

# **The Free Basic Electricity Policy: A Case Study of Policy Implementation in the Msunduzi Municipality.**

By

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# Declaration

This dissertation, is submitted for the degree of Master of Social Science (Policy and Development Studies), and describes the work undertaken at the University of KwaZulu-Natal, Pietermaritzburg, under the supervision of Ms A. Stanton between July 2006 and December 2006.

I declare that this work is the result of my own research, unless specifically indicated to the contrary in the text. This dissertation has not been submitted in any form for any degree or examination to any other university.

I hereby certify that this statement is correct.

Signed: Bhethy

Date: 15 / 12 / 2006

## **Dedication**

*This dissertation is dedicated to my late uncles,  
Sinners & Deena Moodley and Dan Naidoo,  
In acknowledgement of the positive impact that they have had on my life!*

# Acknowledgements

First and foremost I would sincerely like to thank my supervisor Ms A. Stanton, for all her time, dedication and encouragement.

I would like to thank my late aunt Joan Theresa Moodley, for it is she who encouraged me to further my education and therefore, where it all began.

I would like to thank my parents Dan & Segrie Chetty and my grandmother Mrs Logie Moodley, for all their support.

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Last but not least I would like to thank Lord Shiva for guiding me through many obstacles and helping me to achieve success.

# Abbreviations

A	Ampere
ANC	African National Congress
BOT	Build-Operate-Transfer
CBO	Community Based Organization
DME	Department of Minerals and Energy
DPLG	Department of Provincial and Local Government
DWAF	Department of Water Affairs and Forestry
EBSST	Electricity Basic Support Services Tariff
ESI	Electricity Supply Industry
FBE	Free Basic Electricity
FBWP	Free Basic Water Policy
MDB	Municipal Demarcation Board
MSP	Municipal Service Partnership
NGO	Non Governmental Organization
RDP	Reconstruction and Development Programme

## Chapter 1: Policy Theory:

### Introduction

Baker, Michaels and Preston define policy as “a mechanism employed to realize societal goals and to allocate resources”<sup>1</sup>. This definition was strengthened by Smith who says, “policy may be defined as a deliberate course of action or inaction taken by those in office under the influence of values and pressures on the way resources (expenditure and coercion) are to be used in pursuit of objectives or in support of other policies”<sup>2</sup>. Ramney defines policy as a particular objective or goal<sup>3</sup>.

On the other hand public policy is defined by Dye as “whatever governments choose to do or not to do”<sup>4</sup>. Public policy is regarded by Dunn as a series of related choices, including decisions not to act by governmental bodies and officials<sup>5</sup>. Smith seems to be of the same opinion and offers the interpretation that “public policy is the outcome of decisions about the political allocation of resources and is therefore characterized by the use of legal and coercive sanctions; by being of general concern; and by the application of political values to problem-solving”<sup>6</sup>.

A policy is something that can be described as simply being a system, which goes through different stages. Colebatch describes policy as a cycle that implies a logical succession of stages namely: definition of the problem; identification of alternative responses; evaluation of options; decision-making; implementation and evaluation<sup>7</sup>.

✶ The process will then be represented as a sequence of stages in the development and pursuit of a goal. It will begin with a thought and move forward by action and end with a

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<sup>1</sup> Baker, R.F., Michaels, R.M. and Preston, E.S. 1975. Public Policy Development: Linking the Technical and Political Processes. New York: John Wiley. pp. 12-15.

<sup>2</sup> Smith, B. 1976. Policy Making in British Government: An Analysis of Power and Rationality. Great Britain: The Pitman Press. p. 15.

<sup>3</sup> Ramney, A. 1968. Political Science and Public Policy. Chicago: Markham. p. 7.

<sup>4</sup> Dye, T. 1972. Understanding Public Policy. New York: Prentice-Hall. p. 1.

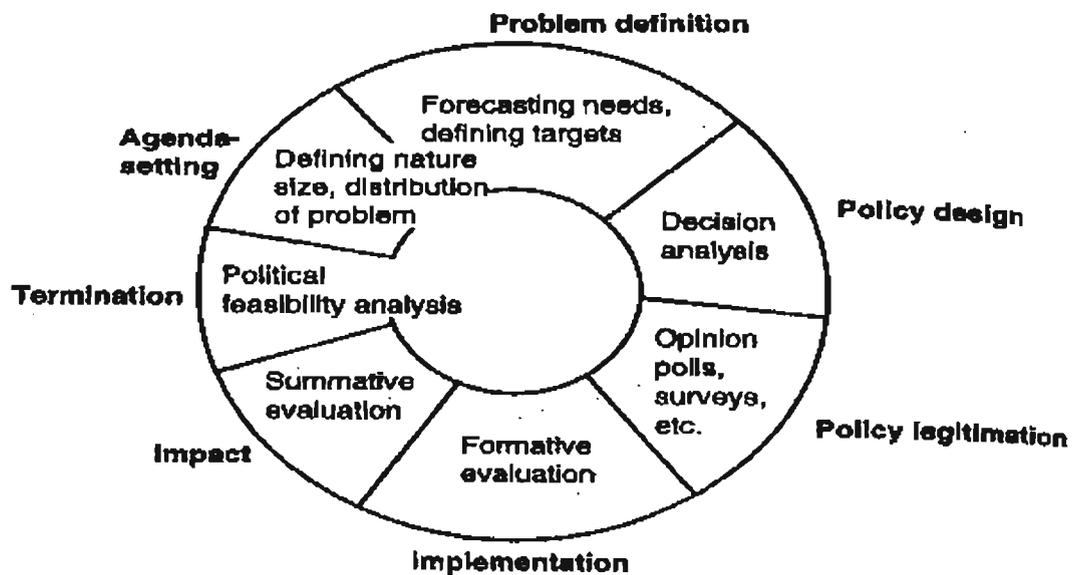
<sup>5</sup> Dunn, W.N. 1981. Public Policy Analysis: An Introduction. New York: Prentice-Hall. p. 46.

<sup>6</sup> Smith, B. 1976. Policy Making in British Government: An Analysis of Power and Rationality. Great Britain: The Pitman Press. p. 15.

<sup>7</sup> Colebatch, H.K. 2002. Policy: Concepts in the Social Sciences. Buckingham: Open University Press. p. 5.

solution<sup>8</sup>. Colebatch says “these stages are often presented not as a line, but as a circle, suggesting that there is a natural progression from one stage to the next”<sup>9</sup>. Palumbo also describes policy as a cycle and offers the following as the key steps it goes through: agenda setting; problem definition; policy design; policy legitimization; implementation; impact and termination<sup>10</sup>. Hanekom argues that by identifying each stage one can gain a more holistic picture of the nature of public policy<sup>11</sup>.

**Figure 1.1: The Policy Cycle**<sup>12</sup>



Colebatch argues that there are three central elements in the way in which the term policy is used. These elements are order, authority and expertise<sup>13</sup>. In its entirety policy is first of all concerned with order. Policy is concerned with system and consistency. Due to this, policy can be viewed as setting limits on the behaviour of officials and at the same time

<sup>8</sup> Ibid.

<sup>9</sup> Colebatch, H.K. 2002. Policy: Concepts in the Social Sciences. Buckingham: Open University Press. pp. 49-50.

<sup>10</sup> Parsons, W. 1995. Public Policy: An Introduction to the Theory and Practice of Policy Analysis. United Kingdom: Edward Elgar Publishing. pp. 545-546.

<sup>11</sup> Hanekom, S.K. 1987. Public Policy: Framework and Instrument for Action. Pretoria: Sigma Press. p. 9.

<sup>12</sup> Figure Adapted From Parsons, W. 1995. Public Policy: An Introduction to the Theory and Practice of Policy Analysis. United Kingdom: Edward Elgar Publishing. pp. 545-546.

<sup>13</sup> Colebatch, H.K. 2002. Policy: Concepts in the Social Sciences. Buckingham: Open University Press. pp. 9-11.

alleviating them from having to make choices. The official would not need to make any decisions or choices, as the relevant guidelines for the way forward will be set out in the policy<sup>14</sup>.

Any policy must rest on authority<sup>15</sup>. When one speaks of something as policy there is the implication that some authorized decision-maker has endorsed it. It is this authority that legitimizes a policy. Authorities may not always be directly involved in the framing of the policy but stems from their authority and, based on hierarchy, can be passed down to other organizations and actors<sup>16</sup>.

Policies tend to imply some sort of expertise<sup>17</sup>. Policy does not stand-alone but in relation to some sort of practice which then implies knowledge, firstly of the problem, and secondly of the possible things that can be done about it. This perspective sees policy as an exercise in skilled problem solving which asks questions as to whether the policy is working and thus generates the specialized field of policy evaluation<sup>18</sup>. It must be clearly highlighted that although one says that the attributes of policy are order, authority and expertise, this does not necessarily mean that they are all equally present at all the stages in the policy process. They could in effect operate against each other and in that instance policy outcomes are likely to embody a continuous problem between these attributes<sup>19</sup>.

Policy-making can never be neutral. In the public sector policy decisions are often informed by ideologies and values including political, religious, cultural, economic and historical values<sup>20</sup>. Government's aims and functions stem from the values, needs, desires and demands of society or societal groups. Through the political process of government, these values, needs, desires and demands are transformed and are then presented as policy decisions in the form of legislation which delegates responsibilities to public

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<sup>14</sup> Ibid.

<sup>15</sup> Ibid.

<sup>16</sup> Ibid.

<sup>17</sup> Ibid.

<sup>18</sup> Ibid.

<sup>19</sup> Ibid.

<sup>20</sup> Cloete, F., Wissink, H. and De Coning, C. 2006. Improving Public Policy: From Theory to Practice. Pretoria: Van Schaik Publishers. p. 19.

institutions for policy implementation<sup>21</sup>. Hanekom believes that public policies are primarily about the intentions of the legislator with regards to society<sup>22</sup>. It focuses on the direction in which legislation created aims to steer society and predominantly the utilization of national resources<sup>23</sup>. The term public policy also encompasses hierarchy whereby governing is made easier by the enforcement of public authority by those executing the choices of those with authority that make them<sup>24</sup>.

According to Van Niekerk *et al*, public policies consist of action; which can be described as a government's action or inaction<sup>25</sup>. Policies are future-orientated in nature, and usually target the promotion of the general welfare of society. This usually occurs within the framework of legally instituted public bodies such as the legislature or government departments<sup>26</sup>. According to Hanekom, "public policies are not eternal truths, but rather hypotheses subject to alteration and to the devising of new and better ones until these in turn are proved to be unsatisfactory"<sup>27</sup>. This interpretation of policy reiterates Colebatch's description of policy as a continuous process.

Hanekom describes public policy as two-dimensional<sup>28</sup>. Van Niekerk *et al*, share this view as well<sup>29</sup>. They advocate it has a political and an administrative dimension<sup>30</sup>. The political dimension refers to the involvement of government in making policy decisions on the activities and resources necessary to reach the desired policy objectives. The administrative dimension pertains to the actions taken by "the executive governmental institutions to achieve the goals desired by government within guidelines set out and with

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<sup>21</sup> Hanekom, S.K. 1987. Public Policy: Framework and Instrument for Action. Pretoria: Sigma Press. p. 8.

<sup>22</sup> Ibid.

<sup>23</sup> Ibid.

<sup>24</sup> Colebatch, H.K. 2002. Policy: Concepts in the Social Science. Buckingham: Open University Press. p. 12.

<sup>25</sup> Van Niekerk, D., Jonker, A. and Van der Waldt, G. 2001. Governance, Politics, and Policy in South Africa. New York: Oxford University Press. p. 87.

<sup>26</sup> Hanekom, S.K. 1987. Public Policy: Framework and Instrument for Action. Pretoria: Sigma Press. p. 8.

<sup>27</sup> Ibid.

<sup>28</sup> Ibid.

<sup>29</sup> Van Niekerk, D., Jonker, A. and Van der Waldt, G. 2001. Governance, Politics, and Policy in South Africa. New York: Oxford University Press. p. 91.

<sup>30</sup> Ibid.

the resources allocated”<sup>31</sup>. Public policies are made by the legislator and are the outputs of the political process, and are therefore part of the political dimension. Public institutions are charged with the task of implementing these policies with the view to reach the goal as envisaged by the legislator. Therefore, policies decided by the legislator are inputs to a public administrative process, and are part of the administrative dimension<sup>32</sup>. Hanekom believes that when the public administrative process is analyzed one can identify three categories of activities: the generic administrative category; the functional activity; and auxiliary activities or functions<sup>33</sup>.

The generic administrative activities are also called enabling functions of which there are six components namely policy-making; financing; organizing; staffing; determining work procedure; and devising control measures. “Auxiliary activities or functions are sometimes referred to as tangential activities because they go hand-in-hand with both the administrative and functional activities in the form of decision-making, programming, scheduling and planning”<sup>34</sup>. Hanekom says that policy-making is not subordinate to any of the other five generic administrative functions. An analysis of the administrative function highlights that they are mutually inclusive. What this advocates is that each of the six functions can be seen from the point of its necessity to and impact on the remaining functions<sup>35</sup>. The political and administrative dimensions of policies are not separate. Policy links the political and administrative processes and is the enabling function of the administrative function<sup>36</sup>.

According to Van der Waldt and Du Toit there are different levels and types of policy<sup>37</sup>. The following levels can be distinguished. There is the political or national policy that is a broad directive policy and is made by the legislative authority. Then there is an

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<sup>31</sup> Ibid.

<sup>32</sup> Ibid.

<sup>33</sup> Hanekom, S.K. 1987. Public Policy: Framework and Instrument for Action. Pretoria: Sigma Press. p. 9.

<sup>34</sup> Ibid.

<sup>35</sup> Ibid.

<sup>36</sup> Van Niekerk, D., Jonker, A. and Van der Waldt, G. 2001. Governance, Politics, and Policy in South Africa. New York: Oxford University Press. p. 93.

<sup>37</sup> Van der Waldt, G. and Du Toit, D.P. 1999. Managing for Excellence in the Public Sector. Cape Town. Juta and Co. Ltd. p. 209.

executive policy in which this broad directive policy is spelled out in more substantial terms by decisions related to organizing, financing and personnel, and is necessary for implementing the broad directive approach. There is also administrative policy that deals directly with the practical steps or strategy for implementation to execute a policy and is most likely to be made by the directors-generals of government departments. Lastly, there is the operational policy in which decisions are made in the day-to-day activities of public servants<sup>38</sup>.

The political dimension also reflects the dominant ideology of government. The type and extent of public policies generally go hand-in-hand with the political ideology and values that the current government subscribes to and believes shall make a significant contribution to the general welfare of society<sup>39</sup>.

Cloete *et al* say that ideologies influence certain policy approaches and theories of public policy-making differently. For example, the ideology of laissez-faire entails that the state engages itself in operations concerning the maintenance of law and order, and the protection of society from attacks from outside interventions<sup>40</sup>. This approach calls for the protection of private property and the establishment of conditions that promote free enterprise, and that the state should only interfere with an individual's life on a strictly limited basis. Any government wishing to follow this approach should draft policies along these prescripts and leave other things to be determined by the market or by public choice<sup>41</sup>.

Ideologies reflecting a more socialist or collectivist approach, would result in policies in which the state has control over the economy through economic institutions which function as state institutions and by trying to completely abolish capitalism<sup>42</sup>. Welfare statism is also an ideology that influences policy decisions. This ideology claims that the

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<sup>38</sup> Ibid.

<sup>39</sup> Hanekom, S.K. 1987. Public Policy: Framework and Instrument for Action. Pretoria: Sigma Press. p. 10.

<sup>40</sup> Cloete, F., Wissink, H. and De Coning, C 2006. Improving Public Policy: From Theory to Practice. Pretoria: Van Schaik Publishers. p. 29.

<sup>41</sup> Ibid.

<sup>42</sup> Ibid.

most important tasks of the state are to promote the highest degree of material and spiritual public well-being. According to this ideology the state has to provide competitive opportunities so that citizens are able to obtain the good things in life<sup>43</sup>.

Policy decisions are made by human beings and thus are subject to the limitations of human behaviour that is accepted in a given society<sup>44</sup>. Public officials perform their daily duties in a political milieu where they are continuously confronted by political, cultural, environmental and economical factors, general accepted societal values, existing policies and even the traditions of the institution to which they are subservient<sup>45</sup>.

Hanekom postulates that even though public officials and political office-bearers are required to make factual and value judgements, policy-making in itself is about value preferences of the decisionmaker<sup>46</sup>. A political office-bearer for example, could be influenced into making judgments based on the policy preference of his or her political party. Hanekom further says, "it is right to expect policy-makers in the public sector to adhere to some minimum acceptable normative factors including political dispensation, democracy, legislative supremacy and the requirements of administrative law which serves as guidelines for decision-making, policy-making and implementation"<sup>47</sup>.

There are many factors besides ideology and values, which influence public policy-making. This is due to the fact that there is a certain amount of speculation involved when making policies<sup>48</sup>. Policy is rarely made in a context where decision-makers have access to 100% correct and full information. Many factors that could in effect influence policies are often vague and unknown. Of note is that these factors could be internal or external factors. They could have significant bearing on the eventual outcome of a specific policy<sup>49</sup>.

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<sup>43</sup> Ibid.

<sup>44</sup> Hanekom, S.K. 1987. Public Policy: Framework and Instrument for Action. Pretoria: Sigma Press. p. 12.

<sup>45</sup> Ibid.

<sup>46</sup> Ibid.

<sup>47</sup> Hanekom, S.K. 1987. Public Policy: Framework and Instrument for Action. Pretoria: Sigma Press. p. 13.

<sup>48</sup> Hanekom, S.K. 1987. Public Policy: Framework and Instrument for Action. Pretoria: Sigma Press. p. 14.

<sup>49</sup> Ibid.

Internal factors that could influence a policy decision are a shift in political support or policy trends or the forming of new political alliances<sup>50</sup>. Societal problems such as increased urbanization and its associated consequences are also classified as internal factors. The availability of resources necessary for implementation of a specific policy is also seen as an internal factor<sup>51</sup>. Sometimes personnel matters such as the competency of staff, and whether or not they are able to give full effect to a certain policy, and if not, what measures must be taken to overcome this without interfering with the implementation of the policy<sup>52</sup>.

External factors influencing policy decisions are: the existing constitutional framework and the possibility of constitutional developments and its possible effects<sup>53</sup>. The state of the economy and whether or not possible changes could occur, either positive or negative in nature could affect the outcome of a policy.<sup>54</sup> Other factors include the issue of societal trends that tend to regulate the lives of specific societal groups<sup>55</sup>.

All public policies have a set of limitations<sup>56</sup>. These limitations are due to the fact that it is very difficult to correctly ascertain the needs of society altogether. Furthermore, the expectations of any given society may be beyond the ability or resources of the authorities<sup>57</sup>. There could also be issues whereby addressing a particular policy problem for one group may cause problems to another group.

In addition, over certain periods of time, people are able to adapt themselves to a policy so much so that the policy loses its effectiveness<sup>58</sup>. Public policies are not static and have to be constantly reviewed, reformulated and even replaced so as to adapt to the changing

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<sup>50</sup> Ibid.

<sup>51</sup> Ibid.

<sup>52</sup> Hanekom, S.K. 1987. Public Policy: Framework and Instrument for Action. Pretoria: Sigma Press. p. 15.

<sup>53</sup> Ibid.

<sup>54</sup> Ibid.

<sup>55</sup> Ibid.

<sup>56</sup> Hanekom, S.K. 1987. Public Policy: Framework and Instrument for Action. Pretoria: Sigma Press. p. 17.

<sup>57</sup> Hanekom, S.K. 1987. Public Policy: Framework and Instrument for Action. Pretoria: Sigma Press. p. 18.

<sup>58</sup> Ibid.

circumstances<sup>59</sup>. As discussed earlier, circumstances can change when, for example, new ideologies or values inform policy decisions.

Over the years, various authors have designed theories to try and analyze or explain the policy-making process. The first theory is labeled the classical or institutional theory and is concerned with the interests of government and, it is argued, should be given preference. The area of focus here includes the doctrine of separation of powers as represented by the separation of legislative, executive and judicial functions<sup>60</sup>. According to the liberal democratic theory, the dominant political party becomes the primary policy-making body. This theory relies on the notion that the political party is representative of the individual voter and therefore this is superior to interest groups<sup>61</sup>. Then there is the elite theory, which hinges on the premonition that small elite groups lead a large mass grouping of followers<sup>62</sup>. Cloete *et al* further say there is also a systems theory. This theory's central focus is on the contributions to policy-making by interrelated forces<sup>63</sup>.

Basically, in practice various theories of policy-making suit different situations. To some extent all the theories mentioned are embodied in policy-making, which means that institutions, interest groups, elites, political parties and interrelated forces all contribute to some extent to policy-making. However, the amount of contribution depends on the importance attached to any particular policy by the various participants<sup>64</sup>.

There is no one perspective that is universally accepted in the policy-making process. Situations, contexts or values do not determine the policy-making process but have the effect of influencing certain choices made<sup>65</sup>. It is emphasized by Hanekom, that in any policy-making perspective there is always a struggle for the balance between what is

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<sup>59</sup> Hanekom, S.K. 1987. Public Policy: Framework and Instrument for Action. Pretoria: Sigma Press. p. 45.

<sup>60</sup> Cloete, F., Wissink, H. and De Coning, C. 2006. Improving Public Policy: From Theory to Practice. Pretoria: Van Schaik Publishers. pp. 29-30.

<sup>61</sup> Ibid.

<sup>62</sup> Ibid.

<sup>63</sup> Ibid.

<sup>64</sup> Hanekom, S.K. 1987. Public Policy: Framework and Instrument for Action. Pretoria: Sigma Press. p. 46.

<sup>65</sup> Ibid.

demanded and what is feasible. Choices made are determined by conditions that are political, economic, technological and social, which could occur jointly or individually<sup>66</sup>.

### **Policy Implementation**

According to Pressman and Wildavsky, policy implementation means, “to carry out, accomplish, fulfill, produce and complete”<sup>67</sup>. They state that policies are decisions. Decisions become programmes when by authoritative action the initial conditions are created. Implementation then is “the ability to forge subsequent links in the causal chain so as to obtain the desired result”<sup>68</sup>. Cloete *et al* say, “policy implementation encompasses those actions by public or private individuals or groups that are directed at the achievement of objectives set forth in prior policy-decisions”<sup>69</sup>.

Policy-making and policy implementation are two distinct functions. They are closely interrelated, therefore separating them is difficult<sup>70</sup>. At instances trying to separate them is impossible and impracticable. Policy implementation probably is the most important stage of the policy process and the entire administrative process. No policy is self-implementing. Hanekom argues if public officials did not implement these policies, very little of the daily government duties would be carried out<sup>71</sup>. In reality this means that legislation should be enforced to prevent policies from falling apart.

Implementation of a particular policy should carry the same weight, and be regarded as important as the policy-decision itself<sup>72</sup>. Implementation may be described as a process where it is the final stage of policy-making. It is here that intentions, objectives and courses of action by the policy-maker are put into effect. Hanekom says it should not be

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<sup>66</sup> Ibid.

<sup>67</sup> Pressman, J. L. and Wildavsky, A. 1973. Implementation. Los Angeles: University of California Press. pp. 166-168.

<sup>68</sup> Ibid.

<sup>69</sup> Cloete, F., Wissink, H. and De Coning, C. 2006. Improving Public Policy: From Theory to Practice. Pretoria: Van Schaik Publishers. p. 183.

<sup>70</sup> Hanekom, S.K. 1987. Public Policy: Framework and Instrument for Action. Pretoria: Sigma Press. p. 55.

<sup>71</sup> Ibid.

<sup>72</sup> Ibid.

viewed as the ultimate of policy-making. It should be seen as the continuation of a policy by other means<sup>73</sup>.

A policy receives meaning only once it has been implemented. The intentions of the policy-maker are put to the test during the implementation stage of a policy<sup>74</sup>. It is during the implementation stage that policies can be tested, modified, expanded or even discontinued. Policy implementation is the practical activity that follows a legally specified course of action over a regulated period of time<sup>75</sup>.

Policy implementation is a complicated process, and legislative issues, administrative possibilities and preferences of interest groups must all be taken into account<sup>76</sup>. One government department could carry this forward or it could be shared between departments. Policy implementation actually has three steps. Firstly, there needs to be translation of government policy into implementation policy. Secondly, it has to be translated into administrative policy. Thirdly, there needs to be monitoring and evaluation of the actual implementation<sup>77</sup>.

Hanekom postulates it is wrong to assume that policy implementation is merely the carrying out of a decision made on the policy by the policy maker.<sup>78</sup> He says policy implementation is far greater than that. "It involves important matters such as determining the legislators' intentions, whether allocated resources are adequate or not, political feasibility, economic uncertainties, administrative practicability and more especially if implementation of the policy is a true reflection of the intention of the policy-maker"<sup>79</sup>. It needs to be highlighted that during the implementation phase of a policy, problems are sure to arise due to constraints of excessive or inadequate information, a lack of resources, unsuitable institutions and inadequate control

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<sup>73</sup> Ibid.

<sup>74</sup> Hanekom, S.K. 1987. Public Policy: Framework and Instrument for Action. Pretoria: Sigma Press. pp. 55-58.

<sup>75</sup> Ibid.

<sup>76</sup> Hanekom, S.K. 1987. Public Policy: Framework and Instrument for Action. Pretoria: Sigma Press. p. 54.

<sup>77</sup> Ibid.

<sup>78</sup> Ibid.

<sup>79</sup> Ibid.

measures<sup>80</sup>. Brinkerhoff and Crosby say that implementation creates winners and losers. Projects and programmes provide benefits to some which may sometimes be at the expense of others. When policies change, new groups may benefit, and those groups who benefited under the original policy may be placed at a serious disadvantage<sup>81</sup>.

In general, there are two predominant approaches to policy implementation, namely the vertical and horizontal dimension of policy implementation or otherwise respectively referred to as the “top-down” or “bottom-up” approaches to policy implementation<sup>82</sup>.

Colebatch describes the vertical dimension where policy, as a rule, and is concerned with “the downward transmission of authorized decisions”<sup>83</sup>. Here, decision-makers will select courses of action that will enhance their values and transmit them to subordinate officials to implement. This dimension stresses instrumental action, rational choice and the force of legitimate authority. The vertical dimension is also concerned with the capacity and ability of the subordinate officials, and ways of structuring government so as to guarantee compliance by them, because they are the ones that carry out the actual policy implementation<sup>84</sup>.

The vertical perspective is significant because it has the ability to structure action and facilitate the acceptance of outcomes. In the vertical dimension, implementation means that authorized decisions at the top need to coincide with the actual outcomes at the bottom. It is viewed as self-evident that those elected by the public into government should be able to practically put policies into action<sup>85</sup>.

Colebatch describes the horizontal dimension as seeing “policy in terms of the structuring of action”<sup>86</sup>. This dimension is concerned with the relationships among policy

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<sup>80</sup> Ibid.

<sup>81</sup> Brinkerhoff, D.W. and Crosby, B.L. 2002. Managing Policy Reform. Vienna: Kumarian Press. p. 23.

<sup>82</sup> Colebatch, H.K. 2002. Policy: Concepts in the Social Science. Buckingham: Open University Press. p. 23.

<sup>83</sup> Ibid.

<sup>84</sup> Ibid.

<sup>85</sup> Ibid.

<sup>86</sup> Ibid.

participants in different organizations. The horizontal dimension further recognizes that policy work does take place within organizational boundaries as well as outside them<sup>87</sup>. “It is concerned with the nature of these linkages across organizations, how they are formed and sustained, and with the interpretive frameworks with which the participants understand policy questions and the institutional frameworks within which these are mobilized”<sup>88</sup>.

In the horizontal dimension implementation is an exercise encompassing collective negotiation<sup>89</sup>. There is a shift in focus whereby it changes from the desired outcome to the process and people responsible for it to be accomplished. It sees policy as a continuous process and that participants will have their own agendas and therefore their own perspective on any policy issue<sup>90</sup>.

Cloete *et al* seem to share the same view in their description of the two approaches to policy implementation. They say the top-down views rests on the assumption that all authoritative decisions come from the highest level of government. Here, central government controls the entire implementation process<sup>91</sup>. They further say the bottom-up approach was created in response to the top-down approach. The bottom-up approach is a model aimed at identifying and addressing the weaknesses of the top-down approach in policy implementation<sup>92</sup>. The bottom-up approach calls for more discretion at lower levels of government where implementation takes place. This is desirable because there is a necessity to adapt or re-invent policies, to better address local needs to whom the policy is directed<sup>93</sup>.

Pressman and Wildavsky argue that the top-down method of policy implementation involves a strong chain of command and capacity to coordinate and control from the top

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<sup>87</sup> Ibid.

<sup>88</sup> Ibid.

<sup>89</sup> Ibid.

<sup>90</sup> Ibid.

<sup>91</sup> Cloete, F., Wissink, H. and De Coning, C. 2006. Improving Public Policy: From Theory to Practice. Pretoria: Van Schaik Publishers. p. 187.

<sup>92</sup> Ibid.

<sup>93</sup> Ibid.

to the ground level<sup>94</sup>. The top-down approach is often criticized for not taking into account the roles of other actors in the implementation process. It also does not take into account the problems experienced by those responsible for implementation. Lipsky argues in favour of the bottom-up approach and says that in this approach one has to take into account the interaction of bureaucrats with their clients at a “grass-roots” level, since this is where implementation actually takes place<sup>95</sup>. This led to the theory that policy-making should start at the bottom, with the individuals directly responsible for carrying out the policy having an input in the policy making process<sup>96</sup>.

Weimer and Vining offer two approaches of policy implementation, which they believe are useful when confronted with practical situations. These approaches are “forward” and “backward” mapping<sup>97</sup>. They argue forward mapping is “the specification of the chain of behaviours that link a policy to desired outcomes”<sup>98</sup>. Forward mapping enables one to spell out exactly who is responsible for a specific duty, and for a specific outcome to occur. Policy implementers or forward mappers must consider how those individuals involved in the implementation process will behave and what would have an influence on them. It allows one to think of worst-case scenarios, and then to try and implement a policy avoiding the worst possible outputs<sup>99</sup>.

Weimer and Vining argue that backward mapping is “really nothing more than using your model of the policy problem to suggest alternative solutions”<sup>100</sup>. It enables one to make decisions about policy alternatives by looking more carefully at organizational processes that are necessary to give them effect. Backward mapping focuses on the lowest organizational levels, helping to find a solution to centralized approaches which

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<sup>94</sup> Pressman, J. L. and Wildavsky, A. 1973. Implementation. Los Angeles: University of California Press. pp. 166-168.

<sup>95</sup> Lipsky, M. 1980. Street Level Bureaucracy: Dilemmas’ of the Individual in the Public Service. New York: Russell Sage Foundation. pp. 70-73.

<sup>96</sup> Ibid.

<sup>97</sup> Weimer, D.L. and Vining, A.R. 2005. Policy Analysis: Concepts and Practice. New Jersey: Pearson Prentice Hall. pp. 280-283.

<sup>98</sup> Ibid.

<sup>99</sup> Ibid.

<sup>100</sup> Ibid.

otherwise may never have been considered. Backward mapping is most useful for generating policy alternatives that will lead to successful policy implementation<sup>101</sup>.

It is widely accepted that policy implementation is the direct reflection of preferences of policy-makers. Different participants can view it as a continuous process of reciprocal power relations and negotiations<sup>102</sup>. However, participants need to recognize that there are three possible conflicting prerequisites involved in the policy implementation process. Hanekom identifies these as the legal, rational and consensual prerequisites<sup>103</sup>.

According to Hanekom, the legal prerequisite is an assumption that what is legally required should be done<sup>104</sup>. This prerequisite is about guidelines set by policy-makers, which are provided for in the legislation and is accepted as being politically correct needs to be adhered to<sup>105</sup>. Then there is the rational bureaucratic prerequisite<sup>106</sup>. This prerequisite says that what is rationally defensible should be carried out. The policy implementer needs convincing that the proposed policy is viable and therefore will be able to be executed with great effect from an administrative point of view<sup>107</sup>.

Then there is the consensual prerequisite, which says action taken will promote agreement among contending groups who have vested interests in the outcomes of the policy<sup>108</sup>. This means that the preference of the various interested parties at which the policy is aimed at is provided for. Policy implementers should not forget the three prerequisites because of their ability to cause conflict of interests when implementation is being carried out<sup>109</sup>. Therefore, they should be viewed with the intention to resolve potential conflict of interest.

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<sup>101</sup> Ibid.

<sup>102</sup> Hanekom, S.K. 1987. Public Policy: Framework and Instrument for Action. Pretoria: Sigma Press. p. 59.

<sup>103</sup> Ibid.

<sup>104</sup> Ibid.

<sup>105</sup> Ibid.

<sup>106</sup> Ibid.

<sup>107</sup> Ibid.

<sup>108</sup> Hanekom, S.K. 1987. Public Policy: Framework and Instrument for Action. Pretoria: Sigma Press. p. 61.

<sup>109</sup> Ibid.

“Government has at their disposal various instruments to influence, change, and steer society or a societal group in a specific direction. The effectiveness, political and economic feasibility and social acceptability of a particular instrument determine its application and appropriateness in any given context”.<sup>110</sup>

Legislation is one such instrument<sup>111</sup>. In a liberal democracy, the legislature and legislation is the supreme power to make and enforce laws in order to ensure compliance, regulate the economy or to define the rights of citizens. Incentives are policy instruments used to achieve compliance. For example, taxing incentives or penalties could be used to encourage certain activities and to discourage certain activities respectively. Persuasion is also an instrument for policy compliance<sup>112</sup>. For example, citizens may be persuaded that complying with a particular policy is morally the correct thing to do. The policy implementers have to take cognisance of the fact that even though they may have at their disposal instruments for ensuring compliance, there is still the possibility that a conflict of interest may arise and could advertently affect the outcomes of a policy<sup>113</sup>.

Translating policies into practice is not as simple as it might appear on paper. “For a host of reasons innate to the nature and circumstances of the issues or the organization of the administrative machinery in charge of the task, programmes will be implemented in a variety of ways”<sup>114</sup>. Implementation is not always consistent, nor does it necessarily reflect the intent of the policy<sup>115</sup>.

Policy decisions involve varying degrees of difficulty during implementation, of which some are more intractable than others. The implementation of some programmes is unproblematic, often because they are single decisions whose translations into practice

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<sup>110</sup> Ibid.

<sup>111</sup> Ibid.

<sup>112</sup> Ibid.

<sup>113</sup> Ibid.

<sup>114</sup> Hessing, M. and Howlett, M. 1997. Canadian Natural Resource and Environmental Policy. Vancouver: UBC Press. pp. 173-175.

<sup>115</sup> Ibid.

are routine. In addition to the nature of the problem being addressed by the policy, implementation is affected by social, economic, technological and political contexts<sup>116</sup>.

It has to be mentioned that no matter how carefully a particular policy is thought-out and planned, new and unanticipated problems may arise during the implementation phase<sup>117</sup>. On a general note few policies spell out exactly how policy implementation should be carried out. It often is left at the discretion of the policy-implementer to take action and make decisions regarding executive, administrative and operational steps to be taken in implementing a policy<sup>118</sup>. Sometimes due to time constraints or a lack of information and expertise, implementation strategies are ignored or forgotten. It is then left to the implementers to use their own judgement on how to implement policy. This can thwart the intent of the policy maker because it could lead to those implementing policies substituting their values and views with those of the original policy<sup>119</sup>. The opposite is also true. Sometimes policy planners are so eager to make a success of a particular policy that it may include too much detail that inevitably means that the actual objective and meaning of the policy becomes vague<sup>120</sup>.

Policies can fail for a number of reasons. For example, community expectations of a particular policy can be (unrealistically) high. If government lacks the means or resources to reach the policy objectives, citizen's upsets may result<sup>121</sup>. Sometimes a policy aimed at solving a particular problem ends up creating a new one in another area. For example, increasing levies on businesses may lead to some shedding employment.

Sometimes policies are too ambitious. For example, it may aim at ending social problems; however, realistically it is impossible to do so<sup>122</sup>. Social problems are

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<sup>116</sup> Ibid.

<sup>117</sup> Hanekom, S.K. 1987. Public Policy: Framework and Instrument for Action. Pretoria: Sigma Press. pp. 61-63.

<sup>118</sup> Ibid.

<sup>119</sup> Ibid.

<sup>120</sup> Ibid.

<sup>121</sup> Hensing, M. and Howlett, M. 1997. Canadian Natural Resource and Environmental Policy. Vancouver: UBC Press. pp. 173-175.

<sup>122</sup> Ibid.

sometimes very complex and integrated and may not reach the desired ends. Sometimes the expenditure on addressing social problems is even greater than the cost of managing the problem<sup>123</sup>.

Other reasons affecting the implementation of policies are incorrect or insufficient knowledge of a particular problem that results in inadequate policy, doomed for failure from the start<sup>124</sup>. Issues of inadequate budgets and a lack of expertise and capacity also hamper policy implementation<sup>125</sup>. Assigning the responsibility for implementation of a particular policy to too many different organizations can lead to confusion and a lack of co-ordination. So too is the delegation of implementation to an organization that is not suitable for the task<sup>126</sup>. Dependency also affects policy implementation. Dependency occurs where more than one institution is involved and where there is need for approval from other institutions<sup>127</sup>.

The behaviour or reaction of those to which a policy is directed is realistically uncontrollable and therefore they may act contrary to the behaviour or reactions anticipated, causing consequences<sup>128</sup>. Inadequate control measures and the absence of suitable procedural arrangements may have adverse effects on policy implementation. The absence of procedural arrangements could see a policy being delayed whilst inadequate control measures could lead to a policy being implemented that was not initially intended<sup>129</sup>.

According to Van Niekerk *et al* it is of the utmost importance to evaluate impacts and effectiveness of a specific policy in addressing a problem<sup>130</sup>. Evaluation is the continuous

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<sup>123</sup> Ibid.

<sup>124</sup> Ibid.

<sup>125</sup> Hanekom, S.K. 1987. Public Policy: Framework and Instrument for Action. Pretoria: Sigma Press. pp. 61-63.

<sup>126</sup> Hessing, M. and Howlett, M. 1997. Canadian Natural Resource and Environmental Policy. Vancouver: UBC Press. pp. 173-175.

<sup>127</sup> Ibid.

<sup>128</sup> Hanekom, S.K. 1987. Public Policy: Framework and Instrument for Action. Pretoria: Sigma Press. pp. 61-63.

<sup>129</sup> Ibid.

<sup>130</sup> Van Niekerk, D., Jonker, A. and Van der Waldt, G. 2001. Governance, Politics, and Policy in South

assessment of policy outcomes. It focuses primarily on the outputs of a policy. It aims to find answers to the following questions: “Did the policy work? Was it effective-if not, why not? Was it accepted by the community? Was it practical? What difference did it make?”<sup>131</sup>”

Policy implementation successes or failures need to be assessed so as to ascertain the outcome of that particular policy. Monitoring and evaluation of policy implementation is never easy and straightforward. It is important to know the extent to which a program attains its intended outcomes and meets participants’ needs, but in order to answer those questions it is essential to know what occurred in the program that can be reasonably connected to outcomes<sup>132</sup>. Not being up to date about the implementation of a policy limits the progress of that policy. Therefore decision makers must monitor the implementation process to make sure that problems are identified as they arise as opposed to waiting for policy failure<sup>133</sup>. The goals of policies need to be assessed against benchmarks that are set out. It is therefore necessary to collect reliable data on the outcomes of any policy<sup>134</sup>.

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Africa. New York: Oxford University Press. p. 98.

<sup>131</sup> Ibid.

<sup>132</sup> Patton, P. 1997. Implementation Evaluation: Utilization Focused Evaluation. London: Sage Publications. pp. 195-214.

<sup>133</sup> Ibid.

<sup>134</sup> Van Niekerk, D., Jonker, A. and Van der Waldt, G. 2001. Governance, Politics, and Policy in South Africa. New York: Oxford University Press. p. 98.

## **Chapter 2: The Policy Framework in South Africa:**

Governments worldwide are carrying out initiatives to decentralize certain responsibilities such as the delivery of basic services to local governments. According to the World Bank the responsibilities most successfully devolved from central to local government are those closely related to location; defined areas of decision making; and quick response times<sup>135</sup>. The assumptions are that with the devolution of power from central to local government, opportunities arise for citizens, non-governmental organizations and the private sector to participate in the activities of local government. The resultant effect, it is argued, is that efficiency in the allocation of resources will be improved by better matching services and investments to the needs of citizens. This, the argument goes, will drastically improve the delivery of public services<sup>136</sup>.

The process of decentralization entails the shift in responsibilities, such as the delivery of services from central government to local government. According to Mahwood, the word decentralization “indicates something at the centre from which it may be dispersed”<sup>137</sup>. Mahwood further advocates that most democratic governments believe that decentralization makes way for the opening of blockages caused by a central bureaucracy. It gives people better access to government, and offers an opportunity for citizens to participate in national development plans<sup>138</sup>.

A report written by the United Nations as far back as 1962 described two distinct uses of the term decentralization, namely deconcentration or devolution<sup>139</sup>. Deconcentration refers to administrative or bureaucratic decentralization. Deconcentration is when there is a shift in authority for decision-making to dependent field units of the same department

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<sup>135</sup> Social Development Notes. 1996. Participation and Local Government. World Bank. [http://Inweb18.worldbank.org/ESSD/sdvext.nsf/60ByDocName/ParticipationandLocalGovernmentSDNote28August1996/\\$FILE/sdn28.pdf](http://Inweb18.worldbank.org/ESSD/sdvext.nsf/60ByDocName/ParticipationandLocalGovernmentSDNote28August1996/$FILE/sdn28.pdf) (Accessed 27 Oct 2006)

<sup>136</sup> Ibid.

<sup>137</sup> Mahwood, P. 1993. Local Government in the Third World: Decentralization in Tropical Africa. Pretoria: African Institute. p. 1.

<sup>138</sup> Ibid.

<sup>139</sup> United Nations. 1962. Decentralization for National and Local Development. New York: United Nations. p. 8.

or level of government. It is regarded as the “delegation to civil servants working in the field of power to make decisions in the execution of central policies”<sup>140</sup>. Devolution is seen as synonymous with the terms political or administrative decentralization, and is a shift of decision-making authority to relatively autonomous regional or local governments, or special statutory bodies. It is “the cession of power to make decisions to representative authorities, or to voluntary enterprises or more or less autonomous public”<sup>141</sup>.

Deconcentration and devolution may be territorial where units are geographically separated from the centre or functionally whereby responsibility is assigned for specific kinds of government activity<sup>142</sup>. Allen states that both types of decentralization can be general in purpose and thus have a responsibility over a wide array of government activities or can have a more specific purpose<sup>143</sup>.

There are many arguments in favour of decentralization. The World Bank is very supportive of decentralization and has written many persuasive reports. Firstly, it claims that the demand for public services differs from place to place and only by decentralizing services will local needs be met<sup>144</sup>. Secondly, the World Bank postulates that decentralization increases efficiency. It is argued that services that are produced and financed locally will tend to cost less. Thirdly, decentralization is political. Local governments are important for enhancing democracy. Stronger and more autonomous local governments can control the central government from being too powerful. Lastly, decentralization is institutional. By this it argues that the co-ordination of local services to the public is necessary. They should not be treated as being independent of each other. “Local governments are best suited to coordinate services easily than would a national government”<sup>145</sup>.

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<sup>140</sup> Ibid.

<sup>141</sup> Ibid.

<sup>142</sup> Allen, H.J.B. 1990. Cultivating the Grassroots: Why Local Matters. Bombay: All-India Institute of Local Self-Government. p. 4.

<sup>143</sup> Ibid.

<sup>144</sup> World Bank. 1989. Strengthening Local Government in Sub-Saharan Africa. New York: World Bank. p. 171.

<sup>145</sup> Ibid.

According to Meenakshisundaram, democratic decentralization has two virtues<sup>146</sup>. Firstly, because “it is in line with democratic tenets and is technically the most efficient method for formulating and implementing local projects”<sup>147</sup>. It has a democratic outlook because the source from which power is being decentralized has a democratic base, and the body to which the power is delegated is also of a democratic form. Based on this, democratic decentralization is a political ideal and its institutional form is local government<sup>148</sup>. Secondly, “the administrative functions must shift from decision-making and issuing of orders to the helping of people to make decisions through cooperatives and other traditional structures. Therefore, the argument goes, decentralization enables the combination of, and cooperation between, the official structure of the administration and non-official leadership and control through mechanisms of local government”<sup>149</sup>.

Local government is not a new phenomenon. According to Ismail *et al*, local government has always been primarily involved in the provision of several basic services for citizens in their respective areas of jurisdiction<sup>150</sup>. For example, the issuing of documents related to birth and travel. One of its core functions was to be the agency responsible for tax collection. With the evolution of civilization and industrialization the function of local government changed, and became more localized, but their role remained very specific and had little to do with promoting development and public participation<sup>151</sup>.

Reddy argues that local government can prevent the emergence of other alternative power centres that are not subject to the control of the state<sup>152</sup>. Local government provides central government with the ability to have contact with the masses, influence them and

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<sup>146</sup> Reddy, P.S. (ed). 1996. Readings in Local Government Management and Development: A Southern African Perspective. Cape Town: Juta and Co. Ltd. p. 8.

<sup>147</sup> Ibid.

<sup>148</sup> Ibid.

<sup>149</sup> Ibid.

<sup>150</sup> Ismail, N., Bayat, S. and Meyer, I. 1997. Local Government Management. Western Cape: International Thompson Publishing (Southern Africa) (Pty) Ltd. p. 65.

<sup>151</sup> Ibid.

<sup>152</sup> Reddy, P.S. (ed). 1996. Readings in Local Government Management and Development: A Southern African Perspective. Cape Town: Juta and Co. Ltd. p. 8.

obtain feedback from them. Local government gives national and provincial government the opportunity to be free of direct interaction with local issues<sup>153</sup>.

There are various definitions of local government. De Beer and Lourens say, “local government is an autonomous and people-orientated ‘tier’ of government”<sup>154</sup>. It is the ‘tier’ of government that is geographically closest to the people, therefore able to address their needs better and have their interests at heart<sup>155</sup>. Ismail *et al*, seem to share the same sentiments. For them local government exist for two possible reasons namely, “service rendering that is a utilitarian consideration and democracy that is a civic consideration”<sup>156</sup>.

This perspective is also shared by Reddy<sup>157</sup>. He says that internationally, local government is either the second or third tier of government. It is created deliberately to bring government closer to the people at a grassroots level. By bringing government closer, the people are able to feel a sense of involvement in political processes that tend to manage their daily lives. Democracy entails a democratic political system in which people participate actively in issues pertaining to who governs them as well as shaping policy outputs of their government<sup>158</sup>.

The provision of services such as water, electricity, sanitation and refuse removal happens to be the traditional view of what local government is about. Emerging visions of local government see it not only as a service provider but also as a body that gives rise to community leadership and citizenship. According to Parnell *et al*, “its task is to create the environment in which many are willing and able to contribute; to lead the debate,

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<sup>153</sup> Ibid.

<sup>154</sup> De Beer, J and Lourens, L. 1995. Local Government: The Road to Democracy. Midrand: Educum Publishers. p. 3.

<sup>155</sup> Ibid.

<sup>156</sup> Ismail, N., Bayat, S. and Meyer, I. 1997. Local Government Management. Western Cape: International Thompson Publishing (Southern Africa) (Pty) Ltd. p. 3.

<sup>157</sup> Reddy, P.S. (ed). 1996. Readings in Local Government Management and Development: A Southern African Perspective. Cape Town: Juta and Co. Ltd. p. 51.

<sup>158</sup> Ibid.

develop shared visions and help to ensure that appropriate resources both public and private are found and blended together to achieve common objectives”<sup>159</sup>.

Political structures necessary for local governance must include leadership capacity and avenues for greater participation and community involvement. One of the core competencies of local government is to assist in the challenge of achieving coordinated and effective collective action to deal with issues that local communities see as important to them<sup>160</sup>. Another fundamental aspect of local governance is openness. The value of openness does not in any way require continuous direct participation in local government matters. Openness hinges on democratic practices that ensure that options for extended participation are made available<sup>161</sup>. Local government plays an important role in giving people the right and opportunity to take part in local public life. According to Parnell *et al*, “good local governance requires the opportunity for a sustained level of public intervention and debate”<sup>162</sup>. It therefore requires strong levels of deliberation. Openness and deliberation somehow lose their way in systems that lack the capacity to carry through effective action.

Good local governance depends on capacity to act<sup>163</sup>. According to Parnell *et al*, “effective bureaucracy and professional expertise will continue to be central to good local governance”<sup>164</sup>. They further say that the management context in any local organization will vary but the bigger part of the government’s duties shall be carried out by full time employees, professionals and administrators. One of the key issues here is how to check faults that occur in the organizational system of service delivery such as a lack of responsiveness, rigidity and insensitivity. There are consumers who will be satisfied with services received, but mechanisms need to be put in place in order for those who are not satisfied to make themselves heard<sup>165</sup>.

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<sup>159</sup> Parnell, S. ... et al. (ed). 2002. Democratizing Local Government the South African Experiment. Cape Town: University of Cape Town Press. pp. 31-39.

<sup>160</sup> Ibid.

<sup>161</sup> Ibid.

<sup>162</sup> Ibid.

<sup>163</sup> Ibid.

<sup>164</sup> Ibid.

<sup>165</sup> South Africa. Ministry for Provincial Affairs and Constitutional Development. 1998. The White Paper

## Local Government in South Africa

At the time of apartheid in 1948, policies aimed at segregation were already in place. Probably the most significant piece of legislation of apartheid was the Group Areas Act<sup>166</sup>. This policy was used as a means to encourage and institute strict residential segregation and the compulsory removal of black people to areas designated especially for them<sup>167</sup>.

At a local level, influx control, spatial separation and the policy of own management for own areas were used as tools so as to prevent white well-to-do municipalities from having to bear the financial burden of rendering services to black areas<sup>168</sup>. The Group Areas Act prevented non-whites from residing in white urban areas. Through this, the apartheid government was able to reserve a municipal revenue base for white areas by its separation from townships, industrial and commercial development<sup>169</sup>. During the apartheid era there were various attempts made to introduce own management structures for black residents at local levels. The primary basis for these attempts was to reinforce and sustain the political and economic privileges of racial exclusion and to appear as if non-whites were receiving restricted rights<sup>170</sup>.

Along with the Group Areas Act, Bantustans were established. In Bantustans traditional leaders were given powers to manage developmental matters and land allocation in areas where land was communally owned<sup>171</sup>. Some of the smaller rural townships were given the right to administer their areas but they lacked any real powers. During the 1960s Coloured and Indian Management Committees were set up so as to advise white municipalities<sup>172</sup>.

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on Local Government. Pretoria: Ministry for Provincial Affairs and Constitutional Development.

<sup>166</sup> Ibid

<sup>167</sup> Ibid.

<sup>168</sup> Ibid.

<sup>169</sup> Ibid.

<sup>170</sup> Ibid.

<sup>171</sup> Ibid.

<sup>172</sup> Ibid.

In 1971 the Bantu Affairs Administration Act was passed. It called for the establishment of Appointed Administration Boards. This Act transferred the responsibility for the provision of basic services to blacks from white municipalities to townships and Bantustans. In 1977 Community Councils were established which represented non-whites<sup>173</sup>. Although they were elected bodies, they had no real powers with few resources, and never had any political credibility. In 1982 Black Local Authorities replaced all community-based councils. They had no real revenue base and were regarded by the people as politically illegitimate from their time of inception. By the middle of the 1980s they were completely rejected by the community<sup>174</sup>. These forms of local governments for Black, Indian and Coloured people only reinforced segregation and economic exclusion. None of these local authorities had the resources or revenue base to provide basic services to its people<sup>175</sup>.

Local authorities have always been responsible for generating their own income. Revenue is collected through taxes on property and the delivery of services to residents and businesses. This inevitably suited white municipalities that had fewer constituents and could generate ample income through taxes because of its large concentration of economic resources present in the central business districts<sup>176</sup>. Local authorities outside white areas and the central business districts were faced with financial disparity all the time. Segregation policies of apartheid further prevented retail and industrial developments in black areas, thereby limiting tax generation while forcing blacks to purchase goods in white areas. This set in motion a downward spiral of service delivery and the rapid increase of basic service delivery backlogs<sup>177</sup>.

Communities more and more began to revolt against the apartheid local government<sup>178</sup>. In 1984 black South Africans mobilized themselves in the fight against the poor social

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<sup>173</sup> South Africa. Ministry for Provincial Affairs and Constitutional Development. 1998. The White Paper on Local Government. Pretoria: Ministry for Provincial Affairs and Constitutional Development.

<sup>174</sup> Ibid.

<sup>175</sup> Ibid.

<sup>176</sup> Ibid.

<sup>177</sup> Ibid.

<sup>178</sup> Ibid.

and economic conditions experienced in the townships and Bantustans. This was the first time that people began to protest in a united fashion against the apartheid regime<sup>179</sup>.

Towards the latter part of the 1980s the apartheid government attempted to try and calm the political tensions by directing some funds towards disadvantaged areas<sup>180</sup>. *Ad hoc* intergovernmental grants were developed so as to channel resources into the collapsing townships. Regional Service Councils and Joint Service Boards were created with the express intent of channeling funds into black areas. However, these initiatives were too little too late because by the late 1980s most local areas were ungovernable and it became apparent that Black Local Authorities were not going to work<sup>181</sup>.

This crisis led to the near collapse of the apartheid local government system<sup>182</sup>. The crisis at the local government level happened to be the leading force of the national reform process during the 1990s. White municipalities were now facing the financial implications of the revolt and therefore entered into negotiations with non-statutory representatives. The Local Government Negotiation Forum was established whose initial talks paved the way for local government negotiations and the system of local government as it is today<sup>183</sup>.

The Local Government Negotiation Forum drafted The Agreement on Finance and Services that allowed the writing off of Black Local Authorities' arrears<sup>184</sup>. In 1993, the Local Government Negotiation Forum also drafted the Local Government Transition Act. This Act was not in any way meant to be a blueprint for a new local government system but rather a planned process for changes<sup>185</sup>.

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<sup>179</sup> South Africa. Ministry for Provincial Affairs and Constitutional Development. 1998. The White Paper on Local Government. Pretoria: Ministry for Provincial Affairs and Constitutional Development.

<sup>180</sup> *Ibid.*

<sup>181</sup> *Ibid.*

<sup>182</sup> *Ibid.*

<sup>183</sup> *Ibid.*

<sup>184</sup> *Ibid.*

<sup>185</sup> *Ibid.*

The Local Government Transition Act introduced three phases of transition: the pre-interim, interim and final phase of local government transition<sup>186</sup>. According to the White Paper on Local Government, the pre-interim phase prescribed the establishment of local forums to negotiate the appointment of temporary Councils, which would govern until the first democratic municipal elections. The interim phase would begin with elections and last until a new local government system has been designed and legislated upon. The final stage would see the establishment of a new local government system for South Africa<sup>187</sup>.

Since the commencement of the interim phase, local government has undergone major restructuring in the past decade, and its role and responsibilities have expanded.<sup>188</sup> As discussed earlier, municipal boundaries used to be drawn up along racial lines, which reinforced the inequality in basic service delivery across different municipalities. This necessitated the need for municipal boundaries to be redrawn so as to make municipalities more democratically representative and economically viable<sup>189</sup>.

The Municipal Demarcation Act established an independent body, the Municipal Demarcation Board (MDB), which was to redemarcate local government boundaries. This Act specified the criteria that would manage the demarcation process. Some of the key criteria were that municipalities had to be racially inclusive and economically viable. By 2000, this redemarcation had led to the drawing up of 284 councils, of which 6 were metropolitan councils, 226 local councils and 52 district councils<sup>190</sup>.

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<sup>186</sup> South Africa. Ministry for Provincial Affairs and Constitutional Development. 1998. The White Paper on Local Government. Pretoria: Ministry for Provincial Affairs and Constitutional Development.

<sup>187</sup> Ibid.

<sup>188</sup> EPoliticsSA. 2000. Politics Briefing. Pretoria: Institute for Democracy in South Africa. [www.Misanet.com](http://www.Misanet.com) (Accessed 1 Nov 2006)

<sup>189</sup> Ibid.

<sup>190</sup> Ibid.

## **Democratic Local Government in South Africa**

Section 152 of the Constitution of the Republic of South Africa, stipulates the primary objectives of local government as:

- to provide democratic and accountable government to local communities;
- to ensure the provision of services to local communities in a sustainable manner;
- to promote social and economic development;
- to promote a safe and healthy environment; and
- to encourage the involvement of communities and community organisations in the matters of local government<sup>191</sup>.

For the first time in South Africa, local government is responsible for local economic development. Section 153 of the Constitution states that the developmental duties of local government are:

- to structure and manage its administration, budgeting, and planning processes thereby giving priority to the basic needs of the community it serves;
- to promote the social and economic development of the community it serves; and
- to participate in the national and provincial development programmes<sup>192</sup>.

Section 156 of the Constitution identifies the basic powers and functions of a municipality. It stipulates that a municipality may make any by-law for the effective administration of the matters it has the right to administer. These are listed in Schedule 4 and 5 of the Constitution. A municipality therefore will also have the right to exercise any power concerning a matter reasonably necessary for, or incidental to the effective performance of its functions<sup>193</sup>. As can be seen from the above clauses, the legal

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<sup>191</sup> Constitution of the Republic of South Africa, 1996. Act 108 of 1996, Chapter 7: Local government. Section 152.

<sup>192</sup> Constitution of the Republic of South Africa, 1996. Act 108 of 1996, Chapter 7: Local government. Section 153.

<sup>193</sup> Constitution of the Republic of South Africa, 1996. Act 108 of 1996, Chapter 7: Local government. Section 156.

obligations for basic service delivery and local economic development delegated to local government are immense.

The White Paper on Local Government states explicitly that municipalities in South Africa must play a developmental role<sup>194</sup>. Accordingly, developmental local government is “committed to work with citizens and groups within the community to find sustainable ways to meet their social, economic and material needs and improve the quality of their lives”<sup>195</sup>. Developmental local government has a central role to play in representing communities, protecting human rights and meeting the basic needs of citizens. It should target especially those members and groups within communities that are most often marginalized or excluded, such as women, disabled people and very poor people<sup>196</sup>.

According to the White Paper on Local Government, communities and citizens alike are primarily concerned about the areas in which they live. These concerns include issues of access to services, economic activities, safety, recreational facilities and so on. The outcomes that developmental local government seeks to achieve will vary from time to time. The key objectives of developmental local government are the provision of household infrastructure and services; the creation of liveable, integrated cities, towns and rural areas; local economic development; and community empowerment and redistribution<sup>197</sup>.

Local government is charged with the mandate of being the primary basic services delivery agent in South Africa<sup>198</sup>. Local government is responsible for the provision of household infrastructure and services such as water, sanitation, local roads, refuse collection and electricity<sup>199</sup>. These services are essential to the daily lives of citizens as it enables them to find employment, support families and develop skills. The starting point

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<sup>194</sup> South Africa. Ministry for Provincial Affairs and Constitutional Development. 1998. The White Paper on Local Government. Pretoria: Ministry for Provincial Affairs and Constitutional Development.

<sup>195</sup> Ibid.

<sup>196</sup> Ibid.

<sup>197</sup> Ibid.

<sup>198</sup> Ibid.

<sup>199</sup> Ibid.

is to make basic service delivery a priority especially for those who receive little or no services<sup>200</sup>.

This developmental role is supported by the Constitution, which states that government must take reasonable steps, within its available resources, to ensure that all citizens must have access to food, water, education, health care, adequate housing and social security<sup>201</sup>. A municipality must strive to achieve the above-mentioned objectives within its financial and administrative capacity. According to the Department of Provincial and Local Government, this is currently a major challenge for municipalities. It says that even though public infrastructure programmes are making extensive contributions, service demands are far greater than the government funds available<sup>202</sup>.

The White Paper on Local Government encourages municipalities to seek other means to provide and speed up the delivery of municipal services<sup>203</sup>. A municipality is given a choice by national government as to whether or not to provide the service itself through its own administration, any business unit devised by the council, or it may choose to provide the service via the use of an external mechanism<sup>204</sup>. The Municipal Service Partnership (MSP) Policy provides a framework for which local municipalities can lever and marshal resources from public organizations, Community Based Organizations (CBOs), Non-Governmental Organizations (NGOs) and the private sector in order to enhance the country's development objectives<sup>205</sup>.

The MSP stems from the Batho Pele (People First) principle<sup>206</sup>. It encourages the participation of citizens and various other stakeholders in the process of determining and

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<sup>200</sup> Ibid.

<sup>201</sup> Constitution of the Republic of South Africa, 1996. Act 108 Of 1996, Chapter 2: Bill of Rights. Section 27.

<sup>202</sup> South Africa. Department of Provincial and Local Government. 2000. The White Paper on Municipal Services Partnerships. Pretoria: Department of Provincial and Local Government.

<sup>203</sup> South Africa. Ministry for Provincial Affairs and Constitutional Development. 1998. The White Paper on Local Government. Pretoria: Ministry for Provincial Affairs and Constitutional Development.

<sup>204</sup> Craythorne, D.L. 2003. Municipal Administration: The Handbook. Cape Town: Juta & Co Ltd. P. 164.

<sup>205</sup> South Africa. Department of Provincial and Local Government. 2000. The White Paper on Municipal Services Partnerships. Pretoria: Department of Provincial and Local Government.

<sup>206</sup> Ibid.

implementing service delivery options. “The objective of the Municipal Service Partnership Policy is to ensure that MSPs are applied in a manner that supports the Constitutional obligations of municipalities and the Constitutional rights of communities”<sup>207</sup>.

A MSP can be defined as “a contractual arrangement with another body or organisation for the delivery or performance of any municipal service”<sup>208</sup>. An MSP involves a contractual arrangement with a service provider. Such contractual arrangements for municipal service delivery may be in the form of:

- A public-private partnership. This is a contract between a municipality and either an individual or a privately owned or controlled partnership, company, trust, or other for-profit legal entity.
- A public-public partnership. This is a contract between a municipality and any public sector entity, including another municipality or a parastatal.
- A public-civic partnership. This is a contract between a municipality and a not-for-profit non-governmental organisation (NGO) or community-based organisation (CBO)<sup>209</sup>.

The MSP contractual arrangements are varied. They range from service contracts, management contracts, leases; Build-Operate-Transfer (BOT) and Concessions. A Service contract is generally a relatively simple form of MSP<sup>210</sup>.

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<sup>207</sup> Ibid.

<sup>208</sup> South Africa. Department of Provincial and Local Government. 2000. Definition of Municipal Services Partnerships: Section 2. Pretoria: Department of Provincial and Local Government.

<sup>209</sup> Ibid.

<sup>210</sup> Ibid.

According to the White Paper on Municipal Service Partnerships, the MSP is one of the means available to councils to address both infrastructure and service delivery backlogs<sup>211</sup>. They are not intended to be used as a substitute for the traditional mechanisms of direct service delivery. Municipalities should not use MSPs as an alternative, but municipalities must make continuous efforts to try and improve the efficiency and accountability of service delivery. Rather MSPs are intended to help a municipality in achieving service delivery objectives by having more flexibility in its approach<sup>212</sup>.

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<sup>211</sup> South Africa. Department of Provincial and Local Government. 2000. The White Paper on Municipal Services Partnerships. Pretoria: Department of Provincial and Local Government.

<sup>212</sup> *Ibid.*

### **Chapter 3: The Free Basic Electricity Policy and the Msunduzi Municipality:**

#### **Municipalities and Basic Service Delivery**

Services provided by municipalities include, but are not limited to the following: air pollution, local tourism, trading, municipal health services, water services, sanitation, electricity and gas reticulation, local sport facilities, and noise pollution<sup>213</sup>. In 2000, the South African government announced that its policy intention was to provide free basic services to poor households. The free basic services to be provided were water, sanitation and energy<sup>214</sup>. Government announced that from 1 July 2001, a basic supply of 6kl free water would have to be provided by municipalities to all households. This decision was formalised in the Free Basic Water Policy (FBWP).

The primary target of the policy was poor households for whom free basic services represents a significant poverty alleviation measure as poor households are dependant the most on an affordable basic water supply<sup>215</sup>. Within this new policy framework, the Department of Water Affairs and Forestry (DWAF) underwent a period of decentralization whereby the responsibility for the provision of water was transferred to municipalities. DWAF, however, remains the regulator, policy maker and supporter but all other national water responsibilities were transferred to local government<sup>216</sup>.

The Free Basic Water (FBW) policy has substantially changed the nature of water service delivery<sup>217</sup>. This policy has faced some serious implementation problems because a large number of municipalities do not have the capacity and resources to provide water for free. The sales of bulk water in some instances are many municipalities' main source of income. The provision of water for free has reduced municipalities' income and therefore questions the sustainability of the policy.

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<sup>213</sup> Van Niekerk, D., Jonker, A. and Van der Waldt, G. 2001. Governance, Politics, and Policy in South Africa. New York: Oxford University Press. p. 78.

<sup>214</sup> South Africa. Department of Minerals and Energy. 2003. Electricity Basic Services Support Tariff (Free Basic Electricity) Policy. Pretoria: Department of Minerals and Energy.

<sup>215</sup> South Africa. Department of Water Affairs and Forestry. 2001. Free Basic Water (FBW) Policy. Pretoria: Department of Water Affairs and Forestry.

<sup>216</sup> Ibid.

<sup>217</sup> Ibid.

## **Background to the Free Basic Electricity Policy**

During the apartheid era in South Africa, access to electricity and other forms of energy for black and poor households was limited. This was particularly evident in rural areas. With the demise of apartheid the newly elected democratic government set out to reduce national electrification backlogs<sup>218</sup>. It was estimated that at the end of 1993 over 40% of the total population (approximately 4,5 million households) around the country did not have access to electricity<sup>219</sup>.

The national electrification programme was an important aspect of the Reconstruction and Development Programme (RDP). The RDP was the election manifesto of the African National Congress (ANC) and eventually became official policy of the Government of National Unity after the 1994 elections. Using the RDP as a platform for change, the new democratic government identified numerous basic service goals and objectives<sup>220</sup>. Probably one of the most ambitious goals to date was the electrification of two and a half million urban and rural households by the year 2000<sup>221</sup>.

At present the DME is progressing towards the electrification of households in both urban and rural areas<sup>222</sup>. There are approximately 12 million households in the nine provinces of South Africa. Between 1994 and 2006, 72% (8,712,689) of these households were electrified leaving a backlog of 28% (3,416,533). Seven provinces electrified over 70% of households, as compared to only two provinces having electrified less than 70% (KwaZulu Natal at 64% and Eastern Cape at 55%)<sup>223</sup>. There is an estimated backlog of approximately 28%. Most provinces have a backlog below 30% except the Eastern Cape

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<sup>218</sup> Sustainable Energy and Policy Concepts. 2004. Country Case Study – South Africa. Sustainable Energy and Policy Concepts. [www.ises.org/shortcut.nsf/to/sepco](http://www.ises.org/shortcut.nsf/to/sepco) (Accessed 2 Nov 2006)

<sup>219</sup> Henson, D. 2004. Beating the Backlog: Meeting Targets and Providing Free Basic Services. Human Sciences Research Council. p. 1.

<sup>220</sup> Sustainable Energy and Policy Concepts. 2004. Country Case Study – South Africa. Sustainable Energy and Policy Concepts. [www.ises.org/shortcut.nsf/to/sepco](http://www.ises.org/shortcut.nsf/to/sepco) (Accessed 2 Nov 2006)

<sup>221</sup> Ibid.

<sup>222</sup> South Africa. Department of Minerals and Energy. 2003. Free Basic Electricity. Pretoria: Department of Minerals and Energy. [www.dme.gov.za/energy/elect\\_fbe.stm](http://www.dme.gov.za/energy/elect_fbe.stm) (Accessed 6 Nov 2006)

<sup>223</sup> Molomo, M. 2006. Socio-Economic Benefits of Electrification in South Africa. ESI Africa. [www.esi-africa.com/archive/esi\\_3\\_2006/pdf34-35.pdf](http://www.esi-africa.com/archive/esi_3_2006/pdf34-35.pdf) (Accessed 3 Nov 2006)

which is 45% and KwaZulu Natal which is 36%. This is primarily due to three challenges namely: topography, high cost per connection and lack of bulk infrastructure<sup>224</sup>.

The national electrification programme estimated that by the year 2000 it would have electrified 72% of all households in South Africa, thereby reducing the backlog in electricity to 28%<sup>225</sup>. This target has not been met, because it was only able to reach electrification of 72% in 2006. Large-scale electricity backlogs are still prevalent and the electricity backlog is estimated to be approximately 28%. This means that over 12 years the backlog has been reduced by 36%<sup>226</sup>.

Table 3.1 details the number of households that were electrified by 2001. Electrification between 1994-2000 increased to 66.1% and backlogs were reduced to 33.9%. However, the increase in electrification access was still below the estimated target of 72%<sup>227</sup>.

**Table 3.1: Electricity Backlogs in 2001**<sup>228</sup>

Type of Area	Population*	Houses*	Houses Electrified	Houses Not Electrified	% Electrified	% Not Electrified
Rural	20 832 416	4 267 548	2 095 229	2 172 319	49.1	50.9
Urban	23 723 327	6 503 427	5 023 186	1 480 241	77.2	22.8
Total	44 560 743	10 770 975	7 118 415 3	3 652 560	66.1	33.9

In 2001, the Department of Minerals and Energy (DME), set up a multi-stakeholder Task Team that was to conduct pilot studies in order to gain a sense of the main electrification issues that could arise. Eleven pilot studies were carried out throughout South Africa. The findings for these pilot studies were presented in a report, labelled Options for a Basic

<sup>224</sup> Ibid.

<sup>225</sup> Ibid.

<sup>226</sup> Molomo, M. 2006. Socio-Economic Benefits of Electrification in South Africa. ESI Africa. [www.esi-africa.com/archive/esi\\_3\\_2006/pdf34-35.pdf](http://www.esi-africa.com/archive/esi_3_2006/pdf34-35.pdf) (Accessed 3 Dec 2006)

<sup>227</sup> Hemson, D. 2004. Beating the Backlog: Meeting Targets and Providing Free Basic Services. Human Sciences Research Council. p. 7.

<sup>228</sup> Table adapted from Hemson, D. 2004. Beating the Backlog: Meeting Targets and Providing Free Basic Services. Human Sciences Research Council. p. 7.

Electricity Support Tariff. This project was then extended to explore the socio-economic implications of the options recommended, and the load implications on the electricity infrastructure for a normal winter season<sup>229</sup>.

In 2003, the Department of Minerals and Energy released the Electricity Basic Services Support Tariff Policy (EBSST), also referred to as the Free Basic Electricity (FBE) Policy. This policy was aimed at easing the electricity backlogs by providing 50kWh of free basic electricity to 'poor' households<sup>230</sup>.

The proposed level of free basic electricity was determined on the assumption that 56% of households in South Africa that are connected to the national grid consume on average less than 50kWh of electricity per month. 50kWh therefore is considered to be adequate electrical energy to meet the needs for lighting, media access, limited water heating and basic ironing or cooking for a 'poor' household. Therefore, the Free Basic Electricity policy advocates the level of service to be 50kWh per household per month for all grid based system<sup>231</sup> customers that qualify, and 50kWh per non-grid system<sup>232</sup> for all households connected to the official non-grid systems<sup>233</sup>.

This quantity of free basic electricity received political and community support. The argument was that the utility of 50kWh can be supplemented with the use of other energy saving mechanisms and lighting efficiency interventions such as solar power. Importantly it was noted that only 50kWh per month will be free and any units consumed above this amount will have to be paid for by the consumer<sup>234</sup>.

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<sup>229</sup> South Africa. Department of Minerals and Energy. 2003. Electricity Basic Services Support Tariff (Free Basic Electricity) Policy. Pretoria: Department of Minerals and Energy.

<sup>230</sup> Ibid.

<sup>231</sup> Power stations all over South Africa are linked by transmission lines, (transmission lines send the electricity through thick aluminium and copper wires), and towers called pylons, therefore, this network of transmission lines is referred to as grid electricity.

<sup>232</sup> Refers to electricity generating systems designed to provide electricity power supply to remote rural areas, including diesel generators, bio-digesters, hybrid systems, turbines and solar systems.

<sup>233</sup> South Africa. Department of Minerals and Energy. 2003. Free Basic Electricity. Pretoria:

Department of Minerals and Energy. [www.dme.gov.za/energy/elect\\_fbe.stm](http://www.dme.gov.za/energy/elect_fbe.stm) (Accessed 6 Nov 2006)

<sup>234</sup> Ibid.

Pre-paid customers will be provided with non-interchangeable vouchers or tokens loaded with the free basic units for the month. Once the units have been used up, the consumer will need to purchase additional units at the approved rates. In terms of credit-metered customers the situation is different. Their total units consumed will be reduced by the amount of free units. The problem here is that it is not easy to tell when the free units have been used up<sup>235</sup>.

The token or voucher will be valid for one month only, and unused units can not be transferred to the next month. In other words, the customer has the opportunity to use the full amount and if they do not, they will forfeit it. For credit-metered consumers, unused units will also be forfeited. Network charges shall also be imposed on consumers for all consumption exceeding the free 50kWh per month<sup>236</sup>.

Non-grid customers will also benefit from the Free Basic Electricity Policy. Solar powered home systems are unique in that they are able to generate free energy on site<sup>237</sup>. In order to promote the use of solar energy, consumers are granted R48 per month under the national electrification programme that can contribute towards the costs associated with maintenance and operation. Consumers will be required to pay the difference between the subsidy and the tariff. A standard solar home system can provide basic lighting, access to a black and white television and a small radio<sup>238</sup>.

The provision of Free Basic Electricity is aimed at the “poor”. However, identifying those who classify as the “poor” is not easy<sup>239</sup>. In addition, the electricity demand of many poor households in towns and cities exceeds the 10Ampere (A) limit of the current-limited options due to the fact that households are living with extended families. If these households were restricted to the 10A they would experience electricity trips on a continuous basis.

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<sup>235</sup> Ibid.

<sup>236</sup> Ibid.

<sup>237</sup> Ibid.

<sup>238</sup> Ibid.

<sup>239</sup> Ibid.

The DME suggests that a Self-Targeted approach be used for the implementation of the Free Basic Electricity roll-out. The DME argues that this method would be more accurate in identifying the “poor” and be less costly to implement and fund<sup>240</sup>. Self-targeting means that the consumer will apply for free basic electricity and that the municipality will assess the application. The Self-Targeted approach offers two possible methods of implementation: (1) self-targeting with current-limiting and, (2) self-targeting without current-limiting. The first approach requires that poor households apply for a current-limited electricity supply and then become eligible for the free basic electricity allocation<sup>241</sup>. The second approach requires the Service Provider to identify households that consume on average less than 50kWh of electricity per month. Once they have been identified, they could automatically apply for the free basic electricity allocation.

### **Self-Targeting with Current-Limiting:**

According to the DME, households that are poor generally have a low demand for electricity. Their needs will be met by restricting the current drawn from their supply to about 10A. These households would then consume the free electricity allocation of electricity at no cost and then only pay for the units they consume outside the free allocation<sup>242</sup>. Households are therefore required to apply to the service authority (the municipality) to be put on the tariff. Upon approval it will be the duty of the service authority to transfer to the service provider<sup>243</sup> the relevant amount to cover the cost of providing the free basic electricity. According to the DME, the advantage of this method is that there is an expectation that poorer households who are low consumers of electricity would apply for the current-limited supply. This would then accurately target the poor<sup>244</sup>.

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<sup>240</sup> South Africa. Department of Minerals and Energy. 2003. Free Basic Electricity. Pretoria: Department of Minerals and Energy. [www.dme.gov.za/energy/elect\\_fbe.stm](http://www.dme.gov.za/energy/elect_fbe.stm) (Accessed 6 Nov 2006)

<sup>241</sup> Ibid.

<sup>242</sup> South Africa. Department of Minerals and Energy. 2003. Electricity Basic Services Support Tariff (Free Basic Electricity) Policy. Pretoria: Department of Minerals and Energy.

<sup>243</sup> Means an agent (person or any combination of persons and institutions), which provide municipal service(s) on behalf of the service authority.

<sup>244</sup> South Africa. Department of Minerals and Energy. 2003. Electricity Basic Services Support Tariff (Free Basic Electricity) Policy. Pretoria: Department of Minerals and Energy.

The disadvantage of this approach is that the electricity service provider will incur higher administrative costs. For example, the cost to the service provider for lowering the current-capacity of service connections particularly in the case of households served by credit meters<sup>245</sup>. Current-limiting devices will need to be installed on the service connections where they are non-existent. Prepayment meters that do not have the current-limiting software, will need to be upgraded and those that have the facility will need re-programming as well as their software upgraded<sup>246</sup>.

### **Self-Targeting without Current-Limiting:**

Households that use on average either less than 50kWh of electricity, or consume up to an amount of 150kWh per month, also qualify for the free basic electricity allocation<sup>247</sup>. In order to reduce administrative costs service providers could automatically select those households that meet the requirements and shift them to the free basic electricity tariff<sup>248</sup>. There needs to be an official agreement by the service authority to ensure that the service provider receives payment for the free electricity delivered. This method suits municipal electricity distributors since it can easily be applied to either credit or pre-payment meter services<sup>249</sup>.

The costs of providing free basic electricity is separated into the cost of the free basic energy, and the technical and administration costs of implementing the programme. In 2000 there were 6.8 million domestic customers connected to the national grid. If the 50kWh of free basic electricity was proposed to be delivered to all grid connected customers, then the estimated cost to the Electricity Supply Industry (ESI) to supply a zero rated supply of 50kWh per household per month would be R1.64 billion per annum<sup>250</sup>.

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<sup>245</sup> South Africa. Department of Minerals and Energy. 2003. Electricity Basic Services Support Tariff (Free Basic Electricity) Policy. Pretoria: Department of Minerals and Energy.

<sup>246</sup> Ibid.

<sup>247</sup> Ibid.

<sup>248</sup> Ibid.

<sup>249</sup> Ibid.

<sup>250</sup> Ibid.

This amount excludes infrastructure, vending systems and upgrading costs. These costs will therefore be capitalised and recovered from other non-targeted customers. It was further noted that these costs would also increase due to increases in the level of electrification by the National Electrification Programme<sup>251</sup>. It was estimated that through this programme, an additional 330 000 new electrification connections would take place per year at an additional cost of between R80-90 million per annum. The costs for the self-targeting method of allocation of free electricity were estimated to be around R600 million<sup>252</sup>.

The provision of free basic electricity involves substantial technical and administrative costs. The costs incurred would be in aid of upgrading the billing and pre-payment vending systems as well as the replacement of pre-payment meters not compatible with vending of the free allocation and the cost of current limiting electricity devices<sup>253</sup>. Further costs would be incurred for the upgrading of rural and maybe some urban electrical networks to cope with possible increases in the demand for electricity. Costs will also be incurred with the provision of administrative capacity at municipal and service provider level for the implementation of the free basic electricity allocations<sup>254</sup>.

Municipalities are required to draft credit control and indigent policies to regulate credit control and revenue management. These policies are aimed at establishing a framework and criteria for municipalities to identify poor households and, therefore, prevent the free basic electricity allocation from being granted to those who do not qualify<sup>255</sup>. According to the Municipal Systems Act (Act 32 of 2000), municipalities must draft a credit control policy which determines how revenue will be generated, and how services will be delivered and paid for.

The Department of Minerals and Energy strongly asserts that, unless otherwise stated the provision of free electricity should not be used as an excuse for non-payment of prior

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<sup>251</sup> South Africa. Department of Minerals and Energy. 2003. Electricity Basic Services Support Tariff (Free Basic Electricity) Policy. Pretoria: Department of Minerals and Energy.

<sup>252</sup> Ibid.

<sup>253</sup> Ibid.

<sup>254</sup> Ibid.

<sup>255</sup> Ibid.

debt. Further it should not be used as a means to accumulate debt in the future. The Free Basic Electricity Policy is primarily about poverty alleviation and not free electricity. Municipal terms and conditions for non-payment and debt collection will not be sidetracked by the delivery of free electricity<sup>256</sup>.

The allocation of the Free Basic Electricity must be made available as easily as possible to negate the costs of high capital, upgrading and administrative expenditure. Consumption must be controlled at all times. No free electricity must be allocated where the consumer has defaulted in terms of a municipality's credit control policy, until the consumer satisfies the necessary conditions to have the services re-connected. Free Basic Electricity allocations will only come into effect once a qualifying consumer has been connected to the electricity supply system of the service provider<sup>257</sup>.

Before being provided with electricity, water and or other services, every customer is required to enter into a service agreement with the municipality, in which the customer agrees that the services provided may be used for credit control purposes to collect arrears in respect of all outstanding debt. Where no agreement has been entered into, the particular services that the household is enjoying shall be terminated<sup>258</sup>.

Each municipality must draft an indigent policy as a means to identify poor households who would then qualify for free basic services such as electricity. An indigent policy must contain the guidelines and criteria to determine if a household is deemed poor or not. If a household is determined to be poor then that specific household will be granted a concession on charges for services, and in the case of water and electricity, they are granted 6kl of water and 50kWh of electricity for free<sup>259</sup>.

The provision of electricity depends on a good relationship between the service authority and service provider. Traditionally, in urban areas in South Africa, municipalities have

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<sup>256</sup> South Africa Online. 2006. South Africa: Energy and Water. South Africa Online. [www.southafrica.co.za/energy\\_and\\_water\\_92.html](http://www.southafrica.co.za/energy_and_water_92.html) (Accessed 6 Nov 2006)

<sup>257</sup> Ibid.

<sup>258</sup> Ibid.

<sup>259</sup> Ibid.

been the service provider of electricity<sup>260</sup>. However in many cases Eskom or other service providers have undertaken this role. In light of this, any municipality that is non-distributing must enter into a Service Level Agreement with the service provider and transfer the funding for the free basic electricity allocation accordingly.

Eskom plays a vital role in the provision of electricity throughout the country. Eskom currently supplies 95% of South Africa's electricity<sup>261</sup>. This utility is among the top seven in its electricity generating capacity and among the top nine in terms of sales in the world. Eskom was converted from a statutory body into a public company as of 1 July 2002<sup>262</sup>. Eskom does not have exclusive generation rights but enjoys a practical monopoly on bulk electricity. The national government is the sole shareholder of Eskom<sup>263</sup>. Its shareholder representative is the Minister of Public Enterprises. "Although Eskom is entirely state-owned, it is completely self-financed through internal reserves and debt raised on the capital market in the form of bonds"<sup>264</sup>.

Eskom is able to cover the high costs for the provision of electricity to rural areas by cross subsidising from paying customers nation-wide<sup>265</sup>. Municipalities, on the other hand, find it difficult to afford and recover the costs of providing electricity to underdeveloped areas, and are limited in their ability to cross subsidise service delivery from paying residents.

According to the DME it is not intended to provide free electricity but rather free 'basic' electricity<sup>266</sup>. The provision of free basic electricity was to be phased in from July 2003,

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<sup>260</sup> South Africa. Department of Minerals and Energy. 2003. Guidelines for the Introduction of Free Basic Electricity Service. Pretoria: Department of Minerals and Energy.

<sup>261</sup> South Africa Online. 2006. South Africa: Energy and Water. South Africa Online. [www.southafrica.co.za/energy\\_and\\_water\\_92.html](http://www.southafrica.co.za/energy_and_water_92.html) (Accessed 6 Nov 2006)

<sup>262</sup> Eskom. 2002. Legislation. Eskom. [www.eskom.co.za/live/content.php?Category\\_ID=62](http://www.eskom.co.za/live/content.php?Category_ID=62) (Accessed 6 Nov 2006)

<sup>263</sup> Ibid.

<sup>264</sup> Sustainable Energy and Policy Concepts. 2004. Country Case Study – South Africa. Sustainable Energy and Policy Concepts. [www.ises.org/shortcut.nsf/to/sepco](http://www.ises.org/shortcut.nsf/to/sepco) (Accessed 2 Nov 2006)

<sup>265</sup> South Africa Online. 2006. South Africa: Energy and Water. South Africa Online. [www.southafrica.co.za/energy\\_and\\_water\\_92.html](http://www.southafrica.co.za/energy_and_water_92.html) (Accessed 6 Nov 2006)

<sup>266</sup> "Basic electricity" is defined as a limited amount of free electricity deemed necessary to provide basic services.

once municipalities received their allocation of funds from the Department of Provincial and Local Government<sup>267</sup>. Municipalities that were able to implement the policy prior to receiving their allocation, were given the go-ahead to do so<sup>268</sup>.

The implementation of the Free Basic Electricity Policy is complex. This complexity is further increased by the fact that in many instances, municipalities are not the sole providers of electricity within their municipal areas. They then have to engage in service level agreements with service providers, which in most cases is Eskom. Municipalities also carry the responsibility of determining the criteria that will define beneficiaries of the Free Basic Electricity Policy. These factors could severely hamper the implementation of the Free Basic Electricity Policy.

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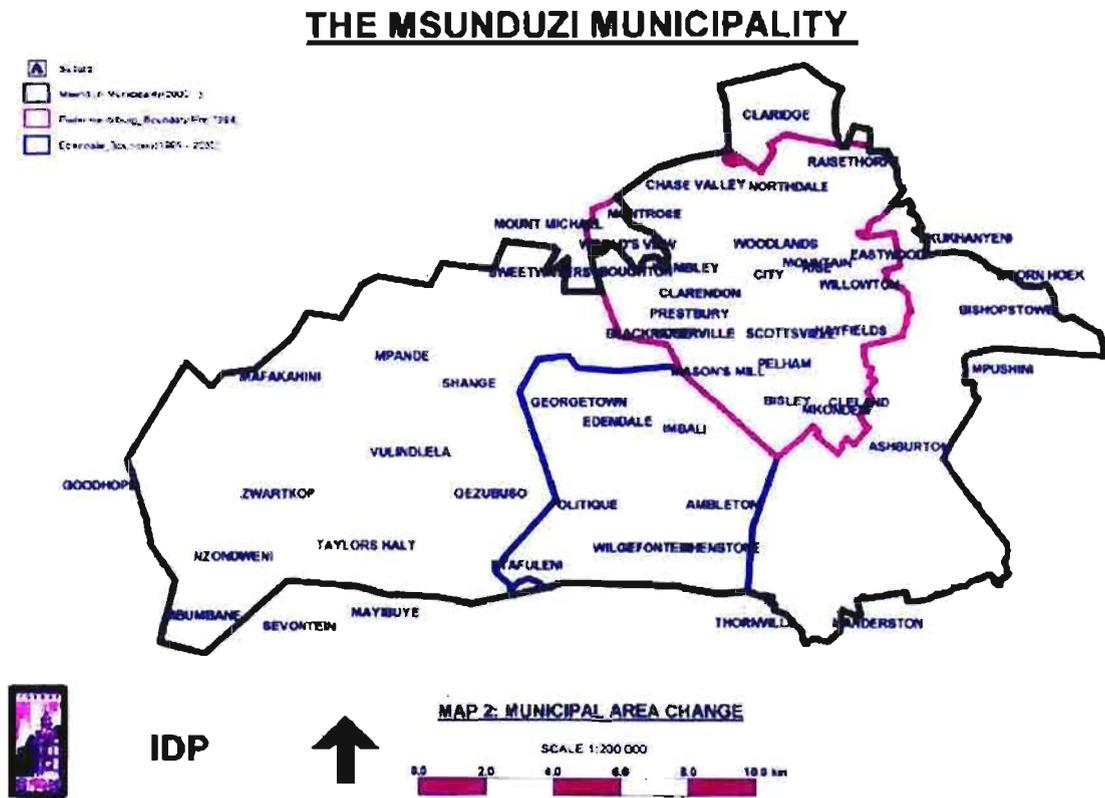
<sup>267</sup> South Africa. Department of Minerals and Energy. 2003. Electricity Basic Services Support Tariff (Free Basic Electricity) Policy. Pretoria: Department of Minerals and Energy.

<sup>268</sup> Ibid.

**The Msunduzi Municipality and the Provision of Free Basic Electricity:**

The Msunduzi Municipality is located in the province of KwaZulu-Natal, about 80km inland from Durban. It includes the city of Pietermaritzburg that is the administrative capital of the province<sup>269</sup>. The Municipality has a population of approximately 523 000 residents<sup>270</sup>.

**Map 3.2: Msunduzi Municipality<sup>271</sup>**



<sup>269</sup> Thandanani Childrens Foundation. 2006. The Msunduzi Municipality. Thandanani Childrens Foundation. [www.thandanani.org.za/communities.html](http://www.thandanani.org.za/communities.html) (Accessed 9 Nov 2006)

<sup>270</sup> South Africa. Msunduzi Municipality. 2002. Integrated Development Plan (IDP) 2002. Pietermaritzburg: Msunduzi Municipality.

<sup>271</sup> Map adapted from South Africa. Msunduzi Municipality. 2002. Integrated Development Plan (IDP) 2002. Pietermaritzburg: Msunduzi Municipality.

The majority of the residents live in the township of Edendale (approximately 197,320). Pietermaritzburg is next as it houses (approximately) 176,590 inhabitants. The semi-rural area of Vulindlela, which is tribal authority land, is home to (approximately) 145,410 people<sup>272</sup>. There are approximately 130,385 households within the Msunduzi Municipal area<sup>273</sup>. On average there are about 5 people residing per household within Msunduzi Municipality<sup>274</sup>.

In 2000, Pietermaritzburg had an economically active population of approximately 250,000<sup>275</sup>. However, of these there was an unemployment rate of 49%. HIV/AIDS is also prominent in the area. In 2001, 36% of all woman visiting antenatal clinics were diagnosed HIV positive. Most AIDS related deaths are in the 20-39 age groups. It has been estimated that by 2010 there will be 50,000 orphans in Pietermaritzburg<sup>276</sup>. According to the South African Cities Network, the city is limited in its industrial and commercial development. Due to this, the city does not provide enough economic opportunities that ensure employment rates are increased<sup>277</sup>. The municipal budget of R1,750 per capita per annum is severely strained to meet existing services and the promotion of development and service provision to the previous un-serviced areas such as Edendale and Vulindlela<sup>278</sup>.

The Integrated Development Plan (IDP) is a corporate plan for the municipality and spells out service delivery. The IDP must be aligned with national and provincial objectives and standards, for better coordination and cooperation as well as limiting duplication of services and minimizing unnecessary overlaps<sup>279</sup>. According to the Msunduzi Municipality's Integrated Development Plan (IDP) 2006-2010, Eskom and the

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<sup>272</sup> Ibid.

<sup>273</sup> Municipal Demarcation Board. 2006. Redeterminations: Statistics. Municipal Demarcation Board. [www.demarcation.org.za/](http://www.demarcation.org.za/) (Accessed 3 Nov 2006)

<sup>274</sup> Ibid.

<sup>275</sup> Thandanani Childrens Foundation. 2006. The Msunduzi Municipality. Thandanani Childrens Foundation. [www.thandanani.org.za/communities.html](http://www.thandanani.org.za/communities.html) (Accessed 9 Nov 2006)

<sup>276</sup> Ibid.

<sup>277</sup> South African Cities Network. 2006. Msunduzi Municipality (Pietermaritzburg). South African Cities Network. [www.sacities.net/cities/msunduzi.stm](http://www.sacities.net/cities/msunduzi.stm) (Accessed 9 Nov 2006)

<sup>278</sup> Ibid.

<sup>279</sup> Msunduzi Municipality Integrated Development Plan Manager. 2006. Interviewed by I. Chetty. Pietermaritzburg. 11 Oct.

Msunduzi Municipality deliver basic electricity services. In terms of electricity there is a significant backlog<sup>280</sup>. There are approximately 18,730 households within the municipal area that do not have access to electricity<sup>281</sup>. However, the municipality does not think that these backlogs in electricity are a major problem. It says that “to a large extent, neither council nor Eskom have large areas that do not have access to electricity”<sup>282</sup>. The backlogs, they argue, are temporary as electrification processes are underway. However, this statement is surely misleading and contradictory if one takes into account the results of the 2002-2005 IDP electrification target report. The results obtained reflected that success was only achieved for the urbanized areas and, therefore, still leaving behind a significant electricity backlog in the semi-rural areas.

The major electricity delivery objectives of the 2002-2005 IDP were to engage in large-scale electrification and provide 1000 connections annually in order to reduce the electrification backlog<sup>283</sup>. However, the Msunduzi Municipality was only able to reduce backlogs in the urban areas. The explanation given was that the proximity of the houses in the outlying semi-rural areas was far removed from the electricity network. In addition, in some areas (such as Vulindlela) houses are sporadic and that makes it expensive to electrify, or houses were built on illegally occupied land, or on non-formalised areas.

In terms of the Free Basic Electricity Policy, the Msunduzi Municipality began discussions in 2003 around issues of implementation and the technicalities necessary for its smooth, cost effective and efficient delivery<sup>284</sup>. On the 9<sup>th</sup> of December 2003 the Process Manager of Electricity for Msunduzi Municipality submitted a Report summarizing the Electricity Basic Services Support Tariff (EBSST) Policy or the Free Basic Electricity (FBE) Policy to the Msunduzi Municipality’s Technical and

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<sup>280</sup> South Africa. Msunduzi Municipality. 2006. Integrated Development Plan (IDP) 2006 -2010. Pietermaritzburg: Msunduzi Municipality.

<sup>281</sup> Municipal Demarcation Board. 2006. Redeterminations: Statistics. Municipal Demarcation Board. [www.demarcation.org.za/](http://www.demarcation.org.za/) (Accessed 3 Nov 2006)

<sup>282</sup> Map adapted from South Africa. Msunduzi Municipality. 2002. Integrated Development Plan (IDP) 2002. Pietermaritzburg: Msunduzi Municipality.

<sup>283</sup> Ibid.

<sup>284</sup> South Africa. Msunduzi Municipality. 2003. Free Basic Electricity Policy (EBSST): Report 3 December 2003. Pietermaritzburg: Msunduzi Municipality.

Engineering Services Committee. Part of this Report was to recommend that the council consider various policy issues in order to implement the free allocation of electricity to residential customers within the municipality's jurisdiction<sup>285</sup>.

In this Report it was stated that the municipality's share of national revenue granted towards the implementation of the FBE Policy was R3,438,786 for the 2003/2004 financial year; R5,669,215 for the 2004/2005 financial year; and R6,666,573 for the 2005/2006 financial year<sup>286</sup>. The national Department of Provincial and Local Government (DPLG) determined these amounts. Municipalities are supposed to make additional provision in their own budgets for the implementation of the Free Basic Electricity Policy<sup>287</sup>.

The budget must be aligned with the IDP. The IDP engages communities and residents by holding community meetings stemming from which the needs of the communities are determined. The budget is then allocated according to these needs. The Msunduzi Municipality receives funding for service delivery from ratepayers. Where this funding is still inadequate, municipalities may approach the DPLG for more funds<sup>288</sup>.

Municipalities in South Africa also receive funding from national government's equitable share of revenue<sup>289</sup>. The purpose of the local government equitable share is to compensate for poor households that are unable to pay for services rendered by the municipality. A formula is used to allocate each municipality an equitable portion of the local government equitable share. The formula allocates a portion of the equitable share to each municipality based on a municipality's total population and number of households, poverty rate and number of poor households, and the powers and functions a municipality has responsibility for like electricity provision, all of which are indicators of the need for additional revenue. However, there are no restrictions on how a municipality

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<sup>285</sup> Ibid.

<sup>286</sup> Ibid.

<sup>287</sup> Msunduzi Municipality Budget Manager. 2006. Interviewed by I. Chetty. Pietermaritzburg. 13 Oct.

<sup>288</sup> Ibid.

<sup>289</sup> Idasa. 2005. Local Government in Budget 2005. Cape Town: Idasa. [www.idasa.org.za/](http://www.idasa.org.za/) (Accessed 27 Oct 2006)

should spend their portion of the equitable share, but the DPLG encourages municipalities to spend the allocation on the delivery of basic services<sup>290</sup>.

The Msunduzi Municipality's budget does allocate funds to be used to implement the Free Basic Electricity Policy<sup>291</sup>. The Msunduzi Municipality's Free Basic Electricity Policy commits the municipality to provide free of charge 50kWh of electricity to households that qualified and have received indigent status. However, a household has to be connected to the legal electricity supply system, which means that they are currently receiving electricity<sup>292</sup>. In other words, households who are not connected cannot receive free basic electricity. Recipients must be identified by means of the self-targeted approach where households can choose between either a 10A current-limited electricity supply or by consistently using less than 150kWh of electricity per month<sup>293</sup>. All credit meter consumers with a 15A electricity supply or less must be converted to 20A electricity supply and will be charged the standard tariff for all consumption over the specified limit<sup>294</sup>.

The Municipality's Free Basic Electricity Policy mirrors the national government's Free Basic Electricity Policy by reiterating that is up to a municipality to choose how it will implement the policy and target recipients for the free allocation<sup>295</sup>. Further it was reiterated that the national objective behind the provision of free electricity aims to alleviate poverty in poor households rather than to give free electricity. Where a municipality cannot deliver electricity on its own it is mandated to enter into an agreement with a service provider, in this case Eskom to deliver free electricity<sup>296</sup>.

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<sup>290</sup> Ibid.

<sup>291</sup> Msunduzi Municipality Budget Manager. 2006. Interviewed by I. Chetty. Pietermaritzburg. 13 Oct.

<sup>292</sup> South Africa. Msunduzi Municipality. 2003. Free Basic Electricity Policy (EBSST): Report 3 December 2003. Pietermaritzburg: Msunduzi Municipality.

<sup>293</sup> Ibid.

<sup>294</sup> Ibid.

<sup>295</sup> Ibid.

<sup>296</sup> Msunduzi Municipality Electricity Process Manager. 2006. Interviewed by I. Chetty. Pietermaritzburg. 10 Oct.

The Msunduzi Municipality and Eskom currently share the responsibility of delivering electricity within the municipal area<sup>297</sup>. As of September 2003, the Msunduzi Municipality had 10,437 pre-payment customers of which 500 had a 20A supply and the rest a 60A supply<sup>298</sup>. The Municipality also had 44,837 credit meter customers. Eskom delivers electricity to 66,676 pre-payment customers who have a 20A supply. They also have 5,500 credit meter customers all of which have 60A supplies<sup>299</sup>.

The most difficult aspects of the Free Basic Electricity Policy is to determine and identify which residents can be regarded as 'poor' or indigent households<sup>300</sup>. The costs of compiling and maintaining an accurate Indigent Register are high, and the process itself is open to failure due to improper management and monitoring. It was further stated that the Msunduzi Municipality's Indigent Register was not accurate or complete especially in the Eskom areas of delivery<sup>301</sup>.

A number of costs are associated with the implementation of the FBE Policy in the Municipality. For example, the costs for software upgrading of vending machines to enable the use of static tokens, which was estimated to be around R50,000<sup>302</sup>. The onus is then placed on the consumer to collect the free token from a specified vendor. An estimated cost of R50,000 was cited as necessary for the training of staff on the FBE process and vending management. There is a considerable cost for the publicity and awareness of the FBE, in terms of newspaper advertisements and radio communications. Other costs to be incurred will be for the provision of infrastructure to those not currently connected to the electricity grid system and a loss of revenue from households provided with the free electricity allocation<sup>303</sup>.

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<sup>297</sup> South Africa. Msunduzi Municipality. 2003. Free Basic Electricity Policy (EBSST): Report 3 December 2003. Pietermaritzburg: Msunduzi Municipality.

<sup>298</sup> Ibid.

<sup>299</sup> Ibid.

<sup>300</sup> Ibid.

<sup>301</sup> Msunduzi Municipality Electricity Process Manager. 2006. Interviewed by I. Chetty. Pietermaritzburg. 10 Oct.

<sup>302</sup> South Africa. Msunduzi Municipality. 2003. Free Basic Electricity Policy (EBSST): Report 3 December 2003. Pietermaritzburg: Msunduzi Municipality.

<sup>303</sup> Ibid.

Implementing the FBE depends on adequate administrative capacity, not only with regards to human resources, but also depends on staff having the relevant expertise and understanding of the FBE. The Report states that the “effectiveness of the administration of the pre-payment system together with the process of the Free Basic Electricity Policy is critical to the municipality”<sup>304</sup>. Any deviation from efficiency in the process of vending the free basic electricity allocation directly affects the municipality’s residents and would in turn result in revenue losses to the municipality. The Report stressed the need for human resources. It raised the need to fill the vacant posts. For example, the post of Senior Clerk has been vacant since 1997, and the post of Second Senior Clerk has also become vacant. These posts are to administer and oversee the pre-payment electricity meters. The Report stressed the need to fill at least one of the posts as the workload is increasing as more households are being electrified<sup>305</sup>.

The training of staff involved in the FBE implementation process, such as staff for billing, vending, meter management and infrastructure maintenance was also identified<sup>306</sup>. Training of these employees is key to the successful implementation of the Free Basic Electricity Policy. To date, no training has taken place and the implementation of the FBE is still weak given the municipality’s inadequate administrative capacity and skills of these employees<sup>307</sup>.

The municipality acknowledges that in order to implement its FBE, it would need to carry out an awareness campaign<sup>308</sup>. The campaign would be used to inform consumers on the criteria and process to follow when they apply for the free electricity. To date, no awareness building campaign has been implemented<sup>309</sup>. Therefore, a lot of residents of

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<sup>304</sup> Ibid.

<sup>305</sup> Ibid.

<sup>306</sup> South Africa. Msunduzi Municipality. 2003. Free Basic Electricity Policy (EBSST): Report 3 December 2003. Pietermaritzburg: Msunduzi Municipality.

<sup>307</sup> Msunduzi Municipality Human Resources Officer: Electricity. 2006. Interviewed by I. Chetty. Pietermaritzburg. 30 Nov.

<sup>308</sup> South Africa. Msunduzi Municipality. 2003. Free Basic Electricity Policy (EBSST): Report 3 December 2003. Pietermaritzburg: Msunduzi Municipality.

<sup>309</sup> Msunduzi Municipality Human Resources Officer: Electricity. 2006. Interviewed by I. Chetty. Pietermaritzburg. 30 Nov.

the municipality do not have any knowledge or understanding of Msunduzi Municipality's FBE and their right to free electricity.

The Report on the FBE of the municipality was presented at the Msunduzi Municipality's Executive Committee meeting of the 17<sup>th</sup> of December 2003. It is on this day that the issues raised in the Report were acknowledged and shortcomings would be addressed by the municipality. In addition, the Executive Committee endorsed that the Msunduzi Municipality's Free Basic Electricity Policy be in line with the national policy and that it be monitored and evaluated at all times to prevent deviations, which could negate the intended effect of the policy<sup>310</sup>.

In 2004, The Msunduzi Municipality drafted a Credit Control and Indigent Policy<sup>311</sup>. The credit control aspect regulates payments on accounts for services rendered while the indigent component specifies who is eligible for free basic services such as water and electricity, sanitation and refuse removal. Of particular importance here is that by being eligible for free basic services meant a household receives consolidated services rather than isolated services. They receive a basket of free services like water, electricity, sanitation and refuse removal simultaneously<sup>312</sup>.

The Credit Control and Indigent Policy regulates the service agreements entered into between customers of the municipality and the municipality itself. Before being provided with any service, customers must enter into a service agreement, which contain certain terms and conditions. For example, customers have to pay a connection fee of R1,000 and a R500 deposit to have their electricity connected<sup>313</sup>. Where a customer fails to enter into such an agreement, services will not be provided. The policy also deals with the billing system of the municipality. The Msunduzi Municipality bills households for the

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<sup>310</sup> South Africa. Msunduzi Municipality. 2003. Free Basic Electricity Policy (EBSST): Report 3 December 2003. Pietermaritzburg: Msunduzi Municipality.

<sup>311</sup> South Africa. Msunduzi Municipality. 2004. Credit Control and Indigent Policy. Pietermaritzburg: Msunduzi Municipality.

<sup>312</sup> Msunduzi Municipality Accountant Technical Support. 2006. Interviewed by I. Chetty. Pietermaritzburg. 30 Oct.

<sup>313</sup> South Africa. Msunduzi Municipality. 2004. Credit Control and Indigent Policy. Pietermaritzburg: Msunduzi Municipality.

amount of water and electricity consumed as well as a flat rate for refuse removal and sanitation. Service charges are combined into a consolidated billing system which means that customers cannot choose to pay for one service and not the other. In addition, property owners will be taxed on their property in the form of rates<sup>314</sup>.

The Credit Control and Indigent Policy defines and provides criteria for who qualifies and can be defined as being indigent.<sup>315</sup> Determining indigence calls for properties to be determined before indigent status is even considered. However, in the semi-rural areas (such as Vulindlela) it is very hard to value property<sup>316</sup>. There are two defined ways of being determined indigent and therefore eligible for free basic services. Firstly, one can automatically qualify for concessions. Secondly, one must make an application for special or basic tariffs<sup>317</sup>.

Automatic qualification as an indigent, is granted where a resident's house and land is valued at less than R30 000. Once this is established and the household declared indigent, that household is to receive the basket of services mentioned earlier and is also not required to pay any property rates<sup>318</sup>. All those that fall within this category of indigence will receive 50kWh free electricity on a 20A electricity supply; 6kl of water free and will be entitled to free sewerage and refuse removal<sup>319</sup>. However, only households that are legally connected to the electricity supply system can receive these services.

Indigence upon application can occur in two ways<sup>320</sup>. Firstly, one can be declared indigent if the value of the house and land upon which they reside is between R30,001 and R40,000. This household shall then receive the basket of free services. Electricity will be delivered at 50kWh free per month, 6kl of water free per month, and residents

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<sup>314</sup> Ibid.

<sup>315</sup> Ibid.

<sup>316</sup> Msunduzi Municipality Electricity Process Manager. 2006. Interviewed by I. Chetty. Pietermaritzburg. 10 Oct.

<sup>317</sup> South Africa. Msunduzi Municipality. 2004. Credit Control and Indigent Policy. Pietermaritzburg: Msunduzi Municipality.

<sup>318</sup> Ibid.

<sup>319</sup> Ibid.

<sup>320</sup> Ibid.

will not be required to pay rates for the land. However, the household will be subjected to reduced charges as per the municipality's tariff of charges for the services of 20A electricity supply, sewerage and refuse removal<sup>321</sup>.

A resident of the municipality can also be declared indigent even if their house and land value upon which they reside is over R40 001. If the resident's income is less than R1640 they are entitled to a 40% rebate on property rates, and where the income is between R1640 and R2036 the customer is entitled to a 33.3% rebate on property rates<sup>322</sup>. 50kWh of electricity and 6kl of water will be provided free of charge. However, a tariff is payable for electricity ampere charges, sewerage and refuse removal.

In 2006, the Msunduzi Municipality took a decision to separate the Credit Control and Indigent Policy<sup>323</sup>. These policies were separated in order to give more attention to the relevant aspects within them. The Credit Control aspect of the original Credit Control and Indigent Policy (2004) was eventually altered to include the debt collection aspect that now reads Credit Control and Debt Collection Policy<sup>324</sup>. The basis for this policy is to define a framework within which the municipality can develop effective measures and procedures to bill customers and collect its revenue for services rendered<sup>325</sup>.

The policy states that "the objective of this policy is to ensure all monies due and payable to the municipality are collected and used efficiently to deliver municipal services in the best interests of communities, residents and ratepayers and in a financially sustainable manner as per the prescriptions of the Municipal Systems Act (Act 32 of 2000), and any other applicable legislation. Another core objective of this policy is to ensure that the municipality develops credit control procedures and mechanisms that are considered to be consistent, fair and effective to all its consumers"<sup>326</sup>.

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<sup>321</sup> South Africa. Msunduzi Municipality. 2004. Credit Control and Indigent Policy. Pietermaritzburg: Msunduzi Municipality.

<sup>322</sup> Ibid.

<sup>323</sup> South Africa. Msunduzi Municipality. 2006. Credit Control and Debt Collection Policy. Pietermaritzburg: Msunduzi Municipality.

<sup>324</sup> Ibid.

<sup>325</sup> Ibid.

<sup>326</sup> Ibid.

The Indigent Policy is the framework from which Msunduzi Municipality implements the Free Basic Electricity Policy. Ward councillors are close to the communities they serve. It was seen as an important task to engage them with communities on the Free Basic Electricity Policy rules, regulations and criteria used to determine beneficiaries.

One of the key elements of the Free Basic Electricity Policy is that it should be a process that is simple and easily understood<sup>327</sup>. The Strategic Executive Manager for Infrastructure Services and Facilities was given the authority to workshop the Free Basic Electricity Policy to Msunduzi Municipality councillors<sup>328</sup>. The objective was to give the councillors the necessary know-how of the policy and would, it was assumed, be able to forward this knowledge to people within their respective wards<sup>329</sup>.

### **The Implementation of the Free Basic Electricity Policy**

In 2004, the Msunduzi Municipality initiated a Free Basic Electricity Policy pilot study for a period of 6 months, from 1 April 2004 until 30 September 2004, in order to examine potential implementation problems<sup>330</sup>. A pilot study was carried out in both the Municipality's and Eskom's area of supply. Eskom predominantly supplies electricity to the semi-rural areas of the municipality namely Edendale, Vulindlela and Sweetwaters, whereas the Msunduzi municipality provides the Pietermaritzburg area with electricity.

The Msunduzi Municipality took a decision that for the duration of the pilot study, only those residents on its Indigent Register as at 29 February 2004, would be targeted as beneficiaries of the free basic electricity allocation<sup>331</sup>. According to the Municipality's Indigent Register at that point in time there were 1,132 households legally connected to

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<sup>327</sup> Msunduzi Municipality Electricity Process Manager. 2006. Interviewed by I. Chetty. Pietermaritzburg. 10 Oct.

<sup>328</sup> South Africa. Msunduzi Municipality. 2004. Free Basic Electricity Pilot Project: Progress Report 20 July 2004. Pietermaritzburg: Msunduzi Municipality.

<sup>329</sup> Ibid.

<sup>330</sup> South Africa. Msunduzi Municipality. 2004. Free Basic Electricity Policy (EBSST): Report 18 February 2004. Pietermaritzburg: Msunduzi Municipality.

<sup>331</sup> Ibid.

the electricity supply system<sup>332</sup>. In other words, households that were connected, allocated an account number and were already receiving municipal services.

Only households that were on the municipality's Indigent Register would be provided with 50kWh of free electricity<sup>333</sup>. However, households on the Indigent Register were required to make a formal application to the City Treasurer to receive the free electricity and had to accept the conditions, principles and the tariff applicable for consumption above 50kWh, which was 60.32c/kWh per unit excluding VAT<sup>334</sup>. This tariff was not the standard electricity tariff but rather a higher rate created specifically for the beneficiaries of the free electricity<sup>335</sup>. In order for a resident to qualify for the free allocation, households on both the credit meter and pre-payment meter services, had to agree to change to 20A electricity supply, with Msunduzi Municipality bearing the costs<sup>336</sup>.

One month into the pilot study the Msunduzi Municipality commissioned an evaluation of the project. The findings of the evaluation revealed that implementation was slow<sup>337</sup>. This was mainly due to the low application rate. The Msunduzi Municipality canvassed households to apply for the free allocation of electricity. Application forms and letters setting out the intention of the Msunduzi Municipality to provide the free basic electricity were hand-delivered to the 1,132 households on the Indigent Register<sup>338</sup>. Only 20 applications were returned and processed, 18 were immediately provided with the free allocation, and the other 2 were not included because they did not pay the R200 connection fee<sup>339</sup>.

The Msunduzi Municipality has developed application forms that need to be filled out by residents wishing to be declared Indigent. The Msunduzi Municipality has even

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<sup>332</sup> Ibid.

<sup>333</sup> South Africa. Msunduzi Municipality. 2004. Free Basic Electricity Policy (EBSST): Report 18 February 2004. Pietermaritzburg: Msunduzi Municipality.

<sup>334</sup> Ibid.

<sup>335</sup> Ibid.

<sup>336</sup> Ibid.

<sup>337</sup> South Africa. Msunduzi Municipality. 2004. Free Basic Electricity Pilot Project: Progress Report 20 July 2004. Pietermaritzburg: Msunduzi Municipality.

<sup>338</sup> Ibid.

<sup>339</sup> Ibid.

developed brochures spelling out the criteria for Indigence<sup>340</sup>. These may seem plausible endeavours. However, it is based on an assumption that all residents are literate. Many residents living in the semi-rural areas are illiterate; therefore, these brochures are not going to have an impact on them<sup>341</sup>. The Msunduzi Municipality will thus be required to find new ways of reaching these people in order to educate how to apply for indigent status in order to facilitate the implementation of the Free Basic Electricity Policy.

Upon the end of the billing period of April 2004, it was clear that all the recipients of the free basic electricity allocation paid more for their electricity than they would have if they remained on the tariff they were on before switching to the Free Basic Electricity Tariff<sup>342</sup>. The council argued that a higher tariff would be a preventative measure against recipients of the free allocation from consuming more electricity than they could afford. However, it could not be determined whether households knew about or understood the progressive tariff system. Some households may have decided to consume more electricity since the first 50kWh was free.

Instead of the recipients of the free basic electricity paying the standard tariff for electricity consumption, they were placed on a higher tariff. The effect of this was that all the electricity consumed in excess of the 50kWh free electricity was charged at the higher tariff<sup>343</sup>. In May 2004 the number of applications for the free basic allocation had only increased to 34<sup>344</sup>. This was still a very low number of participants. Reasons for this could be varied. Some were illiterate and did not know how to apply. Others were concerned with the high costs of electricity consumed in excess of the free basic electricity allocation<sup>345</sup>. Another reason cited was that consumers felt that their social

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<sup>340</sup> Msunduzi Municipality Accountant Technical Support. 2006. Interviewed by I. Chetty. Pietermaritzburg, 30 Oct.

<sup>341</sup> Msunduzi Municipality Electricity Process Manager. 2006. Interviewed by I. Chetty. Pietermaritzburg, 10 Oct.

<sup>342</sup> South Africa. Msunduzi Municipality. 2004. Free Basic Electricity Pilot Project: Progress Report 20 July 2004. Pietermaritzburg: Msunduzi Municipality.

<sup>343</sup> Ibid.

<sup>344</sup> Ibid.

<sup>345</sup> Msunduzi Municipality Electricity Process Manager. 2006. Interviewed by I. Chetty. Pietermaritzburg, 10 Oct.

status would change if they were regarded as Indigent and society as a whole would look down upon them because they were now officially poor<sup>346</sup>.

Findings of the pilot study further revealed that the Indigent Register was incomplete and did not include any consumers from the Eskom area of supply<sup>347</sup>. A reason provided for why the Indigent Register was incomplete was that compiling a register of this nature was a costly exercise<sup>348</sup>. Also at the time of the pilot study, Eskom had not provided the municipality with electricity consumption data for the residents within its area of supply, which meant that the municipality did not know whether or not these households qualified for the free basic electricity allocation. The problem was compounded by the fact that Eskom did not have an adequate customer database<sup>349</sup>. This database could have been used to ascertain resident's consumption of electricity under Eskom's area of supply and made it easier to identify beneficiaries of the Free Basic Electricity Policy.

The pilot study highlighted serious implementation problems. The Msunduzi municipality commissioned an enquiry into the low participation of residents in the pilot study. At a meeting with the Mayor and the Strategic Executive Manager for Infrastructure Services and Facilities it was decided that the low participation was primarily due to the incomplete Indigent Register, and the fact that data on Eskom's area of supply was not included in the pilot study<sup>350</sup>. This, they argued, meant that the targets for the pilot study were incorrect and inadequately determined, and needed to be rectified. Stemming from this meeting a number of changes to the implementation of the FBE were made<sup>351</sup>.

A major change to the pilot study was that it was to include the residents from the previously excluded Eskom area of supply. While the pilot study was underway, Eskom

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<sup>346</sup> Ibid.

<sup>347</sup> South Africa. Msunduzi Municipality. 2004. Free Basic Electricity Pilot Project: Progress Report 20 July 2004. Pietermaritzburg: Msunduzi Municipality.

<sup>348</sup> Ibid.

<sup>349</sup> South Africa. Msunduzi Municipality. 2004. Free Basic Electricity Policy (EBSST): Report 18 February 2004. Pietermaritzburg: Msunduzi Municipality.

<sup>350</sup> Ibid.

<sup>351</sup> Ibid.

was in the process of compiling and updating its records on the households that fall under its area of supply, which was forwarded to the municipality<sup>352</sup>. The information provided by Eskom revealed that there are many households that qualify for the free basic electricity allocation and that providing the free allocation to only those on the Indigent Register was discriminatory and disadvantaged these people<sup>353</sup>. Eskom's updated records showed that there were 6,303 households that were consuming 150kWh or less on average per month, and also had their supplies restricted to 20A, which means that they automatically qualify for free basic electricity<sup>354</sup>.

Eskom's records further revealed that there were 3,764 households who did not have their electricity current restricted to 20A, but had a 60A supply yet consumed less than 150kWh per month on average<sup>355</sup>. Eskom said these consumers did not choose their Amperage but were allocated this through the South African National Electrification Programme. Eskom will have to bear the cost of having the amperage reduced to 20A<sup>356</sup>.

In September 2004, the Msunduzi Municipality's Municipal Manager signed the funding agreement for rendering free basic electricity services with Eskom<sup>357</sup>. Eskom is required to provide the Free Basic Electricity to all indigent households under its area of supply, and Msunduzi Municipality would cover the costs for this provision<sup>358</sup>.

The next change was the issuing of tokens to residents in order for them to receive the free electricity. The software for the pre-payment vending machines was installed during March 2004. However, this software became obsolete<sup>359</sup>. Actaris, the software company responsible for the provision of these tokens recommended that additional hardware

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<sup>352</sup> Ibid.

<sup>353</sup> South Africa. Msunduzi Municipality. 2004. Free Basic Electricity Pilot Project: Progress Report 20 July 2004. Pietermaritzburg: Msunduzi Municipality.

<sup>354</sup> Ibid.

<sup>355</sup> Ibid.

<sup>356</sup> Ibid.

<sup>357</sup> South Africa. Msunduzi Municipality. 2004. Free Basic Electricity Implementation: Report 20 October 2004. Pietermaritzburg: Msunduzi Municipality.

<sup>358</sup> Ibid.

<sup>359</sup> South Africa. Msunduzi Municipality. 2004. Free Basic Electricity Pilot Project: Progress Report 20 July 2004. Pietermaritzburg: Msunduzi Municipality.

needed to be installed at a cost of R13,500. It included a separate database for those who are FBE beneficiaries, which meant that the obsolete software could still be used to issue the pre-payment tokens at the vending stations<sup>360</sup>.

Council discontinued the higher tariff for the Free Basic Electricity Policy. The first 50kWh is free and any additional units is charged at a rate of 42.23c/kWh excluding VAT<sup>361</sup>. Eskom began implementing the Msunduzi Municipality's Free Basic Electricity Policy with effect from 20 September 2004<sup>362</sup>. Eskom set themselves targets on a month-to-month basis. Since the implementation had begun, the results obtained from Eskom revealed that implementation remains slow, and that the beneficiaries were not experiencing the real benefits of the FBE policy due to issues of backlogs in electricity provision<sup>363</sup>.

The Strategic Executive Manager of Finance is under instruction to submit names, to the Process Manager for Electricity, of all those who qualify for the free allocation according to the Msunduzi Municipality's Indigent Policy, and Eskom is to roll-out the free allocation to these households<sup>364</sup>. From a technical perspective, the system for the provision of free basic electricity has improved drastically from the pilot study. Politically and administratively, however, the same implementation problems remain.

In April 2006, new elected councillors for Msunduzi Municipality were sworn in. These councillors, however, have not been formally trained on the Free Basic Electricity Policy. According to an interview with a Proportional Representation Councillor who is a member of the Executive Committee of the Msunduzi Municipality, the Executive Committee is responsible for the making and approval of policies for the Municipality<sup>365</sup>.

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<sup>360</sup> Ibid.

<sup>361</sup> Ibid.

<sup>362</sup> South Africa. Msunduzi Municipality. 2004. Free Basic Electricity Implementation: Report 20 October 2004. Pietermaritzburg: Msunduzi Municipality.

<sup>363</sup> Ibid.

<sup>364</sup> South Africa. Msunduzi Municipality. 2003. Free Basic Electricity Implementation: Report 17 November 2004. Pietermaritzburg: Msunduzi Municipality.

<sup>365</sup> Msunduzi Municipality Proportional Representation Councillor. 2006. Interviewed by I. Chetty. Pietermaritzburg. 09 Oct.

However, when asked this councillor did not know the process of how one can be declared an indigent. All that was said is that council had an application form that needed to be filled out in order to obtain indigent status. For further information one needed to contact Msunduzi Municipality's Billing Department<sup>366</sup>. This attitude is not acceptable, and contributes to the municipality's councillors inability to identify and assist indigents. It also assumes that indigents are literate and know how to access the relevant municipal offices.

According to a ward councillor of the Msunduzi Municipality, a household's indigent status and whether or not it should apply for indigent status is based on the ward councillor's discretion<sup>367</sup>. The ward councillor will carry out an investigation to ascertain the monthly income of residents, and the number of residents within a specific household. The ward councillor will then make reference to the household's previous monthly electricity bills. Households making an application for indigent status are then required to make affidavits that all the information they submit is true and correct<sup>368</sup>. The ward councillor will then look at the type and conditions of the house, for example whether the house is formal or informal as well as an assessment of the applicants living conditions<sup>369</sup>. The ward councillor will then submit the findings of his/her investigation to the Msunduzi Municipality's Credit Control Department. This department will further assess the household and decide whether it is to be determined indigent or not<sup>370</sup>.

Councillors are required to assist households with filling out the application form and are responsible for giving communities feedback on how the Indigent Policy works and how benefits are delivered. Councillors are not to carry out investigations on any household<sup>371</sup>. Consumers that are wishing to apply for indigent status and experience problems in

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<sup>366</sup> Ibid.

<sup>367</sup> Msunduzi Municipality Ward Councillor. 2006. Interviewed by I. Chetty. Pietermaritzburg. 09 Oct.

<sup>368</sup> Ibid.

<sup>369</sup> Ibid.

<sup>370</sup> Ibid.

<sup>371</sup> Msunduzi Municipality Senior Credit Controller. 2006. Interviewed by I. Chetty. Pietermaritzburg. 04 Oct.

filling out the application forms are urged to approach their ward councillors to assist them in bringing their applications to finality<sup>372</sup>.

The different responses and interpretations of the Indigent Policy by municipal staff holds serious implementation problems. Surely councillors especially those who are members of the Executive Committee must know the in-and-outs of the Indigent Policy of which the provision of free basic services, such as electricity is a major component of service delivery. As members of the Executive Committee they make decisions on various policy issues. Eventually these decisions culminate into policies, which the Msunduzi Municipality is tasked to implement. Basic service delivery is a major aspect of local government and therefore indigent status plays a significant role in poverty alleviation.

If councillors are unaware of the process, then the decisions they make are questionable and will create severe bottlenecks when the policy reaches its implementation stage. Funds are pumped into policies so as to reach the desired targets as well as to make a success of the policy. However, without a proper understanding the policy will never reach its full potential, as has been proven by the low number of applicants for indigent status.

It would seem out of order for a member of the Executive Committee not to know or be more helpful with the process of applying for free basic services, since the primary objectives of local government are to: “to provide democratic and accountable government to local communities; to ensure the provision of services to local communities in a sustainable manner; to promote social and economic development; to promote a safe and healthy environment; and to encourage the involvement of communities and community organisations in the matters of local government”<sup>373</sup>.

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<sup>372</sup> Msunduzi Municipality Accountant Technical Support. 2006. Interviewed by I. Chetty. Pietermaritzburg, 30 Oct.

<sup>373</sup> Constitution of the Republic of South Africa, 1996. Act 108 of 1996. Chapter 7: Local Government. Section 152.

According to the Msunduzi Municipality's Process Manager of Electricity there are a number of issues that affect the way the municipality delivers electricity. He identified many key issues that make the implementation of the Free Basic Electricity Policy difficult, and until they can be rectified the Msunduzi Municipality's Free Basic Electricity Policy will fall short of expected results<sup>374</sup>.

According to the Process Manager of Electricity, the Free Basic Electricity Policy does not consider the role of culture, and the impact it might have on people's perception. The existing onus on households to apply for free services is onerous. The Msunduzi Municipality should identify those using the 50kWh of electricity and then approach them to make an application for the free allocation. By approaching them people will feel less shame as opposed to having to queue and ask for free services<sup>375</sup>.

Although he acknowledges that the Msunduzi municipality is facing an uphill task in trying to implement the Free Basic Electricity Policy, he concluded by saying local government is the sphere of government best suited to implement a policy of this very diverse nature, but it remains a matter of implementing a policy for Msunduzi Municipality that is administratively correct and democratically accessible to those who need free basic services the most<sup>376</sup>.

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<sup>374</sup> Msunduzi Municipality Electricity Process Manager. 2006. Interviewed by I. Chetty. Pietermaritzburg. 10 Oct.

<sup>375</sup> Ibid.

<sup>376</sup> Ibid.

#### **Chapter 4: Conclusion and Recommendations:**

The case study has shown that the process to be followed in order to obtain free basic electricity is in itself fairly complex and even technically complicated. There are a number of requirements that need to be satisfied prior to receiving the free basic allocation of electricity. Before any resident, whether indigent or not, can be provided with any services they need to enter into an agreement with the municipality. This agreement allows the Msunduzi Municipality to apply the credit control and debt collection policy terms and conditions for debt recovery purposes. Only upon the finalization of this agreement are services delivered. In short, where no such agreement exists the municipality will deliver no services.

Indigents' access to the free basic electricity depends on them making a formal application to the City Treasurer. They need to collect application forms from the Msunduzi Municipality's Billing Department. Once they have collected these, they would need to complete them. Having completed the application form they would need to go to a local police station to make an affidavit that all the information forwarded in the application is true and correct. Where indigents are unable to complete the application forms, applicants must approach their ward councillors to assist them in bringing the application to finality.

In order to receive the free basic electricity allocation there is an electricity connection fee of approximately R1,000. This is a mandatory fee for all residents within the municipality wanting any municipal service. Needless to say, applicants for indigent status cannot afford such fees. In addition where applicants have outstanding fees payable according to the municipality's credit control and debt collection policy, applicants are required to settle the amount first. Thus, unless all arrears are paid that particular household would not receive any services.

Being connected to the electricity grid supply system is a prerequisite to receiving free basic electricity. One of the primary conditions of the FBE is that beneficiaries of the free

basic electricity must already have a legal electricity supply. Households that are not connected to the electricity grid system cannot receive free basic electricity. Providing access to the free basic electricity to indigent households is fairly complex and costly for the municipality since indigent households are predominantly located in the rural areas of the municipality where there is little infrastructure available.

There are many problems that indigents face with regards to the Free Basic Electricity Policy. The fact that poor people, who are often illiterate, have to apply for indigent status before they receive any free service. They need to get forms, affidavits, pay a connection fee, and have no outstanding fees and so on. Without any awareness programmes, literacy levels will determine their knowledge of their right to free basic services such as electricity. Where literacy levels are low, households will heavily rely on ward councillors to assist them through the complete process of learning about the policy, its benefits, and application for indigent status, connection fees and how the free basic electricity will be delivered. This whole implementation strategy relies predominantly on the will and dedication of the ward councillor.

Ward councillors are regarded by the municipality as the driving force in identifying poor households and assisting them to gain indigent status in order for them to receive the free electricity allocation of 50kWh. Many households declared indigent face the problem of not having the connection fees as they are not in a position to afford it. Their inability to pay for the connection fees means that they are not legible for any of the free basic services including free electricity. Also in order to receive free basic electricity households must agree to have their electricity current reduced to 20A which is a weak electricity supply and has high power outages. For example, 20A does not enable a household to iron and boil a kettle simultaneously.

It is clear from the above case study that the Msunduzi Municipality's Free Basic Electricity Policy continues to experience significant implementation problems. Probably the key issue here is the low levels of engagement between the councillors and their communities. According to Brinkerhoff and Crosby, "public participation can be

instrumental to responsive and effective policy implementation”<sup>377</sup>. Policy managers must focus their attention on the objectives that can be achieved through extended participation<sup>378</sup>.

The Msunduzi Municipality has been weak in inviting community participation both during and after the pilot study. Not enough was done to identify potential recipients and some residents were excluded even though they met the indigent status criteria. The municipality’s Indigent Register is far from complete, and more especially insufficient data on the consumption of electricity by consumers within Eskom’s area of supply still exists.

The pilot study identified the need for increased public participation and that council was to organize awareness building campaigns. These campaigns would be used to inform and educate members of the community on the objectives of the Free Basic Electricity Policy and ways of becoming recipients of the free basic electricity allocation. However, no awareness campaigns were conducted and communities remain in the dark on the essence of the policy.

It is recommended that the Msunduzi Municipality engages in large-scale community awareness projects and educative projects on the Free Basic Electricity Policy, explaining the criteria and procedures. Communities need to feel included in order to participate, and it is this inclusion that gives them the impression that local government has their interests at heart. The municipality is legally required to draft an Indigent Register. They have been slack in collecting data and cannot continue to blame their lack of financial resources for this omission.

The Msunduzi Municipality generates the majority of its total revenue through the sale of bulk electricity and water. It also receives funding from the Department of Provincial and Local Government (DPLG) and the equitable share precisely for this policy. They

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<sup>377</sup> Brinkerhoff, D.W. and Crosby, B. L. 2002. Managing Policy Reform. Vienna: Kumarian Press. p. 59.

<sup>378</sup> Brinkerhoff, D.W. and Crosby, B. L. 2002. Managing Policy Reform. Vienna: Kumarian Press. p. 55.

acknowledge their responsibility to provide basic services. However, there are other policy objectives that a municipality needs to accomplish. Examples of these are the provision of housing, roads, and infrastructure. The problem becomes one of prioritising which service is more pressing. Electricity may not be a high priority for those who are homeless or living in squatter camps. Proper housing to them is probably seen as more important.

To this end the Msunduzi Municipality has to allocate funding to make sure all projects and services are attended to. In the national Free Basic Electricity Policy it is made clear that a municipality will receive funding for the policy from the DPLG and if these funds are inadequate, the municipality may apply for additional funds. It is therefore recommended that Msunduzi Municipality does approach the DPLG for more funds in order to implement the Free Basic Electricity Policy more widely. The municipality may also seek funding from other institutions and countries that generally do back developmental projects like this.

According to Brinkerhoff and Crosby “around the world there is a wide recognition that socio-economic problems that policies address cannot be solved by governments acting on their own”<sup>379</sup>. There is no single agency that can manage the policy implementation task on their own. This is true of the Msunduzi Municipality’s Free Basic Electricity Policy where it shares implementation with Eskom. The Msunduzi Municipality has entered into a municipal service partnership with Eskom in the provision of the free electricity in areas where it does not deliver electricity. According to Hessing and Howlett, dependency sometimes leads to implementation failure<sup>380</sup>. Dependency here is when one organization is reliant on another organization for their services in order to facilitate implementation of a particular policy. In the case of the Msunduzi Municipality’s Free Basic Electricity Policy, the Msunduzi Municipality relies on Eskom to implement the policy in the semi-rural and rural areas of the municipality. Therefore, a harmonious relationship between the two is necessary at all times to facilitate

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<sup>379</sup> Brinkerhoff, D.W. and Crosby, B.L. 2002. Managing Policy Reform. Vienna: Kumarian Press. p. 85.

<sup>380</sup> Hessing, M. and Howlett, M. 1997. Canadian Natural Resource and Environmental Policy. Vancouver: UBC Press. pp. 173-175.

implementation at the highest level and to prevent the breakdown in communication which can lead to implementation failure.

There is an agreement between the Msunduzi Municipality and Eskom for the delivery of free basic electricity. However, this agreement has taken a very long time to be finalized during which time both parties felt it was a frustrating process. This partnership is important because under the Eskom area of supply, there were a number of indigent households and until this agreement was finalized no free basic electricity could be delivered. From the interviews conducted with some of the employees at the Msunduzi Municipality that are in some way responsible for the implementation of the Free Basic Electricity Policy, it can be confirmed that this partnership officially exists. However it was only the Process Manager of Electricity that knew exactly what the agreement spelled out and the conditions agreed to<sup>381</sup>. It is concerning that staff who are in control of the budget and who actually allocate funding to the different needs of council do not know much about the agreement<sup>382</sup>.

It is therefore recommended that people directly involved in the process of implementing the Free Basic Electricity Policy need to be educated on the nature of the partnership with Eskom and its involvement in the implementation of the policy. This will prevent any misunderstandings from occurring and will enhance the effectiveness of the partnership. An effective partnership will undoubtedly enable the implementation by Eskom and the Msunduzi Municipality to be much more plausible and beneficial to both residents and employees alike.

The implementation of the Free Basic Electricity Policy by the Msunduzi Municipality will also be hampered if employees continue to have inadequate skills. Proper skills are inherent to the successful implementation of the Free Basic Electricity Policy because of the technicalities involved in the delivery process. In 2003 it was stressed how important

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<sup>381</sup> Msunduzi Municipality Electricity Process Manager. 2006. Interviewed by I. Chetty. Pietermaritzburg. 10 Oct.

<sup>382</sup> Msunduzi Municipality Budget Manager. 2006. Interviewed by I. Chetty. Pietermaritzburg. 13 Oct.

training for the staff involved in the implementation of the Free Basic Policy is. Training of staff responsible for billing, vending, meter management and maintenance is essential in order to develop their skills and make the entire process more effective and efficient was identified as a key prerequisite for the implementation of the Free Basic Electricity Policy.<sup>383</sup> The training sessions were never conducted therefore implementation continues to be hindered by inadequate administrative capacity and expertise<sup>384</sup>.

Too much emphasis is placed on ward councillors in the implementation of the Free Basic Electricity Policy. Ward councillors were to undergo training workshops in order to develop their knowledge and capacity on the Free Basic Electricity Policy<sup>385</sup>. The interview responses of the ward councillor clearly showed how misinformed he is. The problem that arises is that people within the ward will take his word for it. Once they realize what he said was incorrect, or that they would not be granted the free electricity allocation, they might lose interest in the policy, and other residents may in turn tend to lose interest as well, and eventually this leads to the breakdown of the implementation of the Free Basic Electricity Policy.

It is therefore recommended that the Msunduzi Municipality must carry out an extensive drive towards the skills development of ward councillors and explain their responsibilities with regards to the Free Basic Electricity Policy. This can only bode well as all interested parties would be well informed and therefore, encouraged to participate in the implementation of the policy.

The manner in which the Msunduzi Municipality has decided to implement the Free Basic Electricity Policy ignores the low levels of literacy and does not take into consideration the importance individuals attach to their social status. Application forms and brochures, which spell out the scope of the policy and process to be followed when

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<sup>383</sup> South Africa. Msunduzi Municipality. 2003. Free Basic Electricity Policy (EBSST): Report 3 December 2003. Pietermaritzburg. Msunduzi Municipality.

<sup>384</sup> Msunduzi Municipality Human Resources Officer: Electricity). 2006. Interviewed by I. Chetty. Pietermaritzburg. 30 Nov.

<sup>385</sup> South Africa. Msunduzi Municipality. 2004. Free Basic Electricity Pilot Project: Progress Report 20 July 2004. Pietermaritzburg. Msunduzi Municipality.

applying for indigent status, may have been distributed. This however assumes that all residents are literate. This is really a big problem, because the majority of poor households reside in the semi-rural areas of Vulindlela, Sweetwaters and Edendale and are illiterate. These brochures will surely have no impact on them.

There is the issue of transportation costs for residents having to travel from outlying areas to the city to make the application. In addition, the procedure does not recognize the difficulty which might be experienced by the elderly and sickly. According to the Department of Minerals and Energy, the free 50kWh of electricity can be converted to an approximate amount of R25<sup>386</sup>. If these people cannot afford R25 for electricity, then how are they going to afford the costs of the transportation to travel to the city in order to make the application for indigence?

The Msunduzi Municipality should set up mobile offices in the semi-rural areas to assist with indigent applications, thus cutting out the costs of transportation for the people travelling from far to the city to make applications. Employees manning these mobile offices should be well trained on every aspect of the Free Basic Electricity Policy and must be able to impart this information to the applicants. Ward councillors of the respective wards could even man these mobile offices. This will undoubtedly facilitate the drafting of a more complete Indigent Register, which in turn will assist the implementation of the Free Basic Electricity Policy.

HIV/AIDS also impacts on the implementation of the Free Basic Electricity Policy. People suffering from the disease find it very difficult to go and apply for indigent status because they are too ill or are unable to afford the transportation cost to the city. Mobile offices could therefore be beneficial for HIV/AIDS sufferers, the sick and aged, as well as the poor who are living in the semi-rural areas. It would also be of immense value as the policy will be more representative of the residents as a whole. The implementation of

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<sup>386</sup> South Africa. Department of Minerals and Energy. 2003. Electricity Basic Services Support Tariff (Free Basic Electricity) Policy. Pretoria: Department of Minerals and Energy.

the Free Basic Electricity Policy will thereby be improved because the policy will receive more support from a wider array of consumers.

Another issue that seems to have stunted the implementation of the Free Basic Electricity Policy is the fact that the delivery of the free basic electricity is clustered with other free services meaning that it is hard to isolate the delivery of electricity. Upon being declared as an Indigent, you will receive a “basket of services” as opposed to a single service<sup>387</sup>. This means that the Msunduzi Municipality cannot concentrate on the delivery of the free electricity because it has to make sure other services such as water, sanitation and refuse removal is being delivered proficiently.

The delivery of free basic services to the poor is extremely important in order to alleviate poverty. It is recommended that the Msunduzi Municipality continues to deliver its “basket of services”, but implement mechanisms to monitor the progress of each service on a monthly basis so as to prevent implementation failure of the Free Basic Electricity Policy. By monitoring the progress of implementation the municipality would be able to make decisions on problems as soon as they arise. This will surely enhance the implementation of the free basic services initiative.

It is recommended that the Msunduzi Municipality should identify those using between 50kWh and 150kWh of electricity and then approach them to make an application for the free allocation. This can be carried out in the same fashion as the case of the pilot study where council identified possible recipients and then approached them to make an application to council. By approaching them directly council will make these people feel less inferior in being awarded indigent status.

Funding, capacity, skills of people directly involved in the implementation of the policy, identification of the correct targets for the policy, and internal and external factors that affect the way implementation of a policy takes place are all directly related to the

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<sup>387</sup> Msunduzi Municipality Accountant Technical Support. 2006. Interviewed by I. Chetty. Pietermaritzburg. 30 Oct.

capacity of the policy implementation authority or in this case, the Msunduzi Municipality. In order for the Msunduzi Municipality to successfully implement the Free Basic Electricity Policy, it needs to carry out strict measures that inevitably will increase its capacity. By increasing its capacity it will be able to achieve its objectives.

According to Brinkerhoff and Crosby “policy implementation is rarely a linear and coherent process”<sup>388</sup>. What is advocated here is that policy implementation is subject to change at any time and could be influenced by some or all of the above-mentioned implementation failures. This causes changes to the implementation pattern already in place. Even the change that is necessary will not be straightforward. Policy implementation should not be separate from policy-making as neither is more important than the other. In order for a policy to be successful there needs to be a balance between policy making and policy implementation.

On the whole, all this reflects that policy is not a simple process. It involves time, resources and extensive planning in order to reach desired outputs. A policy is merely a plan, once implemented problems come to the fore; only upon reviewing the policy and making necessary changes can these problems be solved.

In essence public policy is definitively made up of two dimensions. Van Niekerk and others share this view as well<sup>389</sup>. They advocate it has a political and an administrative dimension<sup>390</sup>. The political dimension refers to the decisions taken by politicians who decide on certain aspects of the policy, like resources committed to the policy as well as time frames for implementation to occur, in the case of the Msunduzi Municipality, the Executive Committee decided on the implementation process the Free Basic Electricity Policy would follow. The administrative dimension refers to the actions taken by those

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<sup>388</sup> Brinkerhoff, D.W. and Crosby, B.L. 2002. Managing Policy Reform. Vienna: Kumarian Press. p. 23.

<sup>389</sup> Van Niekerk, D., Jonker, A., and Van der Waldt, G. 2001. Governance, Politics, and Policy in South Africa. New York: Oxford University Press. p. 91.

<sup>390</sup> Ibid.

responsible for implementation to achieve goals desired by government within the guidelines set out and resources allocated<sup>391</sup>.

All public policies are faced with a set of limitations. As the policy progresses through the implementation stage, more limitations may be experienced. These limitations of public policy are due to the fact that it is very difficult to correctly ascertain future developments. Furthermore, the expectations of any given society may be beyond the ability or resources of the authorities<sup>392</sup>. Without real resources no policy can survive. Resources, funding and the skills of implementers need to be present and sustainable as they are key to successful implementation.

The Msunduzi Municipality is not in total financial difficulty, yet it still finds it difficult to implement the Free Basic Electricity Policy. There are other municipalities in South Africa that are financially far worse off than the Msunduzi Municipality. It then leads me to believe that they too will experience some of the implementation problems Msunduzi Municipality has faced. Surely this then implies that the introduction of the Free Basic Electricity Policy will only exacerbate the financial difficulties municipalities throughout South Africa are facing.

“Public policies are not eternal truths, but rather hypotheses subject to alteration and to the devising of new and better ones until these in turn are proved to be unsatisfactory”<sup>393</sup>.

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<sup>391</sup> Ibid.

<sup>392</sup> Hanekom, S.K. 1987. Public Policy: Framework and Instrument for Action. Pretoria: Sigma Press. p. 18.

<sup>393</sup> Hanekom, S.K. 1987. Public Policy: Framework and Instrument for Action. Pretoria: Sigma Press. p. 8.

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