

Waste Management – a model for generating entrepreneurs

TEDCOR

The Entrepreneurial Development Corporation (TEDCOR) trains and develops entrepreneurs from historically disadvantaged backgrounds to provide cost-effective, sustainable waste management services in South Africa's disadvantaged and under-served areas.

Working in joint venture partnership with municipalities, local communities and the private sector, TEDCOR's unique business model provides employment for local communities and trains local people to become business operators. This approach encourages community participation while building a cleaner, healthier environment.

In common with most municipalities the world over, particularly in the developing world, South African municipalities face a daunting challenge for service delivery. Refuse left uncollected in municipal areas can have severe negative consequences for the living standards of the population, and for investment. The South African government has acknowledged that it needs private sector help to meet its promise of delivering services to people where it affects them most directly – in the areas where they live.

In South Africa, five million homes are without waste collection services. After housing, water, sanitation and electricity, waste management is fifth in the order of critical service priorities requiring government funding. The shortage of funds for these services is partly a result of low levels of fee collections from residents who are either unable to pay or refuse to pay for inadequate services "brought-in" from outside the community. The solution was found in the communities themselves providing the service. And therefore a different approach was needed - one in which the entire community would benefit and the local authority could achieve its service delivery goal.

TEDCOR's unique business model allows municipalities to achieve their service delivery goals by providing efficient, sustainable waste management services while at the same time answering to the wider need for government and the private sector to promote Black Economic Empowerment, create jobs, transfer skills and uplift communities. Waste collection is an ideal industry within which to create employment. It can be adapted to be labour intensive, instead of capital-intensive as is the case in many developed countries.

At the start of a project, TEDCOR and the local municipal councillors and community leaders identify suitable community contractors within a designated municipal area. These are generally unemployed individuals, men and women, who show entrepreneurial and leadership qualities, are literate and have valid driver's licenses. Importantly, they are individuals who are accepted by the community.

A contract is entered into between the municipality and TEDCOR in which TEDCOR agrees to sub-contract the collection service to community contractors, who are members of the community being serviced. The contractors commit to providing services to a defined standard; and TEDCOR agrees to train and assist the contractors set up and run their small businesses. TEDCOR arranges bank loans for the contractors to buy their vehicles and equipment, which they own from the first day of operating their businesses and also assists the contractors with all facets of establishing their businesses, from finding premises, to recruiting staff, from the legal aspects to financial and administrative systems.

The contractors are put through a five-year training programme in the management of small businesses, which has been accredited by the University of South Africa. TEDCOR remains involved throughout the entire contract period, which is usually five years. This is a key element of its success, since most new enterprises fail because the owners can perform the technical work but have no administrative experience. Ongoing service provision includes financial management support, quality control and community liaison.

The waste collection skills needed are easily taught and can be supplemented in a way that allows the new waste management entrepreneurs to remain in control of their own businesses. Jobs are created within the community for formerly unemployed and unemployable men and women, helping people in these communities prosper. Their environment is also far cleaner and healthier. As a result, they are more able and willing to contribute a small monthly payment for waste removal services. Typically, each contractor employs 12 to 16 people from within the local community to service 5000 collection points, and the programme endeavours to spend at least 70 per cent of the contract revenue within the community by way of salaries and wages, diesel purchases and consumables.

TEDCOR started its community-based refuse removal system in 1992. Today, using TEDCOR's model, over 80 trained entrepreneurs operate their own small businesses in 16 local authorities. They provide employment to more than 1,000 historically disadvantaged people and supply waste removal services to around 400,000 households.

Absence of funds is the biggest impediment to scale up TEDCOR's business model. Great initiatives have been made possible with assistance from external funders, but more is needed. For example, an environmental and waste management project launched in 1997 and still continuing in the Bojanala Platinum District Municipality was made possible with funding assistance from Finland and the European Union. TEDCOR-appointed team leaders were trained in environmental issues. The team leaders then spread awareness of the benefits of a clean environment in the community through group meetings, posters, group meetings and touring theatre groups. Increased environmental awareness then paved the way to successfully introduce efficient waste removal services, and for municipalities to collect service rates.

In Moses Kotane and Moretele municipalities in the North West Province, provincial funding is paid every year into a special account to be spent on waste collecting using the TEDCOR system. Costs and fees for the service are negotiated in a way that allows any savings on costs to be shared on a 50/50 basis with the municipality. With these savings, TEDCOR has built a Hospice for children in the community and continues to fund it on a month-to-month basis. Proper auditing allows for transparency and ensures that costs are accurately and appropriately allocated. Funders can therefore be satisfied that their money and resources are not squandered and that surplus profits are charitably applied to social development and good citizenship causes.

TEDCOR has recently completed a feasibility study in Maputo, Mozambique where the municipal equipment is at the end of its useful life and there are no funds available for replacement. Meanwhile the city gets dirtier and dirtier as the amount of waste increases by the day. The solution requires setting up 50 SMEs each employing a crew of fifteen bringing employment to nearly 900 unskilled people, at an average cost of two dollars per household per month.

An even larger opportunity lies in providing a service to the 5 million houses South African currently without waste removal. Using TEDCOR's model this would create 1,250 new SME and create 21,000 new jobs.