



**AHT GROUP AG**  
Management & Engineering

# Good Practice Guide for

# Community Delivery of Services (CDS)



Violence Prevention through Urban Upgrading  
in **Khayelitsha**



Federal Ministry  
for Economic Cooperation  
and Development



CITY OF CAPE TOWN | ISIXEKO SASEKAPA | STAD KAAPSTAD

THIS CITY WORKS FOR YOU



## Acknowledgements

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### For comments, suggestions or recommended changes to this Guide

Your comments regarding this good practice guide would be valued greatly as we seek to improve it and issue occasional updates. The Guide will increase in value as a resource if readers provide feedback, relevant case studies, personal experiences or other comments. Send your feedback to the address provided below.

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# About VPUU

The Violence Prevention through Urban Upgrade (VPUU) programme is a partnership between the City of Cape Town (CoCT), the German Development Bank (KfW) and the community of Khayelitsha. The partnership is co-funded via the Federal German Ministry for Economic Co-operation and Development (BMZ). AHT Khayelitsha Consortium is the implementing agent of the programme. The National Treasury, through its Neighbourhood Development Partnership Grant, is also a key partner.

VPUU aims to prevent violence in Khayelitsha and consequently to improve the quality of life of the residents. The goals include a general increase in the safety of the people of Khayelitsha, the upgrading of neighbourhood facilities, economic development, and community development. The aim is to improve the socio-economic situation within four designated areas, namely Harare, Kuyasa, Site C and Site B in Khayelitsha. VPUU works according to an area based approach, meaning an integrated solution is aimed for one specific geographic area by changing apartheid style dormitories with high crime rates into integrated human settlements.

## Abbreviations and acronyms

CBM	Community-Based Management and Environmental Management
CBO	Community Based Organisation
CDS	Community Delivery of Services
CoCT	City of Cape Town
CP	Community Participation
DPLG	Department of Provincial and Local Government
DSRA	Department of Sports, Recreation and Amenities
KCT	Khayelitsha Community Trust
KfW	German Bank for Reconstruction and Development
KDF	Khayelitsha Development Forum
MCP	Municipal Community Partnership
MFMA	Municipal Finance and Management Act
MSA	Municipal Systems Act
MSP	Municipal Services Partnerships
NDPG	Neighbourhood Development Partnership Grants
O&M/MCP	Operations and Management / Municipal Community Partnership
SMME	Small, Micro and Medium Enterprises
VPUU	Violence Prevention through Urban Upgrade Programme

## Terminology

There are several terms in use for concepts related to ‘Community Delivery of Services,’ including community participation, operations and management, community-based management and environment management, municipal community partnership and municipal service partnerships, to mention a few. Community Delivery of Services or CDS has been chosen for use in this process because it describes the intended outcome of this process in a fairly simple and straightforward way.

To avoid confusion between the terms ‘guide’ and ‘manual,’ the term ‘Guide’ (Good Practice Guide) refers to the overall CDS approach being promoted in the larger South African context; while ‘manual’ (Harare Peace Park Active Box Operations and Management Manual) refers to a specific operations and maintenance manual to manage a specific service or facility in a community level context.

# Preface

Three entrenched problems in South African life may be made less problematic by the approach of “Community Delivery of Services” (CDS) promoted in this Guide:

unemployment

deteriorating  
public  
infrastructure

inadequate  
municipal service  
delivery

This Guide provides practical tools to help municipal staff and community groups explore and achieve some of their common goals together. CDS approaches also make developmental local government real, thereby giving effect to the values in the Constitution and the White Paper on Local Government.

This Guide exists primarily to help municipal staff consider and implement partnerships with communities that extend and improve municipal services while deepening community socio-economic participation and creating sustainable employment. Municipal decision makers will find a range of tools that may be useful:

- CDS readiness assessment and planning tool.
- Categorised case studies exploring cost-benefit and ease of implementation issues.
- A list of CDS opportunities that may be more easy to implement initially.
- A ‘how to’ section with sample CDS manuals.
- Discussions on risk assessments.
- More detailed case studies with contact information.

The Guide is also intended to assist communities as a resource for them to use in strengthening local service delivery and in obtaining employment opportunities.

## Some of the main reasons for encouraging a CDS approach are:

- Promoting the participation of local communities in socio-economic activities, especially where unemployment is high.
- Encouraging people-centred development and citizen participation in civic affairs.
- Strengthening pride and ownership in the local community.
- Improving the scope of municipal service coverage.
- Improving the quality of service delivery.
- Making accountability local and tangible.
- Reducing opportunities for crime through well managed facilities and public spaces.
- Building capabilities of local people and encouraging them to take steps towards entrepreneurship.



This Guide is not a theoretical exercise – it is well grounded in practice. The Violence Prevention through Urban Upgrade (VPUU) programme and the City of Cape Town (CoCT) have been working closely with the Khayelitsha Development Forum (KDF) to implement CDS approaches in Khayelitsha. This Guide has also drawn on the experience of an Expert Reference Team that has significant experience with CDS-type approaches.

The Guide is written from the perspective of an intermediary organisation (VPUU) facilitating arrangements between municipalities and communities, and promoting an approach that can and needs to be mainstreamed into municipal institutional systems. CDS is ultimately about government service delivery via community involvement, and intermediaries can sometimes play an important facilitating role in the process.

So we invite you to read on and participate with us in developing ways of involving communities meaningfully in socio-economic development, while at the same time strengthening municipal service delivery and democratic participation in the new South Africa.

Michael Krause  
VPUU Project Team Leader  
AHT Group AG Management and Engineering



## Beyond rhetoric – making developmental local government real

Fourteen years into the new South Africa the challenges of poverty and inequality are still daunting, marginalizing the lives of too many people. The Constitution and many policy documents like The White Paper for Local Government and The White Paper for Municipal Service Partnerships promote Developmental Local Government, which envision democratic practices, citizen participation, integration of service delivery and public accountability.

“*Developmental local government is the dynamic way in which local councils work together with local communities to find sustainable ways to meet their needs and improve their lives.*”

(White Paper for Local Government, 1988, p. 17)

Developmental local government is the new paradigm, context and legal environment in which municipalities operate. Out of this context, the VPUU programme emerged, fully supported by the CoCT, to give effect to developmental local government.

In “*Developmental Local Government in South Africa: A Handbook for Urban Councillors and Community Members*” Sophie Oldfield and Sue Parnell outline the building blocks of developmental local government (see two boxes below).

### The Four Characteristics of Development Local Government

Developmental local government should:

- Maximise the social development and growth of the community.
- Integrate and co-ordinate.
- Democratise development by empowering and redistributing.
- Lead and lean.

### The Building Blocks of Developmental Local Government

- ❑ Poverty alleviation
- ❑ Economic growth
- ❑ Governance
- ❑ Democracy
- ❑ Participation
- ❑ Focus on vulnerable groups
- ❑ Attention to our environments



## Overall goal of this Guide

### Increase the number of well managed CDS programmes

The overall goal of this Guide is to encourage more municipalities and communities to experiment with and implement effective CDS programmes that benefit both groups. One of the implications of ‘well managed programmes’ would be following VPUU’s general approach of:

- research and learning from local contexts — and other people’s experiences — before designing programmes;
- using or developing conceptually robust models;
- developing human capital as an integral part of the process; and
- having clear champions at various levels in the system.

### Key themes

To this end the Guide will emphasise the following key themes:

#### Support municipal decision makers

Make it easier for professionals to access relevant CDS examples, information and tools to use in decision making:

- By showing areas where it is easier to demonstrate success and impact in the short term.
- By providing practical tools (like a readiness assessment and planning tool).
- By providing a “How To ...” guide.

#### Promote sustainable approaches

Promote an approach that strengthens people, institutions and infrastructure in municipalities and poor communities.

#### Encourage partnerships

Practical forms of partnership development are an important and often overlooked element for improving service delivery and including communities in local government.

#### Sharing learning and documenting good practices

It is important to consolidate some of the many good practices and experiences in existence so that important lessons are not lost and can be shared in accessible ways.

The intention of this Guide is to provide an on-going vehicle for documenting and sharing good CDS practices.

## Benefits of CDS

### Some benefits of CDS for communities are:

- Local community members get to talk directly with municipal staff, helping communities understand how government works in practice and what mechanisms can be used to give feedback.
- Access to jobs.
- An opportunity to get involved in service to the local community.
- An opportunity to participate in governance, to have the community's needs taken into account and to be involved in decision making.
- An opportunity to sustain and build community structures through an operational project.
- The partnership is a recognition that there is a relationship of some kind, and therefore a responsibility and accountability to one another.
- An opportunity to manage and participate in a project that adds value to the local community.
- It can build managerial and financial skills and capacity within communities.
- A way of building ownership of facilities within a community.

*(Adapted from Partnerships for better living environments, BESG, 2003)*

### Some benefits for local government are:

- CDS approaches open up communication channels and enable genuine dialogue. (It is difficult for many municipal officials to engage meaningfully at community level. Sometimes superficial community engagement or consultation processes happen, like placing an advertisement in the paper and hoping for written feedback. VPUU community dialogue processes are deep and regular, not superficial.)
- It enables a Municipality to achieve its constitutional mandate and to deliver services to all in a way which extends the public sector.
- It is cost effective, perhaps more so than private sector partnerships.
- It develops relationships with communities, and allows you to address issues jointly.
- It enables local government to provide an efficient service.
- It provides an opportunity to create more jobs, by using a labour intensive approach.
- The use of external intermediaries can be a positive disruption that helps break down 'silo' thinking or political bottlenecks, brings fresh perspectives, utilizes community relationships and integrates the work and dialogue among various departments or role players.

### Some benefits for intermediary organizations or NGOs

(like the facilitating role VPUU is playing)

- Intermediaries or NGOs have the skills for problem solving, development facilitation, innovative thinking and visioning.
- Intermediaries or NGOs could play a support role where it is appropriate to assist Municipalities and CBOs.
- It is an opportunity to get involved in achieving Integrated Development Plans (IDP) and social empowerment objectives in a practical way.
- Intermediaries or NGOs can assist in developing experience, and sharing good practice.
- It is an opportunity to develop specialization in a new area, and to develop programmes which alleviate poverty.
- Start up funds for this kind of programme can usually be sourced from external funding organisations.

## Some key problems and issues to address

The majority of individuals and community groups in poor communities are not benefiting practically from 'developmental local government' as envisioned the Constitution and many policy documents like The White Paper for Local Government and The White Paper for Municipal Service Partnerships. Alongside socio-economic struggles in poor communities are the challenges many municipalities face to meet the demand for sufficient and well managed public services, including maintaining infrastructure investments. Implementing practical CDS approaches to municipal service delivery could go a long way to involving communities in their own development, providing economic opportunities and helping municipalities to increase their capacity to deliver services.

There is a range of challenging areas that need to be addressed in order to strengthen the use of good practice CDS approaches. All of the eight issues in the Conceptual Framework of section 3, with their various subsets (42 in all), have challenging elements in them. Perhaps the six most daunting ones to highlight in the introduction are:

1. Community cohesion and capacity – what is the minimum as a pre-condition?
2. Municipal capacity – to use CDS approaches
3. Will and confidence of municipal decision makers – to use CDS approaches
4. Municipal Finance Management Act (MFMA) – until this changes what are creative ways to finance CDS approaches?
5. Champions at key points in the system – are there enough of the right champions at the various points in the system (municipality, community, politically, intermediaries)?
6. Commitment to and resources for on-going capacity building - not short term fixes, but longer, sustained approaches are required.

## We need to do CDS better

CDS practices vary widely. There are pockets of good practices happening, often in departmental silos, though, so other municipal staff don't know about them. Research for this Guide turned up many positive examples. However, hidden in the good practice examples are challenges and difficulties that often don't get mentioned, yet have important lessons to teach us. And most municipal staff are aware of serious problems implementing a range of CDS programmes, from EPWP contractors not following guidelines to personal or political conflicts that hamper effective programme implementation.

VPUU is actively promoting CDS approaches in Khayelitsha because of our belief that it provides a practical vehicle for helping people gain socio-economic benefits and it strengthens community ownership and participation in community development. Some departments in the City of Cape Town have implemented interesting and helpful CDS programmes, a few of which are included as case studies. As examples, three of the initial VPUU CDS projects are:

- The Ntlazane Informal Traders in Harare organizing themselves and preparing to manage a small community facility with 14 trading stalls at the Khayelitsha train station;
- A group of 4 local organisations forming a management committee to run the Harare Peace Park Active Box and park as a mini-community centre;
- A group of schools, sports organizations and City officials forming a management committee to manage a sports facility and grounds at Kwamfundo Secondary School.

As a way to build capacity and enhance the potential success of the CDS service offered (facility management), these initiatives are supported by training in organizational development and facility management, followed by regular mentoring. Other examples of CDS approaches from throughout South Africa are included as case studies in this Guide (see Appendix C).

The VPUU team's perception is that there are many valuable CDS lessons to be learned from existing practitioners and cases, but there is a lack of organizers and synthesizers who help pull the good examples together so we can learn from each other. This Guide attempts to make it easier for busy professionals to find relevant and helpful practices. So besides just intervening in Khayelitsha, the VPUU project is trying to facilitate learning and sharing of valuable lessons that it hopes can have a much larger impact throughout South and southern Africa.

VPUU doesn't think there are ready-made 'recipes' for good practice. The contingency model outlined later will make this point more clearly. There are many complexities in community organizing, as those involved in more established initiatives like Proudly Manenberg and the Khayelitsha Development Forum will attest. There are many challenges with communities engaging with government and practically knowing how to have their concerns heard and influence felt. One key piece of this Guide is looking at what is working and why - developing 'portraits of practice' - that can help us learn some useful things for our own use in our sphere of influence.

If good CDS practices are not shared and promoted then we will waste important time, money and effort needed to improve situations in South African townships, poorer communities and municipalities. And we will be guilty of not providing the people of South Africa with proven opportunities to help themselves.

Some of VPUU's core principles, values and criteria that will help focus this Guide have been mentioned above and the following list is an attempt to make them more explicit:

- People centred development.
- Participatory approach.
- Actively seek partnerships or shared interests.
- Improve scope and quality of municipal service coverage.
- Other developmental impacts (like providing economic opportunities; strengthening pride in the local community).
- Knowledge sharing: not just gathering information, but sharing information with people who contribute to the process.
- Ongoing M&E.
- Accountability.
- Developing mutual trust between City departments and community groups.
- Supporting cooperative self-help ideas that emerge from community initiatives.
- NOT trying to apply the City Improvement District Model in low income areas.
- NOT about privatizing and limiting access to public spaces via forced collection of levies.
- IS about community regeneration, rehabilitation of public spaces, access and participation for all, citizenship and pride.

And now it is your turn to contribute to this Guide by improving and updating it. We really encourage you to wrestle with its contents, use it in your work and then send suggestions, additions and feedback on this Guide to the Partners for Impact team whose contact details are on the inside cover.

## Institutional arrangements and working definition of CDS

To help shape the scope of this Guide, VPUU uses the term Community Delivery of Services (CDS) to mean:

Having a municipal entity (in this case the Khayelitsha Community Trust [KCT]) contract with a Community Based Vendor (community organisation, community SMME, individual or NGO) for the latter to provide services or manage a facility on a short term service contract (usually one to three years), responsibilities which are often provided by municipalities. In current practice the City of Cape Town contracts with these different service providers. During the process of developing this Guide it is intended that the KCT takes over some or all of this responsibility for facilities built by VPUU. For a short term phase VPUU, as an intermediary, will get involved in coordinating the CDS programme, but this is not the intended norm or the desired longer term sustainable path. The goal is for a municipal entity or the municipality to take over the management of the CDS programme. The context for CDS opportunities will be different for each municipality and community.

DPLG's Companion Guide for Municipal Services Partnerships also describes a slightly more advanced level of Municipal Service Partnership, a management contract, and this level is a secondary and more advanced level of potential future interest to VPUU.

One form of Municipal Service Partnerships (MSPs) is Municipal Community Partnerships (MCPs) and this is the closest legal form to what VPUU means with the term CDS. A MCP:

- Involves two or more parties, which includes the Municipality and a community. A NGO can also be part of the partnership.
- Works to achieve common goals, usually around extending service delivery. It can be a general service delivery partnership, or one which focuses on a specific issue, service or problem.
- Has partners with defined roles and responsibilities to each other.
- Shifts the roles of a Municipality more to a 'service authority' and the Community more to 'service providers.'

The VPUU project is consciously not limiting the range of community delivery of service options to formal MSP or MCP contexts and approaches, as these have particular legal and operational formalities that can make ease of implementation difficult for some community organisations.

The KCT is a legally registered municipal entity with the CoCT and has the authority to enter into service contracts of 1-3 years with community organisations or SMMEs for the CDS (Schedule 5 services). In essence, KCT will act as an intermediary between the City and the Khayelitsha community. This is a MCP model.

The VPUU programme has been included in the latest IDP of the City of Cape Town and therefore has budgetary allocations linked to various departments and the appropriate levels of public accountability.

“Municipal services are those services identified in the Constitution (Schedule 4 and 5) and other services that may be assigned by national or provincial legislation to a municipal council.”

(The White Paper on Municipal Service Partnerships, pp. 7-8).

The CDS opportunities VPUU includes for consideration are organized around infrastructure (facilities) and labour (services), with labour divided into basic skills and higher skills. Some examples of CDS opportunities are included in this table.

Infrastructure	Labour (services)	
Facility management	Technical/Specialist skills	More labour intensive low skill work
Management of trading stalls	Community safety via neighbourhood patrols	Maintenance of paving / tar
Property management	Maintenance of administration buildings	Maintenance and care of soft landscaping
Maintenance of houses (rental stock) and management of leases	Maintenance and care of informal sports fields	Maintenance of street lights
Management and maintenance of neighbourhood centres (active boxes)	Fencing and fences	Maintenance and upkeep of street furniture
Local amenities	Recreation programmes in local parks	Cleansing
Sports facilities	Street trading	Cleaning of administration buildings
Markets	Street lighting and traffic and parking	Billboards and the display of advertisements in public places

The types of contractual instruments for MSPs vary and the following five 'typical MSP arrangements' are outlined on page 9 of the 2000 White Paper on Municipal Service Partnerships: "Service contracts, Management contracts, Lease, Build/Operate/Transfer and Concession" (outlined in more detail below). The type of instrument used is linked to a range of factors like how much money is to be spent, how long the contract is for, the risks involved, the technical expertise required to perform the function, how simple or difficult the service is to provide, etc.

### Overview of forms of MSP service agreements

Type of contract	Service	Management	Lease	Build/Operate/Transfer	Concession
Duration	Short-term (1-3 yrs)	Medium-term (3-5 yrs)	Long-term (8-15 yrs)	Long-term (10-20 yrs)	Long-term (15-30 yrs)
Contractor usually receives	A fee from the council for performing the service	A fee from the council for service and a performance based incentive	All revenues, fees, charges from residents and consumers from the provision of the municipal service. Service provider pays the council rent for the facility	Usually a fee is paid by the municipal council to the MSP for the service – e.g. to construct and operate a water treatment plant.	All revenues, fees, charges from residents and consumers for the provision of the municipal service. Service provider pays a concession fee to the council
Nature of contractor performance	A definitive, usually technical type service	Manages the operation of a municipal service	Manage, operate repair and maintain (maybe invest in) a municipal service to specified standards and outputs	Construct and operate to specified standards and outputs the facilities necessary to provide a municipal service	Manage, operate, repair, maintain and invest in a municipal service to specified standards and outputs
Examples	Grass outing road repairs and maintenance	Managing a council's refuse collection system	Lease of municipal markets, local tourism facility (e.g. caravan park)	Water treatment plant. Sewage treatment plant. New potable water system	Assume full control of a potable water system
Risks borne by MSP (see also 4.)	Few – performance of the service	More – performance of the service	Many – most of the business risk. Some design/construction risk	Many – much of the business risk, design and construction risk	Many – all of the business risk, design and construction risk

Source: DPLG, *Guidelines for Municipal Service Partnerships, 2002, Guideli Service Agreements, page 5.*

In the Khayelitsha environment of 2008, VPUU envisions starting primarily with more simple service contracts of 1-3 years duration and/or under R200 000. VPUU and KCT would like to move to management contracts and more challenging forms of service agreements once community groups and SMEs with greater capacity are ready. But the initial methodology is to start small, prove a concept, build capacity and then grow the programme to more sophisticated levels.

The working assumption VPUU currently uses is that the KCT will sign a contract with the CoCT to manage a wide range of municipal services. So the main contract would be between the City and KCT. KCT will then get the work done in ways that use Khayelitsha residents' labour wherever possible, via local community organisations, individuals, SMMEs or NGOs.

The exact legal and financial arrangements for contracting and paying for CDS activities in Khayelitsha are still being worked out. Until the KCT takes over facilities built by VPUU, the City is responsible for them. The interim model is for the City to appoint a 'Lead Department' (as per the IDP approach) who organizes other City departments involved around a facility (Sports and Recreation working with City Parks, for example). These departments use different financial mechanisms to provide services, for example, hiring part time or full time staff, or using Community Based Vendors. The Lead Department will organize the staffing or provision of services in line with City and national legal guidelines. The KCT as a municipal entity will also need to operate within City and national legal guidelines.

The model being developed by VPUU has a properly constituted community organisation (an Advisory Board or management committee in practice), organised by the local community, with a constitution, bank account and adequate organisational skills, serving as an Advisory Board to the Lead Department. The intention is for this organisation or members of this organisation to manage the facility or provide the services required in that area.

There appear to be different contracting and payment practices in place throughout the CoCT and at the time of writing all of these options still need to be clarified. Also, staff from smaller municipalities have said they implement their procurement processes in different ways than the larger metropolitan areas. The writers sense that practitioners are finding creative ways to work within the MFMA and still engage communities in providing services. This Guide will be reviewed in workshops where these mechanisms will be explored and developed further. For now, various CDS contractual mechanisms or 'how it works in practice' appear to be:

- Hiring staff from the local community organisation (who become City or KCT employees)
- Entering Service contracts using competitive selection processes (for R200 000 or smaller contracts)
- Using Community Based Vendors with or without competitive selection processes (for R30 000 or smaller contracts)
- Entering Maintenance contracts with or without competitive selection processes (uncertain of threshold amounts)
- Using Grants-in-Aid funding (although this seems to be frowned on for service delivery purposes)
- Accommodating people on Sub-Council waiting lists for certain opportunities
- Other types of arrangements.

To state the legal position of the CoCT as understood by the VPUU team, the City is bound by its Supply Chain Management (SCM) Policy and 'the stricter MFMA guidelines'. The City's SCM Policy does allow for the targeting of Community Based Vendors in a specific area for the procurement of goods and services for amounts less than R30 000, but strictly speaking the line



departments should conduct a competitive process to choose a service provider. For services costing R200 000 or less the City is required to have a competitive process and obtain at least 3 quotes.

The following five descriptions are quoted directly from the White Paper on MSPs, 2000:

Service contract

*The service provider receives a fee from the council to manage a particular aspect of a municipal service. Service contracts are usually short-term (one to three years).*

*Examples include repair and maintenance or billing and collection functions.*

*Evidence suggests that this type of arrangement is a starting point for involving CBOS and NGOS in municipal service provision with the other arrangements being considered as capacity and experience are developed over time.*

Management contract

*The service provider is responsible for the overall management of all aspects of a municipal service, but without the responsibility to finance the operating, maintenance, repair, or capital costs of the service. Management contracts are typically for three to five years. Management contracts typically specify the payment of a fixed fee plus a variable component the latter being payable when the contractor meets or exceeds specified performance targets. The service provider normally does not assume the risk for collecting tariffs from residents; however, high collection rates could be a trigger for incentive payments to the service provider. An example may be contracting the management of a water utility.*

Lease

*The service provider is responsible for the overall management of a municipal service, and the council's operating assets are leased to the contractor. The service provider is responsible for operating, repairing, and maintaining those assets. In some cases, the service provider may be responsible for collecting tariffs from resident and assume the related collection risk. The service provider pays the council rent for the facilities, which may include a component that varies with revenues. Generally, the service provider is not responsible for new capital investments or for replacement of the leased assets. Leases are typically for eight to fifteen years. Examples include the lease of a municipal market, port or water system.*

Build/Operate/Transfer (BOT)

*The service provider undertakes to design, build, manage, operate, maintain, and repair, at its own expense, a facility to be used for the delivery of a municipal service.*

*The council becomes the owner of the facility at the end of the contract. BOTS may be used to develop new facilities, or expand existing ones. In the latter case, the service provider assumes the responsibility for operating and maintaining the existing facility, but may or may not (depending on the contract) assume responsibility for any replacement or improvement of the facility. A BOT typically requires the council to pay the service provider a fee (which may include performance incentives) for the services provided, leaving responsibility for tariff collection with the council.*

Concession

*The service provider undertakes the management, operation, repair, maintenance, replacement, design, construction, and financing of a municipal service facility or system. The service provider often assumes responsibility for managing, operating, repairing and maintenance of related existing facilities. The contractor collects and retains all service tariffs, assumes the collection risk, and pays the council a concession fee (sometimes including a component that varies with revenue). The municipality still remains the owner of any existing facilities operated by the concessionaire, and the ownership of any new facilities constructed by the concessionaire is transferred to the municipality at the end of the concession period.*

Besides listing the five levels of contracts for MSPs, we have also included (below) the risk allocation table from DPLG, Guidelines to Municipal Community Partnerships, 2002. For Service Contracts the Council bears all the risks. For the next level of contract, Management Contracts, three areas of risk are negotiated and/or shared between the Council and Service Provider – operating risk, maintenance risk and collection risk.

Risk allocation based on form of MSP contract					
Type of MSP contract	Service contract	Management contract	Lease	BOT	Concession
Design Risk	Council	Council	Council	MSP service provider	MSP service provider
Construction risk	Council	Council	Council	MSP service provider	MSP service provider
Operating risk	Council	Council/MSP service provider	MSP service provider	MSP service provider	MSP service provider
Maintenance risk	Council	Council/MSP service provider	MSP service provider	MSP service provider	MSP service provider
Demand risk	Council	Council	MSP service provider	MSP service provider	MSP service provider
Tariff risk	Council	Council	Council	Council	Council/MSP service provider
Collection risk	Council	Council/MSP service provider	Council/MSP service provider	Council	MSP service provider
Credit risk	Council	Council	Council/MSP service provider	MSP service provider	MSP service provider

Source: DPLG, Guidelines to Municipal Service Partnerships, 2002, Section 5 Service Agreements, p. 15

## Conceptual framework: A contingency approach to developing CDS programmes

The following framework has been developed to highlight the range of important variables that influence the potential development of CDS approaches – what important ‘contingencies’ need to be considered in developing an appropriate local strategy. By *contingent* we mean ‘dependent on or conditioned by something else.’

### How you could use this conceptual framework

The conceptual framework is intended to be used in two ways. First, it simply provides a conceptual framework by outlining a range of important factors that affect the ability to successfully implement a CDS programme. And second, it acts as an assessment and planning tool for municipal staff or communities, in particular, to evaluate their readiness to implement a CDS programme and decide what areas would need more attention if a CDS strategy were chosen. Each factor can be reviewed to see if it presently supports or hinders a CDS programme. Certain variables are critical and their absence or weakness would almost certainly short circuit attempts to use CDS approaches – these critical variables are marked with an asterisk (\*).

Appendix A has converted this conceptual framework into an assessment and planning tool, with space to make plans. An important complementary tool to the conceptual model is provided in Appendix B - a more detailed risk analysis tool that helps decision makers compare other case examples and examine factors like scale, capital cost, annual cost to municipality, jobs created, estimated annual turnover, sustainability issues, etc. Using these two tools together should help decision makers get a quick and fairly comprehensive sense of whether or not to implement a CDS programme and then decide what needs to happen next if that path is chosen.

### Contextual issues (A, B, C & D)

#### A: The national and provincial legal framework

##### 1. The enabling legislation to allow CDS activities\*

The policy intentions to include communities in providing municipal services as outlined, for example, in the White Paper on Municipal Service Partnerships, are currently hampered by the Municipal Finance Management Act (MFMA) and Systems Act legislation “that presently limit the scope for the widespread and cost-effective application of CBOs as an outsourcing option in service delivery” (Baatjies, R). More is said on this issue later in the document. What are creative ways to work within the MFMA and promote CDS approaches? This Guide will be reviewed in workshops where these mechanisms will be explored and developed further.

##### 2. The institutional relationships for particular CDS arrangements\*

The KCT, a Municipal Entity, is currently negotiating a MoU with the CoCT which would allow them to enter into service level agreements to provide municipal services. Institutional arrangements for groups in other communities will need to be explored taking into consideration their particular circumstances. In smaller cities and towns, for example, they may handle some of these institutional arrangements differently than the CoCT – KCT arrangement being negotiated.

## B: The nature, development and context of an area

### 1. Rural, secondary city, peri-urban or urban area

CDS opportunities and challenges will probably be different in these various contexts. A major metropolitan area may require interacting with a wide range of staff from different departments for each CDS activity, whereas dealing with a small municipality may allow exploring several CDS activities with one person or a small municipal team.

### 2. The availability of infrastructure

The care and maintenance of municipal infrastructure provides CDS opportunities. An area with limited infrastructure provides fewer opportunities. In thinking about infrastructure in a different way, the lack of adequate infrastructure like office space, telephones, e-mail access and good roads can make it difficult for municipal or community organisation staff to do their work efficiently and effectively.

### 3. The nature of the prevailing political economy

CDS opportunities will be affected by the relationships between the various spheres of government, political parties with power and influence in an area and the economic climate and relationships with local businesses.

### 4. The amount and type of appropriate services available to do in the area

(Schedule 5 type services from the SA Constitution and White Paper on MSPs).

What real CDS opportunities exist in a municipality? One place to explore opportunities is the list of Schedule 5 services that comes from the White Paper on Municipal Service Partnerships, 2000, page 8: “beaches and amusement facilities; billboards and the display of advertisements in public spaces; cemeteries, crematoria, and funeral parlours; cleansing; control of public nuisances; control of undertakings that sell liquor to the public; facilities for the accommodation, care and burial of animals; fencing and fences; licensing of dogs; licensing and control of undertakings that sell food to the public; local amenities; sports facilities; markets; municipal abattoirs; municipal parks and recreation; municipal roads; noise pollution; pounds; public places; refuse removal; refuse dumping and solid waste disposal; street trading; street lighting and traffic and parking.” See the table on page [14?] for a simpler way of seeing the kinds of services and facilities VPUU includes for consideration for CDS approaches.

## C: The complexity of risk management issues

### 1. Clarity on risk management issues \*

Even where it seems possible and desirable to include community organisations in providing services there are risk management issues to consider (a more thorough list follows in this section). For example, community security patrols are being considered for Sports and Recreation facilities. However, if community organisation members were attacked and hurt while providing services, what would the implications be for liability on behalf of the municipality?

One of the ways municipalities currently minimize their risk is to require that technical or professional service providers are registered with their professional association. The appropriateness of these kinds of registration requirements for a CDS approach needs

to be considered based on CDS service provider skills, service levels required and risks involved. It is important that CDS service providers have the relevant technical skills and their operations are legally compliant.

So health, safety, technical, legal, employment and other practical kinds of risk issues need to be raised and clarified when exploring CDS opportunities.

The list of typical risks below (2-9) is not intended to be comprehensive as each context and project is different. The following risks in this section come from the 2003 Guidelines for Municipal Service Partnerships, Guideline 5 on MSP Service Agreements, pages 6-9, issued by DPLG. These risks relate to more complex forms of CDS.

## 2. Design risk

The risk that the design of a facility will be unsuited or fail to function for its intended purposes. The more complex the facility and the associated technology (e.g. a wastewater treatment facility), the higher this risk is likely to be. If the design of the facility is faulty, its operating and maintenance costs may be higher than anticipated or it may not produce the anticipated level of service or output. In such cases, it may need to be redesigned or even rebuilt.

## 3. Construction risk

The risk that a facility will not be completed on time or on budget. Again, the larger and more complex the facility, the greater this risk will be. Delays in completion can result in failure to deliver services on time. Cost overruns can result in higher tariffs or lower levels of service.

## 4. Operating risk

The risk that the cost of operating a service was higher or lower than anticipated by the parties at the time the MSP contract was signed. Operating risk is caused by unanticipated events that may adversely affect the operation of the MSP enterprise and the delivery of the service. Examples of this type of risk include:

- unanticipated breakdown of equipment;
- unavailability of supplies, spare parts or fuel;
- strikes and other labour action.

If operating costs are higher than anticipated, revenues may be insufficient to support the agreed level of service. If operating costs are lower than expected, the MSP service provider may realise higher profits than anticipated for the agreed level of service.

## 5. Maintenance risk

The risk that the operating assets constructed or operated by the MSP service provider may be in poor condition on their transfer to the municipality at the end of the term of a lease or concession. This may occur because budgeted maintenance and repair costs were insufficient to maintain the facility properly, or because the maintenance was improperly performed. If the operating asset was improperly maintained, the municipality may incur unanticipated costs to bring it into proper operating condition or to replace it prior to, or during, the implementation of the project. Also, depending on the warranties or assurances given by the municipality at the time of the contract, the municipality may be liable for legal action from the MSP service provider who may claim damages for lost revenues arising from the non-availability of the promised plant or asset.

## 6. Tariff risk

The risk that tariffs for a service will be lower or higher than anticipated by the parties to the contract. This is typically a risk for the MSP service provider and its lenders, rather than for the municipality since the municipal council retains ultimate control over tariff levels (subject to the requirements of sectoral regulators). However, this can also be a risk for the municipality if the tariff-setting rules imposed by sectoral regulators do not allow the municipal council to set tariffs at the levels that the council anticipates will be necessary to support the delivery of services by the MSP service provider in the quantity and quality called for in the contract:

- on the one hand, if tariffs are lower than anticipated, the level of service may be adversely affected, or the MSP service provider may not be able to meet its financial obligations to suppliers, lenders and subcontractors;
- on the other hand, if tariffs are higher than anticipated, the MSP service provider may realise greater profits than anticipated for the agreed level of service and consumers may not be able to afford the service.

## 7. Demand risk

The risk that demand for a service will be less or greater than anticipated by the parties to the MSP contract. If demand for the service is less than anticipated, it may mean that tariff revenues will be insufficient to support the MSP service provider's debt service and operating costs, and that tariffs may have to be increased. If demand is greater than anticipated, it may mean that the MSP service provider is unable to meet the demand with the available technical, financial, human, management and other resources, and that the additional demand may remain unsatisfied.

## 8. Collection risk

The risk that the tariff collection rates will be lower or higher than anticipated by the parties to the contract. A municipality or an MSP service provider may have assumed a minimum rate of tariff collection (e.g. as a percentage of total potential tariff revenues). If the tariff collection rate is lower than the anticipated level (e.g. because the MSP service provider bills a smaller percentage of total potential tariff revenues than anticipated, or because it is not able to collect as high a proportion of the tariffs billed as anticipated), the MSP service provider may not be able to meet its financial obligations or may be unable to deliver the expected level of service.

## 9. Credit risk

The risk that a party to an MSP contract will not be able to pay its obligations when due:

- from the point of view of an MSP service provider, this includes the risk that the council will be unable to pay the agreed fees to the service provider in full and on time, or that the council will be unable to meet its obligations under a guarantee to the MSP service provider or its lenders;
- from the point of view of the council, this includes the risk that the MSP service provider lacks the resources to meet its obligations to its suppliers, subcontractors or lenders and its operations cannot be sustained.

## **D: The complexity of the facility to manage or service to be provided**

Some of the simplest services for communities to provide may be keeping local streets swept and clean or maintaining the grounds at a local park. And one of the simplest facilities to manage may be a small community centre with a few meeting rooms. There are a range of difficulty levels for potential services and facilities that communities could manage and this level of complexity must be considered.

### **1. The level of technical skills required to provide a particular service or manage a facility**

There are a range of different skills required for CDS programmes, ranging from sweeping streets and keeping a park or building clean, to plumbing and electrical maintenance, to bookkeeping and accounting, to managing a large facility. These different responsibilities require differing levels of skills and educational backgrounds. As mentioned earlier in the section on risk, one of the ways municipalities minimize their risk is to require that technical or professional service providers are registered with their professional association.

### **2. The level of organisational and management skills required**

All CDS projects require a degree of organizational and management skills, and not all people working on the project need to have all these skills. Managing a large recreational facility, SMME hive or shopping centre will require stronger management skills than maintaining the green spaces at a park.

### **3. The relevance for a low income area**

In communities where unemployment and poverty are particularly bad, there is a need to try approaches like CDS that can add tangible employment and capacity building opportunities. It may be helpful to advertise opportunities or do a mini-skills audit of a community to identify people or organisations with particular skills to manage CDS opportunities.

In 1995, Khayelitsha was chosen by Peace Trees South Africa as the location for the establishment of the first community-run park in Cape Town – the two hectare Manyanani Peace Park. Peace Trees SA was a joint project of the Earthstewards Network, a Local Organising Group consisting of 17 multi-sectoral partners and a Park Committee made up of 30 local residents. Together, they raised money and planned for the establishment of the park and facilities, including children's play equipment, a clubhouse, a football field, a basketball court and an amphitheatre. Following a three week international youth camp to establish the Park and its facilities, management and maintenance of the park fell to the Park Committee and the Lingulethu Town Council, with the assistance of NGOs such as Abalimi Bezekhaya. Today, the Manyanani Peace Park continues to be a green haven in A Section and its facilities are used by local youth and senior citizens' groups, sports teams, a sewing group and an increasing number of groups from outside the area.

From the beginning, there has been a local champion of the Park in the form of Christina Kaba, who has continued to mobilise the community, kept up strong links with Abalimi Bezekhaya, used her gardening skills and knowledge to keep the Park in good condition, hired the local workforce, monitored the condition of the facilities and liaised with City Parks and Gardens staff from the local sub-council.

The continued involvement of Abalimi Bezekhaya has been crucial. The Park continues to be a 'special project' of Abalimi Bezekhaya and enjoys its full support. This NGO has, through Christina Kaba, provided support, training, plants, funding, management and institutional support. For example, when donations come in, they are administered through Abalimi Bezekhaya and their financial procedures to ensure transparency.

## Primary Stakeholder Issues (E, F & G)

### E: The characteristics of the municipality

The leadership, commitment, skills, finances available and volume of responsibilities of a municipal department's staff affect the possibility of CDS approaches. Other variables are also critical, like linking CDS to IDPs and budgets which have public accountability. As an example, the leadership of the Department of Sports, Recreation and Amenities is highly committed to CDS approaches. They have included community groups in maintaining local parks and they are actively exploring ways to turn over the management of close to 300 sports, recreation and amenities facilities to community groups. Various arrangements are in place depending on contingency factors in this model, with two of the biggest issues being the capacity of the department staff and the vision and capacity of local community groups. Where municipal capacity is limited the council should consider starting with simpler CDS arrangements.

1. The need to extend, transform or improve services
2. The attitudes of the municipal leadership towards supporting CDS approaches\*
3. The existence of passionate municipal champions who take responsibility to drive and ensure implementation success\*
4. The commitment and confidence of various municipal department staff to make CDS work\*
5. The skills of various municipal departmental staff – including technical, management, organisational development, community facilitation and others
6. The ability of municipalities to tie CDS to IDPs and budgets (public accountability)\*
7. The level of red tape and/or strategies to reduce administrative hurdles
8. The financial resources of a municipality

The Mitchells Plain Sports and Recreation Centre is one of the flagship community run sports and recreation facilities in the Cape Town area. Community members of the Greater Mitchells Plain Sports and Recreation Council approached the Department of Sports, Recreation and Amenities to see if they could manage the facility. The community group and the DSRA worked together over a period of time to make the practical and legal arrangements. Parks and Recreation has a staff member who coordinated facility management training for the community members, and monthly meetings are held with the Facility Coordinator and DSRA staff to cooperate in ensuring the facility and its programmes are well managed.

### F: The characteristics of the local community (target group)

#### Individuals, community groups and SMMEs

#### 1. The level of poverty and unemployment

It is highly desirable to provide CDS opportunities in communities with high levels of poverty and unemployment.

#### 2. The level of organisation

(see VPUU Group Assessment in Appendix G. for a more detailed summary)

A community based organisation needs to have at least basic organisational skills and capacity to manage certain CDS activities. It may be helpful to support or provide



training and mentoring services to strengthen the capacity of people in organisations who are going to provide services. VPUU uses the approach of basic organisational development training, CDS specific service or facility training, followed by approximately 12-18 months of mentoring (approximately 1.5 days a month of support).

**3. The level of technical skills available to provide a particular service or manage a facility**

Certain technical skills and knowledge like managing a facility, managing finances, understanding health risks, etc. are critical to properly manage certain municipal services.

**4. The level of political freedom for various groups to have access to opportunities**

Gatekeepers and political influence or interference sometimes prevent the equal opportunity for community groups to provide services. It is recommended that transparent and fair selection processes are implemented for CDS opportunities.

**5. The existence of appropriate, passionate local champions who take responsibility to drive and ensure implementation success (social entrepreneurs)**

Making CDS opportunities happen requires passionate community leaders and organisations who that pursue partnerships and then make programmes work. Without a strong local champion or champions a CDS programme is likely to fail or to will not live up to achieve its full potential. However, caution must be taken to screen out local leaders who are unhelpful or selfish gatekeepers. The wrong type of local leader or champion can hijack a project completely and this has caused many projects to fail.

**6. The willingness to take on legal, management and partnership obligations**

CDS partnerships require community groups to commit to and keep certain responsibilities - to be accountable to the broader community and the municipality - and not just receive the benefits of the arrangement.



The Ntlazane Traders Association has approximately 80 members, many of whom trade near the Khayelitsha train station in Harare. The Ntlazane Traders Association will soon be responsible for managing a small community facility at the train station with 14 trading bays and meeting rooms that can be rented. The two storey 'Active Box' building will be completed in early 2009, built by local contractors.

VPUU has worked closely with this organisation to help them strengthen their management skills and organizational systems and to learn how to manage a facility. After the training course the leadership of the organisation has participated in regular mentoring support which will continue for several months into their managing of the new facility.

**G: The characteristics of the local political situation**

A range of dynamics at the local political level can affect attempts to do CDS projects. Four of the main ones, which are fairly self-explanatory, are as follows.

1. The role and involvement of councillors (can be facilitative or obstructive)
2. The turnover of councillors
3. The skills and experience of councillors
4. The political stability and levels of cooperation between the national government, province, municipality and local community level

**Process Issues (H & I)**

**H: The qualities of the CDS champion or facilitator**

1. The credibility of the CDS champion
2. The skills of the CDS champion
3. The appropriate networks and key relationships of the CDS champion

To implement a CDS programme successfully ‘champions’ are required from the side of a municipality and the community. In practice, an intermediary is often involved initially as the champion in promoting and implementing a CDS approach and bringing the municipality and community together. Sometimes outsiders are able to break down ‘institutional silos’ or not be trapped by politically charged environments and can play a more creative role in breaking logjams. BESEG played this role in the Msunduzi Municipal Service Partnership Projects in Pietermaritzburg and VPUU is playing this intermediary role in Khayelitsha. (It must be acknowledged that various CoCT departments are involved in CDS activities.)

One of the key roles of intermediaries is to champion a CDS pilot that brings municipalities and communities together and that develops appropriate institutional arrangements for the pilot and longer term programme stability. A CDS champion must have credibility with various stakeholders, the requisite skills to organise and implement CDS activities and appropriate networks and key relationships to bring the right people together to ensure programme success.

Some of the skills required include the ability to bid for the work; manage people, funding and equipment; related technical or professional knowledge and skills; community facilitation; complex stakeholder management and consensus building; strategic communication; and ability to deliver programmes and services on the ground.



## **I: The resources and quality of support provided to the CDS process**

### **1. Adequate legal support for contracts and service level agreements**

Writing up service level agreements or contracts requires legal expertise which community groups would not typically have. So CDS institutional arrangements need to provide support and some flexibility to intermediaries or community groups in working through Memoranda of Agreement, Memoranda of Understanding, Service Level Agreements, Contracts or other legal arrangements.

### **2. Adequate funding for training community groups, SMEs and municipal staff**

There are a range of capacity issues that hinder effective CDS programmes. Financial resources need to be made available for capacity building support. Training and mentoring for both key stakeholder groups can help strengthen the knowledge, skills and attitudes needed for successful implementation

### **3. Adequate communication strategies to disseminate opportunities and recruit interested community groups and SMMEs**

Care must be taken to communicate opportunities in the most appropriate community forums and media – often community radio, community newspapers, via sms messaging and via community structures. Use of traditional mainstream media only has kept many Khayelitsha residents uninformed about opportunities in the past.

### **4. Adequate capacity of municipal staff to do quality control and mentoring**

There is real potential for not implementing CDS approaches because of perceived or real time and capacity constraints of municipal staff. Solutions to this issue need to be explored and found.