



the dplg

Department:
Provincial and Local Government
REPUBLIC OF SOUTH AFRICA

**GUIDELINES FOR THE IMPLEMENTATION OF
THE NATIONAL INDIGENT POLICY BY
MUNICIPALITIES**

November 2005

DEVELOPED BY THE DEPARTMENT OF PROVINCIAL AND LOCAL
GOVERNMENT

FOREWORD

ACRONYMS USED IN THESE GUIDELINES

CDW	Community Development Workers
CFO	Chief Financial Officer
DEAT	Department of Environmental Affairs and Tourism
DME	Department of Minerals and Energy
dplg	Department of Provincial and Local Government
DWAF	Department of Water Affairs and Forestry
EPWP	Expanded Public Works Programme
FBE/FBAE	Free Basic Energy/ Free Basic Alternative Energy
FBS	Free Basic Services
FBSan	Free Basic Sanitation
FBW	Free Basic Water
FFC	Finance and Fiscal Commission
FTL	FBS Technical Leader
FTT	FBS Technical Team
IDP	Integrated Development Plan
LED	Local Economic Development
MIG	Municipal Infrastructure Grant
MM	Municipal Manager
NERSA	National Energy Regulator of South Africa
NT	National Treasury
SALGA	South African Local Government Association
SocDev	Department of Social Development
StatsSA	Statistics South African
WSA	Water Service Authority

ACKNOWLEDGEMENTS

This guideline was developed with the assistance and input from a number of people and organisations. The authors of this guideline would like to acknowledge the following people: Mr. Jan Erasmus, Mr. Roland Hunter, Mr. Rashid Seedat, Mr. Vishal Ramduny and Ms. Kathy Eales at the City of Johannesburg, Mr. Mthokozisi Mpofu at the Department: Minerals and Energy, Mr. Rantsadi Moatshe at the Department: Environmental Affairs and Tourism, Mr. Johan Wallis at the Department: Housing, Mr. WA Odendaal at the Gauteng Department: Housing, Ms. ND Qhobosheane at the Kwazulu-Natal Department: Housing, Ms. Sadi Luka at the Department: Social Development, Mr. Helgard Muller at the Department: Water Affairs and Forestry, Mr. Vinnie Naidoo at the Mvula Trust, Mr. TV Pillay at the National Treasury, Mr. Hassen Mohamed at the Presidency, Mr. Russell Baloyi at SALGA, Mr. Risenga Maluleka at Statistics SA, Ms. Victoria Ntsodo at Buffalo City, Mr. JS Coetzee at Kannaland Municipality and Mr. Mahendra Chandlall at uMngeni Municipality.

TABLE OF CONTENTS

TABLE OF CONTENTS	4
LIST OF TABLES	5
TABLE OF FIGURES	5
1. ABOUT THESE GUIDELINES	6
1.1. WHO ARE THESE GUIDELINES FOR?.....	6
1.2. PREREQUISITE READING	6
1.3. SCOPE OF THIS GUIDELINE	7
1.4. WHAT PROGRAMMES DO THE GUIDELINES APPLY TO?	9
1.5. ADDITIONAL PROGRAMMES WHICH THESE GUIDELINES IMPACT ON... 9	
1.6. PRINCIPLES THAT UNDERPIN THE GUIDELINE	10
2. BEFORE YOU START	12
2.1. WHAT IS AN INDIGENT POLICY	12
2.2. DIFFICULTIES ASSOCIATED WITH INDIGENT POLICIES?	14
2.3. KEY ELEMENTS OF AN INDIGENT POLICY	15
2.4. THE KEY ROLE PLAYERS	17
2.5. COSTS ASSOCIATED WITH AN INDIGENT POLICY IMPLEMENTATION . 20	
2.6. THE IMPORTANCE FOR INTEGRATED PLANNING	21
2.7. WHO IS AN INDIGENT	22
2.8. SERVICE LEVELS.....	25
2.9. A SOCIAL PACKAGE OF SERVICES	27
2.10. TARGETING METHODS AVAILABLE TO MUNICIPALITIES	29
3. IMPLEMENTING AN INDIGENT POLICY AT YOUR MUNICIPALITY	33
3.1. PLANNING ACTIVITIES	ERROR! BOOKMARK NOT DEFINED.
3.2. INSTITUTIONAL ARRANGEMENTS..	ERROR! BOOKMARK NOT DEFINED.
3.3. INSTITUTIONAL ARRANGEMENTS EXPLAINED	ERROR! BOOKMARK NOT DEFINED.
3.4. COMMUNICATION ACTIVITIES (COMMUNITY PARTICIPATION)	ERROR! BOOKMARK NOT DEFINED.
3.5. INDIGENT APPLICATION & VERIFICATION	ERROR! BOOKMARK NOT DEFINED.
3.6. INDIGENT APPLICATION AND VERIFICATION EXPLAINED	ERROR! BOOKMARK NOT DEFINED.
3.7. MONITORING & EVALUATION.....	ERROR! BOOKMARK NOT DEFINED.
3.8. EXIT FROM INDIGENCE	ERROR! BOOKMARK NOT DEFINED.
4. CASE EXPERIENCES	ERROR! BOOKMARK NOT DEFINED.
4.1. BUFFALO CITY MUNICIPALITY	ERROR! BOOKMARK NOT DEFINED.

- 4.2. KANNALAND LOCAL MUNICIPALITY **ERROR! BOOKMARK NOT DEFINED.**
- 4.3. UMNGENI LOCAL MUNICIPALITY **ERROR! BOOKMARK NOT DEFINED.**

REFERENCES **ERROR! BOOKMARK NOT DEFINED.**

LIST OF TABLES

Table 1: FBS Service Levels25

Table 2: Targeting methods available to municipalities.....29

Table 3: Indicators for a poverty index**Error! Bookmark not defined.**

Table 4: Poverty Index at a metro/district level in Gauteng**Error! Bookmark not defined.**

TABLE OF FIGURES

Figure 1: Packages of services comprising the social safety net.....29

Figure 2: Planning Activities Cross Functional Workflow**Error! Bookmark not defined.**

Figure 3: Institutional Arrangements Cross Functional Workflow**Error! Bookmark not defined.**

Figure 4: Indigent Application and Verification Cross Functional Workflow**Error! Bookmark not defined.**

Figure 5: The basic fields contained in an M&E system**Error! Bookmark not defined.**

1. ABOUT THESE GUIDELINES

1.1. WHO ARE THESE GUIDELINES FOR?

The primary audience for these guidelines are persons involved in planning and implementing services at the municipal level, particularly Free Basic Services (FBS).

The secondary audience for these guidelines are stakeholders involved in supporting municipalities with their service delivery, namely national departments and provincial departments.

1.2. PREREQUISITE READING

Before beginning to use this guideline you should have already read through the following documents and pieces of legislation:

1. Framework for a municipal indigent policy available from the **dplg**
2. Free Basic Water guidelines for local authorities available from DWAF
3. FBW Implementation Strategy available from DWAF
4. Communications handbook on Free Basic Services from the **dplg**.
5. Electricity Basic Services and Support Tariff (Free Basic Electricity) Policy available from DME
6. Study to determine progress with and challenges faced by municipalities in the provision of Free Basic Services & supporting those municipalities struggling with implementation available from the **dplg**
7. Local Government Municipal Property Rates Act No.6 of 2004
8. Constitution of the Republic of South Africa Act No.108 of 1996.

9. Department of State Expenditure – Preferential Procurement Policy Framework Act No. 5 of 2000.
10. Electricity Amendment Act No. 46 of 1994.
11. Generally Accepted Municipal Accounting Practice (GAMAP) Statements.
12. Local Authorities Ordinance, No. 25 of 1974.
13. Local Government: Cross-Boundary Municipalities Act, No. 29 of 2000.
14. Local Government: Municipal Demarcation Act No. 27 of 1998.
15. Local Government: Municipal Structures Act No. 117 of 1998.
16. Local Government: Municipal Structures Amendment Act No. 33 of 2000.
17. Local Government: Municipal Systems Act No. 32 of 2000.
18. Local Government: Property Rates Act
19. Municipal Finance Management Act no 56 of 2003
20. Regional Services Councils Act No. 109 of 1985.
21. Water Services Act, 1997, Act No. 108 of 1997.
22. Division of Revenue Act.

It is important to continuously to keep updated with the latest developments on the FBS programme as they are contained in the various policy documents available from the sector departments.

1.3. SCOPE OF THIS GUIDELINE

It is important that the reader of this guideline is clear on what this guideline is and what it is not. The guideline address issues specifically related to the FBS programme, although it talks to the necessity of linkages to other government programmes and to a broader social package of services.

This guideline has been developed to assist municipalities with the implementation of their indigent policies as defined within the national indigent framework. It is not within the scope of this guideline to exceed the framework. Readers of this guideline must read this guideline in conjunction with the latest relevant policies and guidelines on FBS service areas.

1.3.1. THIS GUIDELINE IS

This guideline explains possible options on specific processes that municipalities need to consider and administer in order to implement their indigent policies. The processes discussed include:

- The criteria for the selection of indigents.
- The registration processes that municipalities can employ
- The screening of indigents
- Approval of applications
- The necessary management system required
- The implementation of Free Basic Services to indigents
- Monitoring of the provision of services and impact determination
- Exit planning for indigents

IMPORTANT NOTE:

It must be noted that not all of these processes may be relevant to a municipality depending on that particular municipality's method of identifying and servicing indigents.

The guideline is meant to be a useful aid to municipalities while they are conceptualizing their own policies.

1.3.2. THIS GUIDELINE IS NOT

- This guide is not a template that municipalities can generically implement; this guideline provides municipalities with options for the development of their own indigent policies.
- The authors of this guideline recognize that municipalities cannot be given a “one solution fits all” approach, and therefore a municipality would use these guidelines as it suits their specific circumstances,
- As stated earlier, this guideline must be read in conjunction with the approved and latest published policies and guidelines released by the sector departments i.e. DWAF and DME.

1.4. WHAT PROGRAMMES DO THE GUIDELINES APPLY TO?

The guideline applies specifically to the FBS programme within municipalities. The FBS programme includes:

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

1.5. ADDITIONAL PROGRAMMES WHICH THESE GUIDELINES IMPACT ON

The guidelines impact on additional social development programmes within the municipality, as well as programmes that are delivered by national and provincial government, which target the indigent. These programmes in turn will influence a municipality’s indigent policy.

The guidelines recognise that to achieve the ultimate aim of the FBS programme, alignment with other government programmes must take place.

Key programmes that are impacted upon include:

- The National Housing Programme
- The Social Grants Programme

- Municipal LED programmes
- Municipal Infrastructure Programmes
- Expanded Public Works Programmes
- Transport Programmes
- Feeding schemes as administered by SocDev

1.6. PRINCIPLES THAT UNDERPIN THE GUIDELINE

- Everyone has inherent dignity and the right to have their dignity respected and protected¹. All process that involves the provision of services to citizens must be done in such a manner as to respect the entrenched rights and dignity of those citizens.
- Municipalities must provide basic services to its indigent in a sustainable manner. It is not expected that a municipality will provide FBS beyond its financial and other capacities.
- Indigents must be afforded access to more than just the FBS package. It is widely acknowledge that the FBS package on its own will not see indigent communities standards of living improve. It is imperative that linkages be made between the FBS package and the broader package of social services (the social package is explained later in this document in section 2.9).
- In providing FBS to indigents, municipalities must provide these services at the recognised and approved minimum basic levels. Municipalities are not dissuaded from providing a higher level of a service if they can afford to do so, and can sustain this higher level.
- FBS is targeted at the indigent. Therefore a municipally can use any approach it chooses to provide FBS as long as it can ensure and demonstrate that the indigent are benefiting from FBS. This guideline discusses a management process that supports a means testing process.

¹ Constitution of the Republic of South Africa Act No. 108 of 1996

- The municipal indigent policy is not a stand alone policy which is independent from municipalities IDP's, its debt and credit control procedures, its municipal by laws etc. Municipalities' indigent policies need to be developed to integrate with these strategic management plans and procedures so as to ensure that the municipalities will be able to sustain their FBS programme.
- Municipalities need to start planning realistic exit strategies for their indigent populations to exit from the indigent registers and subsidies. This will entail that the living circumstance of the indigent has improved significantly so that the indigent can afford to pay for their service. What this implies is that municipalities should integrate their FBS delivery with structured poverty alleviation programmes.
- Due to the varying circumstance and conditions within municipalities it is recognised that municipalities should exercise their right to apply the national indigent framework and these guidelines according to their own circumstances.

2. BEFORE YOU START

In this section we will clarify specific concepts as they relate to FBS and indigents. These concepts include:

1. What is an indigent policy
2. Difficulties that municipalities have in implementing indigent policies
3. What are the key elements of an indigent policy
4. Who are the key role players
5. The costs associated with implementing a municipal indigent policy
6. The importance of integrated planning and its relation to the municipal indigent policy
7. Who is an indigent
8. FBS service levels
9. What is the social package of services
10. Targeting methods available to municipalities

2.1. WHAT IS AN 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”. 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 FBS programme.

An indigent policy will do the following:

- 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
 - An indigent policy should detail (emphasise) 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 IDP's 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.

2.2. DIFFICULTIES ASSOCIATED WITH INDIGENT POLICIES?

Research conducted by the **dplg** 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, should child headed households be included, people without access to services, do refugees qualify, are low consumers indigents? etc.
- Targeting methods to be used. There are a number of ways in which a municipality can identify and target indigents. The method of targeting should link to the criteria's.
- 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 programme and even less can talk to the real impacts that the programme has 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.

The **dplg** in conjunction with the other sector departments and StatsSA are working together to develop solutions to these difficulties.

2.3. KEY ELEMENTS OF AN INDIGENT POLICY

The national framework stipulates that there are three parts to a well functioning indigent policy. These are:

- Gaining Access (Capital Expenditure)
- Maintaining Access (Operational Expenditure)
- Targeting the Poor (Revenue Mechanisms)

2.3.1. GAINING ACCESS

In order to gain access to the services which make up the essential services package provided to the indigent, capital investment is needed in order to design and construct the necessary infrastructure, including water supply, sanitation and refuse removal systems. Large numbers of people in municipalities still do not yet have access to services and the backlogs in municipal service infrastructure are constantly moving.

These moving backlogs are influenced by migration patterns and the roll out of other service delivery programmes, i.e. housing. Without access to infrastructure, indigents will not be able to receive FBS.

There are a number of ways for municipalities to acquire the capital for these investments. Capitals is raised through grants and loans and made available from the national fiscus. The Municipal Infrastructure Grant (MIG) is specifically designed for the purpose of allowing municipalities to roll out new infrastructure.

2.3.2. MAINTAINING ACCESS

Municipalities need to ensure that the services being provided to the indigent are always available, through the regular maintenance of the infrastructure and systems of delivery. This operations, maintenance and repair (OMR) expenditure also needs to be sourced and made available by the municipality.

In addition to ensuring that service infrastructure operates optimally municipalities need to address the real shortages in skills and capacity that they are currently faced with.

2.3.3. TARGETING THE POOR

It is ultimate objective of the FBS programme that the indigents in the country will all have access to basic services. The national indigent framework states that “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.”

Municipalities need to have the capacity and resources to align its financial planning so that ultimately all the indigents will be provided with FBS and the municipality will still remain sustainable. Municipalities can leverage the following subsidy sources to develop a subsidy framework for FBS that will benefit the indigent:

- Cross subsidies from non-residential and high income consumers using the particular service (they are charged more than what the service costs to generate a surplus to be used to cover the cost of services to the indigent).
- The core administration revenue of the municipality which includes property rates, RSC levies (National Treasury has noted that RSC levies will be phased out by 2006²) and electricity surpluses.
- The national fiscus, through the equitable share.

Sustainability is strongly linked to the extent to which a municipality can at some stage support its own delivery through cost recovery. By its very nature, FBS is a subsidy and would therefore, not on its own, recover cost from beneficiaries.

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.

² Budget Speech 2005 by Minister of Finance Trevor A Manuel, Parliament, 23 February 2005

Municipalities will need to consider different models around cross subsidizing the service. If it isn't carefully considered, it is quite likely that the service would be not be able to be sustained in the long term. Block tariffs are certainly one way of cross subsidizing. However block tariffs work when there is a high number of prolific users on a service scale. Block tariffs would not be very effective in a targeted FBS plan, as it's unlikely that substantial tariffs will be acquired from indigents who are consuming above their quota.

2.4. THE KEY ROLE PLAYERS

The key role players in the provision of FBS and an indigent policy do not consist only of municipalities and their indigent populations. There are a number of critical role players that should all work together. These include:

- Municipalities
- Department: Provincial and Local Government
- Department: Water Affairs and Forestry
- Department: Minerals and Energy
- Non-Grid and Alternative Energy Service Providers
- ESKOM
- The National Treasury
- The National Electricity Regulator
- SALGA
- Ward Committees
- Communities

2.4.1. MUNICIPALITIES

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. (Schedule 4b: South Africa Constitution Act No. 108 of 1996)

2.4.2. DEPARTMENT: PROVINCIAL AND LOCAL GOVERNMENT

It is the responsibility of the **dplg** to introduce the legislation and standards applicable to the implementation of FBS. The **dplg** needs to guide, co-ordinate and monitor national programmes. The **dplg** regulates service provision and intervenes where necessary, particularly where capacity is required.

The **dplg** also provides the required grants to municipalities to enable the delivery of FBS.

2.4.3. DEPARTMENT: WATER AFFAIRS AND FORESTRY (DWAF)

DWAF is the sector leader and regulator for water and sanitation. It is the responsibility of DWAF to define the policy and regulation relevant to support the implementation of FBW and FBSan.

DWAF is responsible for assisting the Water Services Authorities (WSA) to implement FBS. DWAF is also responsible for monitoring the state of implementation of WSA's and determining where interventions and support are required.

2.4.4. DEPARTMENT: MINERALS AND ENERGY

DME is responsible for the FBE element of the of the FBS package. DME facilitates information awareness, capacity building on energy efficiency and energy environmental issues, and promotes energy for sustainable development.

2.4.5. NATIONAL TREASURY

National Treasury (NT) is responsible for determining the equitable share allocations to municipalities and mobilise funds for FBS. NT is expected to play a supportive role within the

FBS task team on financial aspects, and advise provinces accordingly. NT also compiles a report to the budget committee on FBS and its recommendations.

2.4.6. ESKOM

Municipalities are responsible for the provision of basic services in their area of jurisdiction. Where ESKOM provides a service on behalf of municipalities, municipalities will still be responsible for funding the provision of Free Basic Services. Government grants are paid to municipalities for FBE. ESKOM will enter into agreement with the municipality whereby ESKOM will supply FBE to a set number of targeted households for whom the municipality will pay ESKOM from the grants received.

2.4.7. NATIONAL ELECTRICITY REGULATOR (NER)

As an independent regulator, the NER plays a regulatory role over the electricity industry in South Africa. This includes ensuring that all relevant legislation is adhered to, and that Government initiatives are met, where possible and taking into account the interests of all industry players. One of the functions of the NER is to monitor and approve the pricing principles and tariffs charged to customers, bearing in mind economic impact and affordability issues. This includes assessing any subsidies inherent in such tariffs, monitoring cost-reflectivity and ensuring that customer groups are not adversely affected by the implementation of initiatives such as Free Basic Services.

2.4.8. SALGA

The role that SALGA plays is to ensure the creation of an enabling environment for the FBS. SALGA is in a position to facilitate the implementation of the FBS policy framework and guidelines. SALGA also plays a role in monitoring the delivery of FBS and compiling reports on the status of implementation and what support is needed, mobilising municipalities, profiling lessons learned and good practice and commissioning research and surveys on FBS.

2.4.9. PROVINCIAL DEPARTMENTS OF LOCAL GOVERNMENT

The provincial departments are responsible for assisting municipalities with their FBS rollouts. The provincial departments are key to ensuring provincial coordination and to deriving lessons learnt within the province.

2.4.10. WARD COMMITTEES

Ward Committees are made up of community representatives and as such can act as information routes between communities and municipalities. These committees are useful barometers of community views and levels of satisfaction and can assist municipalities to determine problem areas and services.

Most importantly, ward committees can help to identifying indigents within the relevant community and assist with the development and rolling out of municipal indigent policy. Ward committees allow the municipalities FBS and Indigent policy efforts to be seen as credible efforts by the communities.

IMPORTANT NOTE:

A recent survey³ by the **dplg** notes that in many instances municipalities regard ward committees as partners in service delivery and ward committees are therefore participating in community development projects. One of the specific powers and functions that municipalities are passing onto ward committees is the identification of beneficiaries for housing and indigent grants.

2.4.11. COMMUNITIES

Communities have a role to play as well. It is the responsibility of the community to inform their municipality of faulty systems, provision problems and abuses or misuse of the services. Communities should also make sure that facilities are maintained, are in good condition, and are being used appropriately. Members of the community should monitor responsible use and prevent misuse, e.g. illegal connections and help to distribute information to their neighbours on FBS. The community can take the initiative to make the municipality aware of their service delivery needs.

2.5. COSTS ASSOCIATED WITH AN INDIGENT POLICY IMPLEMENTATION

³ Department: Provincial and Local Government, Directorate: Institutional Development Systems, Survey On The Establishment And Operation Of Ward Committees 2004/2005

The costs associated with implementing an indigent policy must be carefully considered. A number of factors will influence the cost of this implementation, which will need to be borne by the municipality. These factors are listed and described below:

- **Monitoring & Evaluation Costs:** The costs associated with refining or establishing and aligning monitoring and evaluation efforts by the municipality needs to be factored. This also applies to the analysis and management of data.
- **Analysis of financial framework:** An analysis of the municipality's current financial framework and identification of barriers to the implementation of the indigent policy.
- **Targeting Methods:** The targeting methods chosen will affect the administration required to implement the indigent policy. This is a critical factor of influence since the different targeting methods require different systems to administer them. Municipalities may have to upgrade existing capacities (both personnel and systems) to make the policy work.
- **Cost of Communications:** The cost of communications is another influencing factor. An effective communications campaign needs to be considered and implemented together with the focusing of services towards indigents. This campaign must be both, internally (between municipal departments) and externally focused and have the capacity to draw out and process feedback received. The communications campaign must target not only indigents but the whole of the municipality.
- **Cost of Infrastructure:** The services that need to be delivered in most instances require either the upgrading of existing infrastructure or the development of new infrastructure.
- **Cost of ensuring Accessibility:** Following on closely to the cost of infrastructure and the costs associated with targeting, is the cost of ensuring that indigents can access the services they require. This may entail the municipality having to establish additional application points or upgrading existing points of application.
- **Cost of service levels:** A municipality has to budget not only on the provision of services but also on the installation and maintenance of the services being provided.

2.6. THE IMPORTANCE FOR INTEGRATED PLANNING

The municipal indigent policy must be integrated with the municipalities IDP financial planning and practises. Municipalities have limitations on funds and on resources and capacity that will impact on their FBS programmes hence it is critical that there is across the board planning.

In addition, municipalities FBS efforts must be part of the municipalities' total programme of service delivery; therefore the integration of plans and practises is necessary.

2.7. WHO IS AN INDIGENT

One of the most contentious definitions is that of who is an indigent. The national framework indicated that the term 'indigent' means 'lacking the necessities of life⁴'. The framework continues to say that the Constitution provides a guide as to what the necessities of life are:

- 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.

One cannot define an indigent too narrowly as this may exclude those individuals or households who truly require poverty alleviation, and one cannot define who is an indigent too loosely as this may result in a unfair inclusion of individuals and household who can in fact afford the basic services.

⁴ Shorter Oxford dictionary

In attempting to provide a definition of who is an indigent in this guideline, we have examined the definitions from the FBS sector departments; we have examined research on municipal definitions as well as many other sources. Also conditions vary from municipality to municipality and therefore attempting to develop a uniform single definition for who is an indigent across the country, which can be monitored and compared, proves difficult.

- DWAF set the qualification for FBW at less than R800⁵ per household
- DPLG set the indigent income threshold per household at R1100 per month (DPLG has indicated that the threshold should be moved to R1600 per month)
- DME state that households consuming less than 150kWh per month could be regarded as poor and be given the 50kWh per month⁶.

What characterises an indigent household is not only its income or consumption levels. A combination of criteria makes up the definition of an indigent household that is eligible for FBS. The criteria that should be included in the definition of an indigent household are:

- Are they South African citizens - The applicant must have a valid identification document or other acceptable form of identification.
- If the applicant is not a South African citizen, do they have recognized refugee status, they must provide proof hereof.
- The qualifying indigent must reside in a dwelling; since FBS is provided to a household.
- If the applicant resides in an informal settlement they should be eligible to qualify.
- The applicant must prove that they cannot afford to pay for the services, but providing a UIF card, bank statements, proof of income, letter from employer, etc.
- The combined monthly household income of the applicant should be not higher than R1600.
- Child headed households should be regarded as indigent

⁵ DWAF, Free Basic Water, Implementation Strategy Document, May 2001

⁶ DME, Guideline for the introduction of Free Basic Electricity, 2003

- Beneficiaries of state grants should be viewed as potential indigents but their eligibility must be tested.
- Households without access to FBS infrastructure should be regarded as indigents.

It is incumbent on the municipality to apply these criteria as a boundary within which to develop its own specific indigent definition.

IMPORTANT NOTE:

The criteria above are not prescriptive to municipalities. Municipalities must use their own discretion and work within these criteria.

The criteria above does not cover all the realities that a municipality will be faced with (hence the need for a municipality to apply its own discretion). Municipalities may encounter households with varying conditions that qualify them as being indigent e.g. properties that have more than one dwelling structure built, a dwelling with more than one household, a household with HIV/AIDS.

WHY R1600?

In determining the R1600.00 level as the income threshold for determining indigent status, we took into consideration the following:

- The R1600 household threshold is the figure that is tracked through the census, therefore municipalities will be able to utilise the data from StatsSA as part of its planning and assessment of impacts.
- One of the original determinates for indigence used by the sector departments and NT was a household income that is equivalent to two old age pensions. In April 2005 the maximum old age grant has increased to R780 per month, two old age pensions equal R1560.

WHAT SHOULD HAPPEN TO THE R1600 THRESHOLD IF STATE PENSIONS INCREASE?

An increase in the state pension or any of the other supporting factors that lead us to the R1600 threshold does not necessarily mean that municipalities will automatically have to adjust this threshold to match the increase.

Municipalities have the right to increase or decrease this threshold dependent on what they can afford to implement and the applicability of this to local conditions.

2.8. SERVICE LEVELS

There are numerous options available to a municipality with regard to service levels. Investigations should be conducted on whether the option chosen is appropriate for the environment, and the culture of the community which may have entrenched traditional views and practices. Imposing certain options might cause discomfort and resistance on the part of the community. The cost of the service is also critical. The costs can vary widely between one service type to another, while the benefits might still be minimal.

The various sector departments have released implementation guidelines detailing the technology options available for each service area. The preferred options are listed below:

Table 1: FBS Service Levels

Service Areas	Service Levels
----------------------	-----------------------

Service Areas	Service Levels
Free Basic Water	<p>6 000 litres per household of 8 people per month. Provided through:</p> <ul style="list-style-type: none"> • Communal standpipes • Rudimentary Systems (hand pumps, boreholes etc) • Prepaid communal street tap • Low pressure trickle feed yard tank • Low pressure manually operated yard tank • Low pressure regulated yard tank • Medium pressure manually operated roof tank • Medium pressure regulated roof tank • Full pressure conventional house connection • Full pressure prepaid house connection
Free Basic Energy/Electricity	<p>For Grid, an amount of 50 kWh per month is deemed sufficient energy to provide basic services for a poor household. This amount of electricity is suitable for basic lighting, TV and radio, basic ironing and basic cooking.</p> <p>For Non Grid (Energy Alternatives), any other suitable form of basic energy to the value of R55.00 (including solar home system) deemed necessary to support basic energy needs of an indigent household as determined from time to time and funded by the government.</p>
Free Basic Sanitation	<ul style="list-style-type: none"> • Ventilated Improved Pit Toilet (VIP) • Ventilated Improved Double Pit Toilet • Urine Diversion Toilet • Sceptic Tank • Shallow sewerage • Full water borne sewerage

IMPORTANT NOTE:

Communities require education linked to the supply of FBS, particularly around the use and care of the services. When introducing a new concept and trying to install a change in the community, e.g. hygiene practices associated with the installation of toilets, basic information and education might prove to be beneficial.

2.9. A SOCIAL PACKAGE OF SERVICES

“A society in which large sections depend on social welfare cannot sustain its development. Our comprehensive programme to grow the economy, including the interventions in both the First and Second Economies, improving sustainable livelihoods and create work is meant precisely to ensure that, over time, a smaller proportion of society, in particular the most vulnerable, subsists solely on social grants.” *(President Thabo Mbeki State of Nation Address, 2004)*

As developmental institutions, municipalities need to commit to supporting measures that assist and empower communities.

It is accepted that South Africa has a dual economy. Large sections of our society cannot exist without intervention and support. The South African Constitution offers municipalities a guide to dealing with this issue. As a negotiated contract between people of South Africa, it sets the rules in terms of what citizens are entitled to. It is the Constitution that highlights the right of all citizens to have access to a basic level of services, and it is the role of municipalities to ensure that citizens are able to access this right. In providing FBS, municipalities should link support to communities, with other poverty alleviation strategies, both locally and as part of a national poverty alleviation programme.

Municipalities would be advised to look at FBS as a component of their broad poverty alleviation and economic development programmes. Not only should measures be devised to engage beneficiaries of FBS in LED activities, but also to link the implementation of FBS with other national poverty programmes and labour intensive interventions. This will ensure that targeted relief programmes such as FBS are linked to poverty intervention and economic empowerment programmes.

There are opportunities in South Africa to provide universal social safety nets and targeted poverty relief in selected areas that will guarantee that the rights of the poor are upheld.

There is a national system of pensions and other grants in place and there are other direct and indirect welfare related transfers, specifically in the areas of health, housing and education that are run by the national and provincial authorities, available to the South African citizen.

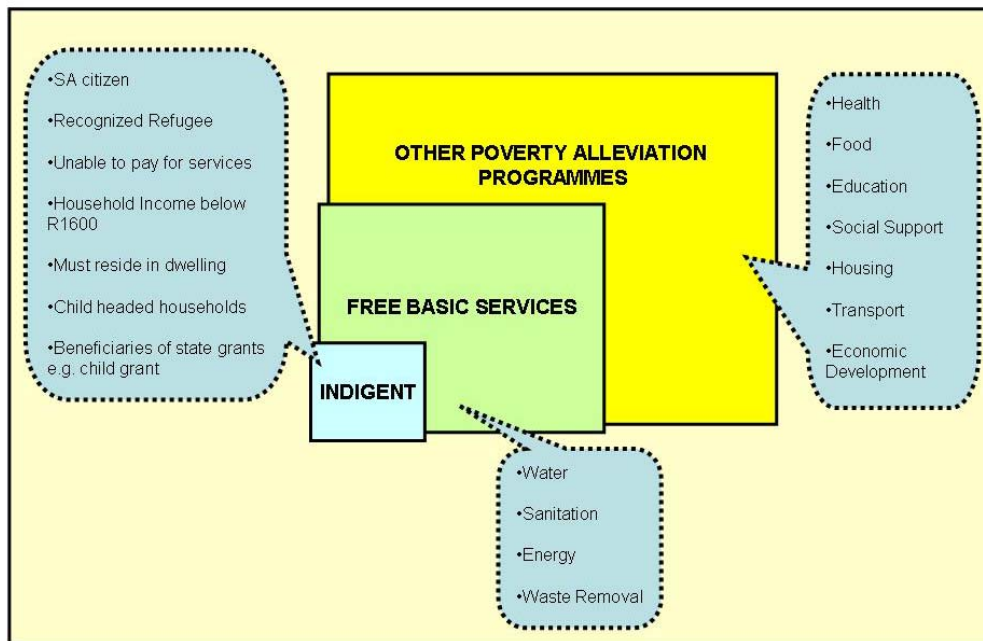
Under the South African constitution, local government has an important developmental role to play in securing both redistribution and the basic welfare of citizens. This role, which must be situated within the wider inter-governmental fiscal and functional framework, is as yet not clearly defined either within the **dplg** or in any of the municipalities, although a number of Councils have made conscious efforts to address the problem of poverty within their jurisdiction.

The poverty challenge for local government is not only to roll out new service connections to the poorest sections of the population, but also to ensure that the poorest residents continue to be able to afford to have water or power flowing from the infrastructure that has been installed. There is also the reality that if a comprehensive service delivery system is going to function and be financially sustainable, it has to be designed to account for the affordability constraints of all of its citizens.

The case for a close alignment and leveraging of potential synergies between the various social programmes is recognised by the FFC who state “A comprehensive poverty alleviation package could be designed to align the system of social security cash grants and social insurance (which address income poverty) with the provision by the three spheres of government of free basic services (which address capability and asset poverty).”⁷

⁷ Financial and Fiscal Commission, Towards a Review of the Intergovernmental Fiscal Relations System, April 2003.

Figure 1: Packages of services comprising the social safety net



2.10. TARGETING METHODS AVAILABLE TO MUNICIPALITIES

The national framework spells out the following targeting methods that municipalities can make use of:

Table 2: Targeting methods available to municipalities

Targeting option	Description	Advantages and disadvantages
Service level targeting.	Where a specific service level (public standpipe for FBW) is given free to the poor.	<ul style="list-style-type: none"> • Can only be applied where there are mixed service levels with a particular service level suitable as a basic service level widely applicable to the indigent. • May avoid the need for billing.
Consumption	Where those using a low	<ul style="list-style-type: none"> • This has been applied to both

Targeting option	Description	Advantages and disadvantages
based targeting	amount of the service are provided with this method for free. This is only applicable if the amount of the service can be measured.	<p>FBW and FBE.</p> <ul style="list-style-type: none"> • Only applicable where the consumption of the service can be measured or accurately estimated. • Well aligned with the concept of block tariffs. • Provides for self-targeting (if the consumer used less than the threshold amount of the service they do not pay). • But has disadvantages where there are large numbers of indigent people served by a single metered supply, as the free amount may not be sufficient to meet the basic needs for this number of people.
Property value based targeting	As an indication of the level of household wealth, and hence income.	<ul style="list-style-type: none"> • Being increasingly applied in South Africa for sanitation and refuse removal charges. • Aligned with the concept that property value is a good indication of household income and, therefore, ability to pay for services. • But property value may not bear a relationship to the

Targeting option	Description	Advantages and disadvantages
		<p>amount of the service consumed.</p> <ul style="list-style-type: none"> • It requires an integrated and up-to-date property valuation.
Means testing with targeted credits	Applied with a targeted credits or subsidy to those households which are below a household income threshold.	<ul style="list-style-type: none"> • This method has been widely promoted in South Africa but seldom properly implemented, as it requires a structured administration and communication process. • Provides an effective means of monitoring the service and tracking impacts.
Targeting based on plot size	Using a charge based on plot size, with a zero rating for properties under a determined threshold.	<ul style="list-style-type: none"> • This is relatively simple to apply and has been used historically in South Africa for sanitation and refuse charges. • But there is generally a poor relationship between plot size and the income of the household(s) living on the plot.
Geographical (zonal) targeting	Where a particular area within the municipality is identified as poor and the tariffs for services provided in this area are adjusted accordingly.	<ul style="list-style-type: none"> • Simple to apply, as poverty tends to be geographically located in distinct areas. • As in many other targeting methods, i.e. block tariffs, this does possess a high capacity

Targeting option	Description	Advantages and disadvantages
		<p>for benefit leakage.</p> <ul style="list-style-type: none"> • May be suitable as an interim measure until better systems are in place.
Targeting through lack of credit control	<p>In this case consumers of the service are billed but there is inadequate follow up to ensure payment. This non-sustainable approach is unfortunately widely applied, particularly where charges are set too high to be affordable.</p>	<ul style="list-style-type: none"> • Applied as a default particularly where tariffs are too high to be affordable and therefore there is considerable resistance to paying (low ability to pay). • Not sustainable.

It is highly unlikely that municipalities will find that only one targeting method from the above list will suit its entire indigent targeting requirement. Rather what is most likely is that municipalities will find greater benefit from combining various targeting methods.

3. IMPLEMENTING AN INDIGENT POLICY AT YOUR MUNICIPALITY

Every municipality is expected to develop an indigent policy in relation to the specific need and financial standing of the municipality. The policy should also outline the approach it will use for cross subsidization and pricing of services. The policy needs to be developed in compliance with nationally set norms and standards, and be enforceable by the municipality.

We have defined 6 minimum steps that municipalities need to engage with in order to develop and implement their indigent policy. These steps are:

1. **Planning activities:** There are specific minimum planning activities that the municipality must undertake in order to have an effective indigent policy. A municipality must have a precise understanding of its own capabilities and resources, as well as the needs of its constituencies.
2. **Institutional arrangements:** The municipality must map out the institutional arrangements it will follow for the development and implementation of its indigent policy. This means that municipalities will need to have formal structures and processes through which the indigent policy will be managed.
3. **Communication Activities (Community Participation):** Municipalities must leverage the existing communications channels e.g. ward committees, as well as newer structures such as CDW's to explain the purpose and objectives of its indigent policy and FBS programme.
4. **Indigent application and verification:** Where a municipality's chosen targeting method requires applications from indigents, a verification process will be necessary.
5. **Monitoring, Evaluation & Impact Assessment:** It is essential that an indigent policy be monitored and evaluated. Municipalities are required to report back to the relevant national government on the effectiveness of their FBS delivery. Impact assessments are an important part of this process to determine the extent to which FBS is making a real impact on the quality of life.
6. **Exit from indigence:** The ultimate outcome of FBS is that those who require the relief will eventually experience an improvement in their quality of life, resulting in them no longer requiring the relief. For this to happen there needs to a partnership between the municipality and other spheres of government in regards to the poverty alleviation of indigents.