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MANAGEMENT OF FREE BASIC SERVICES

1. INTRODUCTION

Government's Free Basic Service (FBS) commitment was borne out of numerous debates on ways to address the needs of the masses of impoverished citizens of South Africa. The provision of FBS plays an important role in addressing asset and capability poverty, and in improving the ability of the poor to participate in society and the economy.

The right of all citizens to have at least a basic level of service is a right that is entrenched within the South African Constitution (Act 108 of 1996). This right has been actualised in government's commitment towards the provision of Free Basic Water (FBW), Free Basic Sanitation (FBSan) and Free Basic Electricity (FBE) to economically disadvantaged communities (henceforth referred to as indigents).¹

In this regard, the then Department of Provincial and Local Government's (now Co-operative Governance and Traditional Affairs - COGTA) "Framework for a Municipal Indigent Policy" sets out the overall objective of FBS as being, "to substantially eradicate those elements of poverty over which local government has control by the year 2012. Given the definition of the indigent stated in this policy this implies that all should have access to basic water supply, sanitation, energy and refuse services by this date."² The findings of Statistics South Africa, on its 2011 census, revealed that the target to provide basic services to all by 2012 has not been reached. However, considerable progress has been made.

With regards to the aforementioned basic services, in 2011, Statistics South Africa reported that almost 85 percent of households used electricity for lighting, more than half (60 percent) of the households were using flush toilets, and almost 9 percent of households (down from 15.6 in 2001) had no access to piped tap water.³

This brief will provide an overview of funding sources for free basic services, a summary of the indigent policy and the challenges associated with implementation of the policy at the local government level.

2. FUNDING FOR FREE BASIC SERVICES

Currently, FBS is largely covered by grant funding from either the equitable share or other national grants. Very little municipal funding gets routed to FBS in the form of tariffs. The FBS related grants include the following:

¹ DPLG (2007).

² Ibid.

³ StatsSA (2011).



The Equitable Share Grant (ESG)

The Division of Revenue Act (DoRA) provides for equitable share grant funding to provinces and local government to give effect to Government's commitment in progressively meeting basic needs. Sections 214 and 227 of the Constitution require that an equitable share of nationally raised revenue be allocated to the local sphere of government to enable it to provide basic services and perform the functions allocated to it. The formulae used to divide resources among the 9 provinces and among the 278 municipalities takes into account the powers and functions of these spheres.⁴

The ESG is an unconditional grant, the purpose of which is to fund the costs of basic services. Municipalities are expected to provide water, sanitation, electricity, refuse removal and other municipal services. The purpose of the basic services component is to enable municipalities to provide basic services and free basic services to poor households. Poor households earning less than R800 per month and indigents that are approved by the municipality, also qualify for free basic services. The fund is used to pay for the costs incurred in providing these services.⁵

The Municipal Infrastructure Grant (MIG)

The Municipal Infrastructure Grant (MIG) is a conditional grant to support municipal capital budgets to fund municipal infrastructure and to upgrade existing infrastructure, primarily benefiting poor households. The primary aim is to fund basic water and sanitation services in areas that have no services.⁶

Regional Bulk Infrastructure Grant (RBIG) programme

This fund aims to support Government's development targets (e.g. eradication of basic water supply and basic sanitation backlogs), as well as socio economic priorities, enablement of growth and development initiatives as well as addressing specific water risks (e.g. water availability, water quality and environmental challenges). The Department of Water Affairs (DWA) is responsible and accountable for the management of this specific-purpose Water Services Regional Bulk Infrastructure Grant. Funds are transferred from the National Treasury to DWA as per DoRA and bilateral arrangements. The fund is project focused and each case is assessed and selected on merit. It is not formula based and not generically allocated.⁷

3. INDIGENT POLICY

Due to the level of unemployment and poverty within municipal areas, there are both households and citizens who are unable to access or pay for basic services; this grouping is referred to as the "indigent".⁸ A municipality therefore needs to develop and adopt an indigent policy to ensure that the indigent can have access to the package of services included in the Free Basic Services programme. The National Framework for Municipal Indigent Policies (2008) was developed in an effort to provide a framework that would guide municipalities in targeting the poor in their jurisdictions. Subsequent to the National Framework, Municipalities developed their own Indigent Policies.

An indigent policy aims to do the following:

⁴ Ibid.

⁵ Ibid.

⁶ DPLG (2008).

⁷ Department of Water Affairs (2010).

⁸ DPLG (2008).



- Allow municipalities to target the delivery of essential services to citizens who experience a lower quality of life.
- An indigent policy should define
 - a municipality's approach to dealing with poverty (plan),
 - a municipality's approach to accessing the indigent ,
 - who will benefit from FBS,
 - which services will be delivered,
 - how much of a particular service will be provided to beneficiaries,
 - what level of service will be offered to indigents,
 - what process will be used for managing the indigent , detail (emphasize) the linkages between the various poverty alleviation programmes that will result in the indigent moving away from the poverty trap ,
 - resources allocated by a municipality to enable their indigent policy,
 - process for tracking and assessing the service received by the indigent, as well as the real benefit that has resulted from the subsidies,
 - projected implementation targets (milestones) for the rollout of FBS to the entire indigent population within the municipal area,
- Allows a municipality to map out their own progress against the national implementation target dates.
- The indigent policy is a critical planning document that is crafted within a municipality's Integrated Development Plan and financial planning instruments.
- The indigent policy takes cognisance of the municipality's specific conditions and is unique to that municipality.
- Indigent policies allow municipalities to plan the scale and scope of their FBS delivery.

The guidelines for the Indigent Policies apply specifically to the FBS programme within municipalities. The FBS programme, as alluded to earlier, includes:

- Free Basic Water
- Free Basic Energy
- Free Basic Alternative Energy
- Free Basic Sanitation (including human excreta, household wastewater and rubbish).

Municipalities are responsible for the implementation of FBS.

- to develop an indigent policy,
- to list its implementation plan, its criteria for indigent assessment,
- its approach to indigent management, as well as the methods it will employ to engage communities about FBS.

Municipalities are also responsible for drawing on the support of appropriate implementation providers. It is the municipality's responsibility to monitor and track the effective implementation of FBS.

4. CHALLENGES IN IMPLEMENTING THE INDIGENT POLICIES

Research conducted by the then **Department of Provincial and Local Government** has indicated that municipalities have previously experienced difficulties with the following:



- Defining beneficiaries in terms of households, account holders or citizens and then reporting accordingly. There is currently a number of varying national norms that are applicable within the FBS programme (associated to each service area).
- Defining what constitutes a household; how should municipalities deal with properties that have a main structure as well as other living structures on the same property, and what should municipalities do about dwellings with more than one household?
- Defining who is an indigent. There are varying criteria's to determine who is an indigent e.g. income thresholds, whether or not to include child headed households , people without access to services, do refugees qualify, are low consumers indigents? etc.
- Accessing non account holders (homeless, people not receiving services etc). There are a high number of indigents that do not receive services. Therefore they will not appear on the billing systems of municipalities, thus technical targeting methods will effectively exclude these indigents. A further approach needs to be adopted by municipalities to ensure that these citizens are not excluded from access to FBS. Municipalities have the option of combining more than one method of targeting to deal with these gaps.
- While administered means testing is the most effective way of targeting and tracking indigents, it does pose administration challenges for municipalities.
- Very few municipalities have been monitoring the implementation of their FBS programmes and even less municipalities can assess the real impact that their programmes have had on the quality of life of beneficiaries.
- One of the most difficult parts of administering an indigent policy (which depends on applications from potential beneficiaries) has been the process of verifying application details. Many municipalities have considered the option of visits to dwellings and **utilising ward committees as a means of verification.**
- Exit strategies for identified indigents to move off the list of beneficiaries i.e. no longer require subsidised services, are not well planned or clearly outlined.
- Municipalities can only provide what they can afford. Many municipalities highlight that they do not believe they have sufficient funds for a full scale implementation of the FBS programme.⁹

Interviews and workshops with some of the municipalities that have attempted to implement and are implementing FBS - more specifically Free Basic Alternative Energy (FBAE)- have revealed that the above challenges still exist.¹⁰ In some cases municipalities relied on ward committees to identify the indigent households. This has resulted in cases where ward committees and counsellors incorrectly identify their friends and families as indigent. This is one of the reasons for the failure or the poor roll-out of FBAE.

References

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⁹ COGTA (2012)

¹⁰ Maboda (2012)



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