



the dplg

Department:
Provincial and Local Government
REPUBLIC OF SOUTH AFRICA

**IMPLEMENTATION OF FREE
BASIC SERVICES BY
MUNICIPALITIES**

**PROVINCIAL & LOCAL GOVERNMENT
PORTFOLIO COMMITTEE**

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Purpose

- ❖ To indicate the progress made in implementing FBS
- ❖ To highlight the challenges in implementing FBS
- ❖ To highlight the support rendered to municipalities



Progress to date

- ❖ Good progress has been made in the provision of FBS in some municipalities despite challenges
 - **70%** of the 46 553 296 total population is provided with Free Basic Water
 - **61%** of the 29 378 792 indigent population is provided with Free Basic Water
 - Currently **64%** of the municipalities provide Free Basic Electricity



Implementation Challenges

- ❖ Lack of indigent policies and registration, verification & management of indigents
- ❖ Revenue generation, collection and enhancement
- ❖ Provision of FBS levels of service in contravention of policy
- ❖ Lack of communication



Implementation Challenges (Continue)

- ❖ Lack of reporting, monitoring & evaluation system
- ❖ Coordination of FBS implementation at provincial & municipal level
- ❖ Lack of capacity within municipalities
- ❖ Disconnections of indigents
- ❖ Lack of infrastructure



Project Consolidate – Support to Municipalities

- ❖ Develop an integrated intervention strategy
- ❖ Outline the support to be provided by the other spheres of government
- ❖ Agree on measurement and follow-up
- ❖ High level commitment to the process and outcomes, both politically and administratively



Project Consolidate – District Interventions

- ❖ Development of district-wide action plans for the delivery of FBS
 - Action plans developed for all the municipalities within Mpumalanga
 - Action plans developed for all the District & Local Municipalities within Eastern Cape
- ❖ All the Provinces will be assisted with the implementation of FBS



Purpose of this policy

- To ensure that all of the indigent in South Africa have access to an essential services package by 2012.
- To align the responsibilities of national and provincial government relating to indigents with those of local government.
- To provide an overall framework within which the free basic services policies and strategies of other national departments can be applied.
- To provide a basis for ensuring that sufficient funding is available to municipalities to fulfil their responsibilities in providing basic services to the indigent.



Understanding poverty

- The experience of poverty is multi-dimensional. While the inability to access income remains one of the most obvious expressions of poverty, definitions of poverty typically refer to:
 - The absence of capital such as land,
 - Access to natural resources.
 - The importance of social and intellectual capital
 - The climate of democracy and security necessary to enhance the capabilities of the poor and excluded.
- There is an additional institutional dimension of poverty that recognises that the poorest in the nation are those who are unable to access government assistance designed to provide a social safety net because of institutional failure.
- Institutional poverty leads to exclusion of the indigent from access to basic services.

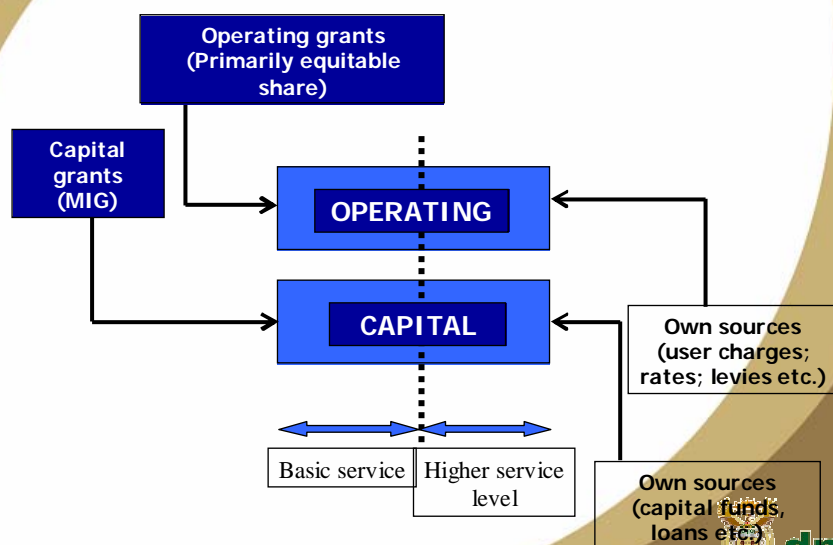


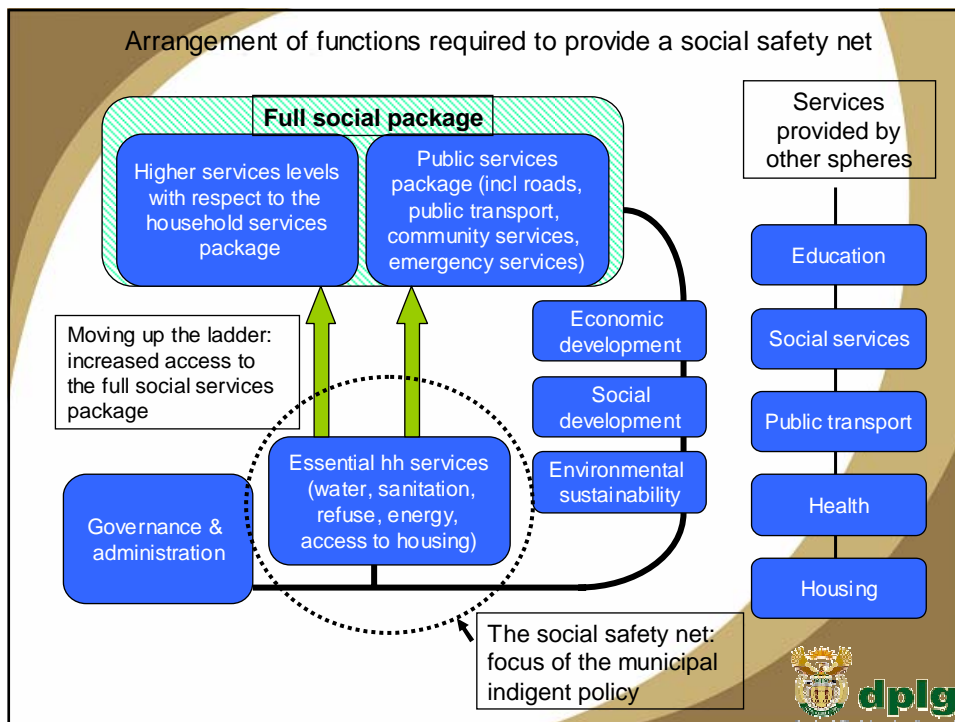
Providing a social safety net

- This policy is aimed at including those currently excluded from access to basic services, through the provision of a social safety net.
- Indigent people have in common the need to access affordable basic services that will facilitate their productive and healthy engagement in society.
- This indigent policy provides a framework for how this could be achieved at the local government scale.
- Other spheres of government have a role to play in setting up this safety net, but are not the primary concern of this policy.



The fiscal framework: ensuring that finance is available for basic services





Issues of note relating to alignment of functions

- There are considerable overlaps in the responsibilities of provincial and local government with respect to providing a social safety net to the indigent.
- Health and housing are sectors where co-operation is essential but often problematic.
- Effective governance and administration function of municipalities is essential if an indigent policy is to be successful. Without this institutional poverty prevails.

Defining indigents

- The term 'indigent' means 'lacking the necessities of life'.
- This leads to the view that the following goods and services are considered as necessities for an individual to survive:
 - Sufficient water.
 - Basic sanitation.
 - Refuse removal in denser settlements.
 - Environmental health.
 - Basic energy.
 - Health care.
 - Housing.
 - Food and clothing.
- Anyone who does not have access to these goods and services is considered indigent.



The definition from a municipal perspective

- Based on an assessment of local government functions in relation to the definition of indigent, the role of local government in providing for indigents can be distilled to:
 - Water supply.
 - Sanitation.
 - Refuse removal.
 - Supply of basic energy.
 - Assisting in the housing process.
- This can be referred to as the essential household services package



Expanding the services package

- Municipalities provide a much greater range of services than those identified as 'essential services', referred to as the 'full social services package'.
- This includes higher levels of household services and access to public services such as roads, public transport, community services and emergency services.
- All municipalities must strive to provide such a full services package to all residents in their area, including the indigent.
- However, it is recognised that resource constraints prevent many municipalities from delivering a fuller range of services free to the indigent at this stage.
- Therefore, the focus nationally and locally is to first ensure universal access to the essential services package.

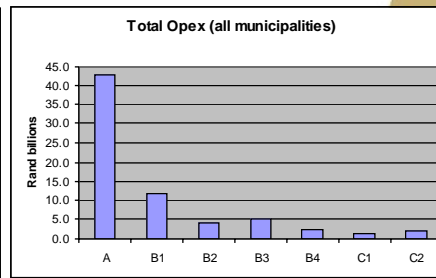
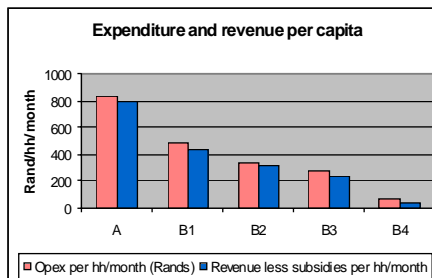
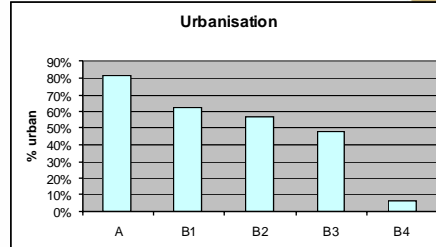
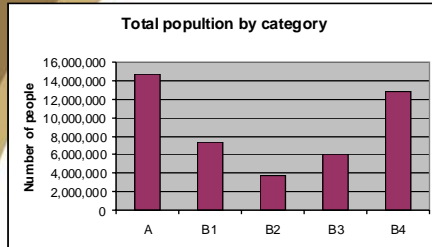


Considering the variability of conditions across types of municipality

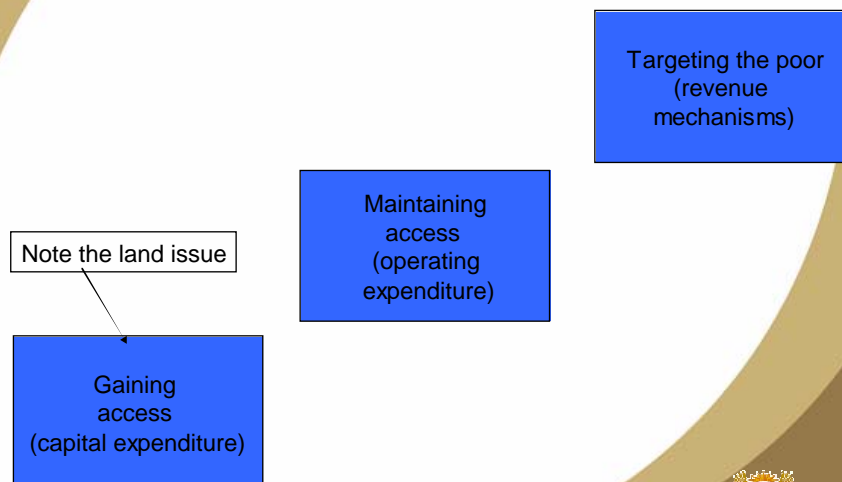
- Cities (type A).
- Two types of districts:
 - Without the water services authority function, serving primarily urban areas (Type C1).
 - With the water services authority function, serving primarily rural areas (Type C2).
- Four types of local municipality:
 - Secondary cities (Type B1).
 - Municipalities with a large town as core (Types B2).
 - Municipalities with significant proportion of urban population but with no large town as core (Type B3).
 - Municipalities which are mainly rural with, at most, one or two small towns in their area (Type B4).



The variability of conditions across types of municipalities



Three components of an indigent policy



Gaining access

- The group of people in municipalities who do not yet have access are the most marginalised and, therefore, emphasis must be placed strongly on the gaining access component.
- Severe constraints remain, notably:
 - Problems with the land registration process with associated difficulties faced by the poor in gaining secure tenure.
 - Lack of affordable land for housing and in well located positions in cities.
 - Constraints in the housing delivery process which is typically linked with the provision of an essential services package in urban areas.
 - Lack of capacity to manage the infrastructure provided.



Maintaining access

- If the services required by the indigent are not properly operating and maintained, and become dysfunctional, the indigent do not have effective access and, therefore, have to continue to live without the basic necessities of life.
- This relates directly to what has been termed 'institutional poverty': where there is a substantial lack of financial and human resources in municipalities, high proportions of the population in such municipalities will remain indigent.



Targeting the poor

- Having the services physically in place and properly operated and maintained is not sufficient to ensure access to such services by the indigent.
- This occurs if subsidies are not properly targeted to reach the indigent, giving the result that the basic services to them are not provided free.
- Further, it is essential, if a municipality is to remain financial viable, for it to raise revenue from those who are not indigent and who can afford to pay for the services provided.
- If those who are not indigent do not pay they receive subsidies, often at the expense of the indigent.
- Therefore an indigent policy will only be fully functional once subsidies are targeted in such a way that the indigent benefit and those who are not indigent pay.



Service levels

- Municipalities are responsible for indigents with respect to the following essential household services which, when provided at a basic level, comprise the social safety net:
 - Water supply.
 - Sanitation.
 - Refuse removal.
 - Basic energy.
 - Assisting in the housing process.



Basic level of service

- Definitions of what constitutes a basic service level for each of these components are provided in the policy document.
- Emphasis placed on the benefit provided to the user of the service, rather on the technology applied to deliver the service.
- In fact the technologies typically used to provide a basic service vary depending on settlement conditions. For example, a ventilated improved pit (VIP) toilet may be appropriate in a low density rural area but is not a suitable technology to provide a basic service level in an inner city location.

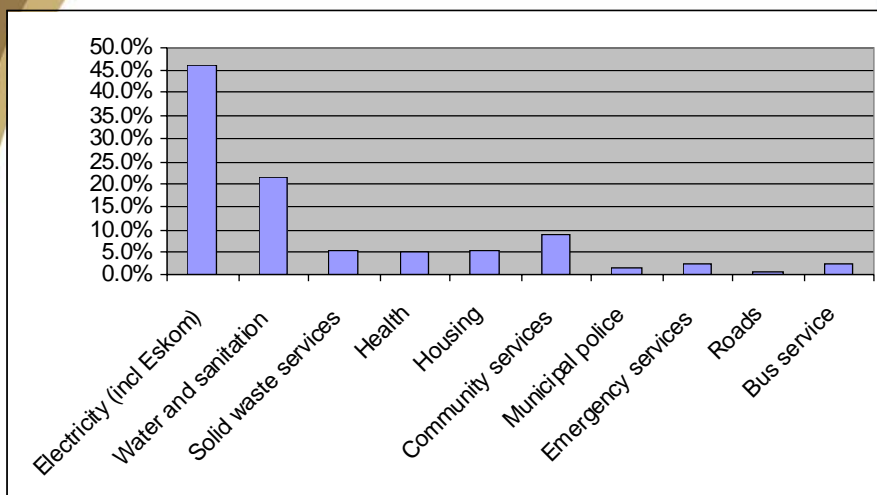


Moving up the service level hierarchy (expanding the package)

- The concept of the full social package, as described previously requires both an increase in the range of services provided and in the service level provided.



Relative expenditure on a typical full social services package to the indigent

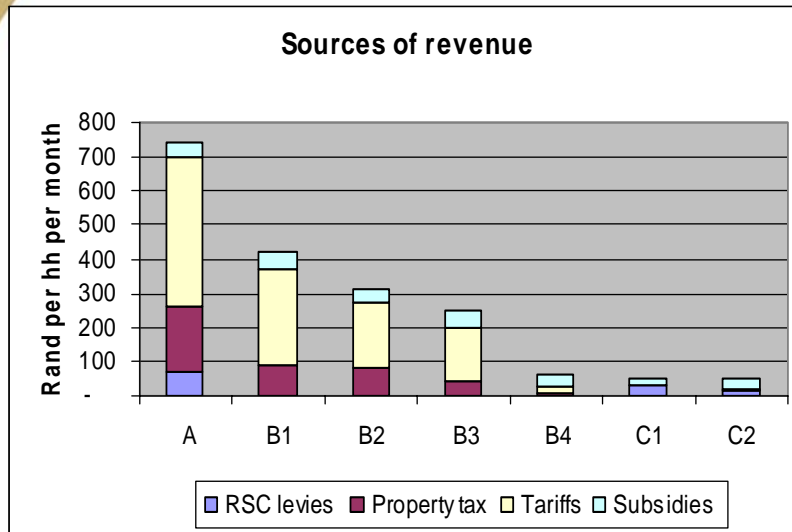


Methods for targeting: the financial framework

- Targeting the poor requires that something which costs the municipality, or its external services providers, money to provide must be made available free.
- Therefore a subsidy is required to ensure that the costs required to provide the service can continue to be funded from a source other than the consumer of the service.
- There are three main sources of subsidy funds:
 - Cross subsidies from non-residential and high income consumers using the particular service.
 - The core administration revenue of the municipality which includes property rates, RSC levies and electricity surpluses.
 - The national fiscus, through the equitable share.
- As part of its tariff policy a municipality must have a subsidy framework in order to make decisions as to how to raise and apply the funds used to subsidise particular services to the indigent.



Picture of relative sources of finance



Targeting options (1)

Targeting option

Service level targeting, where a specific service level is given free to the poor.

Consumption based targeting where those using a low amount of the service are provided with this free.

Property value, as an indication of the level of household wealth, and hence income.

Extent of application currently

Widely used for the lowest service level in the case for water and sanitation.

Considerable experience with this method in South Africa with water supply and electricity. Also applied to sanitation (wastewater) in some places.

Being increasingly applied in South Africa for sanitation and refuse removal charges.



Targeting options (2)

Means testing applied with a targeted credits or subsidy to those households which are below a household income threshold.

This method has been widely promoted in South Africa but seldom properly implemented, with the exception being relatively small, stable, urban municipalities.

Plot size: using a charge based on plot size, with a zero rating for properties under a determined threshold.

Although is relatively simple to apply and used historically in South Africa, but weak relationship between property size and household income.

Geographical (zonal) targeting where a particular area is identified as poor and the tariffs in the area are adjusted accordingly.

Simple to apply where there is no other option but not widely used.



Targeting options (3)

No separate charge for a service, with revenue raised through property rates.

Similar to property value based targeting but with the charge not explicit; probably not legal.

Demand side subsidies, where individual households are given vouchers or coupons to allow them to purchase services.

Economically sound method; but difficult to administer and, therefore, not used in South Africa currently.

Targeting through lack of credit control: in this case consumers of the service are billed but there is inadequate follow up to ensure payment.

Not sustainable and, where applied as a default option, it is a sign of a policy and implementation system that is not sound.



A 'benchmark' for targeting

- While recognising the importance municipalities to make their own choices, it is possible to define a 'benchmark' set of targeting mechanisms applicable to current South African conditions:
 - **Water supply:** Service level targeting (all get at least a public standpipe supply, or point source supply free) with free 6kl/month to those with plot or house connections.
 - **Sanitation:** Service level targeting (all get a VIP or equivalent service free) with either property value or consumption based charge, or both, applied to waterborne sanitation service levels.
 - **Electricity:** Consumption based tariff, with the first 50kWh per month provided free.
 - **Refuse removal:** Targeting based on property value with additional service level payments for those requiring more than the basic service.



Revenue management issues

- It is not possible to apply a sound indigent policy without a good system for identifying consumer units, billing those who receive the service above the free basic level and ensuring that payments are made through a sound credit control system.
- If this is not done the tendency is for those who are not indigent to get subsidised services and this uses resources which would otherwise be allocated to the indigent.



Monitoring

- DPLG is committed to setting up a monitoring system to assess progress with this indigent policy, based on the three components of an indigent policy:
 - Gaining access (coverage with respect to physical provision of the services).
 - Maintaining access (the extent to which the service is functional)
 - Targeting the indigent (the extent to which subsidies are targeted at the indigent which implies that those who are not indigent pay for services).
- This system will be based on consumer units, the units served by a municipality. (Municipalities seldom relate to individual households)
- It will also be linked to a geographic information system (GIS).



Information for the monitoring system

- The information for monitoring will be gathered through the following arrangements:
 - Gaining access: Information to be collected through physical visits to individual consumer units to assess the extent to which infrastructure is in place.
 - Maintaining access: Information to be collected through a national annual municipal services survey, run by Stats SA.
 - Targeting the indigent: Information will be based on a financial assessment by a specialist.



National roll-out of the policy

- DPLG will design a process to roll out the indigent policy to municipalities.
- This will include the provision of information to municipalities on how engage with the process, create links with their own planning and financial processes and set their own targets.

