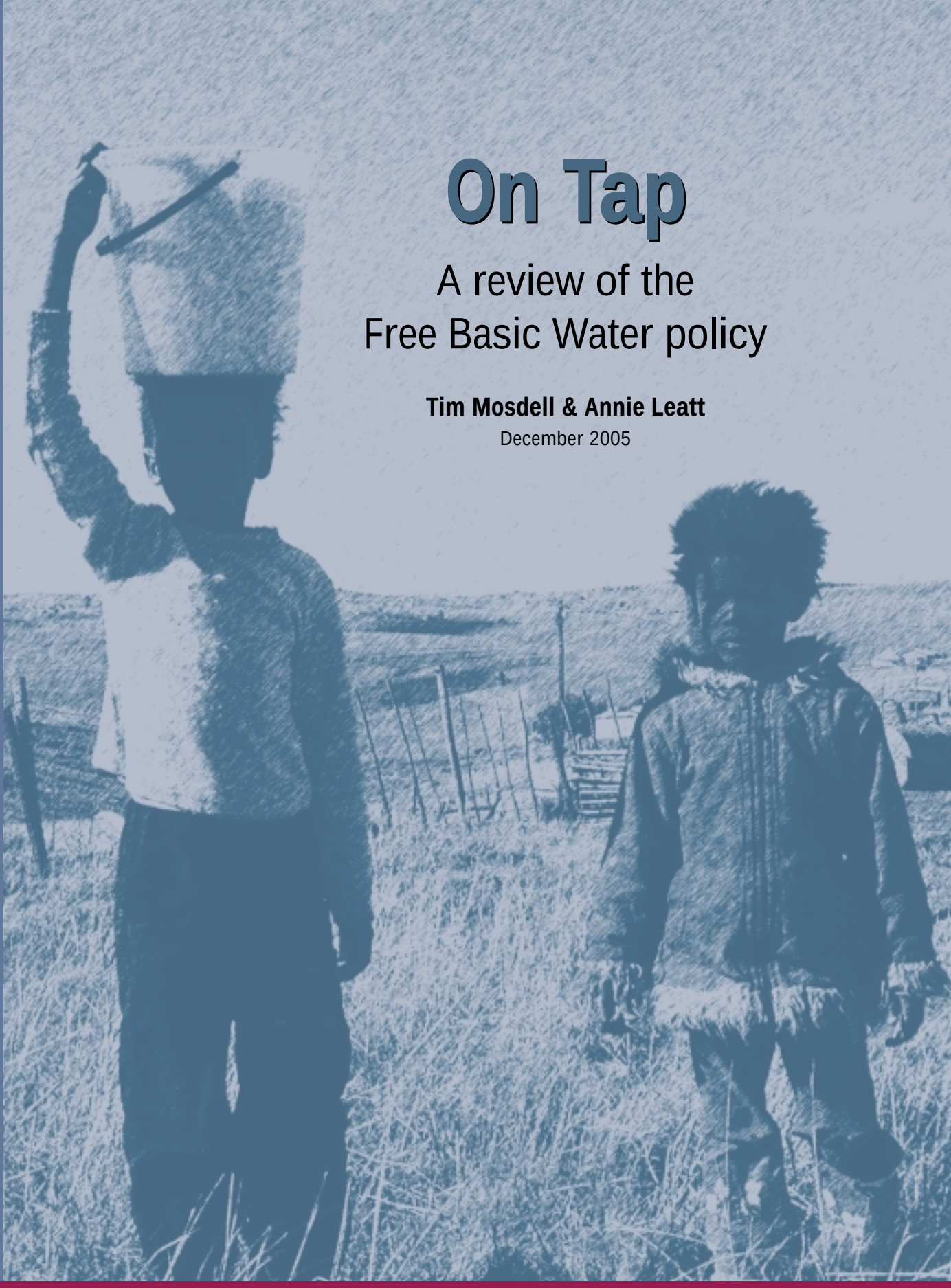
The Means to Live

On Tap

A review of the Free Basic Water policy

Tim Mosdell & Annie Leatt

December 2005



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A review of the Free Basic Water policy

Tim Mosdell
tim@pdg.org.za
Palmer Development Group

&

Annie Leatt
annie@rmh.uct.ac.za
Children's Institute, University of Cape Town

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The *Means to Live* discussion paper series

This paper is one of a series that examine the targeting mechanisms of poverty alleviation programmes across different sectors. The papers form part of the *Means to Live Project*, based at the Children's Institute (CI), University of Cape Town (UCT). This project aims to evaluate the State's targeting mechanisms used to realise the socio-economic rights of poor children and their families.

The project is a collaborative project of the Child Rights and Child Poverty Programmes within the Institute, as well as a number of UCT and external collaborators.

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46 Sawkins Road, Rondebosch, 7700, Cape Town, South Africa
Tel: + 27 21 689 5404 Fax: +27 689 8330
E-mail: ci@rmh.uct.ac.za Web: http://web.uct.ac.za/depts/ci

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Abbreviations

ANC	African National Congress
CRC	United Nations Convention on the Rights of the Child
DLPG	Department of Provincial and Local Government
DWAF	Department of Water Affairs and Forestry
FBS	Free Basic Services
FBW	Free Basic Water
GDP	Gross Domestic Product
IMR	Infant Mortality Rate
MDG	Millennium Development Goals
RDP	Reconstruction and Development Programme
SALGA	South African Local Government Association
U5MR	Under-Five Mortality Rate
VAT	Value-added tax
WSA	Water Service Authority

1. Introduction

This paper, a review of the South African Free Basic Water policy, is one of a series written for the Children's Institute's *Means to Live Project*. The project's aim is to evaluate the government's targeting mechanisms used to ensure the realisation of the socio-economic rights of poor children and their families. Put more simply, it seeks to establish whether current poverty alleviation initiatives are adequately designed and implemented to reach the poor, including children. By focusing on a number of elements of poverty alleviation with significant consequences for children, it will provide answers to the question of whether the poor are able to realise their socio-economic rights through access to these programmes. The research will be used to advocate for the necessary development or changes to government policies and programmes to ensure the realisation of these socio-economic rights.

Other poverty alleviation policies covered in this series include the:

- School Fee Exemption policy (the right to education)
- National School Nutrition Programme (the right to basic nutrition)
- Free Primary Health Care (the right to health care services)
- Housing Subsidy Scheme (the right to basic shelter and housing)
- Child Support Grant (the right to social security)

The *Means to Live* is a multi-stage, two-year project. The first phase comprised this series of policy reviews on selected poverty alleviation programmes and their targeting. The second phase will be primary research conducted during the second half of 2005. The final research report will be released early in 2006.

This paper looks specifically at the Free Basic Water policy as part of the government-provided package of free basic services, and how effective targeting mechanisms are in delivering free water to poor children and their families. It reflects briefly on children's right to water and the importance of access to safe water for children. It provides a brief overview of policy, legislation and regulation guiding water, as well as targeting options in getting free basic water to households. Funding and data sources for monitoring the performance of the programme is discussed before moving on to an analysis of the targeting of basic free water in the context of the policy goals and, where possible, the efficacy of the targeting rationale.

2. The importance of water

"Water is the source of life. We cannot think about developing our people if we fail to provide them with a basic supply of water." So wrote the then Minister of Water Affairs and Forestry Ronnie Kasrils (2002) in the introduction to the Free Basic Sanitation Project on the web site of the Department of Water Affairs and Forestry.

Access to safe water is crucial to sustain human life. One of the *Millennium Development Goals* (MDG) is to reduce the under-five mortality rate by two thirds by 2015. Addressing the backlogs in access to safe water and sanitation is a necessary but not sufficient condition

to reach this goal. Indeed, another of the targets is to halve, by 2015, the proportion of people without sustainable access to safe water and basic sanitation (MDG 2004).

A recent Medical Research Council Burden of Disease briefing (Bradshaw, Bourne & Nannan 2003) estimated the national infant mortality rate (IMR) for 2000 at 60 deaths for every 1,000 live births. Romani and Anderson (2002:3) identify some of the factors that influence infant mortality rates: "First are the socio-economic characteristics of the household in which the child is born... More access to healthcare services and facilities, including ante-natal care, medical attendance at birth, and participation in immunisation programmes constitute the second set of factors… A physical environment in which there is access to safe drinking water, clean sanitary facilities and safe housing constitute a third set of conditions that are seen as improving the chances of infant and child survival."

Poverty and environmental conditions together make up 30% of under-five deaths in South Africa. The HIV/AIDS pandemic has led to a substantial increase in child death rates since the mid-nineties, and currently accounts for another 40% of all deaths among children under the age of five (Bradshaw et al 2003:2).

Aside from the health consequences of inadequate or unsafe water supplies, there are other social consequences. Ward, Hall and Clacherty (2001:3) found in their literature review that: "The collection of water from taps or pumps or natural sources in un-serviced areas remains primarily the task of women and children. The cost of this task is significant in terms of time, effort and risk to personal safety, and bears a direct relation to the distance from which water is transported". Collecting water is the main form of child labour in South Africa.

3. Children's right to water

The South African government's obligations in respect of socio-economic rights for children can be found in the *United Nations Convention on the Rights of the Child* (CRC) and the *Constitution of the Republic of South Africa*. Article 27 of the CRC outlines the right of every child to a standard of living adequate to his or her physical, mental, spiritual, moral and social development. Given its importance to children's health status, water can be understood as a right guaranteed under this article. The right to water is also enshrined directly in Section 27 of the South African Constitution, which states that everyone – adult and child – has the right to access sufficient food and water.

No constitutional court case has yet dealt with the right of access to sufficient food and water. But the State is nevertheless guided by other provisions in Section 27 (2), which require it to implement "reasonable legislative and other measures, within its available resources, to achieve the progressive realisation of each of these rights".

In terms of rights specifically enshrined for children, every child's right to basic nutrition, shelter, basic health care services and social services is articulated in Section 28 of the Constitution. There is no direct reference to children's rights vis-à-vis water and sanitation. However, access to water and sanitation is inextricably linked to basic nutrition, shelter and health care, and it can be argued that these rights are implicit in Section 28 (1) (c) of the Constitution. Given the impact of inadequate and unsafe water on mortality rates, access to water is also absolutely central to survival and development, and is therefore part of the child's right to life.

It is clear throughout this paper that surprisingly little attention has to date been paid to water service beneficiaries and poor households in assessing progress in the delivery of water infrastructure and the Free Basic Water policy. The majority of evaluations and other research were written for and on behalf of municipalities, the Department of Provincial and Local Government (DLPG) and the Water Service Authorities. Very little research has focused on end users – the rights holders with respect to water.

The ultimate judgement of the efficacy of delivery of water must be based on whether South African residents are able to access clean, safe and affordable water. In examining access to water from a rights perspective rather than a more standard policy analysis, the focus shifts from institutions of delivery to the recipients of services, and to issues of access and equity.

Much analyses of the situation of children in South Africa have focused on protection measures or services directly delivered to children by the State or by parents or caregivers. Yet, some public goods and services primarily targeted at households are essential to the survival and development of children, particularly those living in poverty. Water and housing are among these, and are therefore an important part of any assessment of the State's realisation of the rights of children living in poverty.

4. Policy, legislation and regulation guiding water

The right to water in the post-apartheid era has its policy roots in the *Reconstruction and Development Programme* (RDP), which explicitly states that, "The fundamental principle of our water resources policy is the right to access clean water – 'water security for all'" (ANC 1994:28). There are two elements to this aspiration. The first is to make safe water available to all people in South Africa, and the second is to ensure its accessibility, including to the poorest.

Paying for water

Since the inception of the RDP, a dual strategy on water and other basic services has been developing. As services have been extended to a greater proportion of South Africa's residents, the government has initiated cost-recovery policies on the principle that 'the user pays'. It has also developed poverty alleviation programmes that acknowledge that a significant proportion of South African households are too poor to pay for basic services. Cost recovery and free basic services have become two sides of the same policy coin.

The establishment of free basic water and other free basic services must be seen against a background of expanding service delivery and user fees for municipal services. It must also be understood in terms of the decentralisation of authority in respect of water delivery to municipalities and the restructuring of all aspects of local government, from demarcation to financing. "To a degree that probably has no precedent in newly founded democracies, South Africa's constitution and subsequent legislation has explicitly sought to empower local government and task it with the pressing mandate of redistribution and service delivery." (Heller 2001:140) This decentralisation has taken place in a managerial way, and without much interaction with local civil society organisations such as the civics that played a far more substantial role before the democratic transition.

There have been a range of criticisms levied at the cost-recovery policies for basic services, as well as at the introduction of public-private partnerships in the provision of water and other services. These range from critiques of the 'commodification' of public goods such as

water, to criticisms from trade unions about worker rights and the 'casualisation' of labour, to community mobilisation against the slow roll-out of services, increasing basic services costs and the treatment of arrears in payments. The water and basic services sectors have been increasingly politicised since the 1994 transition. Failures and delays in the provision of services to everyone, including the poorest, are rights issues, and are of great political importance in South Africa.

Emerging new social movements have mobilised around access and affordability of water, electricity and land, and local governments' cost-recovery policies and their impact on the poor. In Chatsworth and the KwaZulu-Natal Midlands we have seen mobilisation around water and land issues; Soweto is the birth place of the anti-eviction and anti-privatisation forums; and recent political activity in the Free State Province has centred on maladministration and a failure to extend access to basic services to informal settlements. These civil protests are an indication that all is not well at local government and service delivery levels, and are another reason for strengthening efforts to realise the basic socio-economic rights of all South Africans as quickly and equitably as possible.

There is remarkably little evidence about the cost implications for households since introducing the dual policy of payment for basic services, with a free basic component. We do not know what the impact of this has been on household expenditure across South Africa. Given the centrality of basic services for poverty alleviation, this is rather remarkable. Substantially more is known about the financial impacts on local governments, water boards, the national electricity parastatal Eskom, and other basic service providers.

Poverty assessments usually measure income poverty and take only household income into account. A household is defined as poor when its income is below some set level thought to distinguish between the poor and the non-poor. However, the cost of various basic items is also an essential component of poverty and an escape from poverty. The reduction in the cost of various public goods, such as water or health care, is considered to be part of the social wage, along with income support through social assistance and the zero VAT rating of subsistence foods. The consequences of increased costs of water and other municipal services are therefore significant for households. Basic service costs also impact on the money available for paying for child care, education, health care and food.

Let us turn then to the ways in which this free basic service has been conceptualised and implemented.

Water tariffs, fee waivers and service levels

The water tariff structure can be traced back to the RDP, which states that, in order to ensure that every person has an adequate water supply, a national tariff structure must be established to include:

- A lifeline tariff to ensure that all South Africans are able to afford water services sufficient for health and hygiene requirements.

- In urban areas, a progressive block tariff to ensure that the long-term costs of supplying large-volume users are met and that there is a cross-subsidy to promote affordability for the poor.

- In rural areas, a tariff that covers operating and maintenance costs of services, and the recovery of capital costs from users on the basis of a cross-subsidy from urban areas in cases of limited rural affordability.

While the RDP did not make explicit reference to the provision of free basic water and sanitation, it did raise issues related to affordability and promoted the notion of access to water services as a right.

The *Strategic Framework for Water Services* in its vision for the sector (DWAF 2003:9) aims to ensure that:

> *All people living in South Africa have access to adequate, safe, appropriate and affordable water and sanitation services, use water wisely and practice safe sanitation.*
>
> *Water supply and sanitation services are provided by effective, efficient and sustainable institutions that are accountable and responsible to those whom they serve. Water services institutions reflect the cultural, gender and racial diversity in South Africa.*
>
> *Water is used effectively, efficiently and sustainably in order to reduce poverty, improve human health and promote economic development. Water and wastewater are managed in an environmentally responsible and sustainable manner.*

From the outset of the post-apartheid era, the right of access to water has been explicitly stated. Access to sanitation services is less explicitly articulated but has increasingly enjoyed prominence, particularly in more recent policy documents.

The South African government has introduced several legislative and other measures to realise the right of access to water in Section 27 of the Constitution. *The Local Government Municipal Systems Act of 2000* contains two principles of relevance to water delivery. First, local government must aim to provide broad access to basic services and should make use of cross-subsidisation to achieve this goal. Second, the Act is based on the principle that local government must recover costs when delivering services to ensure that local government remains financially sustainable.

On the eve of a national election in February 2001, Kader Asmal, then Minister of Water Affairs and Forestry announced that Government had decided to ensure that all poor households are given a basic supply of water free of charge. The resulted *Free Basic Water Implementation Strategy* document notes that the legal framework for implementation of free basic water is essentially that of tariff setting, which is guided by the Constitution of the Republic of South Africa (Act No 108 of 1996); the Local Government: Municipal Systems Act (Act no. 32 of 2000); and the Water Services Act (Act No. 108 of 1997).

The relevant clauses of these Acts are briefly outlined below:

- The Constitution says in Section 152 that one of the objectives of local government is “to ensure the provision of services in a sustainable manner”.

- The Municipal Systems Act in Section 74 says that, “A municipal council must adopt and implement a tariff policy on the levying of fees for municipal services provided by the municipality itself or by way of service delivery agreements, and which complies with….any other applicable legislation”. It also states in Section 75 that, “A municipal council must adopt by-laws to give effect to the implementation and enforcement of its tariff policy”.

- The Water Services Act outlines the law in relation to the provision of free basic water. Section 4 (3) (c) sets out a provision for the poor who cannot afford basic

water services: "procedures for the limitation or discontinuation of water services must not result in a person being denied access to basic water services for non-payment, where that person proves, to the satisfaction of the relevant water services authority, that he or she is unable to pay for basic services".

Adequate, safe and sufficient?

The 1994 *White Paper on Water Supply and Sanitation* provides definitions for basic, adequate water supply. The quantity of such a supply is defined as 25 litres per person per day. A person should also not have to carry water more than 200 metres. In addition, the water supply should be available 98% of the time, or supply should not be interrupted for more than one week per year, and "should be in accordance with currently accepted minimum standards with respect to health related chemical and microbial contaminants. It should be acceptable to consumers in terms of its taste, odour and appearance." (Quoted in Ward et al 2001:14.)

This South African benchmark of a basic level of water supply draws on the World Health Organisation standard of 25 litres per person per day for basic subsistence. This amounts to about 6,000 litres per household per month for a household of eight people. This is larger than the average household in South Africa, but takes into consideration that poor households are often bigger than rich households. This volume has been set as the basic target for all households in South Africa. For the implementation of the Free Basic Water policy, Cabinet approved the free provision of 6,000 litres of safe water per household per month (Kasrils 2001a).

The regulations prescribe this as the maximum consumption rate of the first block of a rising block tariff structure for uncontrolled volume domestic connections. This was necessary because the development of the national Free Basic Water policy hinges on water services institutions being able to account separately for the first six kilolitres (kl) (DWAF 2001b). Put differently, this policy decision means that it is necessary to account for consumption in blocks, and that the first block should be standardised at 6,000 litres. According to this system, the cost of water increases with usage, with the first block of water provided free.

In policy and practice in South Africa, the term 'water services' refers to both water and sanitation. However, most delivery to date has been related to water, although this is beginning to change. The Free Basic Sanitation policy is currently in an embryonic form, with the DWAF having finalised its *Free Basic Sanitation Strategy* in March 2004. Its implementation is essential for the realisation of children's rights.

The *Strategic Framework for Water Services* states that every water services authority has a duty to ensure that at least a basic water supply and sanitation service is provided to every household within its area of jurisdiction. This universal service obligation is subject to the availability of resources and to the "progressive realisation" of rights contemplated in the Constitution (DWAF 2003:11). A municipality that has been appointed as a water services authority may undertake the water services provision function itself, or may contract it out to another body such as another local authority, a water board, a private company or a community-based organisation.

5. Getting free basic water to households

Technical options for targeting free basic water

Water and sanitation policy should be understood in the context of a wide range of activities. These range from the management of national water resources to the establishment of water supply infrastructure, financing infrastructure and delivery, provision to households and communities, quality control, payment, as well as health and hygiene education.

This paper's focus on the Free Basic Water policy includes only one aspect of these – supporting access to water to poor households by reducing or eliminating user charges.

The implementation strategy for free basic water makes provision for three different ways in which a free basic level of water supply can be supplied to consumers. These approaches are identified in the strategy as the core of the free basic water implementation plan. The approaches are:

- a *rising block tariff* with a free basic amount to all who consume within the first block (as outlined in the policy documents mentioned above),
- *targeted credits or subsidies*, and
- *service level targeting*.

The table below is extracted from the implementation strategy document and summarises the above-mentioned three approaches, highlighting the targeting method used under each option, and its applicability.

Table 1: Options for free basic water supply

	Option 1 Rising block tariffs	Option 2 Targeted credits	Option 3 Service level targeting
Description	Rising block tariff is applied to all residential consumers, with the first block typically set from 0-6kl with a zero tariff. No fixed monthly charge applicable to those using below poverty relief consumption limit.	Each consumer who is selected for poverty relief gets a credit on their water account, which would typically be sufficient to cover the charge for the poverty relief amount (often 6kl per month).	Those service levels which provide a restricted flow, (below the poverty relief consumption level) are provided at no charge. Those with higher service levels pay the normal tariffs, except for poor consumers who historically have high service levels.
Targeting method	No targeting (first 6kl free to all). However, targeted fixed monthly charge may be necessary for holiday areas.	Requires a system for identifying those who require poverty relief[1]. Typically this is based on a benchmark poverty indicator (household income or household expenditure).	Targeting takes place through selection of service level by the consumer (or authority in some cases).
Applicability	Mainly larger urban municipalities.	Can be used in large municipalities but more	Best suited to municipalities which are

[1] This requires the use of a means-tested targeting mechanism and/or an indigent register.

	Not suited to situations where there is a high proportion of holiday homes unless it is supplemented with a targeted fixed monthly charge.	typical for middle- to small-sized, largely urban, municipalities. Requires a billing system to be in place for all consumers.	largely rural in character.

Source: Department of Water Affairs and Forestry (2001) *Free Basic Water – Implementation Strategy Document.* Pretoria: DWAF Directorate: Interventions and Operations Support.

Table 2, also derived from the implementation strategy document, goes a step further by offering guidelines to municipalities in selecting options.

Table 2: Free basic water option selection

	Option 1 Rising block tariffs	Option 2 Targeted credits	Option 3 Service level targeting
Advantages	Consistent with current approach to use rising block tariffs. Does not require targeting. The 'free basic water to all' message can be applied but is misleading as larger consumers typically pay more.	Suited to situations where there are fewer larger consumers. Relatively simple to apply from an accounting point of view. Easy to integrate with other services where a 'free basic service' policy is being applied.	Suited to municipalities with lower capacity and large proportion of poorer consumers. Typically does not require a metering and billing system for restricted flow service levels.
Disadvantages	Only applicable where there is a relatively high proportion of larger consumers. Requires an effective metering, billing and credit control system.	Requires a system to select those who are to benefit from poverty relief measures. Requires an effective metering, billing and credit control system.	Targeting may be poor if there are a large proportion of households using restricted flow services. Will only work if metering, billing and credit control system for unrestricted flow service levels is effective.
Residential frequency distribution requirements	Typically requires 30% of residential consumers purchasing more than 20kl/month	Only dependent on frequency distribution if poverty relief is to be partly or wholly funded from water account.	Not relevant unless poverty relief is to be funded from income raised from consumers with metered connections (which is seldom possible).
Impact of non-residential consumption	Typically requires more than 20% of water sales to be to non-residential consumers	Only relevant if poverty relief is to be funded from non-residential consumers.	Generally there is only a small proportion of non-residential consumers and it is not possible to fund poverty relief from income raised from them.

Source: Department of Water Affairs and Forestry (2001) *Free Basic Water – Implementation Strategy Document*, Pretoria: DWAF Directorate: Interventions and Operations Support.

The implementation strategy goes to some lengths to stress that flexibility remains at the local level in the use of these options and that, in some cases, a mix of these options may be the most appropriate route to follow. The reason for this flexible approach is two-fold. Firstly, the provision of water services remains a local competency in terms of the Constitution and the Municipal Systems Act. This means that decisions on the way in which services are provided are made at the local level, with some regulatory oversight from other tiers of government. Secondly, it is argued that local authorities are in the best position to interpret local circumstances, both in terms of the demographic profile of users in the area and also in terms of what the local municipality can afford. However, this local variation does not consider equity from the perspective of water users – an issue that has not yet been researched.

Rising block tariffs are only really viable where there are sufficiently large numbers of middle- and high-income residential water users or businesses to generate the cross-subsidies needed. An approach based on *targeted credits* or subsidies is most appropriate in those areas where there are many poor people and high proportions of people just above the poverty line. Defining poverty indicators and thresholds are ultimately within the discretion of individual municipalities, although most have adopted the threshold used by the national government to calculate the equitable share allocation – i.e. a household income not exceeding R1,100 per month[2].

Some targeting methods may be used to exclude, either entirely or in part, certain consumers from a full subsidy. Commercial consumers in some municipalities do not, for example, enjoy a free basic allocation of 6kl per month.

Municipalities with a high proportion of poor consumers and very low capacity may use a *service level targeting* approach. This happens where limited service levels are provided, which only supply the basic amount of water. This approach typically involves the use of mechanisms to restrict the volume of water supplied to a certain level. These mechanisms include flow restrictors, the use of water bailiffs along with tokens, water tanks, etc. Some of these mechanisms imply that households' access to water is restricted to a set level. For example, as part of their indigent policy, some municipalities give consumers the option of a flow restrictor on the understanding that this water would be provided free. In these circumstances, the household does not have the option of consuming more water that the amount allowed by the flow restrictor.

In terms of ensuring accuracy of targeting, service level targeting uses the level of service which the consumer has as a proxy for their level of poverty. For this to be effective, the selection of service level must originally have been made with an emphasis on poverty criteria. Communal stands or informal housing are examples of such poverty proxies.

The *rising block tariff* option is essentially intended to be a self-targeting mechanism based on consumption of the service. This assumes that poor consumers will use less of the service. As waste water flows cannot easily be measured, this approach draws on water use as a proxy for waste water discharge flows, which in turn are taken as a measure of consumption of the service. The option of setting the charge, based on property value, is founded on the assumption that property value is an indicator of the wealth of the consumer of the service. The option of using *targeted credits* or subsidies can be seen as most effectively reaching the intended beneficiaries as the targeting method is direct. However,

[2] National Treasury recently released a document on equitable share allocations (2005), in which the calculations of equitable share are made on household income of R800 per month, using 1998 figures. According to Budlender's calculations (forthcoming), this would need to be R1,123 in 2004 to take inflation into account.

this approach can be administratively cumbersome and expensive to implement, particularly if there is a means test and/or qualifying register that needs to be maintained.

Local municipalities – some examples of targeting

Funding for free basic water and sanitation is based on the national standard income poverty indicator used by the Department of Provincial and Local Government (DPLG). This in turn is based on the National Treasury guideline for calculating the equitable share, calculated according to household expenditure, with the limit set at R1,100 per month. In other words, households with total expenditure of less than R1,100 per month are considered poor for the purposes of national funding of free basic services.

However, municipalities can establish their own local poverty indicators. This may be lower than the national standard in certain circumstances, such as where municipalities include a large proportion of poor households and where it is not considered sustainable to provide the service to all the poor using the national standard indicator.

In these circumstances, poor households living in poor municipalities may well find themselves benefiting less from the Free Basic Service policy than their counterparts in wealthier municipalities. The equitable share allocation from the national government is an attempt to mitigate against this, as it is based on the number of households earning less than R1,100 per month in a local government jurisdiction. However, the use of the allocation is discretionary and municipalities may choose not to use the whole of this source of revenue to extend free basic services. Generally speaking though, municipalities tend to use their equitable share allocation to extend services to the poor on a free or subsidised basis.

There are three elements to targeting. The first is the delivery mechanism, such as whether municipalities deliver the free basic portion through service level targeting, rising block tariffs or targeted credits. The options for municipalities have been outlined above. The second element is the identification and selection of households which are eligible to receive the free basic water provision, where this is not available "automatically" within an ongoing billing system. These means to identification include indigent registers, means-tested targeted credits and other local household income and asset assessments. There is almost no information on this aspect of targeting or its consequences for access and administrative justice. The third element is the tariff rate for water, where there is a charge through rising block tariffs or targeted credits.

The Palmer Development Group conducted a series of case studies[3] for the Free Basic Water Implementation Strategy in 2001. Although completed quite soon after the introduction of the free basic water strategy, the studies outline some of the complexities and variations in the three elements of targeting: the delivery mechanism, the selection criteria and tariff structures.

Since then, the DPLG commissioned a nationwide *Free Basic Services Report, Phase 3* – a study into the provision of free basic services in 2003. Through this quantitative survey of all 284 municipalities (90% interview rate) and in-depth, qualitative interviews with a sample of municipalities, more details emerged on the targeting activities at local level. The investigation focused on all aspects of the free basic services policies, and was therefore not limited only to the free basic water component.

[3] These papers can be downloaded from the DWAF web site at: http://www.dwaf.gov.za

Some 67% of municipalities reported that they "had undertaken some form of formal assessment process to determine who qualified for FBS" (DPLG 2003). Of these, "27 percent indicated that they had utilised housing income survey data to determine who qualified for FBS in their municipalities, while 18 percent had made use of direct research, 17 percent used advertisement and 2 percent relied on national statistics" (DPLG 2003:10).

This breakdown does not give an indication of the number or proportion of households identified through these assessment processes, but only reflects the number of municipalities using them. Presumably the national survey data used was from the Census, since this is the only source that has data disaggregated to small area level. We can also deduce that the 17% of municipalities using advertising for people to apply for free basic services were the ones implementing means-tested targeted credits through an indigents register where account holders are invited to apply for partial or complete exemption from payment. We have no information, however, on how the means testing works where this approach has been implemented – or on the errors of inclusion and exclusion as a likely result from unverified means testing.

Sixty-seven percent of municipalities also supported the provision of free basic water directly to households through household or yard connections. Only 12% "indicated a preference for communal access" (DPLG 2003:vii).

When asked what level of monthly household income should be used to determine eligibility for free basic services, 36% of municipalities reported that it should be R1,100; another 16% indicated that household incomes from R1 101-R1 500 should also qualify; 5% thought that only those below R500 per household per month ought to benefit, and the remaining 20% indicated that free basic services should be provided to every household in the municipality[4]. This is despite the fact that the DWAF sets indigent household income at R800 per month.

There are other cases, such as the Swartland Municipality in the Western Cape Province for example, that uses a threshold calculated at twice the state pension plus 10% (equal to R1,630 in 2004/5). In addition to these money metric assessments of eligibility at local government level, some municipalities reported using other criteria too. Twenty-three percent (or 59 municipalities) reported prioritising those households that have not previously benefited, and an additional 5% – 12 local authorities – "took dwelling types in the form of informal settlements into account" (DPLG 2003:22). A handful also took the gender (2%) or age (1%) of the household head into account, although it is not clear how or for what reasons.

When asked in the qualitative interviews about the challenges in implementing free basic services, municipalities identified a wide range of elements from policy to implementation, finance, capacity, reporting, planning, partnerships and communication as being problematic. At the policy level, three of the four main concerns have to do with poverty definitions, or in the language of the DPLG, "indigence". The concerns are as follows (DPLG 2003:x):

- A consistent definition of an indigent household across sectors, which applies to all free basic services provision, is required.

- Consistency with regard to whether free basic services are a targeted or broad-based policy.

[4] The DWAF's reporting on provision to the poor is based on a household income line of R1,100 per month.

- The establishment of indigent registers and indigent databases.

Key proposals from this DPLG-commissioned research include the recommendation that an indigent policy is introduced, which includes:

- the development of a national indigent register,
- an agreed definition of what is an indigent, and
- the framing of an indigent policy.

As will be discussed later, this concern has been addressed in the 2005 Government Plan of Action for the social cluster: To investigate the viability and contents of a national indigent policy. A key debate within the DPLG currently centres on the appropriateness of maintaining an "indigents register" based on administrative means testing. While such a mechanism provides for a rational targeting approach, it is extremely costly to implement and maintain. Some smaller municipalities appear to have used an indigent register, but larger municipalities are increasingly finding this approach difficult, if not impossible, to implement. The Buffalo City Municipality[5] in the Eastern Cape Province, for example, is in the process of moving away from administrative means testing in favour of a self-selection process where consumer can chose to access lower or restricted levels of service at lower or zero tariffs. One of the suggestions in the DPLG Phase 3 report is to share learning on how "indigent" households can be identified, and also to cross-reference with other national datasets, such as those collected by the national Department of Social Development.

6. Programme plans

The main intended beneficiaries of free basic water and sanitation policies are poor households. In other words, children are not a direct target of the policy, but benefit through access to water and sanitation in their households. Although there is a broader policy commitment to the extension of free basic services to all households, the primary target of the policy is poor households to whom free basic services represent a significant poverty alleviation measure. There tend to be more children in poor households than in non-poor ones; so the impact of poverty alleviation mechanisms that reach beneficiaries is greater for children than that for adults – at least in terms of numbers.

In addition to the supply of water and sanitation services to households, local government is responsible for water and sanitation delivery to public institutions such as schools and clinics – both vital to the welfare of children.

The *Strategic Framework for Water Services* sets out a number of goals related to the provision of free basic water (DWAF 2003). These include that:

- all people in South Africa have access to a functioning basic water supply facility by 2008,
- all schools have adequate and safe water supply and sanitation services by 2005,
- all clinics have adequate and safe water supply and sanitation services by 2007,

[5] The Municipality of East London, King William's Town and Bhisho.

- investment in water services infrastructure in the sector totals at least 0.75% of the GDP, and

- the Free Basic Water policy is implemented by all water services authorities by 2005.

7. Funding sources

The revenue for providing free basic water can come from sources internal or external to local government, or some combination of the two. The internal source typically refers to cross-subsidies, where income from households paying higher tariffs for high consumption is used to provide the free basic allocation to poor households. The primary source of external funding is the allocation of the equitable share, as set out in the National Treasury's *The Introduction of an Equitable Share of Nationally Raised Revenue for Local Government* (2005).

The equitable share allocation is an important mechanism available to municipalities in financing free basic water, particularly in contexts where the local revenue base is inadequate to meet the related costs. However, as the equitable share is granted on the basis of the number of poor households in a municipality, it may not be sufficient to provide free basic water to all households through the mechanism of a rising block tariff, with for example the first 6kl free of charge. Consequently, if the local authority adopts the approach of universal provision, the equitable share will need to be mixed with locally raised revenue.

The primary source of financing for water services remains local taxes and other revenues levied and collected by municipalities, including property taxes, district levies and user service charges. However, municipalities do not have all that much autonomy in the taxes that can be levied. "The government introduced caps on tax increases that local governments could impose on wealthy neighbourhoods, limiting the potential for cross-subsidies at the local governments." (McDonald 2002:17)

The equitable share and other transfers that local governments receive supplement these revenues levied and collected, and are targeted at the poorest municipalities that have a limited local tax base and who have the highest numbers of poor households.

In addition, the *Municipal Infrastructure Grant* is a source of funding for water and sanitation infrastructure capital projects where, in principle, the equitable share is intended to place municipalities in a position where they can provide for free basic services to the poor. However, the equitable share is an unconditional grant to municipalities, which make their own decisions on how to use these funds.

Unless the municipality has a large proportion of wealthy consumers to act as a source of funds for cross-subsidising poor consumers, the only way that free basic sanitation can be achieved is through the use of the equitable share to cover the cost of providing sanitation services to the poor. The equitable share as of 2004/05 is composed of six components:

- The 'R293' allocations for operating services in certain former 'homeland' urban settlements.

- The I-grant component aimed at ensuring that every eligible municipality has sufficient funds to maintain a functioning administration.

- The S-grant, the largest part of the equitable share, with the purpose to ensure that low-income households in all municipalities receive access to basic municipal services.

- Nodal allocations to promote development in identified nodal municipalities.

- Free basic services allocation for water supply, sanitation and refuse.

- A free basic electricity/energy component.

While a specific window is now provided for water supply and sanitation funding, it remains necessary for municipalities to use part of the S-grant to subsidise these services to assist the poor. The equitable share components are currently under review.

The S-component of the equitable share is calculated as follows:

- The amount allocated from the fiscus (currently of the order of R4.9 billion) is distributed equally between all poor households in the country, with certain adjustments.

- The amount is sub-divided as follows:
  - Water supply: 23.3%
  - Sanitation: 11.6%
  - Electricity: 41.9%
  - Refuse service: 23.2%
- The amount for the particular service is allocated to the district or local municipality, depending which is the authority for the service concerned.

The free basic services grant (currently R1.5 billion a year) is allocated partly in the same way as the S-component and partly based on the numbers of poor households receiving water and sanitation services. The extent to which such subsidies are sufficient to cover the costs of providing free basic sanitation is of ongoing concern to municipalities. What is evident is that such subsidies are typically not sufficient to cover the cost of waterborne sanitation without the inclusion of cross-subsidies.

8. Data sources for monitoring performance

Currently, the primary source of data for monitoring the implementation of free basic water and sanitation is the DWAF's implementation status database. An updated version is maintained on the DWAF's web site at: http://www.dwaf.gov.za/FreeBasicWater.

The database figures are based on Census 1996 data adjusted by using the Statistics South Africa (Stats SA) growth factor of 2003. It is not clear why Census 2001 figures are not used instead.

The two tables on the next page were taken from this web site and reflect the monitoring of the implementation of the Free Basic Water policy to the total population, as well as those defined as poor by the DWAF as of May 2005.

Table 3: Poor population served by free basic water[6]

Province	Total number of poor people	Number served by free basic water	% served
Western Cape	1,671,093	1,422,868	85%
Eastern Cape	5,481,547	2,225,281	41%
Northern Cape	524,831	397,988	76%
Free State	1,951,829	1,801,350	92%
KwaZulu-Natal	6,297,337	3,965,046	63%
North West	2,406,752	1,372,778	57%
Gauteng	4,055,972	3,470,194	86%
Mpumalanga	2,257,622	659,137	29%
Limpopo	4,731,809	1,889,386	40%
Total	**29,378,792**	**17,204,028**	**58.6 %**

Source: www.dwaf.gov.za/FreeBasicWater Accessed: 10 May 2005.

Table 4: Total population served by free basic water

Province	Total	Served by free basic water	% served
Western Cape	4,402,436	4,003,982	91%
Eastern Cape	7,353,937	2,844,156	39%
Northern Cape	901,405	590,354	65%
Free State	2,934,118	2,818,630	96%
KwaZulu-Natal	9,503,017	6,288,841	66%
North West	3,751,150	2,707,593	72%
Gauteng	8,362,716	7,906,866	95%
Mpumalanga	3,286,858	1,322,367	40%
Limpopo	6,057,659	3,443,663	57%
Total	**46,553,296**	**31,926,452**	**68.6 %**

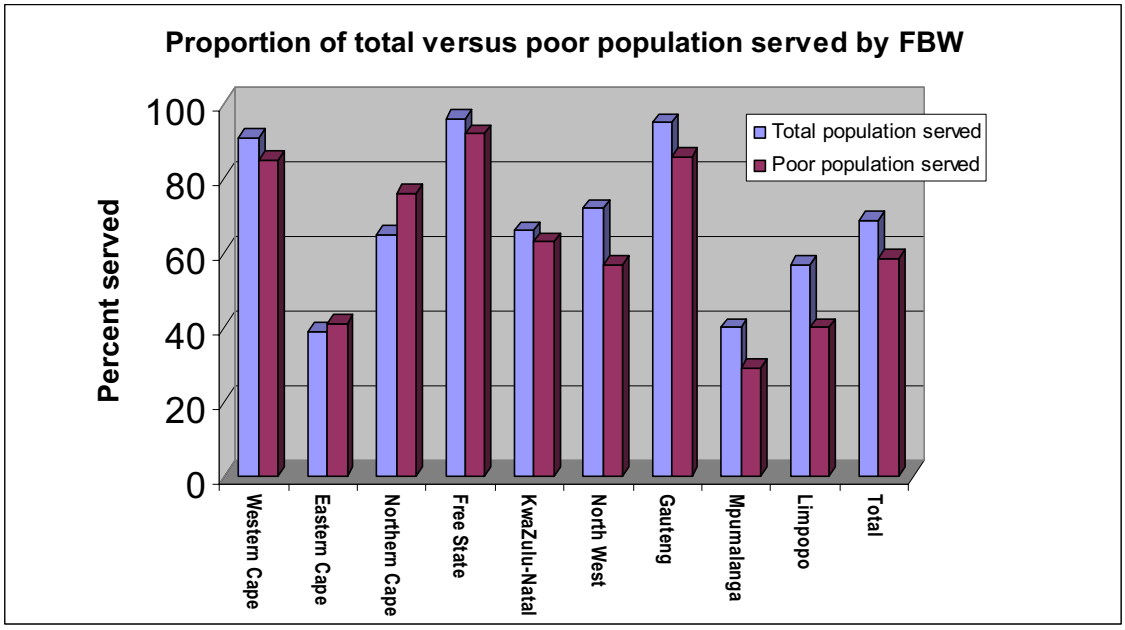
Source: www.dwaf.gov.za/FreeBasicWater Accessed: 10 May 2005.

From a population coverage point of view, the DWAF estimates that over two-thirds (68.6%) of the entire population are currently served by the Free Basic Water policy. Amongst the poor, 58.6% have been served.

Using the DWAF data, the following graph – Figure 1 on the next page – shows the population coverage broken down by province and illustrates a relatively wide range of coverage across provinces. The graph also illustrates free basic water coverage of that proportion of the population which is defined by the DWAF as poor (using the equitable share income threshold of R1,100 per household per month). The range of performance between provinces is even wider, ranging from 92% in the Free State to just 29% in Mpumalanga. The Northern Cape and Eastern Cape are interesting as they are the only provinces where the proportion of poor people served is shown to be greater than the proportion of total population served. It is not clear how this was achieved, or whether there are problems with the data.

[6] The category of "served by free basic water" includes the total population that receives free basic water services. Categories of these services are determined by the individual local municipalities (e.g. 6kl, 10kl, 12kl free per month).

Figure 1: Proportion of total and poor population served by free basic water, by province



Source: www.dwaf.gov.za/FreeBasicWater Accessed: 10 May 2005.

There may also be significant errors in the presentation of uptake figures, and how they are allocated to the poor or non-poor[7]. The DWAF Free Basic Water web site gives provincial and municipal breakdowns of the total and poor populations, and of the population with infrastructure along with the proportion served by free basic water. In a number of municipalities in the Eastern Cape, the whole take-up figure is assigned to the poor population. It would appear that some of these figures are incorrect when compared with the proportion of people with infrastructure who are served. The figures would imply that poor people in the Eastern Cape are more likely to have infrastructure than the non-poor, which is very unlikely.

Even if we accept the DWAF data on uptake rates, the reported greater provision to the non-poor is significant since the entire rationale behind the free basic water initiative has a strong pro-poor focus. Their statistics indicate that over 17 million poor people are now benefiting from the policy. There is still a great deal of work to do to ensure that the remaining 12 million poor people benefit. Of the total population of 14.5 million not yet receiving free basic water, 12 million – or nearly 86% – are poor. If there are errors in the data, this figure is likely to be even higher.

It is apparent that, on average, the free basic water service is more likely to reach the non-poor than the poor. It is the result of the poor being less likely to receive water services at all.

It is also due to constraints on institutional capacity, where poorer municipalities are less able – both administratively and financially – to implement the policy as effectively as in wealthier, better resourced municipalities.

[7] Our thanks to Katharine Hall for pointing out the likely errors with the Eastern Cape figures.

9. Analysis of the targeting of free basic water

There are a number of government-sponsored and independent evaluations that we can draw on to assess the targeting of the Free Basic Water policy. These include the *Masibambane Programme*, which aims to support and strengthen the water and sanitation services sector by researching and providing training to local government. In addition, the parliamentary Portfolio Committee on Water Affairs and Forestry conducted *hearings on free basic water* in June 2003, and solicited written responses from stakeholders such as the South African Local Government Association (SALGA), the South African Civil Society Water Caucus (SACSWC), the South African Association of Water Utilities (SAAWU), the Water Research Commission (WRC), National Treasury, the Department of Provincial and Local Government (DPLG), and the Department of Water Affairs and Forestry (DWAF).

In addition to these initiatives, the *Municipal Services Project* at Queensland University has produced some interesting work. David McDonald is its director, and along with Ashwin Desai's research published in *We are the Poors*, is alone in trying to establish, through qualitative research with households, the impact of cost recovery and free basic services on the livelihoods of the poor. McDonald is best known for his work linking the introduction of water meters in Chatsworth and the cholera epidemic that broke out there in 2001. Some of the views and concerns arising out of the hearings and research are articulated in the following sections.

The broad objective of the *Means to Live Project* is to assess whether selected poverty alleviation policies and programmes in fact reach children living in poverty in South Africa. In other words, we want to know if these policies and programmes get to people living in poverty in order to provide relief from the circumstances of poverty, and thereby contribute to preventing the transfer of poverty across the generations.

Targeting is an important lens through which this can be analysed:

- How are poverty alleviation programmes targeted?
- Are children taken into consideration in the conceptualisation and implementation of policies and programmes where appropriate?
- Who are the policies and programmes intended to reach?
- Are those most in need identified for programme delivery?
- Do the means of identifying and reaching the poor create obstacles or have unintended consequences for selected beneficiaries?
- What are the opportunity costs of accessing poverty alleviation?
- Do the poor encounter a range of barriers to assistance and opportunities within the scope of poverty alleviation programmes intended for their benefit?

Targeting can be described as a way of identifying beneficiaries for a benefit or good. Benefits within poverty alleviation programmes can be delivered positively or negatively. For example, a benefit could be either a cash transfer in the form of a grant (positive), or a tax exemption or fee waiver (negative), which would have a similar nett effect on household income and expenditure. It could also be a free meal as part of a school feeding scheme, or a school fee waiver that relieves caregivers of one element of household expenditure,

thereby reducing barriers to accessing education. Targeting can take place at household, institutional or geographical levels, or a combination thereof.

The Free Basic Water policy is an example of a fee waiver provided in the context of a cost-recovery strategy with the introduction of or increase in user fees. The remainder of this paper seeks to evaluate the targeting of free basic water in the context of the policy goals and, where possible, the efficacy of the targeting rationale.

One of the ways in which targeting can be assessed is by looking at errors of inclusion and exclusion. Where targeting is inaccurate because it allows those that are not the intended beneficiaries to have access to a benefit, it is called an 'error of inclusion'. It would be an error of inclusion when the non-poor are able to access a poverty alleviation programme. These errors have important resource consequences as they can cause significant expenditure on those that are not eligible according to policy and programme goals.

The opposite problem arises when a person, household or institution is eligible for a benefit but is unable to get it because the targeting mechanism is inappropriately conceptualised or implemented. This constitutes an 'error of exclusion'. Those who are most poor are often subject to errors of exclusion from poverty alleviation programmes, leaving them unable to claim the assistance designed to reach them. It could be argued that errors of exclusion are more serious from a human rights perspective because they almost always involve the non-realisation of a socio-economic right.

Insufficient access to water supply and sanitation facilities constrain opportunities to escape poverty and exacerbate the problems of vulnerable groups, especially those affected by HIV/AIDS and other diseases (DWAF 2003:6).

Poor households are often impacted on negatively in terms of accessing affordable or free basic services, partly through lack of income, and partly for structural, systemic issues related to the fact that the delivery mechanism of the benefit favours those already in the system, such as municipal account holders. There are a number of additional problems with the targeting and related delivery that we have identified.

Equity in access to poverty alleviation

It has already been noted that local municipalities have substantial discretion in decisions over what poverty measures to use, and how to assess household eligibility for inclusion into indigent registers, service level targeting arrangements or rising block tariff-related access to free basic water. The logic of this decision-making power of municipalities is argued on the basis of the need for financial planning and cost recovery on the one hand, and the local knowledge of conditions within their administrative jurisdictions. However, we do not have any sense of whether access to free basic water or the costs of water to account holders are equitable between municipalities, districts and provinces. The latest Government Programme of Action (Republic of South Africa 2005) refers to this in the following action: "Address challenges of culture of non payment, billing systems and indigent policies that vary from one municipality to another." The action by the DPLG is to introduce an "indigent registration pilot to start in June 2005 in selected rural nodes and metros" and also to review the equitable share to provide relief to poor municipalities (Republic of South Africa 2005).

More information is also needed in understanding the dynamics of household access to free basic water rather than municipal provision of the free basic water. It is only on this basis that the equity considerations can be taken further.

The inadequacy of six kilolitres per month

One critique of the implementation of the free basic water centres on the figure of six kilolitres, which has become a cornerstone of the policy. The South African Civil Society Water Caucus (SACSWC) in its submission on free basic water to the Portfolio Committee of Water Affairs and Forestry argued that the policy is based on a flawed assumption that low-income households use less water due to their low-income status. Therefore the six kilolitres referred to in the policy fail to account for the basic water requirements of households, which are influenced by a number of significant factors, including (PMG 2003):

- household size;
- number of dependants;
- illness status of household members (e.g. of HIV/AIDS patients), as health care demands increased water use;
- the use of flush toilets, which need up to nine litres per flush;
- different consumption patterns between week days and weekends, with an increased water use over weekends; and
- water needs for productive use, e.g. to ensure food security.

On the issue of HIV/AIDS, Tomlinson (2004:49) points out that realistic water consumption levels for households that support HIV/AIDS patients are significantly higher that those not faced with this problem. He estimates that under such circumstances, consumption is typically more than double. In addition such households are often faced with a declining ability to pay for services, effectively making this group vulnerable from a number of perspectives.

While the World Health Organisation uses 25 litres per person per day as a standard of basic adequacy, its recommended minimum is “50 litres per person per day for basic needs and a healthy existence” (McDonald 2002: 19). This is much closer to the working of “sufficient food and water” underwritten in the Constitution.

McDonald mentions the fact that poorer households tend to be larger, but also that “old and poorly constructed apartheid-era infrastructure means that up to 40 percent of water going into townships is lost to leaks” (2002: 18). This is relevant if the leak happens at household level where it is counted within a free allocation or is charged as usage.

Delays in extending service coverage

The Palmer Development Group (PDG) was appointed as lead consultants to assist the DWAF in the development of an implementation strategy to give effect to the Free Basic Water policy in 2001. This process focused on the provision of a free basic level of water supply to those households already having at least a basic water supply and did not deal with the ongoing roll-out of water services in un-serviced areas. At the outset, however, the research team made it clear that the implementation of the Free Basic Water policy should not slow down or prevent the continued extension of services to other households, and that close monitoring of the impact of the policy would be required to ensure that this did not happen.

SALGA has identified two external factors that have been inhibiting the extension of free basic water to un-serviced communities. These factors include firstly the lack of capital funding to extend water infrastructure to communities not yet serviced. It was noted, however, that this situation was likely to improve since increases to the equitable share effective from July 2003 meant more funding for this purpose. To date there is no data to confirm whether this was in fact the case. Secondly, delays in the finalisation of the transfer of departmental water schemes to municipalities are also seen as a factor constraining service coverage (PMG 2003).

While there has been substantial extension of water services provision since 1994, there is still a long way to go. It is possible to compare water sources for households over a time period by using data from the 1993 *Project for Statistics on Living Standards and Development* (PSLD) survey and the *General Household Survey* (GHS). While the figures below do not give the numbers of children in these households, it does give some indication of trends. In the GHS 2002, 69% of households used piped tap water – the safest water source – in their houses or sites, compared to 46% in 1993. Where 10% of households in 1993 had to rely on water from rivers and streams, only 5% of those households surveyed in 2002 were still reliant on this unsafe source.

However, these gains have not been evenly distributed. African households in the 1993 data were the only ones relying substantially on unsafe water sources. By 2002, a total of 60% of African households had access to water piped into their houses or stands. While this is almost double the 32% of households that were in that position in 1993, it still left 40% of African households without safe water directly to their homes or erven through taps. Where 13% of black families had been reliant on unsafe flowing water from rivers and streams in 1993, 7% in the 2002 sample were still using this unsafe water source as the primary point of access to water. Discrepancies are not only racial. In KwaZulu-Natal, the proportion of households relying on water from rivers or streams was around 12% in 2002 – substantially higher than the 5% national average.

The DPLG Phase 3 report published in 2003 has the following to say about the delivery of free basic services:

> *FBS was intended to service the poorest of the poor, by providing a basic level of service to people who would not otherwise be able to afford this. However, results of both the pilot study and the survey of municipalities undertaken as part of this study suggest that a high percentage of FBS implementation is being provided on a broad basis and not in a targeted manner. FBS is being provided to all people currently listed on the municipalities billing system. The implication of this is that a substantial amount of FBS are being provided to people who are not entitled to the service but who are easy to locate... This excludes those people who are not currently receiving services from the municipality, and do not have access to infrastructure. Many of these people would fall within the criteria of households deemed as being indigent.*
>
> (DPLG 2003:71)

In other words, there is a substantial error of inclusion in the free basic services programme because those who are not poor already have access to the mechanism that delivers the benefit. At the same time there is a substantial error of exclusion because the poor are not able to access either the mechanism of water services, or the targeted benefit of the fee waiver.

Account holder access

Even where a physical structure is receiving services, one account holder does not always correspond to a single household. For example, in instances where a family is renting a backyard shack, which is often the case in poorer urban areas, the free basic allocation is effectively diluted as there are multiple households sharing a connection.

Recent analysis of the 2003 *General Household Survey* by Debbie Budlender for the housing paper[8] in this series shows the following patterns of multiple household dwellings.

Table 5: Population and housing distribution by housing type, backyard/shared property

MAIN DWELLING	HOUSING UNITS		CHILDREN (person weighting)			ADULTS		TOTAL (all people)	
	Freq.	%	Mean kids per housing unit	Total kids in housing type	Distri-bution	Total adults in housing type	Distri-bution	Kids & adults in housing type	Distri-bution
Backyard Dwelling	331,154	2.6%	0.902	261,865	1.5%	549,807	1.9%	811,672	1.7%
Backyard Informal	342,357	2.7%	0.832	268,626	1.5%	633,362	2.2%	901,988	1.9%
Room/ Flatlet	492,256	3.9%	0.391	192,198	1.1%	647,390	2.2%	839,588	1.8%
Total backyard/ shared	**1,165,766**	**9.3%**		**722,689**	**4.1%**	**1,830,559**	**6.4%**	**2,553,248**	**5.5%**
TOTAL (All housing types)	**12,540,840**	**100%**		**17,655,483**	**100%**	**28,797,030**	**100%**	**46,452,513**	**100.0%**

Source: Budlender's analysis of *General Household Survey* 2003 (Hall 2005)

The data shows that a little more than 9% of households live in housing units that share basic service connections with main buildings on an erf through backyard dwellings and rooms or flatlets. Smaller numbers of both adults and children live, on average, in these dwellings than in others. Still, it would appear that some 2.5 million people, including some 700,000 children, live in these kinds of housing conditions.

Other vulnerable households include those that are not able to contract directly with the municipality as account holders. These groups include child-headed households and farm dwellers. Accurate figures are not available for these household types, and we do not know the scope of the problem for those unable to contract.

Lack of financial resources

A number of stakeholders have expressed concern regarding the inappropriate deployment of resources towards the funding of free basic water implementation. The South African Association of Water Utilities (SAAWU) for example points out that, in municipal areas where there are not sufficient high volume users to effect meaningful cross-subsidisation via the consumer tariff, the only source of revenue to cover the costs of free basic water provision the equitable share allocation. However, this is an unconditional allocation to municipal authorities and the use of the funds is generally discretionary (although, for 2003/04, a separate window was created under the equitable share for funding free basic

[8] Hall K (2005) Accommodating the poor? A review of the Housing Subsidy Scheme and its implications for children. *In*: Leatt A & Rosa S (eds) *Towards a Means to Live: Targeting poverty alleviation to make children's rights real.* Cape Town: Children's Institute, University of Cape Town [CD-ROM].

services, which is roughly 20% of the allocation). This means that in some instances, insufficient funding is made available by municipalities to implement the policy (PMG 2003).

Lack of capacity to deliver in some contexts

SALGA, in its submission to the portfolio committee hearings on the implementation of free basic water, points to lack of institutional capacity amongst some municipalities as an obstacle to the effective implementation of the policy, particularly in the case of housing distribution. Similar sentiments were echoed in the SAAWU submission. SALGA does however point out that support for municipalities in implementing the Free Basic Water policy is available through the Masibambane Programme, and that the Provincial Support Units which have been established in all provinces are expected to improve the situation (PMG 2003). The capacity of municipalities to undertake infrastructure maintenance is also important as distribution losses such as leaks can lead to large, un-payable bills seemingly the result of high consumption when in fact they arise from poor maintenance.

Local government's lack of capacity to implement policy has been highlighted at the highest levels. Writing about Mbeki's presidency, Faull (2005) states that the President complains about "laborious decision making", and a "lack for all-round capacity, especially in technical areas with regard to water, sanitation and public works". In his 2005 State of the Nation Address, the President "announced a host of capacity inducing initiatives including investment in state infrastructure, a review of the civil service, salary increases for police and teachers, and the strengthening of inter-governmental relations" (Faull 2005: no page number).

Monitoring and evaluation problems

SALGA has called into question the accuracy of the statistics that are used to measure progress with implementation. The basis for defining poor households, they argue, is not consistently applied and varies from institution to institution. In addition to this, DWAF schemes that still have to be transferred to municipalities are excluded from the current statistics – this means that there are some consumers who are not yet included in the statistics (PMG 2003). This is difficult to reconcile with the total population figures used by the DWAF on their web site, which seems to imply total population coverage. We have already pointed out that the Eastern Cape figures give cause for concern about the accuracy of reporting on the delivery of free basic water, showing internal inconsistencies.

Paying for water and free basic services

DWAF guidelines for municipalities on the implementation of the Free Basic Water policy use a 'rule of thumb' guide that households should not spend more than 3% of their income on water services. We do not have up-to-date figures on what proportion of poor households' expenditure goes towards paying for water and other services.

An analysis of the *South Africa Income and Expenditure Survey* (IES) in 1995 and 2000 (Table 6 on the next page) shows some of the trends in water payments, albeit before the introduction of the Free Basic Water policy. It will be very interesting to compare the proportion of those households paying for water, as well as the cost of water, since the introduction of this policy by using the upcoming 2005 IES survey results.

Table 6: Summary expenditure data for water

	1st quintile	2nd quintile	3rd quintile	4th quintile	5th quintile
Proportion not paying for water, 1995 (%)	77	60	45	25	16
Proportion not paying for water, 2000 (%)	85	76	68	56	33
Change in proportion not paying for water (%)	8	16	23	33	17
Mean water expenditure, where any, 1995 (Rand)	35	45	53	70	111
Mean water expenditure, 2000 (Rand)	30	42	53	75	161
Change in water expenditure (Rand)	-5	-3	0	5	50
Water as proportion of total expenditure, 1995	6.41	3.92	2.56	1.71	0.98
Water as proportion of total expenditure, 2000	7.06	5.13	4.01	3.17	1.89

Sources: IES 1995 and IES 2000, Statistics South Africa (Leatt, unpublished).

Three trends can be noted over this five-year period. The first is that across all income bands, greater proportions of households were not paying for water. Only 15% of the very poorest household paid for water in 2000. The second trend is that the cost of water[9], where households were paying, decreased in real terms for the poorest 40% of households, and increased for the wealthiest 40% of households. However, given the increased depth of poverty due to rising unemployment and HIV/AIDS, the proportion of household expenditure used to pay for water increased amongst those households that were paying for water. In 2000 it was only in the wealthiest 40% of households that the proportion of water costs was within reach of the 3% rule of thumb – and 84% of these households were paying for water. That minority of households paying for water in the poorest quintile were using 7% of their total expenditure on water. More research using more recent data is necessary to evaluate the impact of the introduction of the Free Basic Water policy on the proportion of households paying for water, and on the scale of water payments within household expenditure.

In 2000 and 2001, research was done in the Madlebe district in KwaZulu-Natal after the massive cholera outbreak in which 105,297 people were infected and 224 people died. (McDonald 2002:16) The researchers found a very clear correlation between cholera outbreak and the introduction of pre-paid water meters, which replaced free communal tap supplies, and the lack of access to safe water. People in the Madlebe district talked about the sequence of events: “There are still people who do not have cards and must still register; they don’t have money, so they share a card. It is a problem because you cannot get clear water without a card. We used to use spring water before this, but now it is dry.” (Deedat & Cottle 2002:89) Apparently there were a series of problems with the newly introduced metered water service in the district in August 2000. One resident said, “It was bad; it took three weeks before the meters were working again and in the meantime we had no clean water. The boreholes were dry. We needed water to live. We had no choice but to get water from the rivers”. (Ibid 2002: 91)

Another consequence of a metered and billed water service with rising tariffs or other mechanism to introduce a free basic portion is that some households are unable to pay their municipal bills. Writing in 2002, McDonald claims that “in Cape Town, more than 83,000

[9] Adjustments for inflation were made using the inflators developed by Prof. Murray Leibrandt.

households had their water cut off between 1999 and 2001, and armed guards are now being used to keep protesters as bay while disconnections take place" (2002:17).

Section 4 (3) (c) of the Water Services Act sets out a provision for the poor who cannot afford basic water services: "[P]rocedures for the limitation or discontinuation of water services must not result in a person being denied access to basic water services for non-payment, where that person proves, to the satisfaction of the relevant water services authority, that he or she is unable to pay for basic services."

It appears that the water bailiff system has all but collapsed in the face of a free basic water allocation. In the period prior to free basic water, bailiffs essentially acted as water gatekeepers, collecting revenue for water used and ensuring this water was provided. Bailiffs were responsible for suspending services for non-payment. However, the system is extremely difficult to manage in the context of a free basic water allocation and most schemes have collapsed as a consequence.

Furthermore, we still need a lot more information on the various billing mechanisms used by municipalities to enforce payment. Currently, we are unable to assess whether the terms of the Water Services Act are being met in the administration of water services and other payments. There can be no doubt that the issue of basic services provision and payment is highly contested in South Africa. Much post-apartheid civil society mobilisations have been around on issues of land, tenure, and water and electricity services provided at local level. The debates about payment for basic services and cost-recovery measures are deeply ideological.

The other side of the debate about payment for services, the one most often put forward by local government, is that under certain circumstances consumers do not need to pay for the service they receive. There is a view that, where the long-term sustainability of Government and society is concerned, the ethics of paying for services at some level is healthy and ought to be encouraged. SAAWU has identified the problem of illegal connections as a threat to the sustainability and long-term viability of the Free Basic Water policy, arguing that unauthorised connections have negatively impacted on the viability of schemes and continue to undermine the free basic water provision in many areas. They argue that, for the Free Basic Water policy to be sustainable, it is critical that all consumers pay for all services that exceed the free basic water limit of 6,000 litres per household per month (PMG 2003). This requires accurate metering, accounting and receipting systems, as well as mechanisms for getting service accounts to consumers.

A counter-argument is that the Free Basic Water policy will in fact encourage payment for services because it will allow the government to take measures against those who use more than 6 kilolitres but who won't pay for it. This argument does not hold in rural areas where the 6 kilolitre policy may lead to a situation where schemes become completely dependent on government handouts to keep running. This may well lead to the disempowerment of community-based water services providers, and to an escalation in local government costs (Still 2001:9).

There is also the obvious counter-argument that the poorest of the poor simply cannot afford to pay for services, and yet they have a right to health and basic services. This is the primary rationale of the free basic water and sanitation policies in the first place. As a consequence, the delivery of water to the poor is its key objective.

This dual strategy of cost recovery and fee waivers is opposite to the strategy taken in the public health sector for example, where there has been an expansion of the delivery of services at primary level as well as an incrementally universal free access system. Free health care was introduced in 1994 for primary care to children under the age of six and pregnant women. This has since been extended to all primary health care services as well as selected beneficiary categories, such as disabled children.

10. Conclusion

There are clearly many information gaps in our knowledge of the implementation of the Free Basic Water policy. We have identified the need for further research from the perspective of households, and in particular the consequences of the policy for children and caregivers within these households. Further research needs to include qualitative elements in terms of the consequences of gaining access to this central poverty alleviation programme.

Child-centred statistics on infrastructural programmes such as housing and basic services are simply non-existent. We do not know how many of those intended beneficiaries who yet have to access free basic water, are children. We also do not know the extent and depth of poverty amongst those who are not receiving water services in contrast to those who do. And, perhaps most importantly, we do not know the financial impact of the dual introduction of cost-recovery measures and free basic services at household levels across South Africa in the long term, and the consequences of this on expenditure and for children. Data that will reflect on some of questions will be pursued in the primary research of the *Means to Live Project*.

We can however begin to make an assessment of the targeting of the Free Basic Water policy. Earlier in this paper the notion of errors of inclusion and exclusion was outlined. These can be applied to the policy, based on the analysis of the targeting mechanisms. Reflecting on targeting mechanisms, the National Treasury stated that, “The 2003 Intergovernmental Fiscal Review noted the early successes in implementing the policy to provide free basic services, particularly water. However, of the 27 million people receiving free basic services, only 12 million were poor. The challenge remains to extend these services to poor people, particularly those without access to piped water and electricity” (National Treasury 2004:35).

There are substantial errors of inclusion in the free basic water programme. Of the 32 million people who received free basic water in May 2005, only 17 million were considered poor by the definition of the Department of Provincial and Local Government. The remaining 15 million are not considered poor. On the other hand, significant numbers of poor people are excluded from receipt of free basic water. Some of the reasons for these errors of exclusion were examined earlier.

Heller (2001: 143) outlines a rather compassionate view of the task of the South African government. He writes that the “staggering inequalities of apartheid and its perverse and disarticulated economic and social geographies, the results of decades of determined and brutal racial engineering, has presented the ANC with what might arguably be the greatest transformative challenge ever faced by a democratic government”. And of course, the Free Basic Water policy is only five years old, and is operating in a context of considerable complexity and challenge.

However, it is clear that the targeting mechanism of this poverty alleviation programme is causing substantial errors of both inclusion and exclusion, and is therefore in need of review. This would be a step towards ensuring that the county's resources are best used towards poverty alleviation and ultimately the improvement in the circumstances of poor children and their families.

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