

*A Critical Analysis of the Implementation of Policy Mechanisms for Cost  
Recovery: A Case study of the Msunduzi Municipality*

Lameck Manda

(209 523 040)

Supervisor: Mark Rieker

Submitted in partial fulfilment of the requirements for a degree of masters of social science (policy and development studies) in the Faculty of Humanities at the University of KwaZulu-Natal, Pietermaritzburg.

2013

## **Declaration**

I, Lameck Manda, declare that this is my own unaided work. All citations, references and borrowed ideas have been duly acknowledged. This thesis is being submitted as part of the degree requirement of Master of Social Science in Policy and Development in the Faculty of Humanities, University of KwaZulu-Natal, Pietermaritzburg, South Africa. No part of the current work has been submitted previously for any degree or examination in any other University.

Student Signature..... Date.....

## **Abstract**

Cost recovery has been widely documented as a means through which local municipalities can financially sustain service provision. In the South African context, the devolution of powers from the national government to local government transferred service delivery functions and financing of service provision to local municipalities. Policy analysts use implementation theory to understand the complexity of policy implementation. There are diverse models which policy implementation analysts use to analyse the implementation process but there is no consensus on an ideal model. This study attempts to analyse the implementation of cost recovery mechanisms at the Msunduzi Municipality.

The study found that tailoring of cost recovery principles and other constitutional mandates (such as free basic services) is problematic for local municipalities. The study found that different contexts provide different outcomes of the policies implemented. For instance, the Provincial government intervention after a service delivery crisis of the Msunduzi municipality resulted into contrasting outcomes. Before the Provincial intervention, revenue collection was at 55% and increased to 80% after the intervention. The study also found that the capacity of the local municipality to implement cost recovery mechanisms has a great bearing on the outcome of the policy in question. The Provincial Intervention Team provided the necessary technical and human capacity to improve collection of consumer service debt. This is consistent with implementation theorists like Lipsky, Matland and Wiemer and Vining who argue that contextual factors may lead to divergence from initial intended goals and objectives of a policy or programme.

The study also found that implementation of cost recovery is being hampered by non-payment of services charges by consumers, billing and collection problems and failure to comply with the Financial Management Act before the provincial intervention.

## **Acknowledgements**

This thesis would not have been completed without the contributions of many people some of whom I would like to acknowledge.

To my supervisor, Mark Rieker, for his unwavering support and insightful contributions.

I am indebted to my family, in particular my brother Revie Manda and my sister-in-law Jeanrose Manda for their financial and moral support. Their unwaning belief in me to do this inspired me. To my mother, Onenji, for her constant prayers. To my nephews, Chawezi and Vinjero and my nieces Khwima (even though we always fight) and Khumbo for constantly asking “when are you finishing school?”

To my fiancée, Maria Precious Gama for her constant nagging and setting me ‘deadlines’, yet offering me encouragement and support.

The humbling support of friends, in particular Stewart ‘Akhokhwe’ Kaupa for always being there when I was in need.

To Wilson Muna for the early warning on the challenge that lied ahead and for the advice; ‘start working as early as possible’ and the support he gave; be it information or moral support. To my friend, Queen Phelakho, for her encouragement and support.

My appreciation to my fellow Masters ‘sufferers’; Diana Mwau, Grace, Mamosa, Retsepile, Steven, Balungile, Nokwanda, Ncengiwe and Koma for always being there and supporting one another.

*Above all, I would like to thank God for His love and mercy throughout the year.*

## Table of Contents

Declaration.....	ii
Abstract.....	iii
List of Acronyms.....	x
List of Figures .....	xi
List of Tables .....	xii
<b>CHAPTER ONE: INTRODUCTION .....</b>	<b>13</b>
1.    Background and Rationale to the Study .....	13
1.1.    Research problems and Objectives.....	14
1.2.    Methodology.....	15
1.3.    Theoretical Framework .....	15
1.4.    Structure of Dissertation.....	16
<b>CHAPTER TWO: CONCEPTUAL AND LEGISLATIVE FRAMEWORK OF COST RECOVERY .....</b>	<b>18</b>
2.    Introduction.....	18
2.1.    Cost Recovery within the Global Context .....	18
2.2.    Rationale for Cost Recovery.....	19
2.2.1.    Fiscal Arguments.....	19
2.2.2.    Commercialisation Argument.....	19
2.2.3.    Moral Arguments.....	20
2.2.4.    Environmental Arguments.....	21
2.3.    Cost Recovery in the South African Context .....	21

2.4.	The Structure of the South African Government.....	23
2.4.1.	The National Government .....	23
2.4.2.	The Provincial Government .....	24
2.4.3.	Local Government.....	24
2.5.	The South African Government Legislative Mandate on Cost Recovery.....	25
2.6.	Cost Recovery Mechanisms (Pricing Systems).....	28
2.6.1.	Flat Rates.....	28
2.6.2.	Unit Rate Charging .....	28
2.6.3.	Variable Block Pricing.....	28
2.6.4.	Seasonal Rate Schedule .....	29
2.6.5.	Average Cost Pricing .....	29
2.7.	Principles of Tariff Structure Design .....	29
2.7.1.	Adequacy .....	29
2.7.2.	Fairness .....	29
2.7.3.	Simplicity.....	30
2.7.4.	Service Conservation .....	30
2.7.5.	Service Quality and Transparency .....	31
2.8.	Enforcement of Cost Recovery.....	31
2.8.1.	Cut offs.....	31
2.8.2.	Prepaid Meters .....	31
2.9.	Conclusion .....	32
<b>CHAPTER THREE: CONCEPTUALISING PUBLIC POLICY AND IMPLEMENTATION .....</b>		<b>33</b>
3.	Introduction.....	33
3.1.	Public Policy.....	33

3.2.	Policy Analysis .....	34
3.3.	Policy Implementation Models .....	36
3.3.1.	Top-Down Approach to Implementation.....	36
3.3.2.	The Bottom-Up Approach to Implementation .....	38
3.3.3.	Matland’s Ambiguity-Conflict Model.....	39
3.3.4.	Brinkerhoff and Crosby’s Implementation Task Framework.....	40
3.4.	State Capacity.....	42
3.5.	Strengthening State Capacity.....	42
3.5.1.	Human Resource Development.....	42
3.5.2.	Strengthening Organisations .....	43
3.5.3.	Institutional Reform.....	43
3.6.	Conclusion .....	43
<b>CHAPTER FOUR: CASE STUDY.....</b>		<b>44</b>
4.	Introduction.....	44
4.1.	The Msunduzi Municipality: An Overview .....	44
4.2.	History of the Msunduzi Municipality.....	45
4.3.	The Local Policy Framework for Cost Recovery .....	47
4.3.1.	The Credit Control and Debt Collection Policy .....	47
4.3.2.	The Msunduzi Tariff Policy.....	48
4.3.3.	The Msunduzi Rates Policy .....	50
4.3.4.	The Msunduzi Indigent Policy .....	50
4.3.5.	The Msunduzi Debt Write-Off Policy .....	51
4.4.	Political Governance.....	52

4.5.	Administrative Governance .....	54
4.5.1.	The Municipal Manager .....	54
4.5.2.	Deputy Municipal Managers (DMMs) .....	54
4.6.	Research Methodology and Methods.....	55
4.6.1.	Sampling.....	55
4.6.2.	Research Methods .....	55
4.7.	Conclusion .....	56
<b>CHAPTER FIVE: FINDINGS AND DATA ANALYSIS.....</b>		<b>57</b>
5.	Introduction.....	57
5.1.	Enforcement of Cost Recovery mechanisms .....	57
5.1.1.	Cut offs.....	57
5.1.2.	Prepaid Meters .....	58
5.1.3.	Cross-subsidisation .....	59
5.1.4.	Handing over to Private Collection Agencies.....	60
5.1.5.	Debt Cancellation.....	60
5.2.1.	Msunduzi Municipality Under Provincial Government Administration .....	61
5.2.2.	Billing and Collection Problems .....	62
5.2.3.	Non-payment .....	63
5.2.4.	Cross-Subsidisation Challenges.....	64
5.2.5.	Non-compliance with Municipal Finance Management Act .....	64
5.3.	Municipal Debt Profile .....	65
5.4.	Conclusion .....	66
<b>CHAPTER SIX: CONCLUSION .....</b>		<b>68</b>
<b>REFERENCES .....</b>		<b>Error! Bookmark not defined.</b>



**Appendix A..... 76**

**APPENDIX B..... 2**

## **List of Acronyms**

CGG	Centre for Good Governance
DPLG	Department of Provincial and Local Government
DMM	Deputy Municipal Manager
FFC	Fiscal Finance Commission
GEAR	Growth, Employment and Redistribution
IDP	Integrated Development Plan
IMF	International Monetary Fund
IPA	Institute of Public Administration
IRC	International Water Resource Commission
NERSA	National Regulator of Electricity in South Africa
OECD	Organisation for Economic Co-operation and Development
PACSA	Pietermaritzburg Agency for Community Social Action
RDP	Reconstruction and Development Programme
RSC	Regional Services Council
SACN	South African Cities Network
UNDP	United Nations Development Programme
WFD	European Water Framework Directive

## **List of Figures**

Figure 1: Msunduzi municipality and Basic Service Delivery

Figure 2: Organisational Structure of Msunduzi Municipality

## **List of Tables**

Table 1: Policy Mandates of Local Government Revenue Powers

Table 2: Ambiguity-Conflict Matrix; Policy Implementation Processes

Table 3: Population and Physical Area of Msunduzi Municipality

Table 4: An Example of Msunduzi Water Tariffs Structure for 2013/2014 Financial Year.

Table 5: Msunduzi Municipal Service Debtors by Customer Classification (2008-2012)

## **CHAPTER ONE: INTRODUCTION**

### **1. Background and Rationale to the Study**

In recent times, there has been a growing trend globally and in South Africa for municipalities to source revenue through selling of basic services like water, electricity, refuse removal and sanitation. Cost recovery has become fundamental source of revenue for local municipalities. Cost recovery in generic terms refers to the collection or capturing of the cost of basic services (water, electricity and sanitation) through levies, user fees, or other mechanisms (Peters, 2012; MacDonald, 2002; Boakye, 2010 & Folifac, 2011; Alice; 2002 & Fonseca, 2003).

Historically, two distinct periods characterise provision of basic services in South Africa; the apartheid and post-apartheid regimes. During the apartheid era, local government had limited potential to recover costs of basic service provision because local government had limited authority to deliver services and provided a few basic services. In addition, apartheid South Africa was also characterised by racial segregation in service provision whereby white suburbs were highly subsidised (MacDonald, Fjeldstad) compared to black townships. However, even in black townships, basic services were subsidised. Therefore, the current system is a shift from previously highly subsidised basic services by the state (Bond, 200; Fjestald, 2004 & Reuters, 2007). The devolution of power from central government to provincial and local governments after the 1994 democratisation, South African local municipalities were mandated more basic service provision and cost recovery responsibilities in their areas of jurisdiction.

At the global level, proponents of cost recovery like the World Bank and International Monetary Fund identifies the moral, fiscal, environmental and commercialisation arguments for cost recovery (World Bank, 1998). The potential that cost recovery has on improving municipal revenue and independence from overreliance on national government funding is well documented in literature. This view is echoed in several South African legislative frameworks including the South African Constitution (Act 108 of 1996 section 229) which states that; taxes on local government provided consumptive services are exclusively located to municipalities. The argument is that the right for basic services comes with a responsibility to pay for the service (MacDonald & Pape, 2003 & Fjestald, 2004). The World Bank (1998: 44) asserts that cost recovery is a “matter of good public fiscal practice”. Cost recovery is argued to reduce the need for cross-subsidisation from industry and higher-income households making a country or a municipality a more financially attractive place to locate to (Reuters, 2007 & Peters, 2012). Other studies have highlighted the potential of cost

recovery to improve basic service delivery provision and sustainability of the services (IRC, 2003 & FFC, 2007).

Consistent with the global and national emphasis on cost recovery, the Msunduzi municipality has devoted itself to utilize the potential of cost recovery. The Integrated Development Plan for 2008-2012 affirmed its goal of recovering the cost of basic service provision by stating that measures have to be put in place to reduce losses and improving meter reading systems to improve the static revenue base (IDP, 2008: 14). Despite these commitments, the Msunduzi municipality is still facing challenges in collecting the full cost of service provision with accumulated municipal consumer debt soaring to around R400 million<sup>1</sup>.

A review of literature on cost recovery in South Africa indicates that not much attention has been paid on the process of implementation in particular an analysis of the mechanisms that are used. Despite the numerous attempts to implement cost recovery mechanisms by the local municipalities in South Africa, studies indicate that there has not been a great deal of improvements in recovering the cost of service provision and increasing municipal debt (MacDonald; 2003, Peters; 2012, Smith; 2002, Marah et al, 2004; Department of Provincial and Local Government, 2007; Alence, 2002 & Fonseca, 2003). Against this backdrop of increasing municipal consumer debt in South African municipalities and Msunduzi municipality in particular, this study seeks to explore how cost recovery mechanisms are being implemented at Msunduzi municipality.

The study focuses on the process of implementing cost recovery mechanisms in relation to the guiding national, provincial and local government mandates like free basic service delivery to indigents. The main aim is to understand how these mandates and contextual issues within the Msunduzi municipality enable and/or constrain implementation of cost recovery. The study focuses on implementation of cost recovery between 2008 and 2012. The choice of this time frame has been motivated by events that had taken place during this period including administrative intervention by the Provincial government in the affairs of the Msunduzi municipality. It is hoped that the study will make a contribution to the complex but important field of cost recovery and the policies that govern the process.

### **1.1. Research problems and Objectives**

The main aim of this research is to understand explore the factors that enable and/or constrain implementation of cost recovery mechanisms and collection of consumer debt. The study will specifically address the following research questions:

---

<sup>1</sup> Interview with the Acting Credit Control and Debt Collection Manager (2013)

1. What is the rationale for cost recovery?
2. What cost recovery mechanisms are put in place by the Msunduzi municipality to recover running and operating costs for services provided?
3. How are the cost recovery mechanisms enforced and how are non-compliant customers dealt with?
4. How does the organisational and institutional structure enable or constrain implementation of cost recovery mechanisms?
5. How is the Msunduzi municipal debt profile structured?

## **1.2. Methodology**

This research employs qualitative approach to answer the research question. It is predominantly a review of literature from primary and secondary data. In order to ensure reliability and validity of the review of documents, face to face interviews were conducted with the requisite department (Finance Services) and personnel (Chief Financial Officer and Credit Control and Debt Collection Manager).

Literature on cost recovery was analysed to provide the conceptual framework of analysis. Primary data was sourced from the reports on various commissions and Acts, for instance the Constitution of South Africa (Act 108 of 1996), The Municipal Systems Act (Section 11 (3) and section 74 (2) of 2000), the Municipal Structures Act (Section 84 (p) of 1998) and the Municipal Property Rates Act of 2004. Relevant themes were drawn and analysed within the framework of cost recovery in South Africa and in particular the Msunduzi municipality.

In addition, literature on implementation was scrutinised to provide the framework of analysis of the implementation process of cost recovery mechanisms.

## **1.3. Theoretical Framework**

The conceptual underpinning of cost recovery is based on understanding that through the sale of basic services by local government; municipalities will be able to collect revenue for its own development. However, local municipalities across the globe and South Africa in particular, implementing measures to bill and collect revenue are complex. In order to understand the complexities in implementation of cost recovery, the application of various models of implementation can aid in analysis of the process. Top-down approaches to policy implementation envisaged that successful implementation requires an effective chain of command and control as well as co-ordination of the process (Parsons, 1995: 465). This approach requires clear goals and objectives (Matland, 1995: 1995: 147). On the other hand, bottom-up implementation theorists emphasize that policy implementation should be understood from the views of the target population

and those in service delivery (Matland, 1995 & Lipsky, 1980). Brinkerhoff and Crosby (2002: 24) posit that policy implementation can be understood or analysed using various implementation tasks. Largely, there is no one agreed upon ideal implementation theory.

Despite that there is no one agreed upon understanding of policy implementation and that no one approach is better than the other, the various conceptualisations are fundamental to understand policy implementation in varying contexts. The various policy analytical models presented therein will help understand the various issues that come into play in the implementation of cost recovery mechanisms at the Msunduzi municipality.

#### **1.4. Structure of Dissertation**

This paper is divided into six chapters as briefly outlined below:

##### *Chapter one: Introduction*

This chapter provides an introduction to the study. It explores the background to cost recovery and rationale for cost recovery. It further provides the reasons for choosing this particular area of study. In addition, the chapter outlines the objectives and key questions that the research aims to address.

##### *Chapter two: Conceptualising Cost Recovery and Legislative Framework*

This chapter establishes the conceptual framework upon which the study is constructed. The chapter looks at what constitutes cost recovery, mechanisms for cost recovery and the rationale behind cost recovery. It also provides the legislative framework for cost recovery in South Africa.

##### *Chapter three: Conceptualising Policy Analysis and Policy Implementation*

This chapter will present the different models of policy analysis and policy implementation. It provides the basis for assessing policy implementation and how the outlined theories informs the study

##### *Chapter Four: Case Study*

The chapter provides background information about Msunduzi municipality and the various on-going cost recovery mechanisms used by the municipality. The chapter further provides the research methodology employed in the study. The choice and selection of the method is justified.

##### *Chapter Five: Findings and Data Analysis*



This chapter presents the findings of the study and the implications of this for the current functioning and sustainability of service delivery at Msunduzi municipality.

### *Chapter Six: Conclusion*

This chapter provides a general conclusion to the study. It provides the synthesis of state of implementation of cost recovery at Msunduzi municipality and the future prospects of service delivery.

# CHAPTER TWO: CONCEPTUAL AND LEGISLATIVE FRAMEWORK OF COST RECOVERY

## 2. Introduction

This chapter looks at the debates around cost recovery in the global and South African contexts. The key terms are conceptualised to form the basis of the study. The chapter conceptualises cost recovery. It includes the rationale for cost recovery and the legislative framework for cost recovery in South Africa and the challenges of cost recovery in South Africa.

### 2.1. Cost Recovery within the Global Context

The global pressure on governments to shift from direct economic interventions in development and service provision in the 1990s saw a reduction in national government transfers to local governments (Egerton, Santos, Almeida, Alves, Carvalho and Robalo, 2011 & Fjeldstad, 2004). The World Bank's 2004 Water Resources Sector Strategy encapsulates its position on cost recovery as a core aspect of reform for projects that deal with issues of water supply and sanitation. The World Bank further notes that there is a large gap between what users of services pay and the full cost of the services in developing and developed countries (World Bank, 2004). This indicates that the consumers pay less than the actual cost that local government incurs in providing a particular service largely through subsidies as it was during the apartheid era whereby basic services were highly subsidised. The other difficulty that has been documented is the inability of local municipalities to devise accounting measures that will not only account for operational costs but also include maintenance and environmental costs (REF). In order to address and fill the gap between what it costs service providers and what consumers pay, the strategy calls for practical and principled interventions which includes institutional strengthening and infrastructural investment. The former aims to improve management and operations of financial management, information systems and to track operations of service providers (ICR, 2003: 36). The World Bank (2004) argues that full cost recovery of service costs enables sustainability of service provision. User fees help to finance services in the short term and long term (ICR, 2003: 37). The World Bank (2004) further argues that charging the full cost of services is another way of managing demand, allocation of services and minimisation of wastage of scarce resources.

In Portugal, cost recovery in the water sector for instance is encapsulated in the European Water Framework Directive (WFD) (Egerton, Santos, Almeida, Alves, Carvalho and Robalo, 2011: 326). Cost recovery was adopted in order to ensure sustainable provision of services to citizens by local municipalities. However, Egerton *et al* (2011: 326) argues that the issue of affordability, especially

for poor rural and sparsely populated areas, poses a challenge for service provision and full cost recovery. The debate in the WFD generally and Portugal in particular is the fundamental debate of cost recovery principles and its compatibility with basic needs of citizens (Egerton et al, 2011: 327).

Cost recovery principles which regard services provided by local governments, local municipalities in particular, as an economic good requires that full cost of services provided be recovered. The challenge is that in most democratic countries, access to basic services is a constitutional right of citizens (Egerton et al, 2011, FFC, 2012, MacDonald & Pape, 2003). This entails that the mechanisms that are put in place for cost recovery should cater for those who cannot manage to pay the full cost of services. Therefore, local governments have a responsibility to ensure full cost recovery whilst taking into consideration the constitutional obligations imposed by the state.

## **2.2. Rationale for Cost Recovery**

Municipalities are faced with limited resources to fund and maintain the provision of basic services and maintenance of existing infrastructure (Alence, 2005: 699). This inability of local municipalities to sustain service provision provides the basis for cost recovery. The arguments for cost recovery as discussed in this paper are categorised into fiscal, moral, environmental and commercialisation arguments (World Bank, 2004 & ICR, 2003). These arguments are discussed below.

### **2.2.1. Fiscal Arguments**

In most democratic countries, the devolution of fiscal power to local government obliges local municipalities to fund service provision (UNDP, 2000; World Bank 1994 & 1998 & Fjeldstad, 2004). Local governments or municipalities are obliged to provide services such as water, electricity and sanitation to citizens in their areas of jurisdiction. Since municipalities are regarded as independent, the cost of service provision should be generated within the capacities of local municipalities. It is argued that cost recovery is pro-poor in the sense that the revenue generated increases a municipal's capacity to extend its provision of such services to poor citizens (IRC, 2003: 37). The poor citizens would remain poor if the municipality does not generate enough funds for executing its functions. For instance, the South African government as stipulated in the Water Supply and Sanitation White Paper of 1994 (1994: 19) that if the cost of service provision (operating and maintenance) is not recovered, the municipality will not have enough funds to develop infrastructure for those who do not have.

### **2.2.2. Commercialisation Argument**

With the burden of service provision and developmental local government nature of local municipalities, the concept of commercialisation comes into play. Local municipalities are no longer

mere service providers or development facilitators but are to run as business entities (Fonseca, 2002; FFC, 2001 & World Bank, 1998). The economic aim of businesses is to make an economic profit which entails covering the costs and accumulating surplus (MacDonald & Pape, 2003: 25). The link between cost recovery and commercialisation is that cost recovery enhances efficiency, accountability and transparency; key factors of good governance and democracy (Australian Department of Finance, 2002). The performance of local municipalities is evaluated based on profit generation. Subsidies on the other hand are thought to obscure service baseline making it difficult to evaluate performance of municipal employees and the programmes. MacDonald and Pape (2003: 25) argue that cost recovery should also be regarded as a means to justify privatisation. The public-private partnerships driven by profit maximisation from service delivery form one of the ways through which local municipalities commercialise. Unlike public entities which may operate at a level where only a percentage of the cost of services is recovered, private firms only operate when the cost of operations and maintenance of service provision are covered and with surplus (Fjeldstad, 2004 & Alice 2002).

### **2.2.3. Moral Arguments**

The literature on moral arguments for cost recovery largely points to three aspects. These include; liberal notions of rights and responsibilities, willingness to pay and the aspect of valuing of services by consumers (World Bank, 2004, FFC, 2001 & Fjeldstad, 2004). In terms of the liberal notion of rights and responsibilities of cost recovery, the argument is that “rights” are accompanied by “responsibilities” (MacDonald, 2002: 24). The understanding is that citizens in exercising their rights to access to basic services, they have a responsibility to pay for the amount of services they consume. For instance, the Bill of Rights and the South African Constitution (Bills Of Rights, 1996, Section 7 (1) (b)) outlines the right of people to safe and clean water. However, the right to clean water comes with a responsibility to pay for the cost of the quantities consumed. This liberal notion has been evidenced further in the introduction of “*Operation Masakhane*” (let us build together) in 1995 by the first democratic president of South Africa Nelson Mandela aimed at emphasizing civic responsibility. Low-income consumers were targeted to convince them to pay for the municipal services like water and electricity (Fjeldstad, 2004 & MacDonald & Pape, 2003).

The willingness to pay moral aspect of cost recovery emanates from research that has shown that even those consumers whose income is low are willing to pay for municipal services as long as the services are affordable, reliable and of good quality (FFC, 2012; IPA, 2012, ICR, 2003; World Bank, 1998, Fjeldstad, 2004). Getting citizens to value paying their bills on moral grounds enhances and sustains revenue collection by municipalities (MacDonald & Pape, 2003: 26).

The other aspect of moral arguments for cost recovery is that only when consumers pay the full cost of the service consumed would they appreciate the true value of the good or service (IPA, 2012 & World Bank, 1994). Free basic services or services that the government subsidises do not reflect the true value of the good. The cost attached to consumption of a good or service is argued to incentivise consumers to use resources wisely which reduces wasteful consumption (IPA, 2012: 12). There is a common understanding that subsidies or free services leads to entitlement mentality which can work to the detriment of local resources (Fjeldstad, 2004, Alence, 2002 & MacDonald, 2003).

#### **2.2.4. Environmental Arguments**

The World Bank (1994: 83) states that cost recovery has got benefits in terms of environmental protection. In directly quoting the World Bank;

Efforts to mitigate environmental impacts through consumer investments in the energy serving are hampered by the low consumer prices and subsidies. On average, developing countries use 20 per cent more electricity than they would if users paid the incremental supply. Once economic pricing is established, governments are able to promote the use of more energy-efficient technologies (World Bank, 1994: 83).

This assertion entails that the lack of full cost pricing of services does not give incentives for consumers to avoid wastage of services. The implication is that such misuse and overuse comes at the expense of the environment which provides the renewable and non-renewable resources for service provision. As pointed out in moral arguments, free services and highly subsidised services are prone to wasteful consumption (Fjeldstad, 2004 & World Bank, 1998). Recovering full cost of service provision would help consumers to value the services and minimise wastage.

The World Bank (1994:81) further contends that in order to ensure those consumers that use large volumes of services control their consumption; a mechanism involving rising block tariffs has to be used. Increasing pricing entails that the price of the service increases for every additional unit consumed (Green, 2004). This is argued to check the demand for services thereby reducing stress on the environmental or natural resources (Fjeldstad, 2004: 239). However, as earlier pointed out, local governments or local municipalities compete with each for investors thereby making it difficult to apply this mechanism (MacDonald & Pape, 2002: 25).

### **2.3. Cost Recovery in the South African Context**

Cost recovery in South African became a policy objective after the end of the apartheid in the mid 1990's (Fjeldstad, 2004, MacDonald & Pape, 2003). Prior to South African democratisation, basic municipal services had user charges attached to them but were not equivalent to the cost of

producing the service (Bond, 2000: 17). Basic services were highly subsidised and consumers paid low rates for the services (Fjeldstad, 2004: 242). Despite large contrasts in the level of subsidisation between different residential areas, even the racially segregated areas received considerable subsidies for basic services (MacDonald & Pape, 2003: 20).

Subsidisation of municipal services emanated from an understanding of the apartheid state that its role was to provide and subsidise basic services (MacDonald & Pape, 2003: 20). Apart from the direct subsidisation of basic services by the government, non-payment of user fees through boycotts as a means of demonstrating against the apartheid rule reduced revenue collected from service provision. The apartheid state had to continue to provide for the basic services for fear of political fallout (Bond, 2000:14).

However, the global movement towards neo-liberal economic development approaches put pressure on the apartheid government which followed a statist model (Bond, 2000: 16). The influence of multinational corporations like the World Bank and International Monetary Fund (IMF) on socio-economic development and governance among cannot be ignored. Bond (2000: 17) asserts that the World Bank began to woo South African political and economic leaders in embracing market-force approaches to achieving development in the early 1990s. This was against previous approaches in which government regulated the market and had direct influence on economic interventions (Bond, 2000, Fjeldstad, 2012 & Fonseca, 2002). The aim was to ensure the soon to be democratic South Africa to embrace the outcomes of the Washington Consensus in macro and micro-economic terms (MacDonald & Pape, 2002: 1).

After gaining democracy, the South African government indicated a shift of approach by moving away from Reconstruction and Development Programme (RDP) with the intention of redistribution to a more neo-liberal policy in Growth, Employment and Redistribution (GEAR) in 1996 (Fjeldstad, 2004, Alence, 2002 & MacDonald & Pape, 2002). Under the market oriented GEAR, South Africa enacted different legislations and policies that entrenched power in the corporate market. On the other hand, some policies maintained a populist approach to development with an emphasis on the local poor and redistribution of resources flawed by the apartheid regime (Fjeldstad, 2004 & Bond, 2000). Such populist laws and legislations were put in place in an effort to curb racial differences in terms of service provision and resource allocation.

While provision of free basic services is the core for the South African government as outlined in the Bill of Rights, local municipalities are faced with limited resources and skills to deal with and to satisfy the demands of consumers and in particular indigent citizens (FFC, 2012; Fonseca, 2002 &

Bond, 2000). The next section looks at the structure of government and the legislative framework as mechanisms or strategies for cost recovery.

## **2.4. The Structure of the South African Government**

The South African constitution sets the rules on how government works. The South African government as outlined in the constitution is made of three spheres; the national, provincial and local governments. These three spheres are autonomous and not hierarchical (South African Constitution of 1996). However, despite that the three spheres are distinctive from one another, there is interdependence and they are interrelated (South African Constitution of 1996). The case study demonstrates such interdependency through application of Section 139 of the constitution which makes provision for the Provincial government to intervene on the affairs of local government as was the case for Msunduzi municipality between 2010 and towards the end of 2012. The national constitution allocates roles and functions on either an exclusive or shared basis. Each sphere is composed of the legislature, executive and administrative arms of government (Layman, 2003: 9). A brief description of each sphere is outlined below.

### **2.4.1. The National Government**

The South African government has the responsibility to pass laws and policies that protect the rights of citizens and delivery of services. In terms of the three arms of government, parliament forms the legislature, the executive branch comprises the president and cabinet and the administrative arm is made of Director Generals and departments (Section 40 (1) of the South African Constitution of 1996). The national government has the exclusive responsibility for the criminal justice (safety and security courts), national defence, foreign affairs, higher education and administrative functions such as revenue collection (Layman, 2003: 8). Health services, school education, social security and welfare services and agriculture are shared with the provincial government.

In all these areas, the national government has the responsibility of formulating and regulating the frameworks that guide implementation of the policies (Layman, 2003: 8). The national government has the constitutional power to monitor compliance of provincial government to the norms and standards of national government (DPLG, 2005).

The South African government's commitment towards cost recovery has been manifested in several government-led policy interventions including; the 'Masakhane Campaign which was the first attempt at implementing cost recovery, Project Viability that was initially aimed at monitoring short-term liquidity of municipalities but later the objective was broadened to supporting municipalities that had financial difficulties, Project Viability was followed by another government initiative in the

form of Project Consolidate in 2004 which among other things aimed at addressing municipal debt and billing systems through deployment of experts and professionals to local municipalities and in 2009 the national government emphasized its commitment to cost recovery through the 'Turn Around Strategy' which has a clear goal of optimising municipal own-revenue collection (FFC, 2012: 164). The above mentioned government policy-led interventions are some of the deliberate attempts that the national government has put in place since South Africa's democratisation.

#### **2.4.2. The Provincial Government**

The provincial government as a distinctive, interrelated and interdependent sphere of government performs several exclusive and shared functions with the national and local governments. South Africa is made up of nine provinces. Each province consists of a legislature (between 30 to 90 members), the executive arm of provincial government is made up of the premier and the executive council and the administration is composed of heads of departments and staff (DPLG, 2005). Layman (2003: 8) asserts that largely the function of the provinces is to implement the national framework. In terms of exclusive functions, the provincial sphere of government includes provision of licenses, provincial roads, ambulance services and development planning for the respective province. The distinctiveness of provincial powers and functioning must however be performed within the regulatory framework of the national government.

#### **2.4.3. Local Government**

The local government legislative arm is comprised of the council (made up of Councillors), and the Executive (made up of the Mayor and Executive Committee) whilst the administrative arm is composed of the municipal manager, heads of departments and staff (DPLG, 2005). Local government in South Africa performs several functions and most of such functions involve a direct relationship with the local citizens in their areas of jurisdiction. As developmental local government (South African Constitution of 1996), local municipalities perform several functions including provision of basic services like water, electricity, municipal infrastructure, sanitation and refuse removal. Local government as a sphere of government in South Africa is autonomous. However, the provision of the above mentioned services or functions should be performed within the national and provincial frameworks.

According to the Municipal Systems Act (Act 32 of 2000), local government is made up of three kinds of municipalities; Metropolitan municipalities (Category A), Local municipalities (Category B) and District municipalities (Category C). There are six Category A municipalities in South Africa (Johannesburg, Cape Town, Ethekwini, Tshwane, Port Elizabeth and East London). Metropolitan Municipalities have exclusive executive legislative authority and they coordinate the delivery of



services in the areas under their jurisdiction. These municipalities are broken down into wards represented by municipal councils. Category B municipalities on the other hand share executive and legislative authority with Category C municipalities within their jurisdictions. The case study used in this thesis, Msunduzi municipality falls under Category B municipalities. Lastly, Category C municipalities are made up of a number of local municipalities that fall under one district. District municipalities are made up of 3-6 local municipalities that combine to form a district council (DLPG, 2005).

## **2.5. The South African Government Legislative Mandate on Cost Recovery**

The emergence of cost recovery as a policy objective in South Africa led to various sections in policies and acts stipulating the guidelines for cost recovery. For instance, several policies and white papers point out that pricing for the services should reflect the cost of providing the service in question; The Municipal Systems Act 2000a (Section 74(2)(d)); Draft White Paper on Energy Policy (1998b, 7), White Paper on Water and Sanitation (1994, 19) and the White Paper on Water Policy (1997, 4). The documents mentioned and the clauses therein indicate the commitment of the South African government to cost recovery.

However, consideration is also made as regards the issue of equity. With the high rate of unemployment in South African local municipalities, issues of equity and affordability cannot be ignored (Fjeldstad, 2004 & IPA, 2012). This is reflected in the National Water Act (1998c, section 5(1)) and The Municipal Systems Act (2000a, Section 97(1)(c)) which emphasises that pricing strategies may be differentiated to achieve social equity. This shows that cost recovery in South Africa has explicit consideration to achieve equity and provide indigents with free basic services where necessary.

Local government which has constitutional obligation to provide basic services operates within particular limits stipulated in different South African government documents. The table below outlines the various sections of the legal frameworks where local government revenue power emanates.

Table 1.1: Policy mandates of Local Government Revenue Powers

<b>LEGAL FRAMEWORK</b>	<b>TAXES</b>	<b>USER CHARGES</b>
<p>-The Constitution of South Africa (Act 108 of 1996)</p>	<p><i>Section 229</i></p> <ul style="list-style-type: none"> <li>✓ Property taxes.</li> <li>✓ Taxes on local government provided consumptive services exclusively located to municipalities.</li> <li>✓ Local government explicitly prohibited from levying income tax, Value Added Tax (VAT), general sales tax or custom duty.</li> <li>✓ All taxes must be regulated by national legislation</li> </ul>	<p><i>Section 156</i></p> <ul style="list-style-type: none"> <li>✓ No specific assignment of user charges – revenue powers incidental to provide services; powers are either Schedule B powers or assigned.</li> <li>✓ Schedule B powers are subject to oversight by national and provincial government.</li> <li>✓ Its assigned power must also be regulated by assigning sphere.</li> <li>✓ Category B and C municipalities must be distinguished in the exercise of original powers and assigned powers.</li> </ul>
<b>GENERAL LOCAL GOVERNMENT LEGISLATION</b>	<b>TAXES</b>	<b>USER CHARGES</b>
<p>- Municipal Systems Act</p>	<p>Section 11(3)</p> <ul style="list-style-type: none"> <li>✓ Powers include imposing and recovering rates, taxes, levies, service fees and surcharges on fees.</li> </ul> <p>Section 74(2)(f)</p> <ul style="list-style-type: none"> <li>✓ Makes provision for surcharge on tariff can</li> </ul>	<p>Municipal Systems Act</p> <ul style="list-style-type: none"> <li>✓ Provides framework for when and how to assign non-schedule B functions.</li> </ul>

	be made in the Tariff Policy.	
- Municipal Structures Act.	<p>Section 84(p)</p> <ul style="list-style-type: none"> <li>✓ The imposition and collection of taxes as related to the distribution of powers between district and local municipalities.</li> </ul>	<p>Section 83 and 84</p> <ul style="list-style-type: none"> <li>✓ Provides framework for allocating Schedule B functions across district and local municipalities.</li> <li>✓ District municipalities assigned power for key local government trading services by default in Section 84.</li> <li>✓ Powers can be either reassigned by national (Schedule 4B functions) or provincial (Schedule 5B) proclamation.</li> </ul>
- The Municipal Property Rates Act.	<ul style="list-style-type: none"> <li>✓ General local tax or levy for general municipal services.</li> <li>✓ Administered by local governments based on an assessment of the value of land and improvements thereon.</li> <li>✓ Tariffs and rates determined by national government.</li> </ul>	

Source: Stanton (2009: 132)

As indicated in the table above, the South African Constitution of 1996 (Act 108 of 1996, s156 & s229) mandates local municipalities to collect specific taxes and user charges to fund provision of basic services. The two important aspects from the legal mandates are that local municipalities' power falls into exclusive and shared functions. For functions that are exclusively to the specific category of municipality, implementation and strategies to achieve the objective is autonomous to the concerned municipality. Shared functions could entail implementing a particular function in liaison or coordination with another sphere of government (DPLG, 2005). The other important

feature is that where powers are assigned, the assigning sphere must regulate the sphere to which its powers have been assigned (DPLG, 2005). For instance Category B municipalities are mandated to provide basic services but they do not have the authority. District municipalities (Category C) are constitutionally authorised.

In terms of local government legislation, The Municipal Systems Act of 2000 (Section 11(3)), the Municipal Structures Act of 2000(Section 84(p) & section 84) and the Municipal Property Rates Act provide the local municipalities with functions within their mandate to execute in terms of taxes and property rates. Setting of property rates and tariffs however is the function of the national government as is indicated in the table above.

## **2.6. Cost Recovery Mechanisms (Pricing Systems)**

The Centre for Good Governance (CGG) asserts that pricing is an essential part of a user charge system and tariffs are used to recover the costs of service provision from the consumers (CCG, 2007). The CCG further outlines that a user charge system needs to put in place pricing mechanisms that are appropriate by considering practices that exist within a specific area. The Centre for Good Governance adopts what Green (2003) lists as the common pricing systems in levying user charges which includes flat rate tariffs, unit rate charging, variable block pricing, seasonal rate schedule and average cost pricing.

### **2.6.1. Flat Rates**

Flat rate is applied when consumers are charged a fixed amount of money to be paid monthly for the consumption of the service regardless of the quantity or volume (in case of water) consumed (Green, 2003). Water fees are not directly related to the water used.

### **2.6.2. Unit Rate Charging**

Unit rate pricing involves a constant rate charge per unit of the service (water or electricity in particular) regardless of how much is consumed.

### **2.6.3. Variable Block Pricing**

This form of pricing involves increasing or decreasing the pricing per block. When the pricing declines for every increase in the unit of service consumed, the lesser the amount a consumer pays. In the case of an increasing block pricing, the cost of the service increases with an increase in the consumption of a service (Green, 2003).

#### **2.6.4. Seasonal Rate Schedule**

This form of pricing involves periodic adjustments to historical tariffs and other tariffs. Part of the seasonal or scheduling is applied by electricity suppliers where per unit consumption increases when the demand is high for the service (IPA, 2012 & Green, 2003). This pricing mechanism is used to limit the number of consumption and avoiding straining of the service. Seasonal pricing stems from lack of enough capacity to meet the demand at particular periods or the higher costs of providing the service at a particular time.

#### **2.6.5. Average Cost Pricing**

Average cost pricing involves charging customers the amount equivalent to the production each unit expected to be sold. It is derived from calculation of the total cost of production and dividing it by the total number of units expected to be sold (Green, 2003 & IPA, 2012)

### **2.7. Principles of Tariff Structure Design**

Clearly defining the tariff structure is a fundamental requirement of cost recovery (CGG Working paper, 2002). In evaluating the appropriateness of the elements in a tariff system, several criteria are considered. Boland (1992) and the Institute for Public Administration (2012: 15) suggest that the criteria used to evaluate the appropriateness of the elements are judged according to the adequacy of the system, fairness, simplicity and service conservation.

#### **2.7.1. Adequacy**

With the focus of full cost recovery being on recovering all operating and maintenance costs and all costs involved in delivery of municipal services, a system that is adopted or designed should generate enough income to finance a local municipality's requirements (CGG, 2002).

There is considerable consensus that developing a pricing system that is all encompassing is difficult (Ruiters, 2007; McDonald, 2003; Fonseca, 2004 and Gibbs, 2010). To achieve adequacy, a differentiation of tariff systems may be required taking into consideration the relevant national legislations and local policy frameworks. For instance, flat rates are used to charge consumers that are connected to unmetered water or electricity services, increasing block tariffs may be used for households to minimise wastage and decreasing block tariffs for industries as an incentive to attract private investment. This indicates that no one pricing system may be sufficient to cater for all categories or segments of consumers.

#### **2.7.2. Fairness**

According to Boland (1992 & IPA, 2012) a tariff system must be as practicably fair as possible. Fairness has to do with how prices are related to the costs incurred in producing the service. The

other aspect of fairness has to do with the income of users (Boland in CGG 2002). The tariff structure put in place should thus put in place mechanisms to charge consumers taking into account their income levels (CGG, 2002). Some consumers or households may be unable to afford the costs attached to the consumption of a service. This means that a tariff system should be sufficiently flexible to take into consideration lower income households and previously disadvantaged areas. This entails that a tariff system has to accommodate the reality that some areas or households may require subsidisation. In this case, financing subsidies may require cross-subsidisation or through other mechanisms to cover the cost of the subsidised households (Green, 2004).

The variable block pricing discussed in section 2.7.3 above enables basic service providers to charge more as the consumption of a particular service increases. This is also consistent with the environmental arguments for cost recovery in the sense that in avoiding paying higher prices for per unit consumption of a service, consumers will be indirectly minimising wastage and depletion of the service in question.

### **2.7.3. Simplicity**

The argument for a tariff system that is simple and clear is that it enhances acceptability and support for the charging system (Green, 2004; Fjeldstad, 2004 & IPA, 2012). A system that consumers and providers can easily understand makes operation and administration easier. Simplicity is also argued to help keeping the costs to a minimum and minimises disputes between service providers and consumers which facilitates collection of debt or payment of bills (Green, 2004 and Peters, 2012).

Flat rates and unit rate charging are simple for consumers to understand and administer. However, applying such pricing mechanisms may not be sustainable to the service and service conservation as there is no incentive for consumers to minimise consumption.

### **2.7.4. Service Conservation**

The tariff system should also be able to cater for the environment aspect as discussed in the environmental arguments as a rationale for cost recovery. Green (2004) envisages that a tariff system should discourage wastage and excessive use to ensure sustainable use. The conservation of a service ensures sustainability of service provision (Green, 2004 and IRC, 2002).

Variable block rate charging system has been documented as one of the ways through which wastage of services provided by municipalities. The other pricing system is average cost pricing which charges the consumer an amount equivalent to the cost of production of each unit to be sold. However, this system ignores maintenance costs and expansion of basic services.

### **2.7.5. Service Quality and Transparency**

The quality of services and transparency should be considered in evaluating the appropriateness of the tariff system. Green (2004) argues that user charges should be linked to the quality of the service and the need to define the lifeline rates. In terms of transparency, the Centre for Good Governance posits that the tariff system should be transparent and lesser political interference in the setting of user charges (CGG, 2002 & Fjeldstad, 2004).

### **2.8. Enforcement of Cost Recovery**

Enforcement of cost recovery mechanisms is the major problem faced by local municipalities at global, national and local levels (World Bank 1994; OECD, 1998; Alence, 2002 & Cardon & Fonseca, 2003). The major challenge has been non-payment of user charges and collection of service debt. For service providers to effectively implement cost recovery, a measure has to be attached to the consumption of a particular service (OECD, 1998 & World Bank, 1998). For volumetric services like water and electricity, attaching a measure of service consumption is relatively easy compared to services which cannot be easily measured like sanitation (MacDonald & Pape, 2003 & Fonseca, 2002). However, having in place the best measure of services consumed would be effortless if in the end user fees are not collected. As discussed earlier, enforcement or recovering the costs of services is a challenge for municipalities.

#### **2.8.1. Cut offs**

Cut offs are punitive measures that are used for non-payers user fees. This involves cutting off or threatening to cut off households that have not settled their bills (MacDonald & Pape, 2003: 19). Cutting off of services is done to force consumers to settle their debts or face permanent removal of infrastructure for the service in question. However, this method is limited to volumetric services (Reuters, 2007: 490). For services like waste removal and sanitation, it is difficult to implement and enforce. Due to the problems with post-paid meters, there has been a move towards prepaid meters in order to minimise administrative problems and non-payment.

#### **2.8.2. Prepaid Meters**

A prepaid meter is a device that measures the amount of electricity or water consumed which allows for effective pricing and forces consumers to pay for the service before consumption (Fjeldstad, 2004 & Green, 2004). This involves consumers buying 'units' (litres of water or kilowatts hours of electricity) before using the service. However, application of such mechanisms is limited to volumetric services. The argument for prepaid meters is that it enables even low income households to budget for their consumption and helps them avoid running into service debt. For service providers, collecting money in advance enables them to ensure cover the operation costs

(MacDonald & Pape, 2003: 19). It also reduces administrative problems like preparation of billing and postage. Fonseca (2002 & Alice, 2002) further argues that prepaid billing does not require punitive measures except for cases where consumers illegally connected to a service or illegal tampering.

The conceptual framework of cost recovery which has drawn from various literatures will provide a basis of analysis and comparison with how the Msunduzi municipality implements measures to recover the cost of service provision. The legislative and legal framework discussed in this chapter will provide analysis on how it informs relevant policies put in place by the Msunduzi municipality to guide recovery of the cost of service provision.

## **2.9. Conclusion**

This chapter has discussed the various issues related to cost recovery at the global and South African contexts. The rationale to cost recovery has been discussed basing on fiscal, moral, commercialisation and environmental arguments. The challenges of implementing cost recovery in South Africa have been documented. In the South African context, one of the key issues is the provision of free basic services which is a challenge for local municipalities. The next chapter conceptualises policy analysis and policy implementation.



## **CHAPTER THREE: CONCEPTUALISING PUBLIC POLICY AND IMPLEMENTATION**

### **3. Introduction**

This chapter conceptualises public policy and policy implementation taking into consideration the various approaches and models for policy implementation. The chapter will explore the various factors that need to be considered in implementing public policies. Through such an exploration, the chapter will construct a theoretical framework for analysing implementation of cost recovery mechanisms at Msunduzi municipality.

#### **3.1. Public Policy**

The definition of public policy and public policy analysis is not consensual and different authors define these terms differently. Anderson (1997: 8) envisages that public policy has been defined by other writers as what the government decides to do and what it decides not to do. As Anderson (1997: 9) alluded, such a definition ignores the complexity of public policy in the sense that the definition largely addresses decision making. The argument presented by Anderson (1997: 9) is that government decision to decide to address a particular concern does not mean implementation will converge with the initial decisions. The contexts in which public policies are implemented may lead to divergence from initial intended course of actions.

Colebatch (2004: 49) on the other hand defines public policy as “the pursuit of goals”. Such a definition entails that public policies have clear goals with a definite beginning and an end (Parsons, 1995). However, Weimer and Vining (2005: 261) argue that the goals and objectives of public policies are often ambiguous hence making it difficult to design means of achieving the stated objectives or goals. In addition, Lipsky (1980: 3) envisages that public practitioners (street-level-bureaucrats) or government workers have relative autonomy, control and discretion in executing their functions of programmes. In executing policy programmes, implementers at the street level have to consider the particular contexts and conditions under which they perform their tasks (Lipsky, 1980: 4). This may lead to divergence from the initial goals and objectives of the public policy in question.

The conceptual definition that is used to understand public policy in this paper is borrowed from Anderson’s (1997: 9) definition that policy is “*a relatively stable, purposive course of action followed by actors or sets of actors in dealing with a problem or matter of concern*”. Public policy

thus entails policies developed by government to address particular problems or concerns that are on government agenda.

Public policy may serve to distribute resources (welfare policies), redistribute (such as national equitable share in South Africa) and regulate (for instance environmental policies). Parsons (1995: 132) terms them distributive, redistributive and regulatory policies respectively. Largely public policies that aim to address particular problems or concerns on the government agenda may fall under either of the above mentioned types of public policy.

In summary, it has to be acknowledged that there is no single definition of what public policy entails. Each of the arguments presented above have their own merits and demerits. However, each of these understandings reveals the complexity of public policy. These assertions as tools for policy analysis present different challenges that a study in public policy has to take into consideration. The section that follows discusses the different views on policy analysis.

### **3.2. Policy Analysis**

Public policy as evidenced from the previous section is conceptualised in various ways by different authors. In order to understand public policy, several models (sequential models, policy agenda setting and advocacy coalition) of analysing policy have been advanced based on how public policy is perceived. Policy analysis as defined by Parsons (1995: XV) is an approach that integrates, contextualises models and research from areas which have a problem and policy orientation. On the other hand, Dunn (1981: 35) defines policy analysis as "a process of applying different methods of inquiry and arguments which are used to obtain or transform information that is relevant to policy to be used in political settings to resolve policy problems". In this regard, Gunn puts into perspective that policy analysis is multifaceted and methods to understand issues relating to policy may vary depending on the nature of the problems and contexts.

In analysing public policy, Parsons (1995: 29) suggests that analysts might be interested in different aspects or concerns of the policy process; content of policy, actions and non-actions of decision makers, the relationship between a policy problem and the policy intervention put in place, the inputs and outputs of the policy initiative and also the results of the policy in terms of outputs and outcomes. Depending on the foci of a policy analyst on either or a combination of these aspects will determine the methodological and technical skills of the analyst and also the resources required (Rossi & Freeman, 1989: 136).

Policy analysis and implementation process have been described using different models. The sequential model or "stages model" illustrates public policy by assuming that policy proceeds

through distinct stages” (John, 1998: 22). According to Dunn (1981: 17) and Sabatier & Jenkins (1993: 1) advance this model which has five steps (problem structuring/agenda setting, forecasting/policy formulation, recommendation/policy adoption, monitoring/policy implementation and evaluation/policy assessment) commonly termed “the policy cycle”. This has been and still remains a useful approach to understanding public policy. However, as John (1998: 23) argues, policy processes are complex and often do not occur in a stagist manner. John (1998: 23) asserts that;

researchers should use this model as a tool of research or a set of measuring rods, to lay alongside a complex sets of decisions, rather than a way of understanding public policy.

This argument entails that the stages as a conventional way of understanding public policy is problematic.

In line with John’s argument is Parsons’ criticism of the stage model as a policy analytical tool. Parsons (1995: 70) argues that among other things, the stages approach cannot empirically be tested, does not provide causal explanations from one stage to another, characterises policy as a “top-down approach” thereby ignores the influence actors and street-level bureaucrats who impact on how a policy is implemented and the outcomes. Anderson (1975: 98) posits that “policy is being made as it is being administered and administered as it is being made”. This argument emphasises that policy making and implementation cannot be separated. As it will be discussed below under bottom-up theories to implementation, Lipsky (1980: 3) argues that “street-level bureaucrats” in their execution of functions as implementers, make “agency policy”. This entail that implementers take into consideration the varying contexts and restraints (inadequate resources, ambiguous policy goals and strategies, organisational and institutional arrangements) in carrying out their functions which may constitute policy.

Policy analysis provides a framework for understanding public policy and the various arguments presented here are aimed at illustrating the different ways of analysing public policy. As it has been illustrated, there is no one definition of public policy. Despite that there is no universal definition of public policy or policy analysis; the various considerations discussed are useful in understanding the complexity of public policy. The next section outlines the different perspectives on policy implementation. The perspective on which a policy analyst understands public policy determines what perspective of policy implementation is used. Whether policy implementation is understood as a stage in the policy cycle or as defined by Parsons that policy is made when it is being implemented and implemented when it is made; policy implementation has its own intricacies.

### **3.3. Policy Implementation Models**

Hill and Hupe (2002: 42) asserts that before the 1960s there were assumptions that political mandates were clear and administrators had to simply carry out the programmes or projects. The study of implementation emerged from an increasing focus in evaluating public programmes and realisation that a lot of policies failed to deliver what they were intended for (Hill & Hupe, 2002: 41). In attempting to solve the problems of ineffective policies, it was discovered that it would be problematic to provide measures to improve the process considering policy was only understood in terms of policy formulation and outcomes. In short, there was a missing link between policy formulation and evaluation of outcomes (Brinkerhoff & Crosby, 2002 & Weimer, 2005). This led to a focus on what happens between policy formulation and policy outcomes; implementation. Implementation has been conceptualised in different ways by different writers and proponents on implementation theory. The top down approach, bottom-up approach and Brinkerhoff's implementation task framework are discussed below.

#### **3.3.1. Top-Down Approach to Implementation**

Pressman & Wildavsky are argued to be the founding fathers of the top-down approach to implementation. According to Pressman and Wildavsky (cited in Hill & Hupe, 2002: 44), implementation is the relationship between how the policy is executed and how the policy is laid down in official policy documents. Implementation thus involves putting to action the goals and objectives as laid out in the policy documents. The duty of implementers in this case is to achieve the goals using the means outlined during formulation of policy. Implementation as viewed by this approach operates in a 'chain-like command and control' from the top management of an organisation to frontline workers (Parsons, 1995; Lipsky, 1980 & Pressman & Wildavsky, 1973).

Sabatier and Mazmanian are the other top-down theorists who postulate that there is a clear distinction between policy formation and policy implementation (Hill & Hupe, 2002 & Dunsire, 1978). For Sabatier and Mazmanian cited in Hill and Hupe (2002: 49), analysing of implementation can be understood by assessing;

- The actions of implementing officials and target groups were consistent with what was stipulated in the policy document
- The extent to which the objectives were attained at a specific time were in line with the set goals and objectives
- The relevant factors related to the policy as well as the political factors that affected the outputs or impact of the policy action

- Whether the policy was reformulated with experience (Hill & Hupe, 2002: 49)

From such an assessment, Sabatier and Mazmanian (1980:544) envisage that the factors that impact on implementation include;

- Factors affecting the tractability of a problem;
- External variables that are not statutory affecting implementation;
- The statutory ability structure implementation (Sabatier & Mazmanian, 1980: 544).

Hogwood and Gunn also suggest an approach that provides recommendations for implementation of policy. Policy implementers have to address several factors for implementation to be successful. Policy makers should ensure that;

- External circumstances do not impose constraints to policy implementation that may negatively affect the implementation process;
- Time and resources are made available;
- That aside from resources, all constraints to implementation are removed and that adequate combination of resources are made available at every stage of implementation;
- The policy to be implemented emanates from a valid scientific cause and effect model;
- There is a direct cause and effect relationship between the factors in question;
- There is a single agency to implement a policy has all the resources and is not dependent on other agencies and in cases where relationship with other agencies is required, the dependency should be minimal;
- The objectives are clearly understood and agreed upon. These conditions are to be consistent during the whole implementation process;
- There is a complete detail and sequence of the process in which the agreed upon goals and objectives are to be achieved and the tasks to be performed by the participants;
- There is perfect communication and co-ordination between various actors and elements in the implementation process;
- Those in authority have the capacity to demand and obtain obedience from implementers (Hill & Hupe, 2002: 50).

However, Hogwood and Gunn acknowledges that perfect implementation is hard to achieve but by following the recommendations as outlined above, factors that impact negatively on the implementation process can be minimised (Dunsire, 1978 & Hill & Hupe, 2002).

### 3.3.2. The Bottom-Up Approach to Implementation

Central to the bottom-up approach to implementation is the assertion that in-depth understanding of can be gained if one looks at the implementation from the perspective of beneficiaries and those involved in delivering the intended benefits of the policy (Matland, 1995: 148). Matland (1995: 148) further notes that this model, implementation occurs at the macro and micro levels. Macro level implementation happens at the central level where there is formulation of the general implementation strategy for the policy whilst micro level implementation deals with the implementers at the local level. The local level implementers develop plans and strategies to translate national plans into actions relevant to their contexts. According to bottom-up implementation theorist, the two levels are complementary of each other and each has a role to play. The next paragraph validates this point.

Lipsky (1980, Xi) asserts that street-level bureaucrats have the critical responsibility in society despite the lower positions they are assumed to occupy. Lipsky (1980: 3) asserts that street-level bureaucrats or public workers actions and decisions as they carry out everyday functions constitute “*agency policy*”. This happens due to the discretion accorded to these bureaucrats in their interactions with the citizens and the relative autonomy from the authority of the organisation (Lipsky, 1980: 13). Discretion over determination of benefits and sanctions that is made available to citizens implies that street-level bureaucrats have the power to reformulate existing policy (implementation) or carry out their actions contrary to the policy or goals and objectives of the bureaucracy. They also have relative autonomy towards the authority of managers of the institutions. For instance, service workers (street-level bureaucrats) have to deal with ambiguous goals and objectives as well as an environment in which resources are scarce (Weimer & Vining, 2005: 263). Despite the problems, these workers are still expected to perform within such conditions.

The macro or central level can influence implementation of a policy at the local level but there are limits to that influence. Highly regulated macro level implementation which fails to give discretion to the micro level implementers has the potential to derail implementation. This understanding is useful for this study in understanding how the Msunduzi municipality interprets and executes national policies within its context.

The top-down and bottom-up approaches have been the most quoted theories of implementation. However, other theorisations like synthesisers of the bottom-up and top-down approaches (such as Matland’s Conflict Ambiguity Model of Implementation) and implementation theories for specific contexts (such as Brinkerhoff’s Implementation Task Framework developed for developing countries).

### 3.3.3. Matland’s Ambiguity-Conflict Model

Elmore (cited in Hill & Hupe, 2002: 58) suggests that “when studying complicated events, triangulation of accounts using different methods should be used to try and achieve a satisfactory explanation of what happened”. As discussed above, public policy, policy analysis and policy implementation is complex and different perspectives emerge from the debates. Elmore’s suggestion in such complex situations is vindicated. The different authors who attempt to reconcile the two most cited theories of implementation (top-down and bottom-up) aim at synthesising the two approaches (Matland, 1995: 145).

One of the synthesisers of the top-down and bottom-up approaches is Richard Matland. Matland (1995: 145) argues that the choice of the implementation model to be used should be based on analysis of the ambiguity or conflict of the problem or issue in question. The choice of the implementation model should be dependent on the ambiguity or conflict level of a policy (Matland, 1995: 146). The model can be understood in the form of a matrix as presented below.

Table 2: Ambiguity-Conflict Matrix: policy implementation processes

#### CONFLICT

AMBIGUITY	Low	High
Low	Administrative Implementation	Political implementation
High	Experimental implementation	Symbolic implementation

Source: Matland (1995: 160)

As shown from the matrix, the first quadrant is characterised by high ambiguity and low conflict. Matland (1995: 160) argues that such conditions provide conducive environment for rational decision-making and to implement administrative policies upon provision of the necessary resources. The emphasis of administrative implementation is results based. The resources expended on the implementation determine the outcomes of the policy.

On the other hand, where there is high conflict and low ambiguity, there is no consensus on the objectives and goals of achieving such objectives (1995: 163). The different policy actors interested in the policy advance their own goals/objectives and the means to achieving those objectives. The lack of consensus on the goals and means leads to political actors who have the power to decide on what is adopted or may resort to bargaining amongst the actors involved (Matland, 1995: 164). Such conditions are prerequisite for political implementation.

Experimental implementation according to Matland (1995: 165) is dominated by contextual conditions. Policy outcomes for policies that reveal high level of ambiguity and low level of conflict is dependent on the active actors and those who are most involved. Lack of conflict according to Matland (1995: 166) is likely to attract different actors to participate in the implementation process.

Finally, conditions that exhibit high ambiguity and high conflict appeal to highly prominent symbols (Matland, 1995: 168). Symbolic policies according to Olson (cited in Matland, 1995: 168) are relevant to confirming new goals or reaffirming old goals. The high levels of conflict structures how resolutions are developed whilst high ambiguity results in outcomes that vary from site to site (Matland, 1995: 168). The basic principle for policies that are characterised as such is the strength of partnerships which determine the outcome.

### **3.3.4. Brinkerhoff and Crosby's Implementation Task Framework**

Another conceptualisation of implementation posits that implementation can be understood using several tasks that happen during the implementation process. Brinkerhoff and Crosby (2002:23) posit that policy implementation differs from implementation of projects or programmes due to the fact that policy implementation is rarely a linear and coherent process. There is multiplicity of agencies (no single agency can implement a policy alone), that policy implementation creates winners and losers and that often new policies do not have budgets. Such an understanding entails that the implementers of public policy should take into consideration these factors in performing their functions. Furthermore, Brinkerhoff and Crosby suggest several tasks of implementation (Brinkerhoff, 2002: 24). These tasks include legitimatisation of policy, constituency building, resource accumulation, organisational design and implementation, mobilizing resources and actions and monitoring the progress and impact of policy change.

#### **3.3.4.1. Policy Legitimation**

Brinkerhoff & Crosby (2002:25) envisage that legitimacy of a particular policy to influential decision-makers enhances the process of implementation. Legitimacy is acquired when individuals, groups or organisations express support that the proposed policy is necessary to the issues that it intends to address. Legitimation of policy leads to the emergence of individuals or groups that are realistic and have political resources and are willing to defend the interest of the policy in question (Brinkerhoff & Crosby, 2002). Regardless of the source (government, civil society actors or international organisations) of policy change or reform, legitimacy ensures that the policy is recognised as worth pursuing by decision makers and beneficiaries at the early stage of policy implementation. Brinkerhoff & Crosby (2002:25) further notes that policy legitimisation becomes more important for complex and policies that diverts much from previous practice.



#### **3.3.4.2. *Constituency Building***

Brinkerhoff and Crosby (2002:24) argue that the nature of policy implementation efforts is characterised by different actors. In order to legitimatise policy reform, policy reformers need to market the new policy to the different actors who may be influential in the implementation of the policy. Constituents are the winners of policy reform and will lend support and commitment to policy implementers. Constituency building thus enables the stakeholders to mobilise themselves to protect the common interests (Brinkerhoff, 2002: 26).

#### **3.3.4.3. *Resource Accumulation***

Policy implementation requires human, technical, material and financial resources. These aspects are often not readily available for a new policy (Brinkerhoff 2002: 27). Implementers thus engage in a process of accumulating resources necessary for executing the designed functions. The different stakeholders of a policy constituent through their interdependence provide these resources according to their capacity.

#### **3.3.4.4. *Organisational Design and Modification***

When new objectives and tasks are put in place, the existing organisational structure may require redesigning or modifications. Such modifications may present problems to the existing procedures and routines which may be so entrenched that it becomes difficult to change. The new tasks may require new structures to be successfully implemented. The existing structures and procedures may require restructuring to accommodate new tasks (Brinkerhoff, 2002: 28).

#### **3.3.4.5. *Mobilising resources and Actions***

Brinkerhoff & Crosby (2002: 29) asserts that before resources are mobilised, policy change largely remains on paper. Mobilisation of resources and actions translates policy to action. This involves formulation of action plans, performance measures and standards.

#### **3.3.4.6. *Monitoring the Progress and Impact of Policy Change***

Brinkerhoff and Crosby (2002: 30) asserts that successful policy change could be evidenced by changes in behaviour, improved benefits to beneficiaries or improvement in the production and efficient use of resources. In order to make such assessments, the implementation process has to be monitored and evaluated. However, it is important to note that some programmes' benefits may only be experienced in the long term hence monitoring the progress becomes most ideal. This may include tracking of policies across the different stakeholders and periodic reviews (Brinkerhoff & Crosby, 2002: 31). The interdependence between different actors during implementation may pose challenges as to who monitors and evaluates the progress of the stipulated plans of action.

The theories of implementation discussed above provide the various intricacies of policy implementation. Such an understanding will provide a guide in articulating the aspects of the implementation process of cost recovery mechanisms at Msunduzi municipality.

The debates on implementation models and conceptualisation of policy implementation lead to another useful aspect as regards the process of implementation; state and institutional capacity of implementers. Policy implementation occurs in organisations with varying levels of organisational, human and institutional capacities. The section that follows discusses state capacity.

### **3.4. State Capacity**

State capacity as defined by Grindle (1997: 5) is the “efficiency, effectiveness and responsiveness of government performance”. Efficiency as used in the definition refers to the relationship between time and resources required to achieve a particular policy outcome (Grindle, 1997: 6). Effectiveness on the other hand relates to the relevance of efforts put in place to achieve the desired outcomes. The latter aspect, responsiveness refers to how state gets to know about the needs of citizens and its capacity to address them (Woo-Cumings, 1999: 6). These concepts also relates to the principles of good governance and democracy (Abdelatif, 2003: 2). The capacity of the state to effectively, efficiently and responsively implement policies to address social ills has an impact on the outcomes of policies. Grindle (1997: 1) writing on *good government imperative*, notes that the debates on good government dominated the 1980s and 1990s. In an effort to contribute to this topic, Grindle (1997: 5) undertook a study in search of understanding the ways through which good government can be induced and development of state capabilities. The study led to three strategies through which state capacity may be strengthened namely; human resource development, organisational strengthening and institutional reform. These terms are briefly discussed below.

### **3.5. Strengthening State Capacity**

Developing or strengthening human resource, strengthening organisations and reforming of institutions are some of the means through which Grindle (1997: 8) suggests could strengthen state capacity. Strengthening such state bureaucracies through developing human resources, strengthening organisations especially at local government level and institutional reform have been and are being pursued by the government to enhance state capacity.

#### **3.5.1. Human Resource Development**

According to Grindle (1997: 13) the capacity of the state to implement policies and carry out other functions, the human resource base should have the necessary technical human capacities. As pointed out in the previous chapter, local municipalities face human resource capacity constraints to

implement and sustain service provision through cost recovery. A developed human resource would enhance performance of government practitioners. A developed human resource would work effectively if the structure within the organisations in which they perform are enabling.

### **3.5.2. Strengthening Organisations**

The linkage between human resource capacity and utilisation of such capacities within an organisation are inseparable (Grindle, 1997: 15). Development of human capacities should go hand in hand with the strengthening of the organisation in terms of structure. Organisations can be strengthened by improving information and communication flows, introducing better management practices, restructuring work and authority relationships and decentralising and opening decision making processes (Grindle, 1997: 15). Addressing the issues mentioned above is argued to provide a conducive environment for human resource to function to their full potential. However, systems should be put in place to such systems are protected through institutional reform as discussed below.

### **3.5.3. Institutional Reform**

New policies may require reforming the existing laws and regulations to accommodate the new requirements for successful implementation of the policy (Grindle, 1997: 19). Institutional reform therefore involves altering of the existing rules or laws or conditions in which individuals make decisions and carry out their functions. Gray in Grindle (1997: 415) underlines the importance of defining indigenous capacity for policy analysis and implementation. The existing institutional laws should be reformed basing on the context in which implementation off a policy is to be carried out.

An analysis of the capacity of the implementers (Msunduzi municipality), provides a useful analytical tool to analyse the implementation of cost recovery mechanisms.

## **3.6. Conclusion**

This chapter has looked at public policy conceptualisation and implementation models. One of the common issues between the public policy and implementation is that there is no one agreed upon definition or approach to these terms. The various points of departures of implementation highlighted the complexity of implementation. The issue of state capacity in development and service provision has been acknowledged. The next chapter provides a description of the Msunduzi municipality. It spells out the historical, organisational and institutional arrangement in which cost recovery mechanisms are implemented.

## **CHAPTER FOUR: CASE STUDY**

### **4. Introduction**

This chapter provides a background to the Msunduzi Municipality including the administrative and political structures and the implication thereof on cost recovery. It describes the context in which cost recovery mechanisms are implemented in the municipality. The chapter will provide an overview of the policy framework for cost recovery at Msunduzi. It will examine, for instance, the Msunduzi municipality's policies such as; The Credit Control and Debt Collection Policy, The Indigent Policy, The Tariff Policy and The Msunduzi Municipal Rates Policy. The above mentioned policies are the mechanisms/strategies through which Msunduzi municipality recovers costs of services provided. The aim is to demonstrate the organisational arrangement pertaining to cost recovery. Understanding the institutional configuration is necessary in order to understand the process of implementation of cost recovery in this case.

The chapter also outlines the research methodology that was used to answer the research question and the specific objectives.

#### **4.1. The Msunduzi Municipality: An Overview**

The Msunduzi municipality falls under the jurisdiction of Umgungundhlovu District Municipality. As outlined in chapter two, local government in South Africa is two-tiered (Category B and Category C municipalities). The Msunduzi municipality falls under Category B municipalities and aspires to attain metropolitan status (Piper, 2010: 8). According to the 2011 South African National Census, the Msunduzi municipality has a population of over 618 000 people and consists of 163 993 households (National Census, 2011). The municipality is also the home of the capital city of KwaZulu-Natal, Pietermaritzburg.

The municipality envisions creating a “safe, vibrant city in which to live, learn, raise a family, play and do business (IDP, 2011: 4). The mission statement for the Msunduzi municipality is “to stabilise the affairs of the municipality, and ensure that the municipality functions effectively, and in a sustainable manner in delivering services to the community (IDP, 2011: 5). The municipality has put in place strategic objectives which includes financial viability and management. This objective further promotes sound financial management and reporting, and revenue enhancement (IDP, 2011: 5). The other objective involves basic infrastructure delivery and infrastructure development which seeks to improve accessibility and maintenance of habitual settlements, and provide responsible

facilities for disposal of waste in a manner that is socially and environmentally acceptable (IDP, 2011: 5).

Within the vision, mission and strategic objectives of the Msunduzi municipality is embedded the principles or rationales for cost recovery. As the strategic objectives indicate, revenue enhancement and issues of environmental sustainability are at the core of Msunduzi municipality. The next section gives a brief historical background to the Msunduzi municipality and how particular events have shaped service delivery and cost recovery in particular.

## 4.2. History of the Msunduzi Municipality

The democratic dispensation in South Africa led to several administrative, political and physical area boundary changes. The period between 1994 and 2000 witnessed a series of transformations at the national and local government levels. One such transformation was the demarcation of municipal boundaries with an objective of amalgamating the former ‘black areas or townships’ (DPLG, 2005: 10). The table below shows the implications of the demarcation process on Msunduzi municipality.

Table 3: Population and Physical Area of Msunduzi Municipality

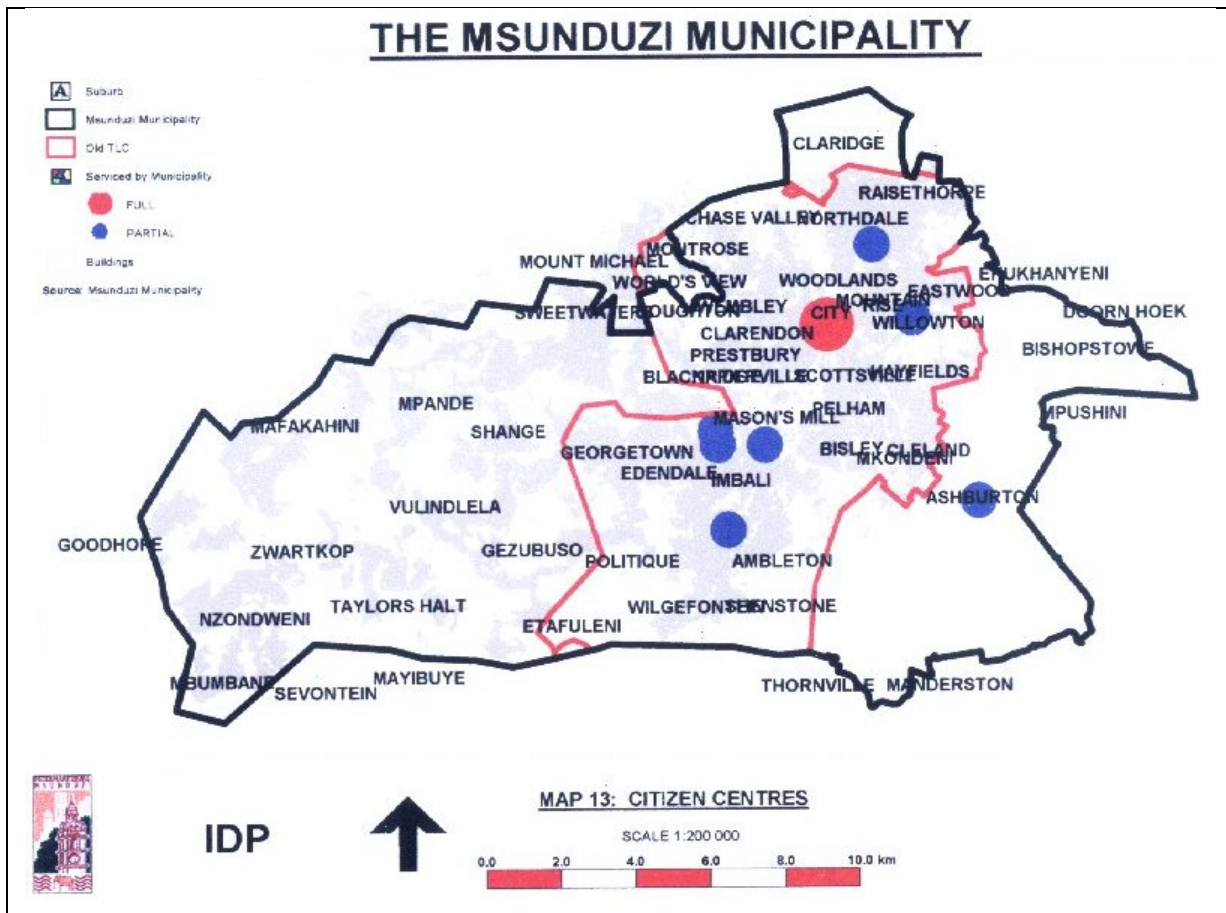
PERIOD	NAME	AREA	POPULATION	NUMBER OF HOUSEHOLDS
Up to 1994	Pietermaritzburg	150sq km	176 590	53 210
1995-2000	Pietermaritzburg- Msunduzi Transitional Local Council (TLC)	251 sq km	373 910	115 933
2000-2011	Msunduzi municipality	649sq km	618 536	163 993

Source: Msunduzi Municipality Annual Reports

The table above illustrates the transformations that the municipality has undergone. Prior to 1994, the city was named Pietermaritzburg and had an area of 150 Square kilometres with a population of 179 590 (Msunduzi IDP 2005: 84). After the end of apartheid in 1994, the city was demarcated and the area increased to 251 square kilometres with the population increasing to 373 910 people ‘(IDP, 2005 & Msunduzi Annual Report, 2005). After the 2000 democratic elections, the municipal boundaries in South Africa were re-demarcated. This led to the current Msunduzi municipality and now covers an area of 649 square kilometres with a population of 618 536 according to the 2011 national census (Msunduzi Annual Report, 2012: 9). Figure 4.1 below shows the diagrammatical

presentation of the municipality and implication on basic service delivery of the demarcation processes presented in table 4.

Figure 4: Msunduzi Municipality and Basic Service Delivery



Source: Msunduzi Municipality Integrated Development Plan (2011: 47)

The demarcation and re-demarcation process has led to an increase in the area of jurisdiction of the municipality. This has a bearing on service provision in the sense that service provision responsibilities for the municipality now span a larger area. According to the Msunduzi Annual Report (2005: 4), five previously independent entities were amalgamated into Msunduzi municipality. Most of these areas (in particular Vulindlela) had severe basic service delivery backlogs. This has posed a challenge for the Msunduzi municipality to deliver and collect revenue considering that most of the areas that have been amalgamated into the municipality are poor and cannot afford to pay for basic services.

Figure 4.1 above shows that the municipality provides full basic service delivery in some areas and partial delivery in other areas. The area marked in red is where the municipality provides full basic service delivery and partial delivery in areas marked with blue dots. The policy framework for cost recovery for the municipality is presented in the section that follows.

### **4.3. The Local Policy Framework for Cost Recovery**

This part outlines the various policies the Msunduzi municipality has put in place for revenue collection and provision of free basic services to indigents. As outlined in chapter two, cost recovery in South Africa is informed by the Constitution of South Africa (Act 108 of 1996), general local government legislations like the Municipal Systems Act (Act 32 of 2000), Municipal Structures Act (Act 117 of 1998) and the Municipal Structures Amendment Act (Act 33 of 2000) and the Municipal Property Rates Act (Act 6 of 2004). The Msunduzi municipality's bylaws and policies draw from these broad policies and constitutional obligations to put in place policies that are relevant to its context. The policies that guide cost recovery and basic service provision include; The Credit Control and Debt Collection Policy, The Indigent Policy, The Tariff Policy and The Msunduzi Municipal Rates Policy. The above mentioned policies are the mechanisms or strategies of cost recovery at the local level (Msunduzi municipality).

#### **4.3.1. The Credit Control and Debt Collection Policy**

In the introduction of the Credit Control and Debt Collection Policy (2012: 13), it is stated that; “the municipality cannot develop the economy and provide acceptable services to its residents unless it receives payments, in full, of all the bills raised for the services that it provides”. This emphasises that recovery of costs for service provision is fundamental for sustainable and acceptable levels of services provided by the municipality. The policy's objectives include;

- Defining a framework within which the municipality can develop an effective procedure for billing and collecting its revenues.
- To ensure that all monies due and payable to the municipality are collected and used to deliver municipal services in the best interest of the community, residents and ratepayers and in a financially sustainable manner as prescribed by the relevant legislations.
- To ensure that the municipality develops control procedures and mechanisms that are considered to be consistent, fair and effective to all its consumers (Msunduzi Municipality Credit Control and Debt Collection Policy 2011/2012: 13).

The municipality produces monthly bills to consumers for services (water, electricity, refuse and sanitation) consumed. This policy outlines the procedural arrangement for collecting payments that are outstanding from consumers. The Credit Control and Debt Collection Policy (2012: 13) stipulate that the translation and implementation of this policy should be in conjunction with the Indigent Policy in place and other relevant legislations like the Tariff Policy and Municipal Rates Policy. The Msunduzi Tariff Policy is briefly discussed below.

#### **4.3.2. The Msunduzi Tariff Policy**

Rates and tariffs correspond to the charges that the council levies on owners and consumers utilizing services provided by the municipality to ensure sustainable provision of the services in question (Tariff Policy, 2012: 3). It outlines the various rates at which the municipality charges the various services provided to consumers. Evident in the policy is the inscription of cost recovery as outlined in the objectives and aim of the policy. One such objective which is clearly inscribed in the policy directly addressing issues of cost recovery is that municipal services should be “financially sustainable, affordable and equitable”. Sustainability of service provision as outlined in the Credit Control and Debt Collection Policy outlined above is dependent on payment it receives from provision of services from consumers.

Financial sustainability and equitability of tariffs are consistent with adequacy and fairness principles of tariff design which stipulate that a tariff system should cater for all costs (operating and maintenance) and a practically fair tariff system that takes into consideration income levels of consumers (CGG, 2002). It is also consistent with fiscal arguments for cost recovery that stipulates that attaching a full cost charge to services rendered reduces the burden of subsidies hence ensuring financial sustainability (World Bank, 1998; Fjeldstad, 2004 & MacDonald, 2002).

The policy further aims to “recover in full or partially, the expenses reasonably associated with the provision of each service concerned, including capital, operating, maintenance, administration, replacement and interest charges” (Tariff Policy, 2012: 4). As outlined in the statement, service charges are not only determined based on operation costs but rather takes into consideration other factors (capital, maintenance, replacement and administrative costs). This is in line with the commercialisation argument for cost recovery described in chapter two of this paper. Municipalities have to fund service provision from the money received from consumers and the emphasis is to earn surpluses which may be used to expand infrastructural services to other areas. To add emphasis to the commercialisation argument for cost recovery and the challenge to attract investors in local municipalities, the Tariff Policy (2012: 5), spells out that “special rates or tariffs will be made for certain categories of commercial and industrial users”. This principle outlines the competitive environment in which local municipalities operate. The table below illustrates how water tariffs are differentiated between different consumers and their levels of consumption.



Table 4: An Example of Msunduzi Water Tariffs Tstructure for 2013/2014 Financial Year.

<b>CONSUMER</b>	<b>VOLUME (KL)</b>	<b>CHARGE/KL</b>
Domestic	0kl to 6kl	R41.14 + basic charge (R15.83)
	7kl to 30kl per kl	R13.84
	31kl to 60kl per kl	R20.42
	61kl and over per kl	R23.84
	Flat rate (unmetered)	R63.30
Commercial	0-30kl per kl	R14.81 + R26.38 (basic charge)
	31kl to 60kl per kl	R16.50
	61kl to 100kl per kl	R19.36
	101kl and over per kl	R14.81

Source: Msunduzi Municipality Register of Tariffs and Charges (2013/2014)

The table above indicates that in terms of domestic water consumers, the Msunduzi municipality uses increasing block tariffs. As indicated on the table, the unit charge per kilolitre increases the higher the consumption. For consumption levels between 0kl and 6kl, the consumer pays a flat rate of R41.14 plus a service charge of R15.83 service charge. The basic charge is a fixed service availability charge on municipal services (water in this case) (Msunduzi Municipality Tariff Policy, 2013/2014: 4). Any consumption that is above and between 7kl and 30kl attracts a charge of R13.83 per kilolitre, consumption levels that falls in the block between 31kl and 60kl increases the charge per kilolitre to R20.42 and domestic water consumption above 61kl and over attracts a R23.84 per kilolitre. As it can be seen, the water charge increases as water consumption increases within the defined blocks. According to literature, such a pricing system helps to control consumption thereby ensuring sustainability of the service (MacDonald, 2003 & FFC, 2012). It also helps minimise wastage which is consistent with environmental arguments for cost recovery.

The commercial segment of water consumption portrays increasing block tariffs and a decrease in tariffs for consumption above 101kl. As shown in the table, R14.81 is charged for any consumption that is between 0kl and up to 30kl (Msunduzi Municipality Register of Tariffs and charges, 2013/2014: 4). The charge increases to R16.50 for consumption levels between 31kl and 60kl, there is a further increase to R19.36 for the block 61kl and 100kl. However, the charge per kilolitre decreases to R14.81 for commercial consumption levels above 101kl.

In terms of formulation and designing of these tariffs, the Msunduzi municipality proposes the fees, charges or tariffs and they are presented to the Council. The Council holds consultative meetings

with the community where these tariffs are presented. This form of tariff and charges formulation mirrors the bottom-up approach to implementation that states that policy-making and implementation involves various actors and policy subsystems (Kingdon, 1995: 117).

The tariff policy is also implemented and interpreted in conjunction with indigent policy. This is to ensure that issues of affordability and equity are addressed. Since specific services require specific rates and tariffs, property owners are obliged to pay municipal rates. The section that follows briefly outlines the Msunduzi Property Rates Policy.

#### **4.3.3. The Msunduzi Rates Policy**

The Msunduzi Rates Policy (2012: 7) spells out levies for all rateable properties within its area of jurisdiction. The policy also makes provision for grant exemptions from rebates or reductions in rates levied depending on the use, permitted use of property and geographical area where the property is situated. Such differential rates may also apply as prescribed by the national framework (Msunduzi Tariff Policy, 2012: 7).

The policy also makes provision for the municipality to exempt rating on all components of public service infrastructure in order to attract foreign investment and promote competition which in turn may lead to job creation (Msunduzi Tariff Policy, 2012: 7). Evident from the preceding statement is the emphasis on recovering costs whilst maintaining a conducive environment for investment.

The municipality levies rates for each financial year and annually sets the property rates at the budgeting and planning stage of municipal annual budgets. Importantly, the tariff policy acknowledges that the application or setting of rates should be in line with national policies and cannot prejudice national economic policies (Msunduzi Tariff Policy, 2012: 8).

#### **4.3.4. The Msunduzi Indigent Policy**

The Department of Provincial and Local Government (DPLG, 2005: 19) stipulates that municipalities are mandated to develop indigent policy relevant to the specific needs and financial situation of the municipality. In making reference to the approach that an indigent policy will be used to cross-subsidise and price services, the DPLG (2012: 38) prescribes that such measures have to conform to the national standards and norms. The rationale for indigent policy is to alleviate poverty as stipulated in the National Framework for Municipal Indigent Policy (DPLG, 2005: 38). The Guidelines for Implementation of the National Indigent Policy makes provision of free basic services such as water, energy and sanitation. These legislative mandates have implications on cost recovery. Local municipalities have to take into consideration the legal mandate for provision of free basic services, which as alluded to in chapter two is a challenge for local municipalities in South Africa.

In response to the national mandate for provision of free basic services, the Msunduzi municipal council annually reviews the Indigent Register in line with the Indigent Policy to guide basic service provision. The 2012 Msunduzi Indigent Policy lends the definition of the DPLG which defines “indigent” as “lacking the necessities of life” (DPLG, 2005 & Msunduzi Indigent Policy, 2012). The Msunduzi Indigent Policy makes provision for free basic services to citizens and households who cannot afford to pay for the services consumed due to poverty or unemployment. The policy aims to:

- I. Provide basic services to community in a sustainable manner within the financial and administrative capacity of the council;
- II. Provide procedures and guidelines for the subsidisation of basic service charges to its indigent households, using the council’s budgetary provisions received from central government, according to prescribed policy guidelines (Msunduzi Indigent Policy, 2013/2014: 5).

The policy distinguishes between two types of indigents namely; (I) applied indigent status and (II) automatic indigent status. These two differ in terms of the criteria to determine eligibility of a citizen or household to qualify for indigence. For applied indigent status, a household must meet such a criteria that (i) total household income is not in excess of R3200 per month, (ii) average monthly electricity consumption not exceeding 550Kwh in the previous 12 months (iii) and (iv) average monthly consumption not in excess of 11.2Kl in the previous 12 months (Msunduzi Indigent Policy, 2013: 6). On the other hand, households automatically qualify for automatic indigent status provided that; (i) total property value must be less than or equal to R100 000; (ii) average monthly electricity consumption per household per month may not be in excess of 550Kwh; (iii) average monthly consumption per month may not exceed 11.2Kl per household (iv); the applicant may not be the registered owner of more than one property (Msunduzi Indigent Policy, 2013/2014: 7).

#### **4.3.5. The Msunduzi Debt Write-Off Policy**

The Msunduzi Debt Write-off Policy provides a framework for regulating the cancellation of consumer debt that cannot be recovered by the municipality. Despite making provisions for free basic services through the Msunduzi Indigent Policy and collection of outstanding consumer debt through the Credit Control and Debt Collection Policy as discussed above, the municipal Council continually faces circumstances requiring writing-off of irrecoverable debt (Msunduzi Debt Write-off Policy, 2013: 4).

This policy is compiled in compliance with the Local Government Municipal Finance Management Act, 2003 and the Local Government Municipal Systems Act of 200. The Debt Write-off Policy

stipulates that there has to be proof that the debt has become irrecoverable (Msunduzi Debt Write-Off Policy, 2013: 4). The policy stipulates that debt will be defined as irrecoverable where;

- The tracing of the debtors is unsuccessful; and
- All reasonable steps were taken by the officials to recover the debt (Msunduzi Debt Write-Off Policy, 2013: 4).

The policies described above make provision for issues of equity and affordability (which are the basic principles of cost recovery). The Msunduzi Indigent Policy is put in place so that citizens/households that are unable to pay for the basic services are not deprived of the basic necessities of life. It is also the policy's objective to reduce poverty thereby reducing the gap between those who attain indigent status and those that can afford to pay for the services (Msunduzi Indigent Policy, 2012). Affordability is also the core aspect of the tariff policy and indigent policies. Section 4.2 of the Msunduzi Tariff Policy (2013: 3) outlines that one of the objectives of the policy is to ensure that municipal services are "financially sustainable, affordable and equitable" whilst the Msunduzi Indigent Policy (2012: 6) emphasises that the municipality aims to promote equitable sharing of services.

The policies presented above are some of the organisational and institutional mechanisms to foster successful implementation of cost recovery at Msunduzi municipality. As pointed out by Grindle (1997: 8) that constitutional reform and organisational strengthening are some of the ways through which state capacity can be achieved. Through various provisions in these policies, principles of cost recovery and the rationale thereof are embedded within them. For instance, the Msunduzi Tariff Policy is aimed at recovering the full cost or partially of the cost associated with the provision of a particular service to ensure that municipalities are self-sustaining. This is in line with the fiscal as well as commercialisation arguments for cost recovery. On the other hand, sustainability has to do with consideration for the environment which is one of the rationales for cost recovery.

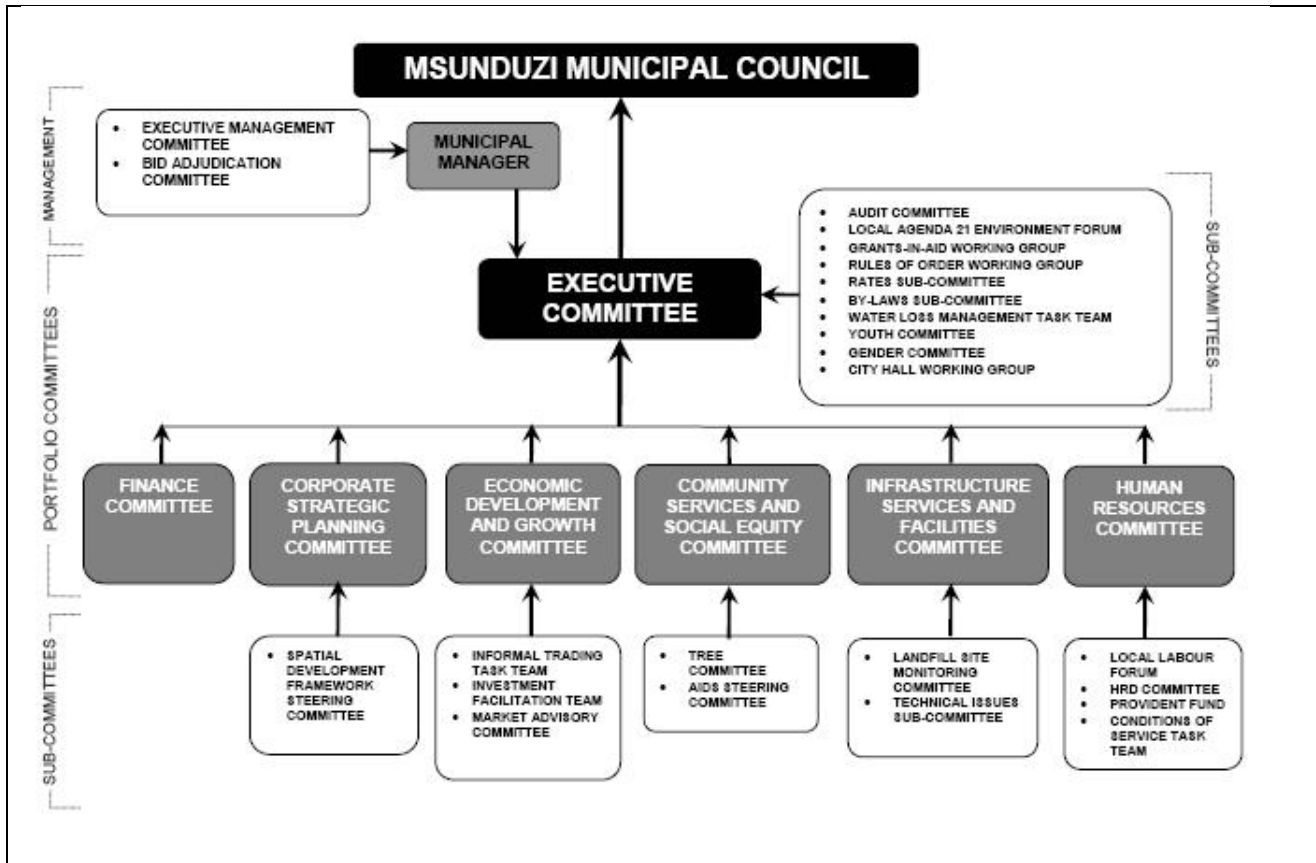
The paragraphs that follow outline the political and administrative arrangement of the Msunduzi municipality for implementation of cost recovery through the stated institutional or policies discussed above.

#### **4.4. Political Governance**

This section provides the organisational structure facilitating the implementation of cost recovery at the Msunduzi municipality. As pointed out by Grindle (1997: 15) and Brinkerhoff (2002: 28), implementation of a policy or programme may require reorganisation of the organisation or

modifications in the existing structures. This part presents the political arrangement of the Msunduzi municipality. The political configuration of the municipality is presented by the figure below.

Figure 4.2: Organisational Structure of Msunduzi Municipality



Source: Msunduzi Integrated Development Plan (2011: 101)

The Msunduzi municipality is made up of wards; in total, there are 37 wards (IDP, 2005). There are 37 ward councillors and 36 proportional representatives making a full council of 73 members (Msunduzi Annual Report, 2009: 8).

The political leadership is represented by the municipal council, the executive committee and portfolio committees as shown in the figure 4.1 above. The municipal councillors are responsible for electing the Mayor of the municipality. The mayor is responsible for appointing the executive committee. The mayor is also responsible for appointing the municipal manager. However, the executive committee is responsible for appointing senior managers for the different portfolios within the municipality (Msunduzi Annual Report 2009/2010: 11).

The Municipal council and the Executive Committee serve the function of policy making and overseeing the implementation within the municipality (Msunduzi Annual Report, 2009: 7). The

executive committee also approves operations and assuring the council that the vision, mission and objects reached by the Integrated Development Plan are being met. The next section discusses administrative governance at the Msunduzi municipality.

#### **4.5. Administrative Governance**

The municipal administration is headed by the Municipal Manager. The appointment of the Municipal manager is done by the mayor as previously alluded to in the political configuration of the municipality. The appointment of the Municipal Manager is in line the Municipal Structures Act (Section 82, Act 117 of 1998). The Msunduzi municipality is further configured into five distinctive business units which are headed by the Deputy Municipal Manager (DMM) who report to the Municipal Manager (Msunduzi Annual Report 2011/2012: 12).

##### **4.5.1. The Municipal Manager**

As pointed out above, the Municipal Manager is the head of administration at the municipality. The manager performs several functions including;

- forming and developing an economically effective, efficient and accountable administration;
- functioning in compliance of the municipality's performance management system;
- responsive to local community needs to participate in the dealings of the municipality;
- implementing the integrated development plans for the municipality and monitoring the progress of implementation of the plan;
- managing the provision of services to the local community in a sustainable and equitable manner (Section 82 of Municipal Structures Act 117 of 1998).

##### **4.5.2. Deputy Municipal Managers (DMMs)**

The municipality is organised into five units (Finance Services, Corporate Services, Developmental Services, Community Services and Infrastructural Services). Each of these units is headed by the DMM who reports directly to the municipal manager. The DMMs oversee the operations within their respective units. The units are further configured into particular services which are led by process managers. For instance, the Finance Services has three functions; income, expenditure and budget and finance which are headed by Process Managers (Msunduzi Annual Report, 2013: 192). The same applies to the other units and vary in terms of the services provided by the subcomponent of the unit.

The finance services unit undertakes measures to recover the cost of basic services. The DMM for finance services is in charge of all functions or activities related to finances of the municipality

including budget planning and implementation, financial management and reporting, revenue and debt management. It is within this unit that cost recovery mechanisms are implemented.

The political and administrative arrangement discussed herein provides the conditions for implementation of cost recovery. The next section briefly outlines the research methods used in the research

#### **4.6. Research Methodology and Methods**

In conducting research in the social sciences, there are two predominant research methodologies namely; quantitative and qualitative research (Babbie and Mouton, 2001: 270). Quantitative research seeks to determine the extent of variation using numerical data in quantifiable variables whilst qualitative research seeks to gain in-depth understanding about the contextual authenticity of respondents or processes (Babbie & Mouton, 2001: 270). Robinson (2002: 271) asserts that qualitative methodology is appropriate for exploratory studies which attempts to gain knowledge of the effects of particular social process; implementation of cost recovery mechanisms in this case. This research will use a qualitative research methodology in order to describe the implementation of cost recovery at Msunduzi municipality. This methodology is relevant considering that the research aims at exploring the process of cost recovery implementation in a specific context, the Msunduzi municipality.

##### **4.6.1. Sampling**

The sampling method that was chosen by the researcher was purposive non-probability sampling. This sampling technique involves a researcher developing a specific purpose which guides selection of samples for the study. Robinson (2002: 265) posits that in purposive non-probability sampling, “a sample is built up which enables the researcher to satisfy his/her specific needs in a project”. This sampling technique guided the researcher in identifying respondents with relevant experience or answers pertaining to the research questions.

The sample for this research included the Chief Finance Officer and the Credit Control and Debt Collection Managers of the Msunduzi municipality. The reason for choosing these offices was that their functions is relevant to cost recovery. For this reason, these were chosen because they have requisite knowledge informed the research project. Two in-depth interviews were conducted.

##### **4.6.2. Research Methods**

The research methods used to answer the research questions included a review of government and municipal documents and semi-structured interviews with personnel from the finance services unit of the Msunduzi municipality. Relevant policies like the Msunduzi Indigent Policy (see appendix A)

and government documents, as well as Msunduzi municipal documents pertaining to cost recovery were reviewed. The reviewed documents were informed by relevant literature on cost recovery and implementation theory.

In order to ensure that the reviewed information from documents and policies were valid and reliable, two sets of interviews were conducted within the finance services of the Msunduzi municipality. The researcher used an interview schedule (see appendix B) which was semi-structured in which predetermined questions were asked. Robinson (2002: 270) posits that in semi-structured interviews the interviewer is flexible to change the order of questions taking into consideration the relevance of the questions. The researcher chose this method because of its flexibility and ability to ask follow up questions for relevant issues raised during the interview that were not part of the interview schedule.

The data collected was analysed using thematic analysis. Thematic analysis is defined by Babbie and Mouton (2001: 271) as “search for themes that emerge as being important to the description of the phenomenon”. This method was chosen because it enables the researcher to draw themes from the data and link them to theory in analysing the data.

#### **4.7. Conclusion**

This chapter has provided a description of the Msunduzi municipality. It has highlighted the organisational and institutional framework for implementation of cost recovery. In addition, the chapter outlined the research methodology that was used in collecting data. The next chapter presents the data and analysis of the findings. It uses the conceptualisation of cost recovery (chapter two) and conceptualisation of implementation (chapter three) as analytical tools.



## **CHAPTER FIVE: FINDINGS AND DATA ANALYSIS**

### **5. Introduction**

This chapter presents the data collected from the study using document review and semi-structured interviews as described in the preceding chapter. Analysis of data will be informed by the conceptualisation of cost recovery presented in chapter two and the theoretical conception of implementation discussed in chapter three. It specifically analyses the process of implementation of cost recovery in relation to theory and the national implementation guidelines for cost recovery. The findings presented below include enforcement of cost recovery mechanisms, Msunduzi municipal debt profile and implementation challenge.

The Msunduzi Municipality uses different mechanisms to recover costs from the different categories of consumers. Municipal service consumers include households, private businesses (industries) and government. Household consumers are further divided into indigents and non-indigents. Tariffs and rates are nationally determined but the municipal council approves the tariffs and rates set by the relevant municipality for each financial year through the Tariff Policy and other provisions in the national framework including other relevant bylaws (Indigent Policy and the Credit Control and Debt Policy). The next section presents and analyses the findings.

#### **5.1. Enforcement of Cost Recovery mechanisms**

The ability for municipalities to account for basic services provided should be supplemented by mechanisms to enforce collection of the user fees. Having in place efficient and effective billing systems or tariffs would be fruitless if the fees cannot be collected from consumers (MacDonald, 2003 & Reuters, 2007). The Msunduzi municipality has put in place measures used to enforce cost recovery. These include disconnection from services, prepaid meters, cross-subsidisation and handing over non-payers to private agencies or attorneys. Below is a discussion of each of these enforcement mechanisms.

##### **5.1.1. Cut offs**

Cut offs are punitive measures that are used for non-payers of user fees. This involves cutting off or threatening to cut off consumers that have not settled their bills (MacDonald & Pape, 2003: 19). Cutting off of services is done to force consumers to settle their debts or face permanent removal of infrastructure for the service in question.

With respect to disconnections, the Msunduzi municipality disconnects water or electricity for all consumers with outstanding bills. This punitive measure is aimed at forcing consumers to pay for

outstanding fees if they are to be reconnected to the service. According to the Acting Credit Control and Debt Collection Manager, if a consumer fails to pay for the debt, they are handed over to attorneys or other private debt collection agencies;

*“We don’t have any other strategies to incentivise for payment of service debt. If the consumer cannot pay for the debt, we disconnect them to the service in question. If the consumer continues to default their account, then we hand them over to the attorneys.”*

When asked on whether the municipality has other incentives for consumers to pay for services consumed apart from service cut offs and handing them to attorneys, the response of the Acting Credit Control and Debt Collection Manager was that;

*“Suggestions have been made on providing incentives; say for instance giving a ten percent discount if the debt is settled. However, it would be difficult to implement for the majority of debtors because individual debts (especially households) are not very high. Let’s say someone owing the municipality R10 000 is given a discount of ten percent, this would mean only a meagre R1 000 will be discounted.”*

The statement above indicates the municipality has only put in place punitive measures as incentive for payment. However, such punitive measures are limited to volumetric services (Stanton, 2009: 36). For services like waste removal and sanitation, it is difficult to employ punitive measures to non-paying households because they are not exclusive services. The next section discusses prepaid meters as another means of enforcing cost recovery.

### **5.1.2. Prepaid Meters**

A prepaid meter is a device that measures the amount of electricity or water consumed which allows for effective pricing and forces consumers to pay for the service before consumption (Fjeldstad, 2004 & Green, 2004). This involves consumers buying ‘units’ (litres of water or kilowatts hours of electricity) before using the service. However, application of such mechanisms is limited to volumetric services. The argument for prepaid meters is that it enables even low income households to budget for their consumption and helps them avoid running into service debt. For service providers, collecting money in advance enables them to ensure cover the operation costs (MacDonald & Pape, 2003: 19). It also reduces administrative problems like preparation of billing and postage. There is also consensus that prepaid billing does not require punitive measures except for cases where consumers illegally connected to a service or illegal tampering (Gibbs, 2010; Fjeldstad, 2004; Ruiters, 2007 & Alence, 2002).

The Msunduzi municipality uses prepaid meters to recover the cost of electricity provision together with post-paid meters. According to the Acting Credit Control and Debt Collection Manager of Msunduzi municipality, prepaid meters are of benefit to the consumers and the municipality;

*“Prepaid meters are advantageous to both the consumers and the municipality. The consumers are able to calculate how much they would need per day, week or month. This enables them to ration electricity use and become conscious of their consumption behaviours compared to consumers that still use the old post-paid meters since they can only access their bills at the end of the month. On the other hand the municipality benefits in terms of administrative costs (preparation of bills, postage and enforcing collection of service charges”.*

The above statement resonates findings from literature that prepaid metering enables the municipalities to collect money in advance, reduce the number of defaulters (Gibbs 2010 & Fjeldstad, 2004) and enabling low income households to budget for their money and avoid the risk of service debt that may lead to punitive measures like cut offs.

### **5.1.3. Cross-subsidisation**

One of the principles of the Msunduzi Tariff Policy stipulates that *“Tariffs must be set at a level to facilitate financial sustainability of the service, taking into account subsidization from sources other than the service concerned (2013/2014: 4)”*. Cross-subsidisation is achieved through the use of surcharges. ‘A surcharge on a municipal service is a charge levied by the municipality in addition to the fee or tariff charged for the provision of that service’ (National Treasury, 2005).

This charge is attached to bulk services provided to industries or firms that consume large amounts. The surcharge is provided to local municipalities to fund services for those who cannot afford and covering for services that are difficult to attach individual charges (Fjeldstad, 2004: 539). However, the Msunduzi municipality faces a challenge on the available avenues for cross-subsidisation. For instance, local municipalities in South Africa rely on property for cross-subsidisation. For the Msunduzi municipality, 88 214 of the total 163 993 properties is below the value of R100 000 (South African 2011 National Census). According to the Msunduzi Municipality Register of Tariffs and Charges (2013/2014: 3), a rebate of 100% is granted for residential and home business property whose value falls within R15 001 and R100 000. This presents 53.8% of the total properties that receive a 100% free rebate.

The Msunduzi municipality thus has a small proportion of properties in which it can apply surcharges. This in return may affect the potential of the municipality to cross-subsidise for other basic services that is difficult to attach individual charges like refuse removal which is charged based on the value of property. On the other hand, the proportion of properties that the municipality can charge the maximum rate is very small. According to the 2011 South African National Census, only 22 237 of the total 88 214 rateable properties have an estimated value of above R800 000. This represents 25% of the total estimated value of properties. This means that the Msunduzi municipality can only apply maximum charges from other sources of income (such as licenses, refuse charges and fines) to a small proportion of the total rateable property.

#### **5.1.4. Handing over to Private Collection Agencies**

Implementation of cost recovery mechanisms involves different stakeholders some of whom are private debt collection agencies. These agencies handle cases of non-payment by consumers that the municipality has failed to collect after a number of warnings to the respective consumer (Interview with the Acting Credit Control and Debt Collection Manager). The Msunduzi municipality hands over such non-compliant customers to these agencies or attorneys.

The involvement of stakeholders outside of the Msunduzi municipality mirrors Brinkerhoff and Crosby's task framework for policy implementation suggests that successful policy implementation requires different actors (Brinkerhoff & Crosby, 2002: 24). The multiplicity of actors of implementation does not follow the top-down model of implementation. According to the proponents of the top-down model of implementation, policy makers have the task of minimising the number of actors in implementation (Pressman and Wildavsky 1973); to limit the extent of change (Van Meter and Van Horn, 1975; Mazmanian and Sabatier, 1983); and to place the responsibility of implementing a policy in an agency that is sympathetic of the policy goals (Van Meter and Van Horn, 1975; Sabatier, 1986) (cited in Hill & Hupe, 2002: 50).

#### **5.1.5. Debt Cancellation**

Despite strict enforcement of the above mentioned mechanisms, the Msunduzi municipality still faces circumstances in which recovery of consumer debt would cost the municipality more than the benefits. The Msunduzi Debt Write-off Policy grants discretion to the Revenue Manager and the Chief Financial Officer to write off debt that becomes too costly to recover. The Debt write-off Policy delegates to the Revenue Manager to write-off debt amounting to R5 000 in consultation with the CFO, whilst account balances of up to R30 000 is accorded to the CFO in consultation with the Municipal Manger and account balances above R30 000 must be approved by the Council.

According to the Acting Credit Control and Debt Collection Manager, debt cancellation is an important part of municipal debt management;

*“Debt write-off is an important aspect of management of consumer debt. It helps us to avoid unnecessary costs. For instance, we write off debt for those who have qualified for indigent status, debt for the deceased estates and debt whose consumers cannot be traced. Without this mechanism, it would be costly to the municipality to invest resources to recover the debt and it would also inflate the debt of the municipality.”*

The statement above is consistent with the provisions in the Msunduzi Debt Write-off Policy and the Water Resources Commission (2010, 18) that stipulates that debt write-off is an essential aspect of municipal debt management and helps to minimise unnecessary costs where attempts are made to recover irrecoverable debts. Debt write-off as mechanism for cost recovery is used in line with other relevant policies.

## **5.2. Implementation Challenges faced by Msunduzi Municipality**

Over the years, the Msunduzi municipality has faced varying challenges in implementing mechanisms for cost recovery between 2006 and 2012. These challenges include billing and collection problems, non-payment, inability to comply with national standards including the Municipal Financial Management Act and GRAP and organisational and administrative challenges. A brief account of the Provincial Government Intervention in the affairs of the Msunduzi municipality demonstrates the extent of challenges that the municipality. Provincial Government intervention is undertaken as the last resort.

### **5.2.1. Msunduzi Municipality Under Provincial Government Administration**

In the financial year 2009/2010, the Msunduzi municipality went into a financial turmoil as it was apparent that it was not in a position to meet its commitments and were facing bankruptcy (Msunduzi Annual Report 2009/2010: 3). With regards to cost recovery, the municipality failed to comply with Municipal Finance Management Act (Act 56 of 2003) which was of concern considering that there was no realistic budget or adjustments thereof which is a requirement. This led to the intervention of the Provincial Government in terms of Section 139 (1) of the constitution which stipulates that;

‘When a municipality cannot or does not fulfil an executive obligation in terms of legislation, the relevant provincial executive may intervene by taking any appropriate steps to ensure fulfilment of that obligation, including;

- a. Issuing directive to the Municipal Council, describing the extent of the failure to fulfil its obligations and stating any steps required to meet its obligations; and
- b. Assuming responsibility for the relevant obligation in that municipality to the extent necessary' (Constitution of the Republic of South Africa, Section 139 of Act 108 of 1996).

This resulted into the Provincial Government through the Provincial Intervention Team (PIT) taking over administration of the Msunduzi municipality. The other challenge that the Msunduzi municipality faces is to do with billing and collection of the costs of services provided.

### **5.2.2. Billing and Collection Problems**

The Msunduzi municipality faces a lot of challenges in billing and collecting the costs of services consumed. The municipality has inadequate staff to effectively function in reading of electricity and water meters. For instance, in 2011 there was shortage of 119 staff in the water provision section only (IDP, 2011: 151). The shortage of staff affects the quality and speed of processing bills and also incorrect billing. In terms of problems with collection of service charges, the municipality is struggling to recover the cost of service provision.

The Msunduzi municipality faces challenges with incorrect billings as a result of incorrect meter readings, untimely delivery of bills to the customers and late payments as alluded to by the Chief Finance Officer;

*“Billing and collection of user charges is not as easy as people may think. There are several factors that affect the process including incorrect and irregular billing, late delivery of payment and sometimes consumers do not receive their bills on time because bills as posted to customers some of whom hardly check their mail boxes.”*

When questioned on what the municipality is doing or what he thought should be done, the CFO response was that,

*“There have been suggestions that bills should be delivered to the clients by hand instead of posting them. However, the cost of such a process would be high. In my opinion, I think we should move with technology and introduce another way of sending bills to our clients such as emailing or sms (short message service).”*

The response of the CFO for Msunduzi municipality reiterates what Gibbs (2010, 54) who argues that the current system of metering and delivery of bills to clients is outdated and is inefficient. The next paragraph discusses the issue of non-payment.

### 5.2.3. Non-payment

Historically, local municipalities in South Africa have faced the challenge of non-payment of service charges. As outlined in chapter two, non-payment has been documented as a result of inability to pay and unwillingness to pay. Inability to pay emanates from lack of or low income of consumers whilst unwillingness to pay may emanate from several factors like poor services, lack of trust in the service authorities, when consumers consider the charges as unfair and a culture of non-payment. Msunduzi municipality is no exception and faces these challenges. However, the reasons for non-payment are beyond the scope of the study with an exception of excerpts from the interviews and reference to the levels of unemployment within the municipality as possible reasons for non-payment by household consumers.

From reviewing of documents, non-payment of user charges has been a problem of the Msunduzi municipality faces. For instance, collection of user fees was reported to be at 55% in the financial year 2009 to 2010 (Msunduzi Annual Report 2009/2010: 3). This low collection may be attributed to billing and collection problems and also non-payment by customers. This is consistent with what the Acting and Credit Control and Debt Collection Manager had to say;

*The reason for high municipal service debt is simply because the majority of these households are unable to pay for the services. Many households that have outstanding bills are unable to pay due to unemployment and low income. However, the municipality cannot afford to provide free basic services to all the households because the money that the municipality gets from the national government (the equitable share) and provincial funding only cater for a small percentage of the cost that the municipality incurs in providing services to households currently receiving free basic services.*

According to the 2007/2008 Msunduzi Municipality Annual Report (2008: 13), the municipality has been facing non-payment not only from household consumers but also government departments as mentioned by the Strategic Executive Manager of Finance;

*“An area of major concern that requires urgent attention is the increasing government debt, which despite numerous meetings and promises to pay by the departments, remains outstanding” (Msunduzi Municipality Annual Report 2007/2008: 13).*

The statement above summarises the state of revenue collection before the provincial intervention. As illustrated in section 5.3 below, government service debt has been significantly reduced after the provincial intervention. After the intervention of the Provincial Government, collection of user

charges was recorded at above 80% in the financial year 2010/2011 (Msunduzi Municipality Annual Report 2010/2011: 3).

#### **5.2.4. Cross-Subsidisation Challenges**

The Municipal Structures Act of 2000 makes provision for local municipalities to cross-subsidise service provision through the use of surcharges. As discussed in chapter two, one way for local municipalities in South Africa to cover for the free basic services discussed above is through cross-subsidisation.

According to the data from South African 2011 National Census, the number of household with no source of income was 26, 358, for those earning income between R1 – R400 was 7 607 households, 11 186 households earns between R401 – R800, 26 453 for those with an income of between R801 – R1600 and 27 076 households between R1 601 – R3200. The implications of these figures can be understood by making reference to the Msunduzi Municipal Indigent policy. According to the Msunduzi Municipality Indigent Policy (2013/2014: 7), there are two ways in which a household may qualify for free basic services. The first one is ‘applied indigent status’ and the other one is ‘automatic indigent status’. According to the policy, a household whose total income is not above R3200 may apply for indigent status and benefit from free basic services. This definition renders a total of 98 680 households qualify for free basic services. This represents 60.2% of the total households of the municipality. These statistics demonstrate that the Msunduzi municipality has a small proportion of the population to cross subsidise from. Surcharges from these households would not be enough to cross-subsidise free basic services.

The National Treasury and the Municipal Structures Acts state that through surcharges, local municipalities would be able to recover funding for subsidisation of poor households (National Treasury, 2005 & the Municipal Structures Act of 1998). However, operating within the contextual factors described above hampers implementation of cost recovery at Msunduzi municipality. This is consistent with implementation theorists who argue that different contexts and interpretation of public policies may lead to divergence from initial goals and objectives (Lipsky, 1980; Matland, 1995 & Weimer & Vining, 2005).

#### **5.2.5. Non-compliance with Municipal Finance Management Act**

The Msunduzi municipality could not comply with the Municipal Finance Management Act (MFMA) and the Generally Recognised Accounting Standards (GRAP) before the Provincial intervention. According to the Msunduzi Municipality Annual Report (2009/2010), this non-compliance is attributed to lack of capacity. However, the Msunduzi municipality achieved full compliance with such national financial standards after the provincial intervention.



The contrasting experience before and after the provincial intervention in terms of compliance to national standards vindicates the assertion the capacity of the state to successfully implement policies or programmes may require human resource strengthening (Grindle; 13). The Msunduzi municipality was strengthened by the Provincial Intervention Team which guided the municipality in implementation of cost recovery mechanisms among other things.

### 5.3. Municipal Debt Profile

The Msunduzi municipality classifies customers into household consumers, industrial/commercial and National and local governments (Msunduzi Annual Report 2010/2011: 230). The table below shows the municipal service debt for the three classified consumers from 2009 to 2012.

Table 5: Msunduzi Municipality Debtors by Customer Classification (2009-2012)

<b>Year</b>	<b>Households</b>	<b>Industrial/commercial</b>	<b>National &amp; Provincial Gov</b>
2008	54.3%	23.6%	22.1%
2009	55.5%	25.3%	19.2%
2010	59.8%	26%	14.2%
2011	66.2%	22.8%	11%
2012	69.4%	21.4%	9.2%

Source: Data Compiled from Msunduzi Municipality Annual Reports (2008/2010-2011/2012)

Municipal service consumers are classified into households, industrial/commercial and national or provincial government. Table 5 above shows that the period between 2008 and 2012, households have the highest municipal service debt at 54.3% in 2008 to the highest of 69.4% in 2012. Over the period, household consumer debt has been increasing exponentially compared to the other classes of consumers. This is followed by industrial/commercial consumers that varied over the period 2008 and 2012. As shown from the table, commercial consumer debt was at 23.6% and rose to a high 26% in 2010. This period was characterised by administrative crisis that saw the Msunduzi municipality going under administration. Industrial/commercial service debt has been decreasing since 2010 to a low 21% in 2012.

Finally the national and provincial government department debt has been decreasing over the period 2008 and 2012. In 2008, the national and provincial government debt was at 22.1% and has been decreasing to a low 9.2% in 2012. The increasing household consumer debt is worrying for the

municipality and affects the revenue requisite for service provision. The increasing amount of household debt is likely to affect the sustainability as well as expansion of service provision to the citizens within the municipality that do not have access to municipal services.

However, it is important to point out that government departments are charged the smallest amounts per unit of a service compared to other consumers (Msunduzi Register of Tariffs and Charges, 2013/2014). The differentiation of pricing rates or strategies between the three classes of consumers may obscure the profile of municipal consumer debt in terms of consumption. It should also be noted that the Msunduzi municipality incurs revenue losses due to unaccountable water and electricity which costs the municipality revenue.

The reason for such increasing household consumer debt according to the Acting Credit Control and Debt Collection Manager of the Msunduzi municipality can be attributed to the low income of households;

The inability of the municipality to recover costs from service provision from its consumers in turn affects municipal revenue. The incept from the interview with the Acting Credit Control and Debt Collection manager resonate the reasons for non-payment of municipal services conceptualised in chapter two. Inability to pay for services has been widely documented as the main reason for non-payment of municipal service charges in South Africa (MacDonald & Pape, 2003; Fonseca, 2002; Stanton, 2009; Peters, 2012 & Alence, 2002). These findings are also consistent with what Peters (2012) found that the highest debtors of municipal services in South Africa are households followed by industries and then government.

Furthermore, the data from the South African National Census for 2011 indicates that there are approximately 98 700 households (which is 60.2% of the total number of households) with a total annual income of R0 – R3200 per month. According to the Msunduzi Municipal Indigent Policy for 2013/2012, a household earning such an amount qualify to apply for free basic services. Considering the low total monthly income for a large proportion of households, the inability to pay for basic services for consumers at Msunduzi municipality is consistent with theory and the above mentioned studies.

#### **5.4. Conclusion**

This chapter has discussed the findings of the research from annual reports and the interviews that were conducted. The municipality has made great strides in incorporating cost recovery principles in the various policies that guides its actions. It has also addressed the implementation of cost recovery and profiled consumer debt. The challenges facing the municipality were also highlighted.



## **CHAPTER SIX: CONCLUSION**

The study has reflected the complexity and ambiguity of public policy analysis and implementation. Gunn (1982: 35) contends that policy analysis is multifaceted and methods to understand issues relating to policy vary from context to context. Fundamental to such a model is Brinkerhoff and Crosby's (2002: 23) implementation task framework. The framework points out several tasks of the implementation including legitimisation of the policy, constituency building, organisational design and modification and resource mobilisation. This understanding of policy analysis and policy implementation provided an important framework for analysis of cost recovery at the Msunduzi municipality.

Another important theoretical concept that was useful in analysing the implementation of cost recovery at Msunduzi municipality was Grindle's theory on state capacity. Grindle (1997: 8) contends that development of human resource, strengthening the organisations and institutional reform are key factors in strengthening the capacity of the state (in this case Msunduzi municipality). The study found that the implementation process indeed requires human, organisational capacity and institutional reform impact on the implementation of cost recovery. The study has demonstrated by looking at the performance of the Msunduzi municipality in terms of the ability to recover user charges before and after the Provincial Government intervention. The study found that before the provincial intervention, collection of user charges was at a low 55% compared to an 80% rate of collection after the Provincial intervention. Despite that the 80% was a once off amount collected during the Provincial Government intervention; it demonstrated that successful cost recovery can be achieved with proper political and administrative organisational arrangements. The difference may be attributed to the technical capacity and support that the Provincial Intervention Team brought into the municipality.

The implementation process of cost recovery mechanisms largely mirrors the bottom-up implementation model. For bottom-up implementation model, implementation occurs at the macro and micro levels (Matland, 1995: 148). In the case of cost recovery in South Africa, the macro level provides the general implementation guidelines through the Department of Provincial and Local Government and relevant national legislative frameworks as discussed in chapter two. At the micro level, the Msunduzi municipality has in place local policy framework relevant to its context that guides implementation of cost recovery.

Msunduzi municipality has got a working institutional environment for cost recovery but successful implementation is being hampered by the lack of a qualified human resource and insufficient

financial resources. This resonates with Hogwood and Gunn's (1980: 544) claim that successful policy implementation requires adequate resources and time. The municipality also faces the challenge of recovering cost of service provision because of contextual factors like high levels of households earning low monthly incomes.

Implementation theorists claim that successful implementation requires proper tailoring of the policy objectives to contextual issues (Rossi & Freeman, 1989: 137). This study has found that tailoring of the policy objectives to contextual issues is a challenge. The challenge emanates from high levels of unemployment and the high levels of low income earning households that affects cross-subsidisation which is one way of recovering the cost of service provision to indigents and expansion of service provision.

The study also found that non-payment is one of the implementation challenges that the Msunduzi municipality is facing. Household consumers the highest non-payers recorded at 69.4% of the total municipal consumer debt in 2012. This is followed by industries with 21.4 % of the total debt and lastly 9.2% for the government departments.

The current structure of property rates and other tariffs of the Msunduzi municipality could be as the result of attempts to create an attractive environment for investors. The challenge faced by the municipality is to find the right balance between attracting investors and charges.

The study also found that the municipality is facing challenges of collection of consumers (especially households) considering that a large proportion of households fall within income levels eligible for free basic services (total household income not exceeding R3200). The equitable share that the South African government put in place to compensate for free basic service provision is not sufficient for all households that qualify for indigent status at the Msunduzi municipality. This finding is also consistent with literature on cost recovery in South African municipalities that unemployment and low income levels affects consumer's level of serving basic service debts (Peters, 2012 & FFC, 2012).

The Msunduzi municipality's implementation of cost recovery mechanisms is further hampered by several challenges including billing and collection, non-payment and non-compliance with the Financial Management Act. The municipality is also faced with the challenge of reducing the amount of losses in water and electricity.

This study has demonstrated that institutional reform (demarcation for instance) on its own is not sufficient to successfully implement policies. The capacity of human and organisational resources is important in implementation of cost recovery bylaws put in place by the Msunduzi municipality.

## REFERENCES

### Primary Sources

#### Reports and Papers

Abdellatif, A. (2003). *Good governance and its relationship to democracy and economic*. UNDP.

Community Agency for Social Enquiry (CASE) (2003). *Municipal cost recovery in four South African municipalities*. Research Document for the Built Environment Support Group. Bloemfontein: CASE.

Cottle, E and Deedat, H. (2002). *The cholera outbreak: a 2000-2002 case study of the source of the outbreak in the Madlebe Tribal Authority Areas, uThungulu Region, KwaZulu-Natal*. Durban: Health Systems Trust.

Financial and Fiscal Commission Annual Report 2012 – 2013.

Fonseca, C. & Njiru, C. (2003). Financing and cost recovery: what happens after Construction? 29<sup>th</sup> WEDC International Conference. Abuja, Nigeria.

Hemson, D. (1999). Beyond BOTT? Policy Perspectives in Water Delivery. *Report on the NGOs and the BOTT Programme in the Eastern Cape and KwaZulu-Natal*. Durban: Health Systems Trust.

Hemson, D. (2004). *The right to water*. Report submitted to the South African Human Rights Commission.

Marah, L., Martin, R. A. & Boberg, D. (2003). *Identifying examples of successful cost recovery approaches in low income, urban and peri-urban areas*. Report Submitted to the Water Resources Commission.

Msunduzi Municipality Annual Report 2005/06

Msunduzi Municipality Report 2006 – 2007

Msunduzi Municipality Annual Report 2007 – 2008.

Msunduzi Municipality Annual Report 2008 – 2009.

Msunduzi Municipality Annual Report 2009 – 2010.

Msunduzi Municipality Annual Report 2010 – 2011.

Msunduzi Municipality Annual Report 2011 – 2012.

Msunduzi Municipality Integrated Development Plan (2011-2016)

Msunduzi Municipality Integrated Development Plan (2008)

Msunduzi Municipality Integrated Development Plan (2002)

Peters, S. (2012). Municipal consumer debt in South Africa. *Financial and Fiscal Commission Technical Report*. Vol. 28. Pp.155-169.

SACities Network. (2007). *The State of South African Cities Report*.

Water Research Commission (2000). *Industrial and commercial water tariffs*. Durban: Lexis Nexis.

Water Research Commission (2010). *Literature review on pricing and debt management for water services*. Arcus Gibbs (Pty) Ltd.

Water Resources Commission (2010). *Recommendations towards pricing and debt management in water services delivery*. Arcus Gibbs (Pty) Ltd.

World Bank (2004). *World Development Report 2004: making services work for poor people*. Washington: World Bank.

### **South African Government Reports**

Department of Cooperative Governance and Traditional Affairs. (2009). *State of Local Government in South Africa*.

Department of Finance. (1998). *The introduction of an equitable share of nationally raised revenue for local government*.

Department of Provincial and Local Government (2005). *A guideline document on provincial-local intergovernmental relations*. .

Department of Provincial and Local Government (2005). *Guidelines for the implementation of the national indigent policy by municipalities*.

Department of Provincial and Local Government (2005). *Communications handbook on free basic services*. Department of Provincial and Local Government: Republic of South Africa.

(Department of Provincial and Local Government 2005). *National framework for municipal indigent policies*.

National Electricity Regulator of South Africa. (2007). *Full uudit report*.

National Treasury (2007). *A national poverty line for South Africa*.

National Treasury (2005). *Budget review 2004/05*.



Rogerson, C. (2009). *Strategic review of local economic development in South Africa*. Final Report Submitted to the Department of Provincial and Local Government.

South African Local Government Association (SALGA) (2009). Comments on the Fiscal Finance Commission recommendation on the challenges facing local government.

## **Legislation and Policies**

The Constitution of the Republic of South Africa (Act 108 of 1996).

The Electricity Basic Services Support Tariff Policy Framework (2003).

The Electricity Regulation Act (Act 4 of 2006).

The Growth, Employment and Redistribution Strategy. (1996).

The Local Government Municipal Property Rates Act (Act 6 of 2004).

The Msunduzi Credit Control and Debt Collection Policy (2012).

The Msunduzi Debt Write-Off Policy (2012)

The Msunduzi Indigent Policy (2013).

The Msunduzi Municipal Rates Policy (2012).

The Msunduzi Tariff Policy (2013).

The Municipal Finance Management Act (Act 53 of 2003).

The Municipal Structures Act (Act 117 of 1998).

The Municipal Structures Amendment Act (Act 33 of 2000).

The Municipal Systems Act. (Act 32 of 2000).

The Organised Local Government Act. (Act 52 of 1997).

## **Secondary Sources**

Bond, P. (2000). *Elite transition: from Apartheid to neo-liberalism in South Africa*. Johannesburg: Wits University Press.

Butler, A. Consolidation first in Edigheji, O. (2010) (Ed). *Constructing a democratic developmental state in South Africa*. HSRC: Cape Town.

Cardone, R. and Fonseca, C. (2003). *Finance and cost recovery – decades of controversy*. Den Haag: International Water and Sanitation Centre (IRC).

Colebatch, H. (2002). *Policy* (2nd ed). Philadelphia: Open University Press.

Dunn, W. (1981). *Public policy analysis: an introduction*. Englewood Cliffs: Prentice Hall.

Dunsire, A. (1978). *Implementation in a bureaucracy*. Oxford: Martin Roberson.

- Dye, T. R. (1972). *Understanding public policy* (5th ed.). Englewood Cliffs: Prentice-Hall Inc.
- Elmore, R. F. Backward. Mapping: Implementation Research and Policy Decisions, In Walter L. W. (1982). *Studying implementation: methodological and administrative issues*. New Jersey: Chartham Publishing.
- Hill, M. & Hupe, P. (2002). *Implementing public policy*. London: Sage Publications.
- MacDonald, A. D. & Pape, J. (2003). *Cost recovery and the crisis of service delivery in South Africa*. Cape Town: HSRC Publishers.
- Parsons, W. (1995). *Public policy: an introduction to the theory and practice of policy analysis*. Northampton: Edward Elgar.
- Pressman, J. L. and Wildavsky, A. (1973). *Implementation: how great expectations in Washington are dashed in Oakland; or, why it's amazing that Federal programs work at all, this being a saga of the economic development administration as told by two sympathetic observers who seek to build morals on a foundation of ruined hopes*. Los Angeles: University of California Press.
- Sabatier, P. A. and Jenkins-Smith, H. C. (1993). *Policy change and learning: an advocacy coalition approach*. Boulder: Westview.
- Stanton, A. (2009). *Decentralization and municipalities in South Africa: an analysis of the mandate to provide basic services*. University of KwaZulu-Natal.

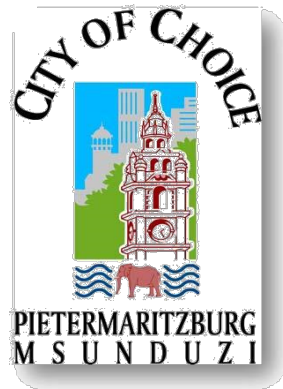
## **Journal Articles**

- Abrahams, D. (2003). Local economic development in South Africa: a useful; tool for sustainable development. *Urban Forum*. Vol. 14. No.2-3
- Booyesen, F le R. 2001. Non-Payment of Services: A Problem of Ability to Pay. *The South African Journal of Economics*. 69(4): 674–697.
- Botes, LJS and Pelsler, AJ. 2001. *Non-payment of municipal services: baseline survey report*. Centre for Development Support: University of the Free State.
- Burger, P. 2001. *Fiscal policy and local government finance*. Centre for Development Support: University of the Free State.

- Forester, J. 1984. Bounded Rationality and the Politics of Muddling Through, in *Public Administration Review*, Vol. 44(1), p23-31.
- Fjeldstad, O-H. (2004). What's trust got to do with it? Non-payment of service charges in local authorities in South Africa. *The Journal of Modern African Studies*. Vol. 42 (4). Pp 539-562.
- Jackson, M. B. & Hlahla, M. (1999). South Africa's infrastructure service delivery needs: the role and challenge for public-private partnerships. *Development Southern Africa*. Vol. 16 (4).
- Lindblom, C. E. (1959). The Science of Muddling Through, in *Public Administration Review*, Vol. 9(2). Pp 79-88.
- Marais, L. (2010). Donor-driven local economic development in peripheral areas of KwaZulu-Natal: the Gijima programme. *Development Southern Africa*. Vol. 27. No (4). Pp 517-530). University of Free State: Routledge Taylor & Francis.
- Rogerson, M. C. (2010). Local economic development in South Africa: strategic challenges. *Development Southern Africa*. Vol. 27. No. 4. Pp 481-495. Routledge.
- Ruiters, C. (2007). Contradictions in municipal services in contemporary South Africa: disciplinary commodification and self-disconnections. *Critical social policy*. vol. 27 (4). Pp. 487-508. London: Sage Publications.
- Rogerson, M. C. (2011). Tracking local economic development policy and practice in South Africa, 1994-1999. *Urban Forum*. Vol. 22. Pp 149-168. University of Johannesburg. Springer.
- Sabatier, P. A. (1986). Top-Down and Bottom-Up Approaches to Implementation Research: A Critical Analysis and Suggested Synthesis, in *Journal of Public Policy*, Vol. 6(1), p21-48.

## Appendix A

### Msunduzi Register of Tariffs and Charges 2013/2014



# 2013/14 REGISTER OF TARIFFS AND CHARGES

# CONTENTS

DRAFT

DEPARTMENT	TARIFFS	
CITY FINANCE	Rates	3
CITY FINANCE	Tender Documents Deposits	5
INFRASTRUCTURE SERVICES & FACILITIES	City Electrical Engineers	6
INFRASTRUCTURE SERVICES & FACILITIES	Water	13
INFRASTRUCTURE SERVICES & FACILITIES	Sewerage	14
INFRASTRUCTURE SERVICES & FACILITIES	Water Services Bylaw	15
INFRASTRUCTURE SERVICES & FACILITIES	Water Supply Bylaw	17
INFRASTRUCTURE SERVICES & FACILITIES	Landfill Site	19
DEVELOPMENT SERVICES	Town Planning Applications	20
DEVELOPMENT SERVICES	Copies & Subdivisions of Land	21
DEVELOPMENT SERVICES	Geographical Informations Systems	23
DEVELOPMENT SERVICES	Valuations	24
DEVELOPMENT SERVICES	Market Rent at Housing Schemes	25
DEVELOPMENT SERVICES	Building Survey	27
DEVELOPMENT SERVICES	Advertising Signage	30
DEVELOPMENT SERVICES	Licensing	33
DEVELOPMENT SERVICES	Pietermaritzburg Airport	34
DEVELOPMENT SERVICES	Municipal Market	36
COMMUNITY SERVICES & SOCIAL EQUITY	Refuse Removal	38
COMMUNITY SERVICES & SOCIAL EQUITY	Municipal Halls	43
COMMUNITY SERVICES & SOCIAL EQUITY	Cemeteries	49
COMMUNITY SERVICES & SOCIAL EQUITY	Crementoria	50
COMMUNITY SERVICES & SOCIAL EQUITY	Production & Display	52
COMMUNITY SERVICES & SOCIAL EQUITY	Swimming Pools	54
COMMUNITY SERVICES & SOCIAL EQUITY	Sport & Recreation Facilities	56
COMMUNITY SERVICES & SOCIAL EQUITY	Municipal Libraries	58
COMMUNITY SERVICES & SOCIAL EQUITY	Fire & Emergency Services	59
COMMUNITY SERVICES & SOCIAL EQUITY	Traffic & Security	62
COMMUNITY SERVICES & SOCIAL EQUITY	Health	63
CORPORATE BUSINESS UNIT	City Hall	64
ALL DEPARTMENTS	Miscellaneous Charges & Surcharges	65
	Promotion of Access to Information Act	66



**INFRASTRUCTURE SERVICES AND FACILITIES  
ELECTRICITY DISTRIBUTION MANAGEMENT  
City Electrical Engineers**

DESCRIPTION	VOTE	SUB	ITEM
Large Power Users	704	412	8403
Bulk Basic	704	412	8049
Large Power Users			
Bulk kVa	704	412	8052
Large Power Users			
Bulk kWh			

2012/13  
Excl. Vat

2013/14  
Excl. Vat % Incr

**Scale C: Large Power users (Load greater than 65 kVA)**

5 Scale C.1 Supply taken at 400V

Basic Charge per month  
Demand charge per kVA per month  
Energy charge per kWh (cents)

R 349.92  
R 138.479  
59.324

R 369.17   5.5%  
R 152.327   10.0%  
65.256   10.0%

\* The minimum charge per month payable by the consumer under Scale C shall be an amount calculated as aforesaid on the basis of 70% of the highest maximum demand in kVA notified to the City Electrical Engineer by the consumer or 70%

of the previous twelve months highest maximum in kVA, whichever is the higher.

VOTE	SUB	ITEM
704	412	8289

**Scale D.1: Block Tariff**

This scale may be applied to any consumer at his election as an alternative to any other scale.

6 Energy Charge per kWh

R 2.842

R 3.126   10.0%

\* The minimum monthly charge payable by the consumer under this scale shall be an amount calculated as aforesaid based

on 50% of the highest monthly meter reading in the last twelve months.

VOTE	SUB	ITEM
704	412	8409

**Indigent Benefit - Domestic supply only**

Properties valued at R100,000 and below with a 20amp circuit breaker will automatically receive the first 60kWh of electricity free

Domestic households with a total household income within the limit set out in Rates page 3, Section 3. (k), may apply for this benefit, subject to additional qualifying criteria as approved in the Indigent Policy.

7 Energy Charge only (cents)

82.192

90.411   10.0%

**Scale S: Prepayment Meter Tariff**

8 Energy Charge only (cents)

101.342

111.477   10.0%

Msunduzi Municipality

1 July 2013 to 30 June 2014

Tariffs and Charges

7

DRAFT



**INFRASTRUCTURE SERVICES AND FACILITIES  
ELECTRICITY DISTRIBUTION MANAGEMENT  
City Electrical Engineers**

DESCRIPTION	VOTE	SUB	ITEM
Time of Use: Basic	704	412	8404
Time of Use:			
Demand kVa	704	412	8406
Time of Use: Access			
kVa	704	412	8407
Time of Use: kWh			

2012/13  
Excl. Vat

2013/14  
Excl. Vat % Incr

**Scale T: Time Of Use Tariff**

9 Scale T.1 Supply taken at 6.6 or 11 kV

Basic Charge per month	R 1 749.60	R 1 845.83	5.5%
Demand charge per kVA per month	R 64.716	R 71.188	10.0%
Access charge per kVA per month. Based on highest of notified or previous 12 months highest demand.	R 21.158	R 23.274	10.0%
Energy charge c/kWh (Periods as per Eskom Megaflex)			
High Demand: (June, July, August)			
Peak	225.478	248.026	10.0%
Standard	73.744	81.118	10.0%
Off Peak	48.946	53.841	10.0%
Low Demand: (Other Months)			
Peak	77.708	85.479	10.0%
Standard	55.520	61.072	10.0%
Off Peak	44.983	49.481	10.0%
Reactive energy charge. A charge for all reactive energy which exceed 30% of the real energy			

**Time periods** (kWh) per half hour period in the peak and standard periods only (c/kvarh)

5.642

6.206

10.0%

Day	Peak	Standard	Off-Peak
Week Day			00:00-06:00
		06:00-07:00	
	07:00-10:00	10:00-18:00	
	18:00-20:00	20:00-22:00	22:00-24:00
Saturday			00:00-07:00
		07:00-12:00	12:00-18:00
		18:00-20:00	20:00-24:00
Sunday			00:00-24:00

**The table below indicates the treatment of public holidays for the Time of Use Tariff**

Date	Day	Actual day of the week	Day treated as
09 AUGUST 2013	NATIONAL WOMEN'S DAY	FRIDAY	SATURDAY
24 SEPTEMBER 2013	HERITAGE DAY	TUESDAY	SATURDAY
16 DECEMBER 2013	DAY OF RECONCILIATION	MONDAY	SATURDAY
25 DECEMBER 2013	CHRISTMAS DAY	WEDNESDAY	SUNDAY
26 DECEMBER 2013	DAY OF GOODWILL	THURSDAY	SUNDAY
01 JANUARY 2014	NEW YEAR'S DAY	WEDNESDAY	SUNDAY
21 MARCH 2014	HUMAN RIGHTS DAY	FRIDAY	SATURDAY
18 APRIL 2014	GOOD FRIDAY	FRIDAY	SUNDAY
21 APRIL 2014	EASTER MONDAY	MONDAY	SUNDAY
27 APRIL 2014	FREEDOM DAY	SUNDAY	SUNDAY
28 APRIL 2014	PUBLIC HOLIDAY	MONDAY	SATURDAY
01 MAY 2014	WORKER'S DAY	THURSDAY	SATURDAY
16 JUNE 2014	YOUTH DAY	MONDAY	SATURDAY



**INFRASTRUCTURE SERVICES AND FACILITIES**  
**ELECTRICITY DISTRIBUTION MANAGEMENT**  
 City Electrical Engineers

VOTE	SUB	ITEM
703	463	8382

2012/13	2013/14	% Incr
Excl. Vat	Excl. Vat	

CHARGES FOR PUBLIC LIGHTING SERVICES TO NON-MUNICIPAL CUSTOMERS  
 CHARGES FOR PUBLIC LIGHTING SERVICES TO MUNICIPAL APPLICATIONS

L1	Lights: Whole Night (incl Maintenance)			
	Fixed-R /light/month	R 25.89	R 27.31	5.5%
	Energy charge per 100 Watt per month if not measured	R 19.331	R 21.265	10.0%
	Energy charge if measured (cents) per kWh	52.920	58.212	10.0%
L2	Lights: 24 hour (incl Maintenance)			
	Fixed-R /light/month	R 25.89	R 27.31	5.5%
	Energy charge per 100 Watt per month if not measured	R 69.515	R 76.467	10.0%
	Energy charge if measured (cents) per kWh	57.211	62.932	10.0%
L3	Lights: Whole Night High Mast (incl. Maintenance)			
	Fixed-R /light/month	R 517.81	R 546.29	5.5%
	Energy charge per 100 Watt per month if not measured	R 56.747	R 62.422	10.0%
	Energy charge if measured (cents) per kWh	52.920	58.212	10.0%
L4	Lights: 24 Hrs Traffic (Excl. Maintenance)			
	Maintenance charged at actual cost	Actual Cost	Actual Cost	
	Energy charge per 100 Watt per month if not measured	R 69.515	R 76.467	10.0%
	Energy charge if measured (cents) per kWh	57.211	62.932	10.0%
<b>INTEREST RATE</b>				
1	Interest rate per annum	18%	9.5%	-47.2%



**INFRASTRUCTURE SERVICES AND FACILITIES**  
**ELECTRICITY DISTRIBUTION MANAGEMENT**  
City Electrical Engineers

VOTE	SUB	ITEM
713	873	1000

2012/13  
Excl. Vat

2013/14  
Excl. Vat

% Incr

**New Connection**

1	Bylaw 27(12)(a)			
	(a) Normal domestic business premises:			
	(single phase service connection with a maximum capacity of 80A with a credit meter):	R 2 859	R 3 016	5.5%
	(single phase service connection with a maximum capacity of 80A with a prepayment meter):	R 3 501	R 3 693	5.5%
	Plus the cost of providing and laying or mounting the underground cable or overhead wiring, as the case may be, within the consumer's property boundary			
	Plus the cost of providing and laying or mounting the underground cable or overhead wiring, as the case may be, within the consumer's property boundary			
	(b) Surcharge raised for the reinstatement of single phase domestic services that have been removed for tampering (including illegal reconnection of disconnected service):			
	First offence	R 11 664	R 4 000	-65.7%
	Second offence	R 17 496	R 5 500	-68.6%
	Third or subsequent offence	R 29 160	R 7 000	-76.0%
	(c) Surcharge raised for the reinstatement of business services that have been removed for tampering (including illegal reconnection of disconnected service):			
	First offence	R 291 600	R 20 000	-93.1%
	Second offence	R 349 920	R 35 000	-90.0%
	Third or subsequent offence	R 583 200	R 50 000	-91.4%
	(d) Tampering with Electricity Meters or Metering Installations: Domestic & Business Disconnection Fee	R 675	R 712	5.5%

**NOTE:** Back dated consumption (calculated based on estimated tampering period)

**Sale of Property Transactions: The responsibility rests with both transacting parties to ensure that the Electrical Compliance Certificate is obtained in respect of an existing service supply.**

**(e) Additional Charges: Illegal Connection and Reconnection**

(i) Copper Theft	Theft of Material	Immediate Arrest	Immediate Arrest	
	Buying of stolen material	Immediate Arrest	Immediate Arrest	
(ii) Illegal service connection - Connector		Immediate Arrest	Immediate Arrest	
(iii) Interference with other consumer's equipment		R 1 080	R 1 139	5.5%
(iv) Failure to comply with any issued notice		R 216	R 228	5.5%
(v) Improper use of Electricity		R 540	R 570	5.5%
(vi) Property access to inspect equipment is denied		R 324	R 342	5.5%
(vii) Refusing to provide information		R 216	R 228	5.5%
(viii) Rendering false information		R 216	R 228	5.5%
(ix) Refusal of admittance		R 216	R 228	5.5%
(x) Restricted access to meter room		R 216	R 228	5.5%
(xi) Resale of electricity without a license or approval		R 216	R 228	5.5%
(xii) Selling or supplying electricity without authority		R 540	R 570	5.5%
(xiii) Standby Equipment connected to network without authority		R 540	R 570	5.5%
(f) Tampering with installed anti-tampering seals		R 2 160	R 2 279	5.5%
(g) Use of Electricity supply without a signed consumer agreement with the Municipality		R 540	R 570	5.5%
(h) Unkept substation equipment accommodation room		R 540	R 570	5.5%
(i) Unkept meter rooms		R 540	R 570	5.5%
(j) Unlocked meter rooms		R 540	R 570	5.5%



**INFRASTRUCTURE SERVICES AND FACILITIES  
ELECTRICITY DISTRIBUTION MANAGEMENT  
City Electrical Engineers**

<b>VOTE</b>	<b>SUB</b>	<b>ITEM</b>
<b>713</b>	<b>873</b>	<b>1000</b>

2012/13  
Excl. Vat

2013/14  
Excl. Vat % Incr

2 Bylaw 27 (12)(b)

In all other cases, the connection charges shall be calculated on the basis of maximum demand required in accordance with the following:

Maximum Demand (kVA)	Basic Charge (Rands)		Basic Charge if no substation provided (Rands)	
	2012/13	2013/14	2012/13	2012/13
0 - 25	3 681	3 883	0	0
26- 50	6 901	7 281	0	0
51- 65	8 778	9 261	0	0
66 - 100	13 214	13 941	0	0
101- 130	16 983	17 917	0	0
131- 200	25 913	27 338	0	0
201- 315	65 307	68 899	21 028	22 185
316- 500	77 127	81 369	45 847	48 369
501- 800	95 575	100 832	83 786	88 394
801 - 1 000	113 126	119 348	113 126	119 348
More than 1000 kva				101*kva +1620

Added to these charges will be the cost of providing and installing all cables and Council-owned equipment on the consumer's premises.

3 Bylaw 27 (13)(a)

Electrification projects (Low Cost Housing)

Fee for the installation and connection, for domestic or small power users, of service cable or line, electricity dispenser and, where necessary, power distribution unit:

(a) For a single phase service up to 20A

R 197

R 208

5.5%

(b) For a single phase service up to 60A

R 1 315

R 1 387

5.5%

<b>VOTE</b>	<b>SUB</b>	<b>ITEM</b>
<b>704</b>	<b>415</b>	<b>8506</b>

1 Fee for attendance at or disconnection of consumer's Installation per meter:

(a) where due to non-payment of charges or fees or due to failure to make any required deposit or furnish any required security by the consumer in terms of the bylaws or to the breach by the consumer of any of the bylaws or any condition of his agreement

business

R 675

R 712

5.5%

Note: This charge is also applicable to water disconnections/restrictions ito 1(a)

domestic

R 300

R 317

5.5%

(b) on the consumer's request for a temporary disconnection (11kV supply)

R 898

R 948

5.5%

(c) on the consumer's request for a temporary disconnection (low voltage supply)

R 558

R 589

5.5%

(d) where a consumer's supply is disconnected at the supply mains

R 1 091

R 1 151

5.5%

2 Fee for attendance in connection with a failure of supply

R 139

R 147

5.5%

3 Fee for testing

(a) fee for testing and inspection of an installation

(other than bona fide shock or fault of a serious nature)

(i) Single dwelling unit

First visit inspection

R 671

R 708

5.5%

Subsequent visits/inspections

R 334

R 353

5.5%

(ii) Any other installation

Actual Cost

Actual Cost

(b) fee for inspection of meter box upon certification by electrical contractor that a meter box is ready for inspection

(i) First inspection

No Charge

No Charge

(ii) Any subsequent inspection

R 236

R 249

5.5%

4 Fee for testing accuracy of meter

(a) Single-phase

R 410

R 433

5.5%

(b) Three-phase

R 611

R 645

5.5%

(c) Maximum demand

Actual Cost

Actual Cost

5 Fee for testing accuracy of tariff mcb

(a) Single-phase service

R 361

R 381

5.5%

(b) Three-phase service

R 513

R 541

5.5%





**INFRASTRUCTURE SERVICES AND FACILITIES**  
**ELECTRICITY DISTRIBUTION MANAGEMENT**  
 City Electrical Engineers

	VOTE 704	SUB 415	ITEM 8506	2012/13 Excl. Vat	2013/14 Excl. Vat	% Incr
6	Fee for change of tariff mcb					
(a)	Single-phase service			No Charge	No Charge	
(b)	Three-phase			R 21	R 22	5.5%
7	Fee for checking meter reading			R 113	R 119	5.5%
	VOTE 704	SUB 415	ITEM 8010			
8	Accounting Charge			R 133	R 141	5.5%

**INFRASTRUCTURE SERVICES AND FACILITIES  
WATER DISTRIBUTION AND SANITATION MANAGEMENT**

Water Tariffs

<table border="1"> <tr> <td>VOTE</td> <td>SUB</td> <td>ITEM</td> </tr> <tr> <td>787</td> <td>460</td> <td>8595</td> </tr> </table>			VOTE	SUB	ITEM	787	460	8595	2012/13 Excl. Vat	2013/14 Excl. Vat	% Incr
VOTE	SUB	ITEM									
787	460	8595									
<u>Water Supply Tariffs</u>											
1	Scale 2 (1) – Domestic Basic Charge 0kl to 6kl	R 15.00 R 37.40	R 15.83 R 41.14	5.5% 10.0%							
	2 (2) – Domestic 7kl to 30kl per kl	R 12.58	R 13.84	10.0%							
	2 (3) – Domestic 31kl to 60kl per kl	R 18.57	R 20.42	10.0%							
	2 (4) – Domestic 61kl and over per kl	R 21.67	R 23.84	10.0%							
	2 (5) – Domestic Flat rate (unmetered households)	R 60.00	R 63.30	5.5%							
2	Scale 3A – Flats, Simplexes Basic Charge Unit	R 15.00 R 11.86	R 15.83 R 13.05	5.5% 10.0%							
3	Scale 3B – Flats (Non-Rateable) Basic Charge Unit	R 15.00 R 16.32	R 15.83 R 17.95	5.5% 10.0%							
4	Scale 4A (1) – Commercial Basic Charge 0 - 30 kl per kl	R 25.00 R 13.46	R 26.38 R 14.81	5.5% 10.0%							
	4A (2) – Commercial 31kl to 60kl per kl	R 15.00	R 16.50	10.0%							
	4A (3) – Commercial 61kl to 100kl per kl	R 17.60	R 19.36	10.0%							
	4A (4) – Commercial 101kl and over per kl	R 13.46	R 14.81	10.0%							
5	Scale 4B – Commercial (Non-Rateable) Basic Charge	R 25.00	R 26.38	5.5%							
	Unit	R 16.60	R 18.26	10.0%							
6	Scale 5 – Builders, Construction Sites Basic Charge Unit	R 25.00 R 16.60	R 26.38 R 18.26	5.5% 10.0%							
	Flat Rate - Unmetered Fire Mains	R 150.00	R 158.25	5.5%							
7	Scale 6 – Religious Organisations Basic Charge	R 25.00	R 26.38	5.5%							
	Unit	R 13.17	R 14.48	10.0%							
8	Scale 7 – Registered Welfare & Charitable Institutions & certain Sporting Bodies which are exempted from payment of rates. Including such organizations & institutions exempted by the City Council. Basic Charge Unit	R 25.00 R 13.17	R 26.38 R 14.48	5.5% 10.0%							
10	Scale 8 – Municipal Departments Unit	R 12.57	R 13.83	10.0%							
<b>Indigent Benefit - Domestic Water supply only</b>											
Properties valued at R100,000 and below will automatically receive the first 7kl of water free The applicable tariff will be billed from the 8th kl upwards											
Domestic households with a total household income within the limit set out in Rates page 3, Section 3. (k), may apply for this benefit, subject to additional qualifying criteria as approved in the Indigent Policy.											
<b>INTEREST RATE</b>											
1	Interest rate per annum	18%	9.5%	-47.2%							



## **APPENDIX B**

### **INTERVIEW SCHEDULE**

1. How long have you worked with the Msunduzi municipality?
2. What mechanisms do you use to collect user charges for water, electricity and sanitation?
3. How do you enforce implementation of the stated mechanisms?
4. Do you work or partner with private institutions in collecting user fees? If so, how do you work together in execution of the functions and whilst maintaining accountability?
5. Are the consumers involved in any other way? If yes, to what degree do they participate?
6. What are the challenges that you face in collecting user fees and how do you attempt to address them?
7. Msunduzi municipality as a local municipality is mandated to provide free basic services to indigent citizens. How do you fund the provision of such services?
8. Any other issues that you feel are important that the questions asked have not addressed?