

# THE PROVISION OF BASIC SERVICES THROUGH INDIGENT GRANTS, IS IT EQUITABLE AND SUSTAINABLE IN SOUTH AFRICA?

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**Abstract:** In terms of section 27 of the South African Constitution Act, 1996 (Act 108 of 1996): (1) everyone has the right to have access to amongst others, sufficient food and water; and social security, including, if they are unable to support themselves and their dependents, appreciate social assistance. In an effort to address the rights to basic services in accordance with the South African Constitution, the South African Government introduced the indigent grant which responds to the requirement of the- South African Constitution. Indigent means a consumer or household that cannot afford to pay consistently for the basic services and municipal rates. The qualified applicants' total household's monthly gross income should be no more than R1500. The applicant must be the legal owner of the property. The indigent grant is also considered by the Government as a partial answer to the Millennium Development Goal (MDG) Indicator 31b, for creating "reasonable access" to services. Registered indigent communities receive free monthly 6kl of water and 50kwh of electricity, costing local municipalities more or less R50 per month per applicant. This paper reviews service provision to poor households in South Africa from year 2002 to year 2010. The paper acknowledges the efforts of the post-apartheid Government but ascertains that the indigent grant is far from being a solution to the misery of the majority of the population based on the review of the Multi-Deprivation Index. The paper identifies elements that could hamper the sustainability of the indigent grant

and recommends three key elements that the municipalities should manage in order to sustain the indigent grant. These elements are the systems and information access, financial sustainability and community's willingness to participate.

**Keywords:** Basic services; indigent grant; indigent communities; municipal services; reasonable access; multi-service model, Multi-Deprivation Index

## BACKGROUND

Section 27 of the South African Constitution Act, 1996 (Act 108 of 1996) (1) stipulates that: "everyone has the right to have access to amongst others, sufficient food and water; and social security, including, if they are unable to support themselves and their dependents, appreciate social assistance". Subsequently, the Government responded by introducing the "Indigent Grant" system. Simultaneously, the "Indigent Grant" system was also considered by the Government as a partial answer to the Millennium Development Goal (MDG) Indicator 31(b) about: "creating reasonable access to services"

## INTRODUCTION

The constitution of South Africa No. 108 of 1996 is considered as one of the best in the world as it protects civil, political and social rights of all South Africans. The right to access basic services is enshrined in the chapter 2; section 27(b) of the Bill of Rights to mean that everyone has the right to access

sufficient food, water and social security. According to the Bill of Rights, anyone can approach a competent court if his or her rights have been infringed. Chapter 10 Section 195(d), states that services must be provided impartially, fairly, equitably and without bias. Chapter 7 Section 155 (4) entrusts the local Governments and local municipalities with the provision of municipal services in an equitable and sustainable manner. Notwithstanding the fact that the constitution of South Africa No. 108 of 1996 is considered one of the best in the world, the question remains if the “Indigent Grant” is an equitable and sustainable service delivery enabler?”

Local municipalities in South Africa play a vital role of providing access to basic services to indigent communities. The post-apartheid South African Government inherited a backlog of basic services i.e. water and sanitation, houses and electricity. Of much concern are the growing disparities between urban and rural services. Notwithstanding the fact that municipalities with a large proportion of rural communities cannot afford providing these services as they have poor income generating abilities due to the levels of poverty of its citizens. One dilemma to the municipalities has to improve and sustain services in the urban areas on the one hand, and introduce and sustain basic services to the poor rural areas on the other hand. The main challenge is how to raise capital to fund these services. Most municipalities either depend on equitable grants to fund such services or on cross subsidization.

#### **PURPOSE OF THE STUDY**

This research reviews service provision through the “Indigent Grant” to poor households in South Africa from 2002 to 2010. By the same token, this research identifies elements that could hamper the sustainability of the “Indigent Grant” system. Furthermore, the research recommends the key elements that municipalities should manage to sustain the “Indigent Grant” system: (a) Systems and information access (b) Financial sustainability and (c) Community’s willingness to participate

#### **MUNICIPALITIES IN SOUTH AFRICA**

There are 262 municipalities in South Africa. These municipalities are categorized into Metropolitans also known as Unicitys and District and Local Municipalities. There are six Unicitys known as Cape Town, Durban, East Rand, Johannesburg, Port Elizabeth and Pretoria, 231 Local Municipalities and 25 District Municipalities (Statistics SA: 2007). The District and Local Municipalities are closer to the people as they offer services to the people. According to the South African Local Government Association (SALGA), the local municipalities’

combat poverty, as poverty is experienced at a local level.

#### **ROLE OF MUNICIPALITIES**

The South African Constitution of 1996 introduced and granted the municipalities autonomous powers. This denoted that municipalities have the right to govern on the local affairs of its communities. Municipalities are structured and resourced with a council, which is elected through political electoral processes and municipal officials who render services to the people. The municipal administrative staff is led by a municipal manager and other officials. These administrative staffs are responsible to coordinate and implement municipal service provision programs which are approved by the council. Thus, the local municipalities are providers of primary services which are essential to restore human dignity of all who live in the jurisdiction of that municipality. Due to the disparities of the past and the poverty levels, the local government plays a vital role to transform and develop the communities in South Africa. As the municipalities are closer to and offer services the local communities, they are entrusted with poverty alleviation. SALGA emphasizes that the key mandate of local government is to eliminate the disparities and disadvantages that are the consequences of the policies of the past and to ensure, as rapidly as possible (something missing here). SALGA further emphasizes that the local municipalities has to upgrade services in the previously disadvantaged areas to the same levels of services as in the urbanized areas.

#### **KEY MANDATE OF MUNICIPALITIES**

While municipalities are granted autonomous power, by the same token they have to render efficient, adequate and equitable services to communities to eliminate the disparities and disadvantages of apartheid. Specifically, they are responsible to upgrade services in the previously disadvantaged areas. For instance, provide water, sanitation and refuse removals; provide free basic municipal services to indigents/poor households and ensure uninterrupted provision of all those services. Whereas the provincial departments are responsible for the provision of housing – the Local Municipalities are tasked to provide access to basic infrastructure services such as water and sanitation in order to achieve the provision of adequate housing as enshrined in the South African Housing Policy

#### **INDIGENT GRANT**

In an effort to address the rights to and equitable access to basic services, the South African Government introduced the indigent grant. The constitution of South Africa No. 108 of 1996, section 74(i), stipulates that the municipalities must adopt

tariff policies which are pro- poor indigents. The indigents are referred as consumers or households that cannot afford to pay consistently for the basic services and municipal rates. Depending on a municipality, the threshold for indigents is R1500 (187,5) income per month per household. Registered indigent communities receive free monthly 6kl of water and 50kwh of electricity, costing the municipality more or less R50 per month per applicant. The applicants' total household's monthly gross income should be no more than threshold and must be the legal owner of the property.

### **BASIC SERVICES**

The Local Government must ensure effective management, implementation and maintenance of basic services, according to The Municipal Systems Act of 2000, Section 74(3) and 75 (2). This Act was promulgated to support municipalities with the establishment of tariff policies to ensure sustainability of basic services. The transfer of funds between Government departments was implemented to support Local Governments to provide minimum levels of services. This is known as the equitable share of revenue. In rural areas, due to their income levels, Local Governments have to depend on cross-subsidization from urban areas.

Basic services in the South African context include housing, education, health care, social welfare, transport, electricity, water, sanitation and refuse and waste removal. The provision of housing, education and primary health care, social welfare, transport and roads are a function of the provincial government, whereas the electricity, water, sanitation and refuse removals are the accountability of local government. Free basic municipal services are provided at no charge by the government of South Africa to poor households. According to the South African Government Services (SAGS) of 2012 the services currently include water and electricity which include a minimum amount of water and sanitation that is sufficient to cater for the basic needs of poor households. The SAGS (2012) purports that policies to regulate basic sanitation and refuse removal are yet to be finalized by the Departments of Water Affairs and that of Environmental Affairs.

### **Housing**

For the Human Sciences Research Council (HSRC) of South Africa, housing is not only a roof over a head, as it includes basic services that make the place habitable. HSRC (2007) argues that the provision of

subsidized housing is a basic human right. According to the South African Housing Policy, adequate housing includes access to basic infrastructural services such as water, sanitation and electricity. The HSRC report emphasizes that, it is imperative for the Local Municipalities to expand access to basic infrastructure services such as water and sanitation in order to achieve the provision of adequate housing as enshrined in the Housing Policy. The provincial departments are accountable for the provision of housing. Section 26 of the South African Constitution, the Housing Act 107 of 1997, and Section 7 (of what?) requires every Provincial Government to promote and facilitate the provision of adequate housing. The local municipalities are however expected to identify the land available for the building of houses, provide bulk services such as water, sanitation, refuse removal and other basic services.

The Department of Human Settlement (DoHS) of the SA Government plans to upgrade 400 000 units of accommodation within informal settlements. According to the HSRC???, approximately 2 700 informal settlements are in good locations. The challenge is how the department should provide these units with equitable, sustainable adequate basic services and better-quality shelter. Progress with this output will be measured by achieving the target of 400 000 households by 2014, the securing of some form of land tenure for these families so they have a real asset and access to universal services.

The DoHS, has pledged to provide a supportive role for the achievement of the following targets:

However, the achievement of these targets has no official strategic development and implementation plans. This paper proposes the review of key elements to support the provision of indigent grants for their equity and sustainability.

### **Water and Electricity**

In 1994, it was estimated that about 14 million people across South Africa lacked adequate water supply services while about 21 million were without adequate sanitation. These backlogs were said to be more severe in the poorer black rural areas than they were in the mainly affluent areas. The previous peri-urban communities were sharing water using the centralized standpipes, and the rural communities were dependent on boreholes, wells, streams, rivers and hand pumps. The centralized services were affordable to install, locate and maintain.

**Table 1:** Sources of household income in rural South Africa GHS data

	Non-labour income*				Farm and non-farm*			Only non-farm*		
	Remittances	Pension	Social grants	Total	Wage	Non-wage	Total	Wage	Non-wage	Total
Total	15	12	29	56	11	5	16	23	5	28
Quintile										
Q1	5	3	10	17	2	1	3	3	2	5
Q2	4	3	8	15	2	1	3	5	1	6
Q3	4	4	7	15	2	1	3	6	1	7
Q4	2	3	4	8	4	1	5	9	1	10

\*Numbers don't add up to 100 due to a rounding problem. (DBSA: 2009BASIC SERVICES)

**Table 2:** DoHS Output 1 Service (DoHS: 2010)

Services	% current status	% target
Water	92	100
Sanitation	69	100
Refuse removal	64	75
Electricity	81	92

**Table 1:** Water Supply in numbers (StatsSA: 2010)

Service	2002	2003	2004	2005	2006	2007	2008	2009	2010
Piped water in dwelling	4 484	4 648	4 711	4 871	5 122	5 323	5 776	5 808	5 943
Piped water on site	3 031	3 217	3 420	3 554	3 749	3 918	2 601	3 852	4 161
Neighbor's tap	296	291	264	263	256	272	349	374	367
Public/communal tap	296	291	264	263	256	272	349	374	367
Water-carrier-/tanker	69	67	72	118	137	127	149	177	209

**Table 2:** Status Review on How Municipalities Provided Basic Services Pre-1994 and Post 2003

Access	Status Level as 2002	Target Level By 2010	Target in Numbers	Target Met	% met
Piped Water in dwellings	92%	100%	8968	5943	66%
Piped water on site	92%	100%	6062	4161	68%
Neighbor's tap	92%	100%	592	367	61%
Public/Communal tap	92%	100%	592	367	61%
Water-carriers-/tanker	92%	100%	138	209	151%

**Table 3:** Socio economic factors with negative impact on the indigent grant

Factor	Details	Outcome
Unemployment rate	The high unemployment rate increases a number of indigent depending on the grant.	The higher the unemployment rate, the higher the impact on the grant. Negative impact on the indigent grant
Mortality rates due to aids	Most households are headed by children and pensioners due to high mortality rate	This has a double edged impact on the grant facility. Pensioners and child headed families depend on a grant facility and are also receive free water services and electricity.
Population growth	The high birth-rate and teenage pregnancies increase the dependency on the indigent grant	The higher the population growth and teenage pregnancies, the higher the likelihood of the dependencies on the grant. Therefore, the higher the likelihood that the grant will sustain the services
Levels of literacy and education	The low literacy levels contribute to the communities understanding and maturity in participating in decision making processes of the municipalities.	The lower the literacy levels, the higher the likelihood of individuals seeing the indigent grant as a monthly allowance and the higher likelihood for fraud.

**Table 4: Internal Efficiencies Elements (Authors: 2012)**

Factors	Details	Effect on the indigent grant Outcomes
Institutional status of the municipality	The entity or municipality has governance structures, skilled resources, processes and decision-making bodies to enable implementation indigent grant	Strong institutional status denotes that the municipality has adequate structures and skilled resources to manage the indigent grant. Where there are limited resources and structures, the likelihood of sustainably managing the grant will decrease.
Financial status	Availability of finance means multi-year Capital Expenditure (CAPEX) and Operating(OPEX) Budget made with allocations and expenditure plans on the indigent grant activities i.e. Resources, quality monitoring, maintenance and operations	The municipality that has available finances comprising of budgeted short and long-term multi-year budgets and there are funds available for projects, operations and maintenance and operations, contribute positively to the management of the grant and have a better chance of sustaining the grant.
Access to information and information systems	There are high levels of integrity, knowledge, and information to empower the municipality.	Where a municipality does not have reliable data and information systems, it will likely not be able to manage the grant efficiently due to lack of information. Lack of valid information puts the municipality at risk to manage the grant equitably.
Community willingness to participate	Levels of communities' expectations and dependencies and the willingness to seek and provide information to the municipality, is a good vehicle for municipality's to manage the grant efficiently	Community Involvement, Participation and Development maximize the chances of sustainability.

The African National Congress (ANC)<sup>1</sup> through its 2000 Local Election Manifesto<sup>2</sup> promised poor rural and peri-urban households free basic services. This has provisionally been set at 6 kilo-liters per household per month, which converts to 200 liters a day. Effectively this meant that 99.9% of consumers in rural water schemes were entitled to free water and if they were connected to the electricity grid, 50kwh of electricity, costing municipalities more or less R50 per month per applicant. The effect of the free water services on rural municipalities and water utilities became therefore a loss of income. This means that municipalities and water utilities are unable to recover the electricity costs for pumping water into households.

The Medium Term Strategic Framework (MTSF) of 2009 to 2014 approved by the South African Cabinet on 1 July 2009 defined twelve outcomes. The General Household Survey of 2002-2010, indicates that four in ten South African households have access to piped water inside their dwellings and that they ranged from 40,3% in 2004 to 41,5% in 2010, with a peak at 43,4% in 2008. General access to piped water on site rose steadily, from 27,5% in 2002 to 29,1% in 2010 with some fluctuation in the intervening years. Negligible proportions of households access borehole water for drinking within the perimeter of their yard. The above statistics show that, not only the water and electricity services are expensive to municipalities but are also not equitable and sustainable to all applicants especially those in rural areas.

#### **ANALYSIS OF INDIGENT GRANT IN SOUTH AFRICA**

For a municipality to be rendering efficient, adequate and equitable services, it should ensure uninterrupted delivery of those services in the best interests of the community. This includes the duty to ensure that the basic services are delivered in a less disruptive manner, irrespective of risks and challenges that

<sup>1</sup> The African National Congress (ANC) is a national liberation movement in South Africa that formed in 1912 to unite the African people and spearhead the struggle for fundamental political, social and economic change. It is currently the ruling party in South Africa since 1994. For nine decades, the ANC has led the struggle against racism and oppression, organizing mass resistance, mobilizing the international community and taking up the armed struggle against apartheid.

<sup>2</sup> A manifesto is a public declaration of principles and intentions, often political in nature.

might threaten to interrupt the continued delivery of these services. In this way, the municipality would be sufficiently resourced to deliver equitable services. The first 10 year review of basic service delivery as conducted in 2003 shows that the SA Government has since 1994, made inroads in creating equal services to all South Africans in the delivery of free basic services in water, electricity and sanitation. Table 3 below shows in details the improvement in water services from 2002 to 2010.

#### **Basic Water Services**

According to the municipalities performance targets, the municipalities planned to increase the access to water services by providing piped water in dwellings from 4484 in 2002 by 100% in 2010 to 8968, and piped water on site from 3031 to 6062, neighbour's tap and public taps from 296 to 592, water supplies by water tankers to communities out of reach or outside the water grid from 69 to 138. However, the municipalities faced challenges in meeting these targets. As an illustration, the local municipalities have failed to do so due to the large proportion of deprived poor communities in the rural areas which are dependent on the "Indigent Grant" system. Subsequently, some community members who can afford to buy basic services are being classified as indigent due to their area of residence classified as indigent.

Table 4 above demonstrates that the municipalities have not met the targets as planned. This means that achieving the planned targets is a challenge due to the large proportion of deprived poor rural communities, which are dependent on the indigent grants. Even though, the communities might not be 100% indigents, those that could afford to buy basic services, are being classified as indigent due to the area being classified as indigent. It is however noted that even though these classification system needs to be carefully reviewed for long-term sustainability; the objectives of this study as summarized in this paper is not to conduct a detailed analysis of the indigent classification system. The question is how the municipalities would meet the service provision targets with limited resources. Is the indigent grant sustainable to meet the performance target? In responding to the question, this study examines the factors contributing to sustainable provision of basic services.

#### **Basic Electricity Services**

The free basic electricity was introduced in 2003 through the Free Basic Electricity Policy (FBE). The justification of the FBE was to provide free basic "electricity for all" households. The Department of Energy (DoE), reports that approximately 2.5 million rural and urban households are not connected to the

electricity grid. In addition, there are millions more who have been 'cut off' due to the inability to pay for the electricity used. This is a simple sign that a growing number of households would fall within the indigent grant category, due to the high prices, lack of income etc. Although the percentage of electrification is quite high in South Africa compared to the rest of the continent, the poor are unable to afford enough electricity to impact on their lives. The 50kWh per household per month is the threshold that the Government stipulated.

According to the Department of Energy (DME), one of the key problems of implementing the FBE has been inconsistencies in rolling out the FBE as in some instances the threshold has been 100kWh and in some 50kWh. The off-grid households are subsidized with R40 per month and it is paid directly to the service municipalities or to the service providers. This means that the households can only pay R18 per month. Should a household exceed the threshold, the household has to pay the shortfall directly to the municipality.

The backlog of households which are not connected to electricity is about 11.8 million and about 3,401 million are below the basic level. Below the basic levels means households using alternative heating and lighting methods, i.e. gas, paraffin, wood and or coal, Statsa (2001). The indigent's households that depend on the indigent grant are 5, 532 million, with 1, 567 million already receiving the grant and 3, 965 million backlogs of indigent households still expecting to receive the indigent grant.

#### **FACTORS CONTRIBUTING TO THE SUSTAINABILITY OF THE INDIGENT GRANT**

This study has observed that those local governments which have a majority of deprived poor rural communities depend on the indigent grant to provide basic services to the indigents. Even though, the communities might not be 100% indigents, those that could afford to buy basic services, are being classified as indigent due to the area being classified as indigent. The research has however noted that even though these classification systems need to be carefully reviewed for long-term sustainability; it is not the objective of this study to conduct a detailed analysis of the indigent classification system. This would result in the depletion of the source funding. This study highlights some of the socio economic factors that threaten the sustainability of the indigent grant. These factors are outlined in Table 5 below.

It is crucial for the municipality to maneuver the above challenges in order to provide sustainable equitable services with fewer disruptions. Should the services be disrupted, it is imperative that the municipality executes, reinstates and/or rehabilitates

the services to minimize the interruptions. In order for a municipality to provide sustainable services to the indigents, the municipality should consider innovative financial strategies. The poor rural areas will depend on the government grant portion, as long as they maintain the consumption to less than threshold. If the indigents' exceeds the consumption threshold of the equitable share, the municipality has to venture into aggressive financial plans.

#### **A QUICK SCAN OF SUSTAINABLE SERVICES**

Literature provides a number of theories pertaining to sustainable service delivery. This research focuses on financial, information and systems, project, policies and institutional sustainability, and community willingness to participate.

According to Bamberger and Cheema, (1990: 9) sustainability includes a wide range of topics. It is one of many frequently used concepts which refer to the continuation of the programme beyond the initial funding period, meaning being able to maintain the program when the funders have handed it over. In this context, the term sustainability links to other terms such as maintenance, incorporation, integration, durability, and institutionalization. Bamberger et al. (1990) claim that sustainability is frequently used to refer to sustaining projects or the capacity of the project to deliver its intended benefits over a longer period. The quality of the product should be able to live up to its expected benefits especially after installation. The machinery should require little attention beyond routine maintenance.

A number of studies, for example Breier and Visser (2006:3), specifically examined services in relation to water supply as services that are typically provided through communal shared services. These studies tend to approach sustainability from operational and maintenance perspectives. On measuring the free services per household per month for all over South Africa, very few writers can answer the questions on measurability and sustainability with confidence, and yet all would agree that this should be done. There is thus a need for simple but effective modeled framework to measure, monitor and benchmark sustainability from the poor rural water supply perspective.

Studies by Mann, (1997), Talen (1998), Still (2006), and Muller (2006) relate to equitable water supply from the water quality and health perspective. These studies also relate to sustainability from a policy perspective as failure of local government and municipal policy. Some of these studies mainly focus on women and children, health, climate change and technical engineering.

A second set of studies by Mosdell and Leatt (2005) and Abebe (2010) describes sustainability from

systems and technology perspective. These studies emphasize the need for accurate and effective revenue billing and collection systems.

A third set of studies are pivot around project sustainability. Schouten and Moriarty (2003) and Stern (1998) support the general notion of sustainability from a project perspective. They denote that sustainability is the capacity of the project and the technology to continue to deliver their intended benefits over the long term. Katz et al first time? (2001) concurs that the concept of project sustainability includes the capacity of a project to continue to deliver its intended benefits over the long term. The United Nations Development Program (UNDP) also supports the concept of project sustainability.

A fourth set of studies are centered around the social capital i.e. community participation and joint accountability. Social science describes social capital as a realization of economic benefits through cooperation between individuals and groups. Studies by Kerr et al (1989), Davis, Garvey and Wood (1993), Schoeten and Moriarty (2003) and Breier et al (first time) (2006), examine joint accountability of all stakeholders i.e. the funders and beneficiaries (the communities as well as the intermediaries) in sustaining rural water supply.

All four sets of studies described above play a critical role in sustaining service delivery. It is however the role of each municipality to combine different factors in response to its reality. In one municipality project sustainability might be of great need whereas in another an effective billing and collection system might be pivotal. This study maintains that a combination of the factors is critical for services such as indigent grant to be sustainable.

In the following table, the study provides some key factors that are essential in each municipality in order to sustain service provision (indigent grant). These factors are not cited by order of importance as they are all indispensable and their combination provides full sustainability.

## RESULTS AND DISCUSSION

The growing number of service delivery protests since 2008 in South Africa demonstrates the dissatisfaction levels of the communities on service delivery. Following these protest, focus group discussions were held with the sector experts at the Development Bank of Southern Africa in 2011, October. Subsequently, followup discussions took place in November 2011 whereupon the group arrived at a consensus on the key elements that contribute to the sustainability of the indigent grant. These elements were categorized into external and internal factors. Similarly, this study supports the

argument that there are internal and external factors that influence the sustainability of the indigent grant. Internal factors relate to the efficiencies of the municipality i.e. Institutional structures and skills, financial status, information access and validity and the community willingness to participate and to share information. The study identifies socio economic factors which have adverse impacts on the indigent grant. These factors are amongst others, high unemployment rates, high mortality rates and high birth rates. Both internal and external factors have adverse effects on the indigent grants.

The performance of municipalities is hampered to an extent by the organization structure and reporting relationship. As the administrative staff reports to the council, which is a body representing political interests,. As the council oversees the administrative team, the political interests of the council could overshadow the administrative service delivery responsibilities. When and where the council is seeking votes, there would be over commitment of the municipal resources and overpromises to the voters. There need to be clear roles and responsibilities between the council and the administrative roles. These promises are increased during the municipal election campaigns, and to an extent, during the provincial election campaigns. This puts tremendous pressure on the service delivery. The study supports a split structure so that the political and administrative responsibilities are differently shared. This will ensure that the municipal board structure is accountable to the operations of the municipality. The board would constitute of independent candidates who will ensure the interests of the shareholders, which include the communities.

The above municipal structure can facilitate sustainable indigent grant if three elements are equally considered. They are the systems and information access, financial sustainability and community's willingness to participate. These elements are explained below.

### Systems and information access

Municipalities should have up-to-date information on its indigent grant beneficiaries. Lack of valid information will result in duplications and poor management of the grant. As communities grow and shrink, the municipality has to continuously update the information. This element depends on the community's willingness to participate and share information. The level of education of the community and the municipality's drive to educate its community, would contribute to the achievement of the goal to sustain the indigent grant.



A continuous engagement of the municipality with the communities is therefore a condition to sustainable indigent grant. Eligible and equitable systems must be used to share information and educate the communities. The municipality could adopt appropriate communication vehicles like community development facilitation. A vibrant and functional facilitation process is vital for the successful implementation of any programme. Social capital should be kept alive in the beneficiary community which would otherwise dissipate quickly if not nurtured in a sustained manner.

### **Financial sustainability**

For a municipality to provide sustainable equitable services to the poor areas, it should consider a step-up financial approach as depicted in Diagram 2 below. The poor rural areas will depend on the government grant portion, as long as they maintain the consumption to below the threshold a day. If the non-paying communities' consumption exceeds the level covered by the equitable share, the municipality has to venture into aggressive financial plans. The free water will remain free as long as there are funds to pay for it or else the equitable share of the municipality will be raised to levels where the municipal's own finances are eroded, threatening sustainability and resulting in private funding through debt financing or equity. This kind of funding is not ideal where the municipality cannot collect revenue i.e. intermediate internal financing.

The implications of improving the FBE by 71% , from 3,965 to 5,532 million by 2012 means financial..... If 50 kWh of free basic electricity was proposed for all grid connected households, then the estimated cost to supply a zero rated supply of 50kWh per household per month, calculated at an average of 40c/kWh based on the 6.8 grid-electrified households, would be R1.6 billion per annum. This amount is said to exclude the cost of upgrading the costs of the vending systems. These costs should be recovered from the non-targeted customers i.e. through cross subsidization. It should be noted though that the increase is estimated that an additional 330 000 connections (mainly poor areas) per annum over the next ten years, will be done. The additional costs according to the DME (2003: 15-16) is about R80-90 million per annum.

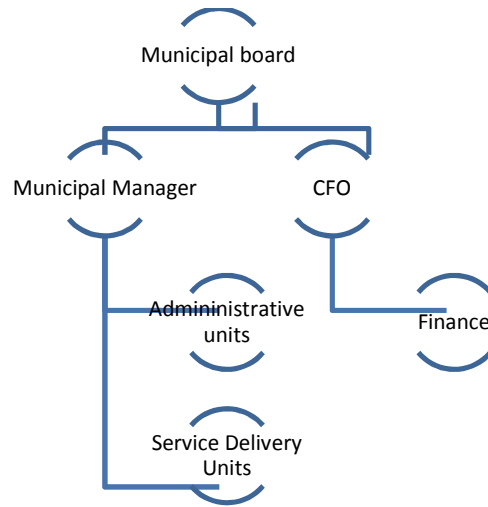
### **Community's willingness to participate**

The community willingness to participate in the local government plans is mainly driven by the literacy and education levels of the community, the poverty levels as well as the income levels which depend on the employment. In the South African context primary

educations spans Grades one to seven, which corresponds to children aged 7 to 13 years. According to the SA Literacy and Numeracy Survey of 2007 grade three children's overall obtained 36% on literacy and 35% for numeracy. This is an indicator of poor early childhood development which is commonly related to family lifestyle, parents' education levels, ability to read and write and not being able to assist the child with reading and writing. The General Household Survey (2008), indicates that the SA education system has made education to be accessible to a very high proportion of 7-15 year old population between 2002 and 2008. About 96.3% of this age group were in education facilities/institutions in 2002 and the rate of participation increased to 97.9% in 2008 according to StatsSA (2002-2008). The Gross Enrolment Rate (GER) in primary school for primary school Grade 1-7 declined from 105% in 2002 to 98% in 2008. This coincides with the increase in the unemployment rates.

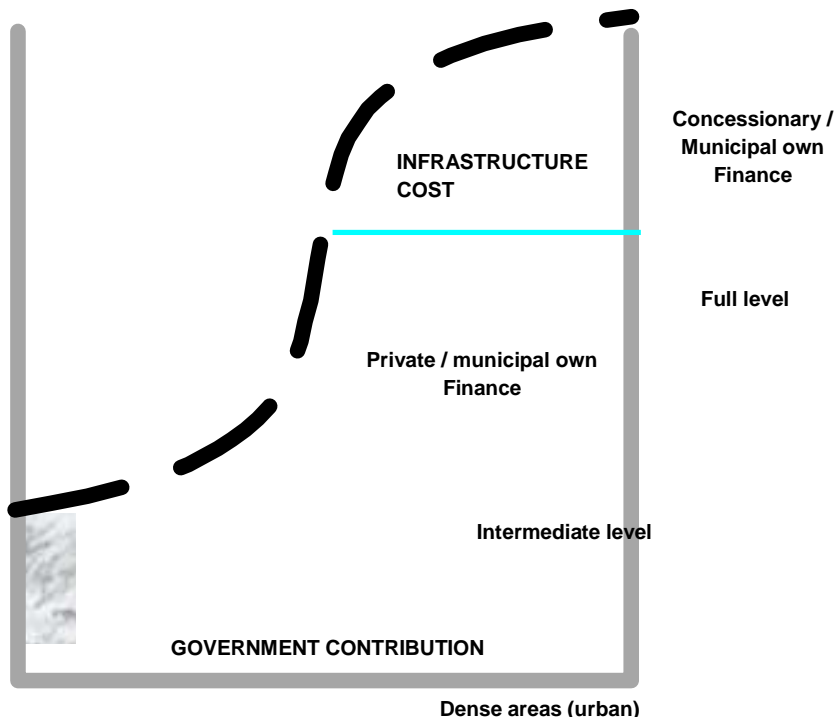
The South African unemployment rate has steadily increased from 24.4% to 25.3% since 2009 according to StatsSA's Q3 Report, (2010). This increase in the levels of unemployment has dampened the modest job creation efforts of the South African Government. This mainly contributes to high poverty margins and unsustainable income not affording communities to earn a living wage depriving their families' basic human rights (education, health, shelter, water and sanitation). According to the SA Index of Multiple Deprivation Index of 2007: 8, 72 % of people live in households are income or materially deprived. This means that these people live below the 100 dollars per month. This leads to a higher percentage of the income being directed to food and some kind of shelter, undeliberately neglecting other services like water and electricity, health and education. This is ultimately result in cyclical patterns leading to high levels of unemployment which bring about political instabilities, rioting and demands for service delivery.

Approximately 67.2 percent of the population experience living environment deprivation meaning that households without piped water, sanitation, electricity and live in shacks or crowded households, SAIMD (2009, p8). As a result, most children grow up in unstable conditions being exposed to health, security and social hazards, hindering learning and development. In order to improve the levels of deprivation that result due to the lacks of access municipalities have to enhance and simultaneously increase the levels of basic services. This could substantially contribute to the growth and development of children and the levels of poverty.



**Figure 1:** Proposed Municipal structure (Authors: 2012)

**Figure 2:** Water infrastructure funding structure adapted from D. Mocke (2008)



According to StatsSA (2002-2010), service delivery Outcome 8 relates to human settlements and by implication water and sanitation amongst other things, whilst Outcome 9 defines the role of local government. The delivery agreements for Outcomes 8 and 9 provide details about the outputs, targets and indicators and key activities to achieve delivery. There are seven critical issues to be addressed in order to achieve the goal of a responsive, accountable, effective and efficient local government system have been identified. One of these is to ensure improved access to essential services (Output 2). In this regard the following sub-outputs were identified in terms of improving universal access to basic services by 2014.

#### RECOMMENDATIONS

Infrastructure development is an important component in ensuring communities' growth and attracting local economic activities to an area thus contributing to economic growth and poverty reduction. Lack of Access to basic infrastructure contributes to poor growth, development of children and aggravates poverty. Approximately 67.2 percent of the population experience living environment deprivation meaning that households without piped water, sanitation, electricity and live in shacks or crowded households, HSRC (2009:8). As a result of this, most children grow up in unstable conditions being exposed to health, security and social hazards, hindering learning and development.

On the backdrop of improving universal access to basic services and improved deprivation levels, this paper recommends:

#### FINANCIAL SUSTAINABILITY

(a) An Intermediate Community Voluntary Funding system: This system is based on the community willingness to pay R19.98 instead of R18.00 (2.25US\$), which is 11% more than what is paid. (b) Municipalities Improved Revenue Collection Strategy combined with cross subsidization (c) Community based infrastructure maintenance strategies– municipalities to focus their efforts on added services to the communities e.g. community based infrastructure maintenance programs – where communities identifies reports and maintain broken taps, leakages and pipes. This will assist the municipalities to contain costs related to maintenance of infrastructure. The municipality trains the community on basic maintenance and in turn, the community provides the services to the municipality.

#### POLICY REFORM

(a) Policy reform on the funding: the Indigent grant should be based on realistic population estimates, service level standards as well as municipal asset needs including maintenance requirements. (b) Ward Committee System to be included within the municipality system as they are key in feeding the information and needs of the communities.

#### COMMUNITY WILLINGNESS TO PARTICIPATE

The community participates in training programs offered by municipality eg information sharing and communication, skills training programs.

Community Action Programs – campaigns and public services carried out by the communities

Introducing free tertiary education to those who have the capacity to pursue studies especially to follow technical studies in water, electricity to assist with the pool of the skills for maintaining the basic services.

Professionalization of the municipal management through tertiary institutions to ensure that there is a qualified pool of municipality managers and other related professionals.

#### CONCLUSIONS

The free basic service system and the indigent grant in this case will remain free as long as the municipality has source of funding. Once the municipal's capital and finances are depleted, the sustainability of free service delivery and indigent grant will be threatened. Hence, the "Indigent Grant" system is not equitable in South Africa. For instance, the municipalities depend on debt or equity funding, in a long term especially that they do not have intermediate internal financing (revenue collection). Likewise, the municipal's capital and finances should be maintained; else the "Indigent Grant" will be threatened. In a similar fashion, debt or equity funding, in a longer term is not sustainable, especially when revenue collection is not good.

Although financial sustainability is important, it is not mutually exclusive to the sustainable management of the equitable grant and equitable services. The study maintains that there are other elements that could contribute to sustainable equitable services, though, the most critical elements are financial, systems and information access and community's willingness to participate. These elements combined, will contribute to the sustainable "Indigent Grant" system.

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