

Outsourcing municipal services and skills transfer

MANY MUNICIPALITIES ARE CHOOSING to outsource service delivery for services such as water and waste management. The 'drivers' typically used to justify an outsourcing initiative include introducing capital investment, achieving value for money, appropriate risk transfer, greater efficiency and skills transfer. Some common dangers with outsourcing services include a potential loss of accountability, asset protection, threats to continuity of service provision and so on.

The Local Government Project conducted a survey of a wide range of current South African service delivery contracts to see how their actual contract terms assist (or otherwise) in achieving the outsourcing objectives and how they provide

for the common dangers. The objective was to get a general idea of what these service delivery contracts entail.

This article focuses on what they contain on the issue of skills transfer.

Skills transfer

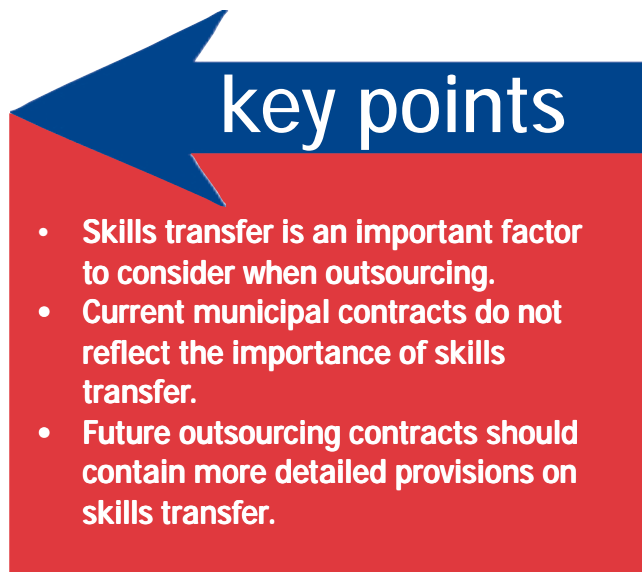
It is apparent that two of the biggest threats to service delivery in present-day South Africa are a lack of financial resources and under-capacitated municipalities, in other words, a lack of money and a lack of skills. Skills transfer from an (allegedly) more skilled service provider thus offers the compelling promise of ultimately enabling and empowering a municipality to provide the service itself.

Naturally, skills transfer is not always a necessary requirement. For example, it may not be relevant to a large Metropolitan Council that chooses to outsource for other reasons. But many of the contracts analysed involved relatively small and struggling municipalities. Ideally, if one were serious about achieving effective skills transfer one would expect the contracts to contain a relatively comprehensive section on the issue. The contract should preferably identify who would be responsible for the skills transfer, describe the type of skills that need to be transferred, identify the level of employees who need training, set time lines during which skills transfer should take place and contain measures to test whether it has been achieved as planned.

Practice

Surprisingly, the contracts are almost universally silent on this issue. Only two of the contracts actually contain a section on skills transfer and these were both public-public partnerships and not public-private partnerships. These contracts were only recently entered into and hopefully herald a different approach to this objective. It is clear that skills transfer will not happen by some form of osmosis; rather, it will require focused activity by both the municipality and the service provider. However, despite mentioning the need for skills transfer, these two contracts

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key points

- Skills transfer is an important factor to consider when outsourcing.
- Current municipal contracts do not reflect the importance of skills transfer.
- Future outsourcing contracts should contain more detailed provisions on skills transfer.

unfortunately do not go into any meaningful detail as to how the skills transfer will actually be achieved.

It is worrying that recent case studies reveal that skills transfer is by no means a certainty during a long-term outsourcing project and that the risk remains that the outsourcing contract may result in the municipality being less able to continue service delivery itself than it was before the service was outsourced. This highlights the importance of the municipality

considering skills transfer provisions more seriously during contract negotiation and drafting.

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This is the first of a series of articles on outsourcing contracts.