
Environmental risks when service is interrupted	Limited.
What terms and conditions are desirable: duration contract, tender procedures, securities, tariff setting and adjustments, risk prevention, performance standards	Clarity needs to be established with the Health Management Board on the following issues: representation of the KCC in the Board, financial contributions to the operations of the Board, co-ordination with KCC's departments, assets' ownership and maintenance, co-ordination of overall public health functions (health education, pest control)
Overall assessment and recommendations	It is already decided to transfer this service to the Health Management Board for the Copperbelt Region. Details of transfer need still to be clarified. See above under 'What terms and conditions are desirable'.

Table.5 Delegation assessment of the Medical Laboratory, Public Health Department

Item:	Description:
Name of the department	: Public Health Department
Service considered for delegation	: Medical Laboratory Section
Current tasks	The management of one medical laboratory. Conducting medical tests at the request of the medical practitioners at the 17 clinics for clients in support of treatment (curative). Conducting tests at the request of other section of the Department (preventive, Pest Control). Staff is paid by
Current manpower employed	Establishment: 4, Actual: 1, Div.IV: 4, Casual workers: -
Current expenditure (manpower, materials, overheads, etc.)	
Current performance	Current capacity and budgets are extremely limited to conduct sufficient tests. Chemicals, sufficient instruments and staff hamper operations seriously.
Service technically separable	Yes, for curative and preventive operations.
Dependencies of other departments on this service are limited; need for co-ordination is low	Curative operations: none as they will be taken over by the Health Management Board. Preventive operations: yes, as the department relies on the test results for taking preventive actions (pest control and other public health measures in the city).
Service legally separable (provision in the current legislation to delegate)	No objections.
Will KCC continue to be accountable for service delivery?	Yes, for preventive operations.
Decision and approval making requirements	Involves agreements with Health Management Board, government and Management of KCC.
What options are available for delegation	Service contracts with the laboratory to be run by the Health Management Board.
Level of service can/needs to be diversified for different users and areas	Possible for vehicles, fixed installations and ambulant repairs and maintenance.
Can the service be self-financing (Is the KCC chargeable, and excludable in case of non-payment)	Service contracts; yes, fully.
Can client (KCC) easily substitute when prices goes up (substitutionality)	Service contracts: doubtful, as there are few other laboratories that can provide these services.
What mechanism are required to avoid monopolies and ensure competition: area differentiation, client group differentiation	Service contracts: should not be an issue as it is local government (semi-) national government agreement
Is there high sunkness of investment (capital investment prior to starting services)	Service contract: reasonably high for buildings, instruments and equipment.
Lay-off, redeployment requirements	Service contract: unclear as yet. If Board takes over operations they may not want to re-employ laboratory staff.
Do companies exist with sufficient capacities: certification, manpower, capital, expertise	N/A.
What conditions may be put up: guarantees, tariffs, contract duration, etc. by company.	Service contracts: capital requirement to improve laboratory, partly recruitment of present staff, long duration of contract.
What will be the annual contract value (annual)	Not able to assess now, depends of negotiations on above points.
Is monitoring, field inspection and supervision critical?	Yes, based on performance standards of delivered work.
What change is required for public	Service contracts: no change

Item:	Description:
relations, complaints and addressal?	
What expertise is required at KCC for monitoring, contract management, litigations?	N/A.
Is this expertise and capacity available at KCC?	N/A.
What annual cost will be involved for KCC in monitoring, inspection, etc.,	N/A.
Risks for citizens when service is interrupted	The occurrence of these risks is negligible as it continues to be a semi-public operation controlled by the government. In case it may happen (due to lack of funds, payment of salaries, or strikes), the risks are indirect. KCC has to undertake preventive operations without sufficient laboratory information. There will be no government run back-up options available in the region. Tests may have to be done by private laboratories. Preventive operations may prove ineffective.
Financial risks for KCC when service is interrupted	Yes. When tests need to be done in private laboratories or outside the region
Operational risks for KCC when service is interrupted	Yes. When operations prove ineffective.
Environmental risks when service is interrupted	Yes. Spread of diseases.
What terms and conditions are desirable: duration contract, tender procedures, securities, tariff setting and adjustments, risk prevention, performance standards	Clarity needs to be established with the Health Management Board on the following issues: representation of the KCC in the Board, capital requirement to improve laboratory, partly recruitment of present staff, long duration of contract, financial contributions to the operations of the Board, co-ordination with KCC's departments, assets' ownership and maintenance, co-ordination of overall public health functions (health education, pest control)
Overall assessment and recommendations	<ol style="list-style-type: none"> 1. It is recommended to enter into a service contract with the Health Management Board for the Copperbelt Region to run the medical laboratory and to deliver an agreed package of laboratory tests - at agreed tariffs - in support of the preventive operations run by the KCC. 2. In addition, several other management issues need to be clarified. See above under 'What terms and conditions are desirable'.

Table.6 Delegation assessment of the Refuse Collection, Public Health Department

Item:	Description:
Name of the department Service considered for delegation	: Public Health Department : Refuse Collection Section
Current tasks	Collection of domestic waste from all neighbourhoods, markets, commercial areas and disposal at the Council's disposal site.
Current manpower employed	Establishment: 3, Actual: 1, Div.IV: 108, Casual workers: approx. 65.
Current expenditure (manpower, materials, overheads, etc.)	...
Current performance	Current capacity and budgets are limited to collect major portion of collected waste in the city. Rolling stock is insufficient in number and partly under repair. Road conditions force Section to exclude areas of service and – at times - to dump waste at other sites than at the disposal site.
Service technically separable	Yes, for certain areas, citizens, locations and types of waste.
Dependencies of other departments on this service are limited; need for co-ordination is low	Dependencies exist with the Housing and Welfare departments (settlement improvement and possibly community development), Engineering departments (maintenance), Administration (public relation) and Finance (revenue collection). Co-ordination is strongly required.
Service legally separable (provision in the current legislation to delegate)	No objections under the current Local Government Act, 1991.
Will KCC continue to be accountable for service delivery?	Yes.
Decision and approval making requirements	At department level with consent of Management. Will possibly involve several private companies, NGOs and community-based organisations.
What options are available for delegation	Service contracts and concessions.
Level of service can/needs to be diversified for different users and areas	Possible for low, middle and high-density areas; for kerb side and collection from communal (neighbourhood and market) dumpsites.
Can the service be self-financing (Is the KCC chargeable, and excludable in case of non-payment)	To some extent in low-density areas serviced by kerb-side collection. Cross subsidy required for servicing high-density areas for collection waste from communal disposal points.
Can client easily substitute when prices goes up (substitutability)	Yes, e.g. by private (back yard) and illegal dumping.
What mechanism are required to avoid monopolies and ensure competition: area differentiation, client group differentiation	Through area-based and diversified packages of services.
Is there high sunkness of investment (capital investment prior to starting services)	To an extent, for the purchase of vehicles and communal installations.
Lay-off, redeployment requirements	Service and concession contract: to the extent of work delegated. Service provider and concessionaire may not want to re-employ KCC staff.
Do companies exist with sufficient capacities: certification, manpower, capital, expertise	Service and concession contracts: at local scale to limited extent. So far, three companies have shown interest. Their capacities still need to be assessed. Concessions may need to be tendered at national scale.
What conditions may be put up: guarantees, tariffs, contact duration, etc. by company.	Service contracts: usual contract conditions, probably preferred by local contractors. Concession: capital requirement to purchase vehicles, partly recruitment of present staff, longer duration of contract, minimum guaranteed income if revenues fall short of expectation.
What will be the annual contract value (annual)	Not able to assess, depends of size of work and delegation option. Pretender required.

Item:	Description:
Is monitoring, field inspection and supervision critical?	Yes, in all cases based on performance standards of delivered work.
What change is required for public relations, complaints and addressal?	Service contracts: no change Concession: Dept. will have to follow-up on unattended complaints with concessionaire.
What expertise is required at KCC for monitoring, contract management, litigations?	Service contracts: no additional expertise Concession: administrative, public relations and contract management expertise required to monitor operations
Is this expertise and capacity available at KCC?	Concession: limited within the department. Legal Dept. (Contracts Section) needs to be strengthened.
What annual cost will be involved for KCC in monitoring, inspection, etc.,	Service, concession contracts: 0.5 legal, 0.5 administrative/public relation and 0.5 technical officer.
Risks for citizens when service is interrupted	Considerable, as other suppliers cannot be hired immediately. Limited back-up capacity is required by KCC.
Financial risks for KCC when service is interrupted	Manageable, interruption will incur extra expenses on KCC, which it might recover from the suppliers. Legal cost in case concessions may be substantial when interruption persists
Operational risks for KCC when service is interrupted	Manageable if KCC maintains back-up capacity, which is redirected to, effected area. Normal operations elsewhere will, however, be effected. In case of long interruptions, alternative suppliers and concessionaire need to be found
Environmental risks when service is interrupted	Considerable, with each day/week that interruption continues.
What terms and conditions are desirable: duration contract, tender procedures, securities, tariff setting and adjustments, risk prevention, performance standards	<i>Service, concession contracts:</i> area-based with cross-subsidising mechanism to service high-density areas. Contract based on frequency of services and cleanliness standards, based on quotations, 1-2 year contracts, clauses for non-performance, open tendering procedure, preferably Kitwe based. <i>In addition for concession contract:</i> revenue collection and management decision mandates to be provided to the concessionaire, investment package to provide for communal collection points and/or loans for investments in equipment, retrenchment of selected staff, 2-3 years minimum duration. Local NGOs and CBOs should be allowed to tender for part of the issued concessions. Training in bid-preparation and initial management and administrative support may be required.
Overall assessment and recommendations	<ol style="list-style-type: none"> 1. It is recommended that the KCC's privatise incrementally and as much as possible refuse collection on a concession basis. 2. Pre-tendering on a national scale should indicate expected contract values and the acceptance of proposed contract conditions. 3. For smaller neighbourhood packages local NGOs and CBOs are invited to bid (See above). 4. Through awareness campaigns chargability should be increased and substitutionality reduced. 5. Retrenchment requirements need to be part of the negotiations with the bidders. Duration of the contract may have to be extended beyond 2-3 years to recover the payment of retrenchment packages. 6. It is also recommended to maintain a minimum refuse collection capacity that may need to be mobilised in case of interruption (days to a few weeks in one or two neighbourhoods). 7. Overall supervision and management structure of the department needs, hence, to be reduced. Savings may be used to finance retrenchment packages.

Table.7 Delegation assessment of the Pest Control Section, Public Health Department

Item:	Description:
Name of the department	: Public Health Department
Service considered for delegation	: Pest Control Section
Current tasks	Prevention and control of spread of malaria, insects, animals and other pest in public areas as well as in the private domain on request of citizens.
Current manpower employed	Establishment: 2, Actual: 1, Div.IV: 31, Casual workers: -
Current expenditure (manpower, materials, overheads, etc.)	...
Current performance	Current manpower capacity and budgets are limited to execute functions on a regular basis. Services are done on a very infrequent basis, which makes it ineffective to control the incidence of malaria, particularly in the rainy season.
Service technically separable	Yes, based on schedule and performance tasks and indicators.
Dependencies of other departments on this service are limited; need for co-ordination is low	Besides regular agreed schedules, pest control needs to be conducted at the information provided by the Department, Medical Laboratory Sections (preventive) and complaints from the public. This manageable when information system is established.
Service legally separable (provision in the current legislation to delegate)	No objections.
Will KCC continue to be accountable for service delivery?	Yes.
Decision and approval making requirements	At department level with consent of Management.
What options are available for delegation	Service contracts for pest control in public domain. Concession for pest control in the private domain.
Level of service can/needs to be diversified for different users and areas	Yes, for selected wards, private and public domain.
Can the service be self-financing (Is the KCC chargeable, and excludable in case of non-payment)	Service contracts: no, cross-subsidy possible from service in the private domain. Concession: yes, to domestic service (private domain) and when other clients (companies) can be serviced.
Can client easily substitute when prices goes up (substitutability)	Public domain (KCC is client): yes, other suppliers can be hired. Private domain (citizens, companies are clients): yes, other suppliers can be hired or clients will stop service. KCC may not find immediately another concessionaire. Substitutability is, therefore, limited.
What mechanism are required to avoid monopolies and ensure competition: area differentiation, client group differentiation	Service contracts: through piece-meal and short duration contracts Concession: duration of contract and existence and area-based concessions.
Is there high sunkness of investment (capital investment prior to starting services)	Service and concession: moderate (vehicles and equipment), mainly running cost (chemicals).
Lay-off, redeployment requirements	Service, concession contract: limited.
Do companies exist with sufficient capacities: certification, manpower, capital, expertise	Service contracts: at national scale sufficient, limited at local scale.
What conditions may be put up: guarantees, tariffs, contact duration, etc. by company.	Service contracts: usual contract conditions Concession: Minimum volume of work, subsidy on commercial tariffs in private domain.
What will be the annual contract value (annual)	Not able to assess, depends of size of work and delegation option. Pretender required.
Is monitoring, field inspection and supervision critical?	Yes, in all cases based on agreed schedules, performance standards and pest incidence (health) indicators.
What change is required for public	Service and concession: Dept. will have to follow-up on

Item:	Description:
relations, complaints and addressal?	unattended complaints with the service-contract and concessionaire.
What expertise is required at KCC for monitoring, contract management, litigations?	Service and concession: administrative, public health and contract management expertise required monitoring operations.
Is this expertise and capacity available at KCC?	Service and concession: Limited within the department, current capacity needs to be verified.
What annual cost will be involved for KCC in monitoring, inspection, etc.,	0.5 public health officer.
Risks for citizens when service is interrupted	Considerable as pests will prevail and intensify.
Financial risks for KCC when service is interrupted	Manageable as it will result in non-payment by KCC and recovery of extra cost from supplier. Legal cost in case concessions may be substantial when interruption persists
Operational risks for KCC when service is interrupted	Only in case of long interruptions, alternative suppliers, service provider and concessionaire need to be found
Environmental risks when service is interrupted	Considerable as pests will prevail and intensify.
What terms and conditions are desirable: duration contract, tender procedures, securities, tariff setting and adjustments, risk prevention, performance standards	<p><i>Service contracts:</i> Area-based, schedule, incidence and public health indicators, lump sum contracts based on quotations, 1-2 year contracts, standards for use of permitted chemicals and procedure in the interest of public health safety and environmental protection, clauses for non-performance, open tendering procedure, preferably Kitwe based.</p> <p><i>Concession contract:</i> similar to above. Mandate to collect agreed fees from private clients (including companies). Mandate to serve companies, 2-3 years minimum duration, clauses for non-performance, open tendering procedure at national scale.</p>
Overall assessment and recommendations	<ol style="list-style-type: none"> 1. It is recommended to issue for tendering several concessions for pest control in both public and private domain in selected areas. The fee should partly cross-subsidise service in public domain. 2. Contract conditions as above under 'Terms and conditions desirable'; 3. Any retrenchment requirements need to be part of the negotiations with the bidders. 4. It is also recommended to maintain a pest control inspector at 0.5 fte. 5. Overall supervision and management structure of the department needs, hence, to be reduced. Savings may be used to finance retrenchment packages.

Table.8 Delegation assessment of the Amenities Section, Housing and Welfare Department

Item:	Description:
Name of the department	: Housing and Welfare Department
Service considered for delegation	: Amenities Section
Current tasks	Management, running and staffing of KCC's 17 markets, 827 stalls (open), 47 kiosks, 118 market lock-ups, 164 covered stores and 77 shops.
Current manpower employed	Establishment:2, Actual: 1, Div.IV: 45, Casual workers: ...
Current expenditure (manpower, materials, overheads, etc.)	...
Current performance	Current assets and operations are not profit making but a liability to the KCC due to the low rents and rates. Assets are also in poor state of repair and need rehabilitation to reach acceptable standard. Currently markets are being handed over by management contracts, shops and kiosks are leased out. This has not been done in open procedure but by invitation and selection.
Service technically separable	Yes.
Dependencies of other departments on this service are limited; need for co-ordination is low	Minor, except for possible commercial licenses and revenues (Finance) in the future.
Service legally separable (provision in the current legislation to delegate)	No objections.
Will KCC continue to be accountable for service delivery?	No.
Decision and approval making requirements	At department level with consent of Management.
What options are available for delegation	Management contract, lease and outright sale.
Level of service can/needs to be diversified for different users and areas	Possible for location, users and type of delegation.
Can the service be self-financing (Is the KCC chargeable, and excludable in case of non-payment)	Yes, based on rates and fees levied and collected.
Can client easily substitute when prices go up (substitutability)	Yes, may seek alternate stall, market or shop, which are in short supply, or – more likely – become an illegal street vendor.
What mechanism are required to avoid monopolies and ensure competition: area differentiation, client group differentiation	Through location and area-based contracts of limited duration. There are sufficient local takers of contracts.
Is there high sunkness of investment (capital investment prior to starting services)	Management and lease contract: limited Outright sale: yes, equivalent to the market price of the properties, in particular for the shops. Though at current market prices and state of repair the price of sale will be subdued.
Lay-off, redeployment requirements	Confined to the administrative and supervising staff.
Do companies exist with sufficient capacities: certification, manpower, capital, expertise	Management, lease and outright sale: yes, also at local level.
What conditions may be put up: guarantees, tariffs, contract duration, etc. by company.	Management and lease: capital requirement to rehabilitate the facilities in order to make them profitable. Longer contract duration to recover the initial investments. Outright sale: regular conditions in sale of property.
What will be the annual contract value (annual)	Not able to assess, depends of size of the package and delegation option. Pretender required for management contract.
Is monitoring, field inspection and supervision critical?	Yes, in case of management on financial performance targets and operational standards to be maintained (cleanliness, order, registry, financial records and reporting, etc.). For lease: payment of dues and maintaining operational

Item:	Description:
	guidelines Outright sale: regular council bylaws, tax/rates payments and other legal provision for commercial undertakings
What change is required for public relations, complaints and addressal?	Management and lease contracts: inspectors and commercial (revenue) functions as at present Outright sale: No change.
What expertise is required at KCC for monitoring, contract management, litigations?	Management and lease: additional administrative and contract management expertise required to monitor operations Outright sale: none
Is this expertise and capacity available at KCC?	Management and lease: yes, at Finance Dept. Strengthening required. Inspectors to be attached to Finance Dept.
What annual cost will be involved for KCC in monitoring, inspection, etc.,	Service and management contracts: 0.5 fte. inspector, 0.5 fte. administrative officer Outright sale: none
Risks for citizens when service is interrupted	Limited.
Financial risks for KCC when service is interrupted	Limited. In case of management contracts of markets, may require temporary arrangements which costs can be recovered from the management contract holder. Legal cost in case management contract may be substantial when interruption persists
Operational risks for KCC when service is interrupted	Limited in case of lease and outright sale. Only in case of long interruptions, alternative management contract holder needs to be found
Environmental risks when service is interrupted	Limited in case of lease and outright sale. Interruption of proper management of markets may lead to environmental risks (accumulation of waste).
What terms and conditions are desirable: duration contract, tender procedures, securities, tariff setting and adjustments, risk prevention, performance standards	<i>Management contracts (markets):</i> market-wise issuance of contract, fees to cater for registry, licensing, security, lighting and cleaning operations at the market. Further public health and physical quality standards of the premises need to be maintained. Investment package required improving facilities up to acceptable standards. Contract of 2-3 year duration, clauses for non-performance open tendering procedure, Kitwe based. <i>Lease contract (shops and stalls):</i> Depending on the value of the asset contract duration can vary from 1 (stall) to 5 years (shop). Regular municipal bylaws and operation guidelines (to avoid intrusive or dangerous operations) need to maintain. Open subscription. <i>Outright sale (markets, shops and stalls):</i> regular council bylaws, tax/rates payments and other legal provision for commercial undertakings. Alternative hire-purchase could be opted for.
Overall assessment and recommendations	<ol style="list-style-type: none"> 1. It is recommended to proceed with issuing tenders for <i>management contracts</i> for the existing markets. It is recommended – if successful – to convert these into a lease or concession. For conditions see under ‘terms and conditions desirable’. 2. It is recommended to proceed with <i>leases</i> for stalls (open and closed) under the above conditions. Lease can be terminated when performance is poor and location is required for other development purposes. 3. It is recommended to proceed with issuing <i>leases</i> for shops for the duration of not longer than 5 years. It is also recommended to turn these into outright sale at market value. 4. Alternatively, it may be considered to go for hire-purchase with open subscription. A minimum down payment of 10-15% of the market value of the property should be achieved. This would mobilise both capital and recurrent revenue for

Item:	Description:
	the Council. Open bidding is required. 5. Overall supervision and management structure of the department needs, hence, to be reduced. Savings may be used to finance retrenchment packages.

Table.9 Delegation assessment of the Debt Collection, Finance Department

Item:	Description:
Name of the department	: Finance Department
Service considered for delegation	: Debt Collection Section
Current tasks	a. Collection of all outstanding tax and levies' debts with KCC's citizens, license holders and companies. b. The collection of fees from the leaseholders of the KCC taverns.
Current manpower employed	Establishment: 2, Actual: 9, Div.IV: -, Casual workers: -
Current expenditure (manpower, materials, overheads, etc.)	This is part of Revenue Collection Section
Current performance	Currently, the manpower situation does not allow collecting debts vigorously, leading to erosion of payment discipline and significant accumulation of arrears.
Service technically separable	Yes, but with the necessary provision of up-to-date notices, lists of debts, addresses and history. Legal pursuance through bailiffs cannot be delegated without the close involvement of the Dept.
Dependencies of other departments on this service are limited; need for co-ordination is low	Major, but manageable if records are computerised, are correct and are kept up-to-date.
Service legally separable (provision in the current legislation to delegate)	As far as debt collection is concerned no objections. Mandates, authorisation required to collect accumulated debts by the contracted party.
Will KCC continue to be accountable for service delivery?	Yes.
Decision and approval making requirements	At department level with consent of Management, in compliance with the Local Government Act and other Government circulars and instructions.
What options are available for delegation	Service contract based on commission basis.
Level of service can/needs to be diversified for different users and areas	Possible differentiation in areas and groups of tax/levy payers (citizens, companies). Debt collection of all departments can be combined. Overlap or visits by several companies at one address should be avoided.
Can the service be self-financing (Is the KCC chargeable, and excludable in case of non-payment)	Yes, based on commission on collected debts (5-10%).
Can client easily substitute when prices go up (substitutability)	N/A
What mechanism are required to avoid monopolies and ensure competition: area differentiation, client group differentiation	Through tax/levy payers group or area-based contracts of limited duration. There are sufficient local takers of contracts.
Is there high sunkness of investment (capital investment prior to starting services)	No.
Lay-off, redeployment requirements	Limited if certain debt collection is retained by the KCC. However, performance standards need to equalise to those of the companies.
Do companies exist with sufficient capacities: certification, manpower, capital, expertise	Yes.
What conditions may be put up: guarantees, tariffs, contact duration, etc. by company.	Longer contract duration, minimum guaranteed income for the company.
What will be the annual contract value (annual)	Maximum of 10-15% of the annual debt including arrears.
Is monitoring, field inspection and supervision critical?	Yes, collections need to verify on sample basis and records scrutinised on validity. Code of conduct and operational

Item:	Description:
	guidelines need to respect. Monthly up-dates on records need to be exchanged between company and KCC. Audited accounts every year.
What change is required for public relations, complaints and addressal?	Department needs to set up and run complaints cell.
What expertise is required at KCC for monitoring, contract management, litigations?	Current team of debt collection needs to re-deploy to monitor private operations.
Is this expertise and capacity available at KCC?	Skills need to be assessed.
What annual cost will be involved for KCC in monitoring, inspection, etc.,	Monitoring and review team may consist of 2 fte.
Risks for citizens when service is interrupted	None directly.
Financial risks for KCC when service is interrupted	In case of short interruptions (days): limited. In case of weeks: considerable as it will effect the revenue and liquidity position of the KCC. Back-up arrangements will need to mobilise. Substitute service contractor(s) will take some time to identify and appoint.
Operational risks for KCC when service is interrupted	Only in case of long interruptions, back-up capacity needs to mobilise and alternative service contract holder needs to be found. This will disrupt other regular activities of the Department.
Environmental risks when service is interrupted	Ultimately, it will lead to disruption of service functions of the KCC with negative environmental and health impacts.
What terms and conditions are desirable: duration contract, tender procedures, securities, tariff setting and adjustments, risk prevention, performance standards	Tax/levy payers groups and/or area based issuance of contracts; fees to company based on commission (10-15%) on collected debt; clauses on confidentiality; treatment, processing and presentation of data and records; auditing requirements; codes of conducts; reporting obligation; access and inspection provision for KCC; minimal debt collection targets to be met. Contract of 2-3 year duration; clauses for non-performance; open tendering procedure, Kitwe based.
Overall assessment and recommendations	<ol style="list-style-type: none"> 1. It is recommended to issue tenders of service contracts for debt collection for the duration of 2-3 years; 2. Bid need to be thoroughly assessed by outsiders. Bidders need to registered and their track record and experience certified; 3. KCC need to maintain back-up arrangement (internally or externally with other contracted companies) in case of disruptions of the service. 4. A complaints and public relation cell need to be established to handle any public matters; 5. A team of approximately 2 fte. needs to be established to monitor the operations and review the records of the service contract holders. 6. Overall supervision and management structure of the department needs, hence, to be reduced. Savings may be used to finance retrenchment packages.

Table.10 Delegation assessment of the Commercial Section, Finance Department

Item:	Description:
Name of the department	: Finance Department
Service considered for delegation	: Commercial Section
Current tasks	a. Management, running and staffing of KCC's taverns. b. Collection of revenues, fees and levies of KCC commercial operations (markets, stalls, shops, taverns, etc.).
Current manpower employed	Establishment: 3, Actual: 4, Div.IV: -, Casual workers: -
Current expenditure (manpower, materials, overheads, etc.)	
Current performance	a. <i>Taverns</i> : current assets and operations are not profit making but a liability to the KCC due to the low rents and rates. Assets are also in poor state of repair and need rehabilitation to reach acceptable standard. Currently taverns are being handed over through leases to interested parties. This has not been done in open procedure but by invitation and selection. b. <i>Revenue collection</i> : the performance of collection of revenues is far from optimal. Collection rates are around 50% leading to poor revenue position of KCC and erosion of payment discipline.
Service technically separable	a. <i>Taverns</i> : Yes. b. <i>Revenue collection</i> : yes, but with the necessary provision of up-to-date notices, lists of names, addresses and history. Close co-ordination required with debt collection, possibly, to integrate with debt collection (See under debt collection)
Dependencies of other departments on this service are limited; need for co-ordination is low	a. <i>Taverns</i> : minor, except for possible commercial licenses and revenues collection in the future. b. <i>Revenue collection</i> : major, but manageable if records are computerised, are correct and are kept up-to-date.
Service legally separable (provision in the current legislation to delegate)	a. <i>Taverns</i> : no objections. b. <i>Revenue collection</i> : no objections. Mandates, authorisation required to collect accumulated debts by the contracted party.
Will KCC continue to be accountable for service delivery?	a. <i>Taverns</i> : no. b. <i>Revenue collection</i> : yes.
Decision and approval making requirements	a. <i>Taverns</i> : at department level with consent of Management. b. <i>Revenue collection</i> : at department level with consent of Management, in compliance with the Local Government Act and other Government circulars and instructions.
What options are available for delegation	a. <i>Taverns</i> : lease and outright sale. b. <i>Revenue collection</i> : service contracts based on 10-15% commission
Level of service can/needs to be diversified for different users and areas	a. <i>Taverns</i> : N/A. b. <i>Revenue collection</i> : possible differentiation in areas and groups of tax/levy payers (citizens, companies). Revenue collection of all departments can be combined. Overlap or visits by several companies at one address should be avoided. Integration of revenue and debt collection desirable.
Can the service be self-financing (Is the KCC chargeable, and excludable in case of non-payment)	a. <i>Taverns</i> : yes, based lease amounts collected. b. <i>Revenue collection</i> : yes, based on commission on collected revenues (5-10%).
Can client easily substitute when prices go up (substitutability)	a. <i>Taverns</i> : not likely, but may lead to default in payments. b. N/A.
What mechanism are required to avoid monopolies and ensure competition: area differentiation, client group differentiation	a. <i>Taverns</i> : through limited contract duration and open subscription procedures. b. <i>Revenue collection</i> : Through tax/levy payers group or area-based contracts of limited duration.
Is there high sunkness of investment	a. <i>Taverns</i> : lease contract: limited; outright sale: yes, equivalent

Item:	Description:
(capital investment prior to starting services)	to the market price of the properties. Though at current market prices and state of repair the price of sale will be subdued. b. Revenue collection: no.
Lay-off, redeployment requirements	a. Taverns: yes, staff deployed at taverns may not be re-deployed by leaseholders or buyers. b. Revenue collection: Limited if certain revenue collection staff is retained by the KCC. However, performance standards need to equal to those of the companies.
Do companies exist with sufficient capacities: certification, manpower, capital, expertise	a. Taverns: yes, also at local level. b. Revenue collection: yes.
What conditions may be put up: guarantees, tariffs, contract duration, etc. by company.	a. Taverns: lease: capital requirement to rehabilitate the facilities in order to make them profitable. Longer contract duration to recover the initial investments; Outright sale: regular conditions in sale of property. b. Revenue collection: longer contract duration, minimum guaranteed income for the company.
What will be the annual contract value (annual)	a. Taverns: lease: should be close to commercial lease values of the properties. Outright sale: sale close to market values and annual rates and other commercial levies equal to other private taverns. b. Revenue collection: 10-15% of package revenue collection potential.
Is monitoring, field inspection and supervision critical?	a. Taverns: lease: payment of dues and maintaining operational guidelines; outright sale: regular council bylaws, tax/rates payments and other legal provision for commercial undertakings. b. Revenue collection: yes, collections need to be verified on sample basis and records examined on validity. Code of conduct and operational guidelines need to be respected. Monthly up-dates on records need to be exchanged between company and KCC. Audited accounts every year.
What change is required for public relations, complaints and addressal?	a. Taverns: no change. b. Revenue collection: department needs to set up and run complaints cell.
What expertise is required at KCC for monitoring, contract management, litigations?	a. Taverns: lease: additional administrative and contract management expertise required for monitoring operations. Outright sale: none b. Revenue collection: current team of revenue collectors and administration need to be re-deployed – in addition to retained functions - to monitor private operations.
Is this expertise and capacity available at KCC?	a. Taverns: lease: yes, strengthening required. Inspectors to be attached to Finance Dept. Outright sale: yes b. Revenue collection: current skills need to be assessed.
What annual cost will be involved for KCC in monitoring, inspection, etc.,	a. Taverns: lease: 0.5 fte. administrative officer to be combined with monitoring markets, stalls and stores administration. Outright sale: none b. Monitoring and review team may consist of 2 fte.
Risks for citizens when service is interrupted	a. Taverns; limited. b. Revenue collection: none directly.
Financial risks for KCC when service is interrupted	a. Taverns: lease: will lead to non-payment and termination of contract. When prompt actions are taken financial risks are limited. Outright sale: loss of regular revenues. b. Revenue collection: in case of short interruptions (days): limited. In case of weeks: considerable as it will affect the revenue and liquidity position of the KCC. Back-up arrangements will need to be mobilised. Substitute service

Item:	Description:
Operational risks for KCC when service is interrupted	<p>contractor(s) will take some time to identify and appoint.</p> <p>a. Taverns: Limited in case of lease and outright sale. b. Revenue collection: Only in case of long interruptions, back-up capacity needs to mobilised and alternative service contract holder needs to be found. This will disrupt other regular activities of the Department.</p>
Environmental risks when service is interrupted	<p>a. Taverns: limited in case of lease and outright sale. b. Revenue collection: ultimately, it will lead to disruption of service functions of the KCC with negative environmental and health impacts.</p>
What terms and conditions are desirable: duration contract, tender procedures, securities, tariff setting and adjustments, risk prevention, performance standards	<p>a. <i>Taverns: Lease contract:</i> depending on the value of the asset contract duration can vary from up to a duration of maximum 5 years (shop). Regular municipal bylaws and operation guidelines (to avoid intrusive or dangerous operations) need to maintain. Open subscription. <i>Outright sale:</i> regular council bylaws, tax/rates payments and other legal provision for commercial undertakings. Alternative hire-purchase could be opted for. b. <i>Revenue collection:</i> rates/tax/levy payers groups and/or area based issuance of contracts; fees to company based on commission (10-15%) on collected revenues; clauses on confidentiality; treatment, processing and presentation of data and records; auditing requirements; codes of conducts; reporting obligation; access and inspection provision for KCC; minimal revenue collection targets to be met. Contract of 2-3 year duration; clauses for non-performance; open tendering procedure, Kitwe based.</p>
Overall assessment and recommendations	<ol style="list-style-type: none"> 1. It is recommended to proceed with issuing <i>leases</i> for taverns for the duration of not longer than 5 years. It is also recommended to turn these into outright sale at market value. 2. Alternatively, it may be considered to go for hire-purchase with open subscription. A minimum down payment of 10-15% of the market value of the property should be achieved. This would mobilise both capital and, in addition, recurrent revenue for the Council. Earning can be used for retrenchment packages. Strict open bidding is required and external assessors. 3. Staff to be retrenched could be invited to subscribe. Assistance may be required to work out financial modalities. This would replace retrenchment packages. 4. It is recommended to issue tenders of service contracts for revenue collection for the duration of 2-3 years; 5. Bid need to be thoroughly assessed by outsiders. Bidders need to be registered and their track record and experience certified; 6. KCC need to maintain back-up arrangement (internally or externally with other contracted companies) in case of disruptions of the service. 7. A complaints and public relation cell need to be established to handle any public matters; 8. A team of approximately 2 fte. needs to be established to monitor the operations and review the records of the service contract holders 9. Overall supervision and management structure of the department needs, hence, to be reduced. Savings may be used to finance retrenchment packages.

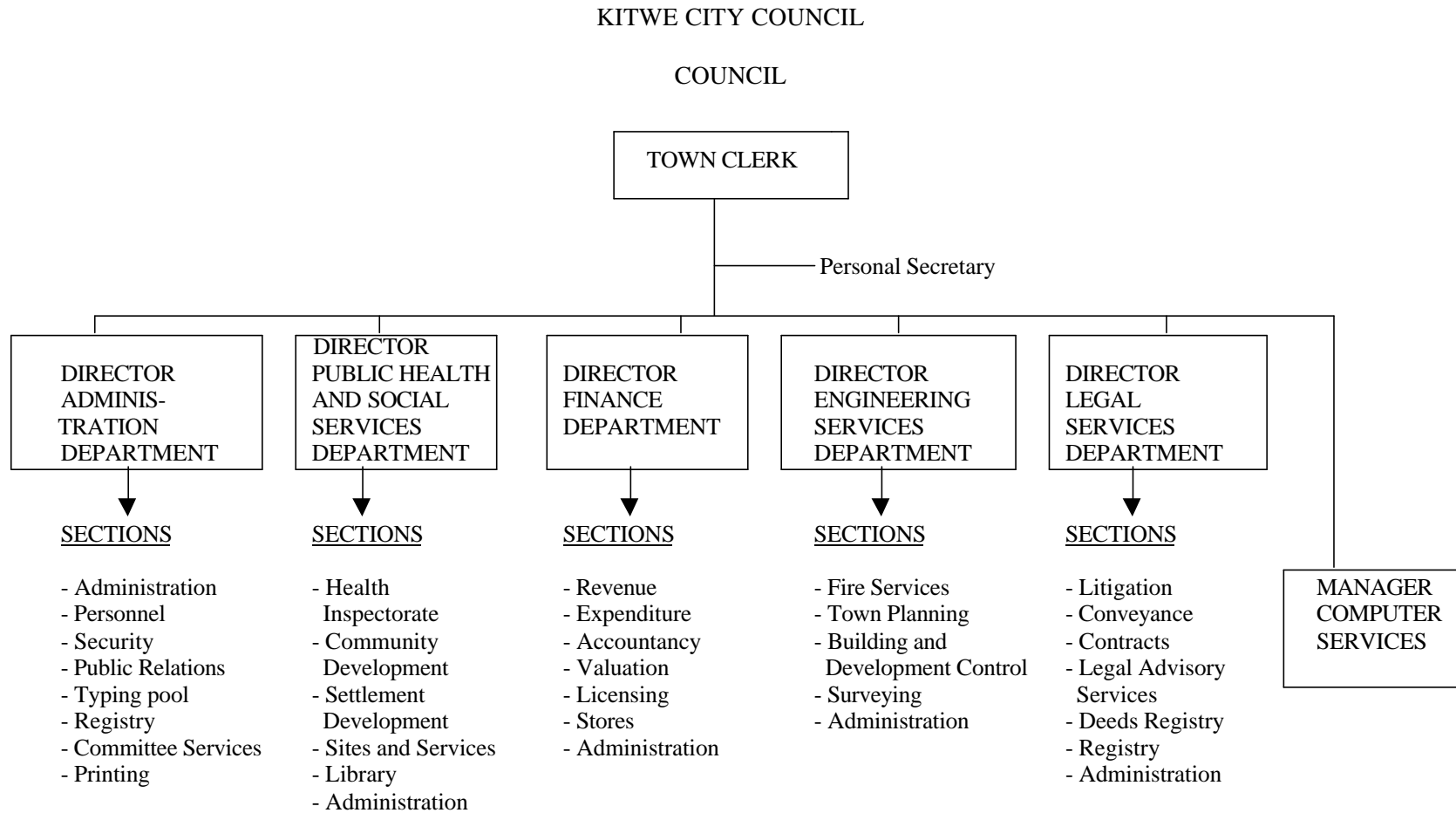
Table.11 Delegation assessment of the Security and Printing Section, Administration Department

Item:	Description:
Name of the department Service considered for delegation	: Administration Department : a. Security Section b. Printing Section
Current tasks	a. <i>Security</i> : Management, staffing and supervision of security of the KCC installations (excluding enforcement of bylaws, security of KCC premises and buildings). b. <i>Printing</i> : printing of KCC general and public documents, information materials, printing paper, forms, receipts, invoices, etc. (excluding internal document and those of confidential nature).
Current manpower employed	a. Security: establishment: 3, Actual: 2, Div.IV: 124, Casual workers: - b. Printing: establishment: 5, Actual: 2, Div.IV: - Casual workers: -
Current expenditure (manpower, materials, overheads, etc.)	a. Security: ... b. Printing: ...
Current performance	a. <i>Security</i> : there are several personnel and disciplinary problems that do not ensure the proper security of the KCC installations. More control over the performance is required as well as competition. b. <i>Printing</i> : current internal capacity for printing is insufficient to cater for all printing work causes by equipment and budget constraints.
Service technically separable	a. <i>Security</i> : Yes. b. <i>Printing</i> : Yes
Dependencies of other departments on this service are limited; need for co-ordination is low	a. <i>Security</i> : yes, maintenance of security will ensure availability and continuous operation of the installation. Feedback on performance of security personnel needs to be provided by department that has these installations in operation/use. Appropriate co-ordination and flow of information required. b. <i>Printing</i> : yes, requests for printing comes from all departments and work orders need to be centrally planned and issued and monitored. Quality of delivered products need to be checked again at departmental level. Appropriate co-ordination and flow of information required.
Service legally separable (provision in the current legislation to delegate)	a. Security: no objections. b. Printing: no objections.
Will KCC continue to be accountable for service delivery?	a. Security: yes. b. Printing: yes.
Decision and approval making requirements	a. Security: at department level with consent of Management. b. Printing: at department level with consent of Management.
What options are available for delegation	a. Security: Service contracts. b. Printing: Service contracts.
Level of service can/needs to be diversified for different users and areas	a. Security: yes, subdivision in groups of installations and/or areas. b. Printing: yes, for recurrent printing work and for infrequent or piece-meal printing work.
Can the service be self-financing (Is the KCC chargeable, and excludable in case of non-payment)	a. Security: no. b. Printing: no.
Can client easily substitute when prices go up (substitutionality)	a. Security: yes, hired different company. b. Printing: yes, hire different company.
What mechanism are required to avoid monopolies and ensure competition: area differentiation, client group differentiation	a. Security: by unbundling into different groups of installations and/or areas. Several companies to be contracted. Limited contract duration and open bidding procedures.

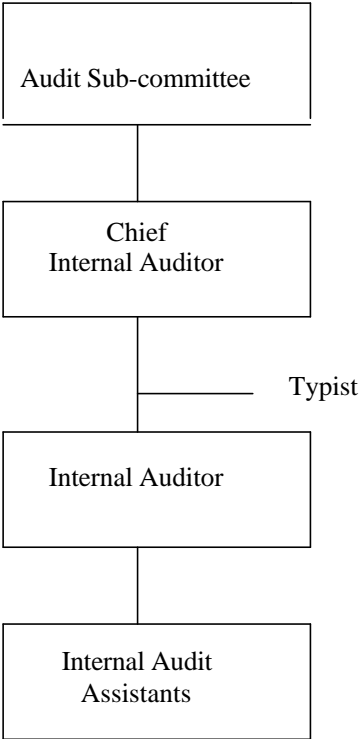
Item:	Description:
	b. Printing: by unbundling into different types of printing work. Several companies to be contracted through limited contract duration and open bidding procedures.
Is there high sunkness of investment (capital investment prior to starting services)	a. Security: no. b. Printing: yes, for building and equipment.
Lay-off, redeployment requirements	a. Security: yes, as current staff may not be re-deployed by companies. Partly re-deployment can be negotiated. Alternatively, existing staff can be encouraged to set up own company with initial assistance. This replaces retrenchment package. b. Printing: limited.
Do companies exist with sufficient capacities: certification, manpower, capital, expertise	a. Security: yes, also at local level. b. Printing: yes, also at local level.
What conditions may be put up: guarantees, tariffs, contract duration, etc. by company.	a. Security: regular conditions for service contracts. In case of retrenchment package, KCC employees may reduce financial assistance to become self-reliant. Their services could be extended to other companies and protection of private property in the city. Given the demand for these services, there is a good scope. b. Printing: Regular conditions for service contracts.
What will be the annual contract value (annual)	a. Security: to be assessed by bids. In case of retrenchment through negotiations. b. Printing: to be assessed by bids.
Is monitoring, field inspection and supervision critical?	a. Security: yes, monthly report on performance based on feedback by concerned departments. To be prepared by the Administration Department. b. Printing: based on quality standards of printing work.
What change is required for public relations, complaints and addressal?	a. Security: none. b. Printing: none.
What expertise is required at KCC for monitoring, contract management, litigations?	a. Security: additional administrative and contract management expertise required monitoring operations. b. Printing: additional administrative and contract management expertise required monitoring operations.
Is this expertise and capacity available at KCC?	a. Security: yes, strengthening required. b. Printing: yes.
What annual cost will be involved for KCC in monitoring, inspection, etc.,	a. Security: limited not more than 1 person-month of work per annum b. Printing: limited not more than 0.5 fte. per annum.
Risks for citizens when service is interrupted	a. Security: none directly. b. Printing: none directly.
Financial risks for KCC when service is interrupted	a. Security: in any case of interruptions, alternative security arrangements need to be provided immediately from the market. Cost should be recovered from service contract holder. b. Printing: in any case of interruptions, alternative printing arrangements need to be provided. Cost should be recovered from service contract holder.
Operational risks for KCC when service is interrupted	a. Security: in case there is a lapse of security of the installation, this may disrupt the service of some of the departments as vandalism or theft may occur. b. Printing: delay in delivery of printing work may disrupt the operations of some of the departments.
Environmental risks when service is interrupted	a. Security: depends on the function of the installation departments (e.g. Engineering and Water and Sewerage). b. Printing: limited.
What terms and conditions are desirable:	a. Security: contract duration 1-2 years. Regular reporting

Item:	Description:
duration contract, tender procedures, securities, tariff setting and adjustments, risk prevention, performance standards	<p>obligations. Maintenance of performance standards and schedules, code of conduct, right to inspections and intervention in case of non-performance. Financial and disciplinary clauses in case of non-performance. Re-deployment of some of the KCC staff. Open procedure, certification of track record and experience of bidders.</p> <p><i>b. Printing:</i> combination of recurrent printing and piece-meal printing tariffs to be agreed with regular review of prices, quality and performance standards. Centralised work orders issuance, administrative and quality control. Contract of certain duration may be considered: 1-2 years. Open procedure, certification of track record and experience of bidders.</p>
Overall assessment and recommendations	<ol style="list-style-type: none"> 1. It is recommended to tender for service contracts for security of KCC installations. 2. Security of installations needs to be unbundled in groups of installation and/or area so as to create competition. Other contract conditions: see under 'terms and conditions desirable'. 3. Staff to be retrenched can be encouraged to set up own company with reducing financial assistance. Company will be allowed to offer service to other commercial and private clients. This is in stead of retrenchment package. 4. It is recommended to proceed with service contracts of printing of general and public documents, forms, invoices, etc. For other contract conditions, see under 'terms and conditions desirable'. 5. Overall supervision and management structure of the department needs, hence, to be reduced. Savings may be used to finance retrenchment packages.

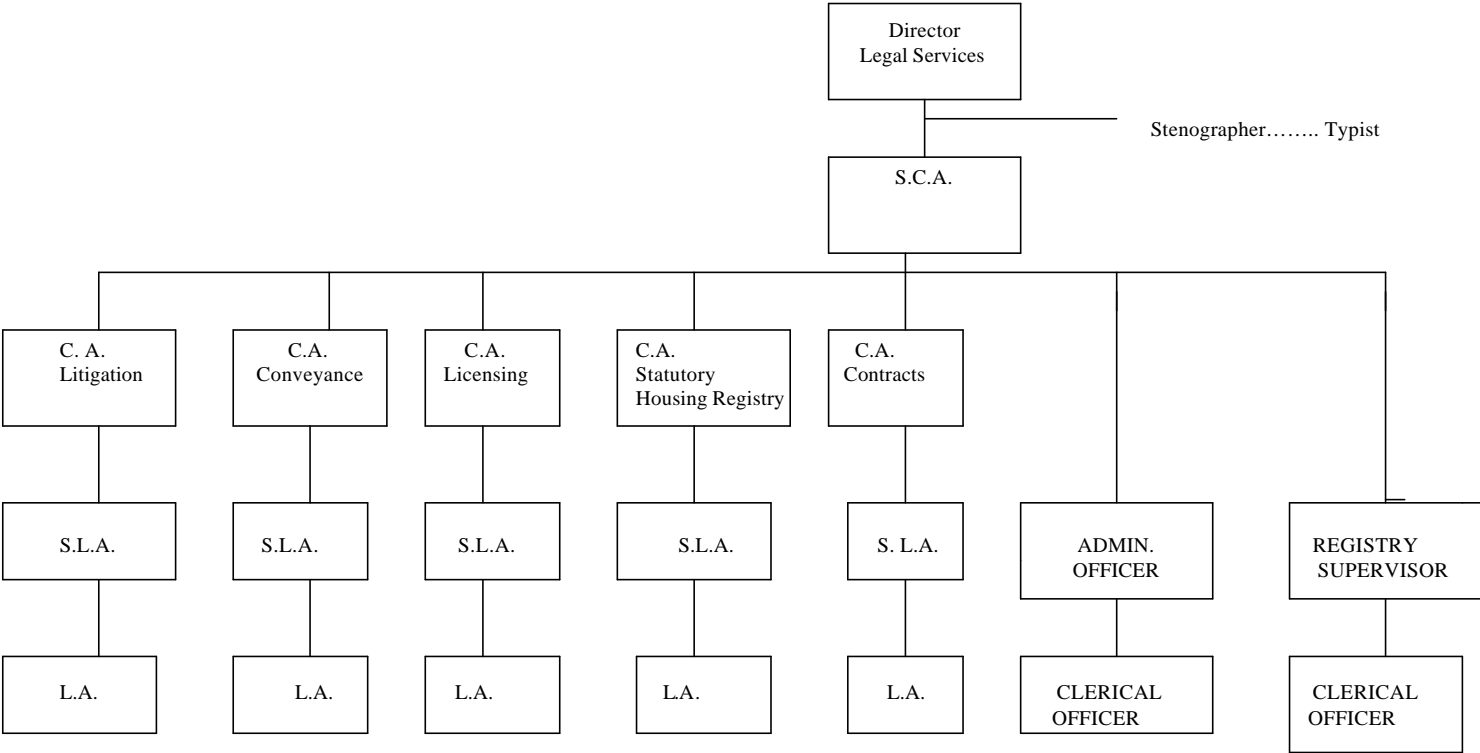
Annex IV: Detailed Organisation Structures



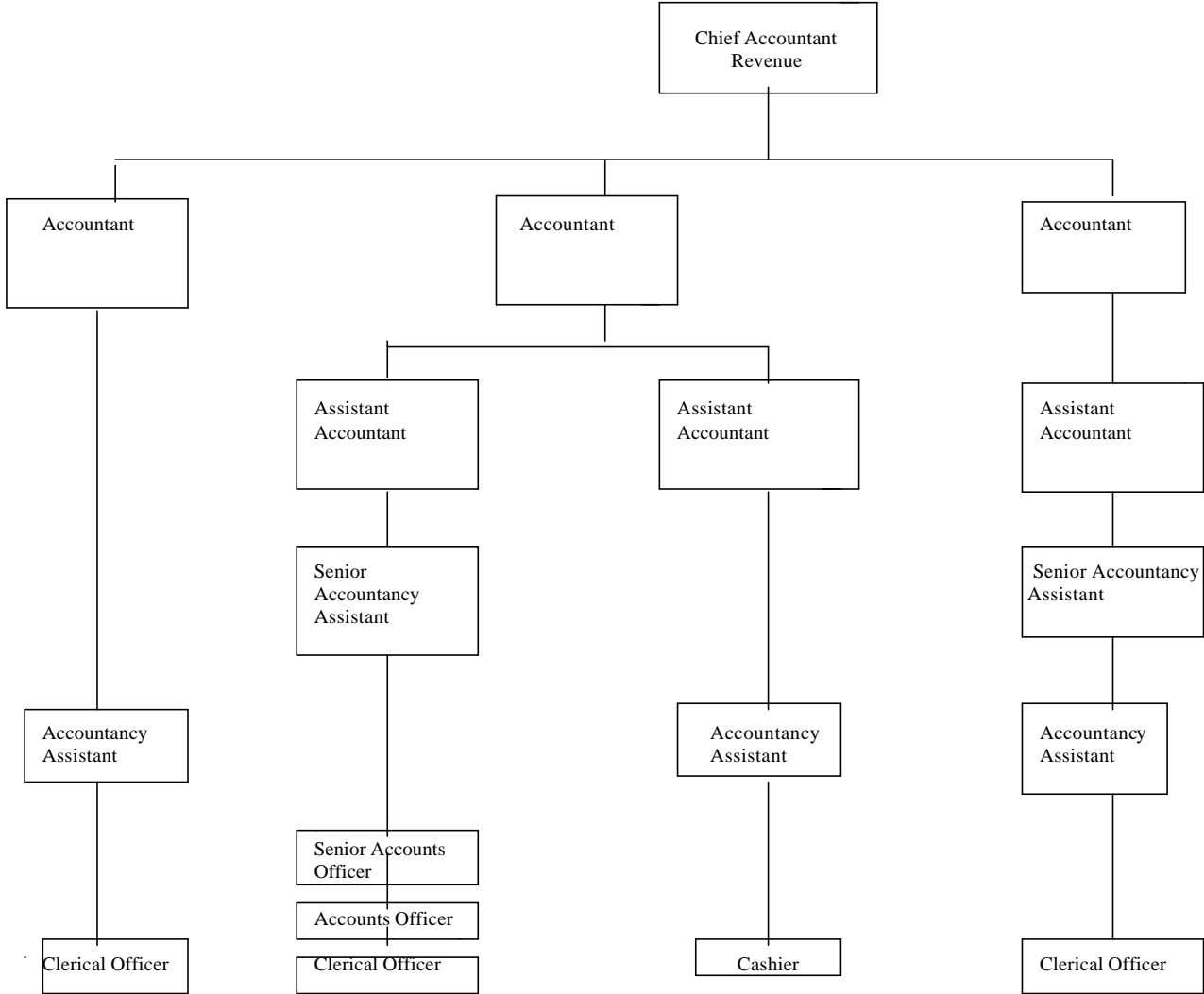
**KITWE CITY COUNCIL
INTERNAL AUDIT UNIT**



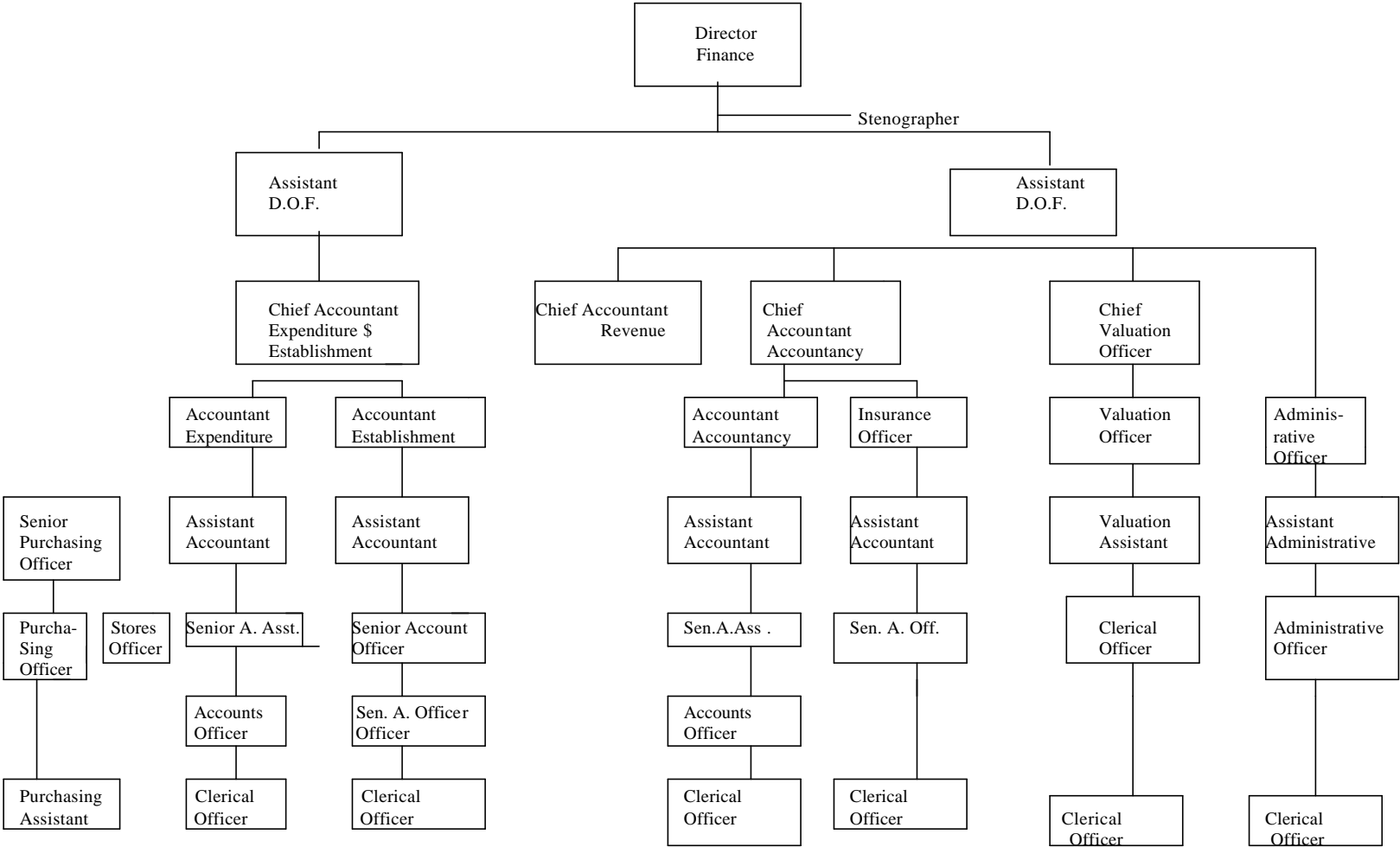
KITWE CITY COUNCIL
LEGAL SERVICES DEPARTMENT



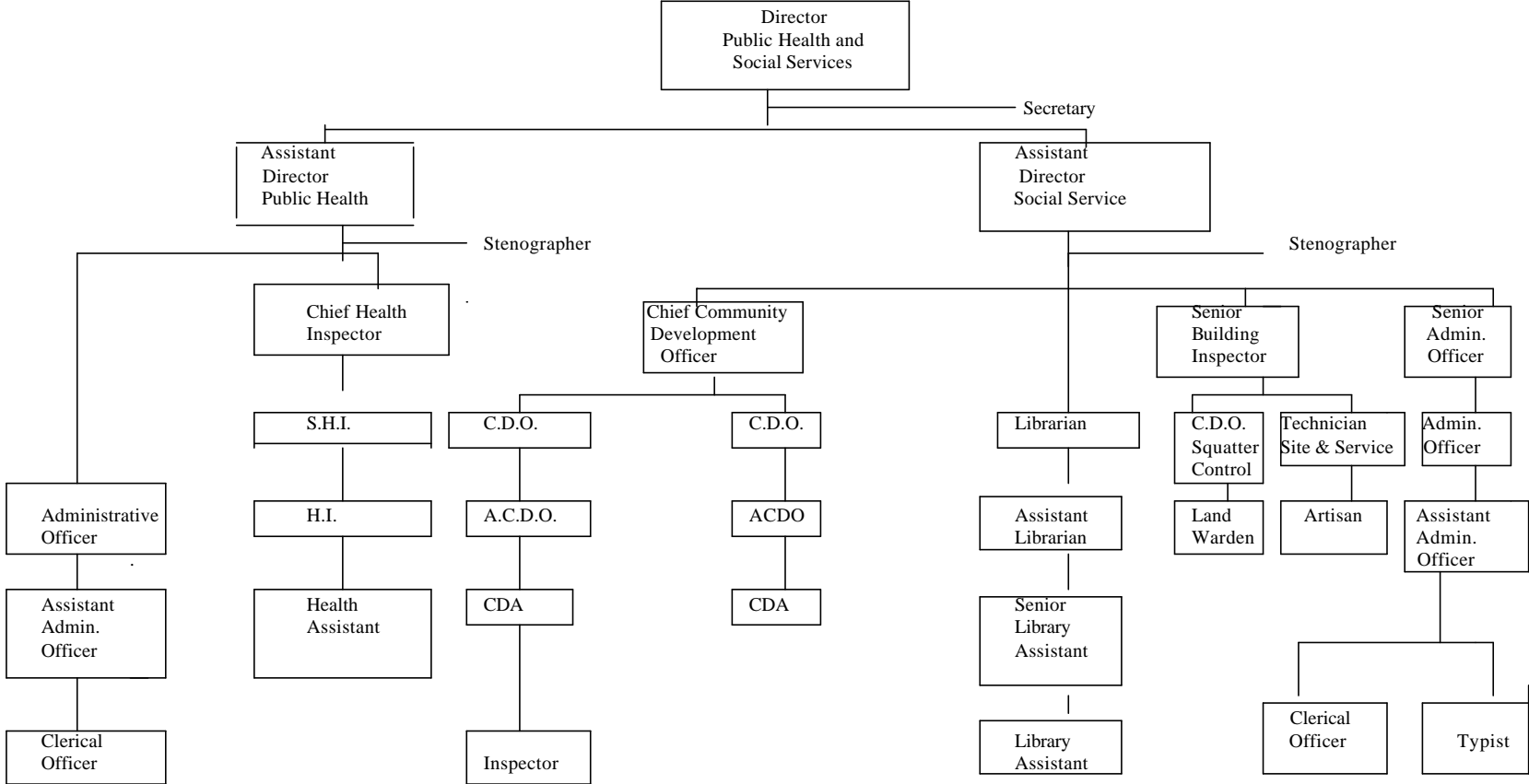
- S.C.A. - Senior Council Advocate
- C.A. - Council Advocate
- S.L.A. - Senior Legal Assistant
- L.A. - Legal Assistant



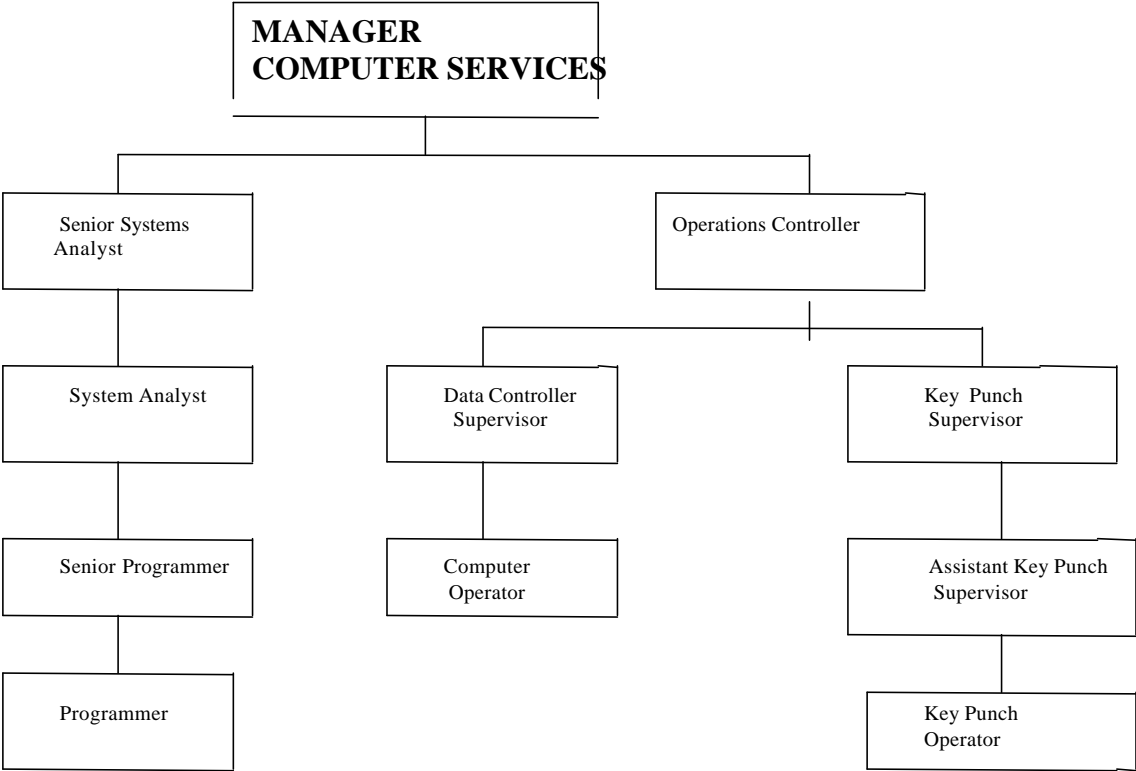
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KITWE CITY COUNCIL
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KITWE CITY COUNCIL
ADMINISTRATION DEPARTMENT

