PAPER 5

STRUCTURAL IMPEDIMENTS TO MUNICIPAL SERVICE DELIVERY

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ABSTRACT

There remains a continuous emphasis on infrastructure investment as the solution to municipal service delivery challenges. However, this paper will show that the inability to meet service delivery targets comes from structural impediments that developed over the past three decades in the municipal environment.

A strong focus is on increased delivery through improved administrations and implementation capacity. However, since 1990 many seminal events have contributed to structural challenges, making it nearly impossible to meet infrastructure and service delivery expectations. These events started with the Soweto Accord 1990, where the government broke the link between the cost of services and the payment for services. One should also consider the impact of the De Loor Task Group on a National Housing policy in 1992 that established the principle of differentiated service levels.

Differentiated infrastructure service levels were incorporated into the RDP in 1994. However, over time, even politicians, policymakers, and planners conveniently ignored the constitutional objectives of local government.

Furthermore, a lack of skills to do infrastructure investment planning; the establishment of "wall-to-wall" municipalities that had to implement policies with a strong urban bias in rural areas; the introduction of free basic services; and our spatial planning legislation created structural barriers for service delivery. These barriers make it difficult, if not impossible, to make good on political promises and meet community expectations through sustainable local government.

The paper concludes by showing how structural impediments reinforced by continuous low economic growth and higher than expected urbanisation rates bring local government to its knees. Radical new approaches and tough political decisions are required to stabilise the service delivery environment before one can expect an improvement in municipal infrastructure service delivery.

INTRODUCTION

Thomas Sowell said that there are no solutions in politics, only trade-offs. This statement cannot be truer of municipal service delivery in South Africa. Our municipal service delivery in South Africa is the story of political power and sustainable municipal development trade-offs.

There is a strong focus on increased delivery through improved administrations and implementation capacity. However, it has been several years with pronouncements on improved service delivery by politicians while analysts and commentators have a field day researching and bemoaning the deteriorating state of local government and service delivery in South Africa. The "back to basics" Campaign frequently surfaces in these discussions, but the Auditor-General's annual report on municipal financial reporting fuels a series of press reports, political debates, and expert analysis. However, the trend in deteriorating service delivery and the state of municipal infrastructure continues unabated in a seemingly intensifying downward spiral.

In this paper, we will explore three main themes.

Firstly, we will show a picture of the changing service delivery position in South Africa since 1996. We will highlight the changing trends at a national level and remind the reader of the high levels of spatial diversity in South Africa and that it is unwise to generalise based on aggregated national data.

Secondly, the paper explores underlying issues that affect service delivery. These are issues which we will show developed over time. Whether these issues developed intentionally or unintentionally, they make it difficult for municipalities to sustain service delivery within the current policy frameworks. These are structural issues that will be very difficult to change and make it practically impossible to achieve our service delivery targets.

Finally, the paper addresses some factors and initiatives as prerequisites to breaking the impediments brought by structural challenges and the factors that will impact or need consideration in the future success or failure of municipal service delivery.

DID ACCESS TO INFRASTRUCTURE SERVICES IMPROVE?

Before we explore the changes in service delivery over the past 25 years, it is essential to note that any assessment of the physical extent of service delivery faces data challenges. This is because the only detailed data on service access at a national scale remains from the national censuses about a decade apart. Community surveys supplement the censuses at about five-year intervals between each census. Statistics South Africa (Stats SA) also releases the annual non-financial censuses for municipalities in South Africa. The municipalities themselves provide data for these releases. It cannot be reconciled against any source and has often shown gaps and conflicting figures. Reliable data for analysis and planning is a severe challenge in addressing municipal service delivery. Furthermore, making direct comparisons is challenging because data do not exist in a consistent format between the different data sources.

Since 1994 the government has aimed to eradicate backlogs and provide all South African households with access to at least basic services. From an infrastructure perspective, it targeted water, sanitation, electricity, roads, stormwater, and refuse removal services. Most national data sets report on all these services except road access and stormwater services. However, isolating refuse removal services from municipal financial reporting figures

TABLE 1: *Households with less than basic services[4]*

	Water		Sanitation		Electricity		Total Households	
	Total	%	Total	%	Total	%	Total	%
1996	1 809 480	20%	4 471 092	50%	3 810 437	42%	9 019 357	100%
2016	2 031 975	12%	4 088 142	24%	2 106 451	12%	16 923 309	100%
Change in units	222 495		-382 950		-1 703 986		7 903 952	

TABLE 2: *Households with access to full services*[5]

	Water		Sanitation		Electricity		Total Households	
	Total	%	Total	%	Total	%	Total	%
1996	3 973 255	44%	4 548 265	50%	5 208 920	58%	9 019 357	100%
2016	7 511 848	44%	10 722 762	63%	14 816 858	88%	16 923 309	100%
Change in units	3 538 593		6 174 497		9 607 938		7 903 952	

is often challenging. The position with water, sanitation and electricity access sufficiently illustrates the South African approach to service delivery.

Backlog eradication became a policy in 1994 and was measured against access to at least basic services. Basic services, as it still stands in national policy, refer to access to a communal water standpipe within 200m, a ventilated improved pit latrine, a 50MWh electricity per month, the availability of communal skips for refuse removal and access to an all-weather road within 500m of a house.

The initial target was to eradicate backlogs by 2008, and 2014 was set as the target date when it was not achieved. As shown in the table below, by 2016, they still did not meet the target. It remains the subject of continued political promises and undertakings across the political spectrum.

Overall, table 1 shows increases in service backlogs were arrested, although there were more households without access to basic water in 2016 than in 1996. In addition, the sanitation situation marginally improved while there were successes with households' electrification. However, as cautioned earlier, national figures can be misleading as it does not account for spatial differences. Furthermore, high population growth in the metropolitan areas has largely aggravated the backlog while large parts of rural South Africa depopulated.

From a policy implementation perspective, the relationship between Table 1 and Table 2 is significant. While backlogs did not change significantly, as shown, the service delivery drive was not aimed toward providing basic services but full services to households. Full services imply a house or on-site connection for water, water-borne sanitation, sufficient electricity to run appliances, house collection of refuse and tar roads.

Table 2 shows the extent to which full service was implemented. For example, in the case of water, access improved by 89%, sanitation improved by 136% and electricity by 184%. These access improvements are commendable indeed, but the deviation from the basic service policy eventually became one of the most significant contributors to the current financial predicaments of municipal governments.

A last and crucial point that need consideration is that the figures above indicate access to services in quantitative terms and do not indicate the quality of services that beneficiaries receive.

OPERATING INCOME AND EXPENDITURE

Table 3 and 4 show municipalities' operating expenditure and income between 1996 and 2020.

The issue to note is the structure of the budgets.

- There was a decrease in the extent of Salaries, Wages and Allowances decreased. The FY1920 figure remains above the norm but also represents a sharp increase from FY1718, where it was down to 27.3%

TABLE 3: *Operating expenditure 1996 and 2020 – real values*[6]

	FY9697		FY1920		% average annual change
	Total (R'000)	%	Total (R'000)	%	
Salaries Wages and Allowances	41 332 231	33.7%	143 348 195	30.7%	5.6%
Electricity Bulk Purchases	27 571 034	22.5%	101 707 968	21.8%	5.8%
Water Bulk Purchases	6 790 763	5.5%	30 657 843	6.6%	6.8%
Interest and Redemption	17 855 282	14.5%	13 698 125	2.9%	-1.1%
Other	29 212 478	23.8%	177 988 475	38.1%	8.2%
Total expenditure	122 761 788	100.0%	467 400 605	100.0%	6.0%

TABLE 4: *Operating income 1996 and 2020 – real values*[7]

	FY9697(real)		FY1920		% average annual change
	Total (R'000)	%	Total (R'000)	%	
Billed Property Rates	24 937 129	20.5%	83 061 007	17.6%	5.4%
Billed Service Charges Electricity	47 878 829	39.3%	140 029 723	29.7%	4.8%
Billed Service Charges Water	13 439 372	11.0%	53 583 541	11.4%	6.2%
Billed Service Charges Wastewater management	6 345 304	5.2%	20 886 676	4.4%	5.3%
Billed Service Charges Waste management	3 595 380	3.0%	14 757 958	3.1%	6.3%
Transfers and Subsidies	7 559 359	6.2%	71 451 004	15.2%	10.3%
Other	17 962 774	14.8%	86 972 860	18.5%	7.1%
Total revenue	121 718 147	100.0%	470 742 769	100.0%	6.1%
Surplus/(Deficit)	-1 043 641	-0.9%	3 342 164	0.7%	
Households[8]	9 076 635		17 418 000		2.9%
Revenue per household per month	1 117.50		2 252.19	0.0%	3.1%

- Irrespective of the sharp rise in electricity prices, bulk purchases remain 22% of the overall expenditure budget. Notwithstanding the focus on electricity increases, all other expenditures increased similarly or higher.
- Expenditure on loan repayments decreased drastically. This decrease relates to the introduction and growth of capital grants and transfers. There is more detail on this matter below.
- The concerning aspect, however, is the overall increase in operating expenditure. Expenditure increased at an average rate of 6.0% per annum. This implies a nominal increase of 11.9% per annum, implying that municipal expenditure doubles every six years.

To meet the ever-increasing expenditure, it was obvious that income had to increase. Overall, the income increased by an average of 12% per annum. Notable, however, is that property rates and the four trading services all decreased in proportion to their contribution to the total revenue budget. This points to a political sensitivity towards municipal bill increases and, notably, the increased difficulties with cost recovery and credit control.

The shift from direct income from services rendered turned to grants and subsidies where the figures indicate that it grew in real terms at a rate of 10.3% per annum or 16.2% in nominal terms. Moreover, it shows that local government dependency on the national treasury doubles every 4.4 years. This is not sustainable.

While these rapid increases occurred, households, which constitute about 97% or more of a municipality's customer base, grew by 2.9% per annum. The net effect was that municipal income in real terms per household doubled between 1997 and 2020. However, this figure must simply be treated as indicative to show the increased burden on the municipal consumer. It does not imply an increase in municipal bills to residents as the contribution of non-residential customers is not considered.

CAPITAL EXPENDITURE AND FUNDING

The link between the consequences of capital investment and the resulting operating impact is seldom considered in long-term planning. The first section above showed how municipalities deviated from the national policy by providing full services rather than basic services to residents. The subsequent section showed how operating expenditure increases and municipalities' dependence on grants and subsidies increases.

There are no comparative figures for capital expenditure on services. However, the table below shows how capital expenditures were funded.

Table 5 shows the following:

- Capital expenditure did not increase at the same rate as operating expenditure. The average actual increase is 1.4% (7.3% nominal). However, the key lies in the fact that capital expenditure is a one-off expenditure in the sense that once a project is completed, the capital expenditure ends. Nevertheless, once the asset has been created, it creates an operating burden for its lifetime, which implies that capital expenditure over time has a cumulative impact on operating expenditure. This is why operational expenditure increases more rapidly than capital expenditure. The inability to meet the operational obligation created by capital expenditure simply translates into cash flow problems for a municipality.
- The most significant trends in the table above are the changes in loans versus transfers and subsidies. In 1997, 49.9% of the capital budget was funded through loans. This figure declined to 17.8% in 2020. In the same period, the contributions of transfers and subsidies increased from 32.8% to 64.2% of funding. This coincides with the decline in the creditworthiness of municipalities and municipalities resigning to the fact that if they have to implement national policies, the national government must foot the bill.
- In 1997 municipalities spent about 75% of their capital budgets on infrastructure services. This figure decreased to about 63%, while metropolitan municipalities struggle to direct more than 45% of their budget to infrastructure. The table above shows that municipalities spend 28% less capital per household than in 1997. The situation is aggravated by the fact that capital is diverted away from infrastructure.

THE DEVELOPMENT OF STRUCTURAL PEDIMENTS ON SERVICE DELIVERY

Since the early 1990s, the belief persists that access to infrastructure and services is the key to unlocking development and economic prosperity in our poor communities. This is true, and the development of our policies on municipal service delivery and infrastructure developed on this assumption. However, as shown above, basic service delivery was discarded to provide full services to poor people. The common denominator in the municipal financial woes is misguided "pro-poor" service delivery, leading to decades of over-investment in welfare sustained by heavy cross-subsidisation in the local tax base. Infrastructure services to non-paying indigent and poor should not be sugar-coated as investments or economic development. Given the economy's poor performance and rapidly increasing poverty, infrastructure provision in the current climate remains welfare in all dimensions, subsidised by a shrinking local tax base.

Many changes have happened over the last 25 years. Large-scale urbanisation changed the service demand landscape, and amongst others, in 2000, a new municipal dispensation came about. The local economy is struggling, and South Africa is living through the scourge of corruption and state capture that rapidly diminishes our institutional and financial capacities. Yet, politicians stubbornly persist with policies developed in a previous era and never adapted to the changing service delivery environment across the political spectrum. These policies never changed, but in reality, many of their principles are ignored for convenience and political expediency.

The key question is if one can turn around the situation given our policy legacy and the approaches adopted by political parties. Hence, the prospects for sustainable municipalities, it is necessary to look at events that shaped our current service delivery situation.

TABLE 5: *Capital expenditure and funding 1996 and 2020*[9]

	FY9697(real)		FY1920		% average annual change
	Total	%	Total	%	
Transfers and Subsidies	14 445 373	32.8%	38 907 658	64.2%	4.4%
External Loans	21 955 927	49.9%	10 798 115	17.8%	-3.0%
Internal Income	3 717 666	8.4%	10 899 004	18.0%	4.8%
Other Revenue	3 921 022	8.9%			
Total Revenue	44 039 988	100.0%	60 604 777	100.0%	1.4%
Households[10]	9 076 635		17 418 000		2.9%
Investment per household/annum	4 852		3 479		-1.4%

Take a walk back in history, looking at critical moments in the development of our service delivery policies:

- Soweto Accord 1990
- The De Loor Task Group on a National Housing Policy (1992)
- World Bank reconnaissance missions to South Africa (1993)
- The Reconstruction and Development Plan (1994)
- Twenty Town study (1995)
- Municipal Infrastructure Investment Framework (MIIF) (1995 to 2007)
- The Constitution of the Republic of South Africa (1996)
- The White Paper on Local Government (1998)
- The Municipal Demarcations of 2000
- Free Basic Services (2000)

The Soweto Accord of 1990

The Soweto Accord was signed on 24 September 1990. It was, in many respects, the practical starting point for implementing local government and broader political transformation in South Africa. The ramifications and tone of the Accord still reverberate in municipal governance to this day. Notably, the negotiations to resolve the Soweto rent and services payment boycott started around the same time as the announcement on 2 February 1990 on the unbanning of the ANC and other organisations.

The Soweto Accord[11] was the result of the rent and services boycott in Black Local Authorities that started in 1986. In the latter stages of the boycott, the Soweto People's Delegation (SPD), which included Archbishop Desmond Tutu, Rev Frank Chikane, Mrs Albertina Sisulu, Mrs Ellen Khutswayo, Sister Bernard Ncube and Mr Cyril Ramaphosa, represented the people of Soweto[12].

The rent and services boycott was the response of civil society and particularly the South African National Civic Organisation (SANCO), to the establishment of black local authorities (BLA). Soon, the BLAs were not financially and economically sustainable. The problem in Soweto reached alarming proportions when Dr Simon Brand of the Development Bank of South Africa was appointed, circa 1987, to report on the Finances and Economy of Soweto. The report was completed in 1988 but not released for public consumption[13]. Nevertheless, the report contained approaches and recommendations that might be considered unconventional in the prevailing political climate.

After nearly seven months, the Soweto Accord was signed on 24 September 1990. In terms of the agreement, the rent and service boycott was suspended. The following applied for the short-term:

- All arrears, including rent on houses, were written off;
- A special tariff for electricity was introduced; and
- The agreement provided a R23 flat rate on water, sanitation and refuse removal. The agreement on this low rate was the result of the negotiating skills of one Cyril Ramaphosa and the total lack of experience in negotiations from the Transvaal Provincial Administration (TPA) delegation.

In terms of the longer-term issues, it was agreed that:

- Houses will be transferred to the occupants.
- Services will be upgraded.
- Affordability will drive the tariff structure.
- The current political system of BLA must be done away with.
- Johannesburg and Soweto must become one city[14].

The Accord largely met the demands of the SPD, but it also preceded national negotiations that started in December 1991. The most significant outcome of the Soweto Accord was the establishment of the Witwatersrand Metropolitan Chamber, which met for the first time in October 1990. The Metropolitan Chamber served as a significant event. It allowed for gaining experience for government and the ANC aligned groupings for the national negotiations when the Convention for a Democratic South Africa (CODESA) began on 21 December 1991, at the World Trade Centre in Johannesburg.

The main impact on service delivery lay in adopting a "flat rate" for service payments, which broke the link between payment for services (the bill) and the cost of services. Whether households should pay for services was not an issue in the negotiations – only how much?

De Loor Task Group 199[15]

Near the end of 1990, the South African Housing Advisory Council was requested by the then Minister of Planning and Provincial Affairs to review the existing dispensation and advise on a new national housing policy and strategy for South Africa. Accordingly, a task group was appointed under Dr Joop de Loor which published its report in 1992.

The report's contribution was significant for infrastructure as it introduced the concept of differentiated service levels. However, while addressing the provision of infrastructure services, the report recognised the inadequacy of appropriate data on housing and infrastructure.

The report stated that the installation of bulk services is expensive and can seriously delay development. Therefore, the report recommended that bulk infrastructure planning, programming and provision be part of the guide plans/urban structure plans (SDFs in the current context)[16].

As far as internal engineering services are concerned, the task group developed a level of service matrix to support the provision of a range of service levels that recognised household affordability as a critical consideration in providing infrastructure services. Notwithstanding the agreement on flat rates, etc., two years earlier in the Soweto Accord, the policy remained that households, rich and poor, must pay for the services they receive. Therefore, different service levels became an important tool in managing the operating impact of capital expenditure[17].

A more salient result of the Task Group's work was that it was the first time that housing and infrastructure demand was modelled to inform policy decisions. Infrastructure investment modelling became a feature of the subsequent work done by the World Bank in South Africa and the quantification of inputs into the Municipal Infrastructure Investment Frameworks between 1994 and 2007.

Influenced by the World Bank Reconnaissance Missions to South Africa in early 1990, the technical work regarding service levels and housing remained largely intact in the Reconstruction and Development Programme (RDP) released by the ANC in 1996.

World Bank Reconnaissance Missions 1991, 1992 and 1993[18]

During the initial urban missions to South Africa, the visits aimed to identify critical issues in formulating national policies on urban development. The following three main themes emerged:

- the disparities in access to, and levels of, services available to the large majority of the urban population;
- the disparity in the economic and fiscal base of the black and white cities, and the need to unify the metropolitan areas politically, administratively, functionally, and financially to address redistributive requirements and create requisite levels of efficiency, equity, and capacity in the provision of urban services; and
- the underlying human costs and economic inefficiencies in the current spatial structures of the cities, and the need to reverse the continuing extensive process of urban growth in favour of consolidating the urban areas socio-economically and spatially.

In the subsequent missions (July 1992 and December 1992), before the 1993 visit, the emphasis shifted from identifying urban policy issues at the national level to putting a dimension to these issues through data collection and analysis at a metropolitan-specific level. The unification of the local authorities comprising metropolitan regions has emerged as an underlying imperative in the process. The final mission in 1993 focused on quantifying service upgrading, backlog eradication and new developments to support new integrated metropolitan areas.

As a basis for the work of the World Bank mission, they confirmed the approach formulated in the De Loor Task Group of differentiated service levels aligning with household income as the basis for infrastructure provision.

The Reconstruction and Development Plan 1994

The ANC released the Reconstruction and Development Plan (RDP) in 1994[19], and it was its election manifesto that became the basis for municipal service delivery in South Africa. The RDP was presented as a coherent socio-economic policy framework that became the basis for developing legislation and policy.

Regarding housing and infrastructure, the RDP stated that at a minimum, all housing must protect from the weather, be a durable structure, and offer reasonable living space and privacy. A house must include sanitary facilities, stormwater drainage, a household energy supply (whether linked to grid electricity supply or derived from other sources, such as solar energy), and convenient access to clean water.

The emphasis was clearly on access to basic services, and the concept was eventually included in the Constitution of 1996. During this period, strong political support for payment led to the Masakhane Campaign's launch.

The ANC's National Executive Committee (NEC) stated, *"All participants agreed that people should indeed pay for such services, when they were receiving adequate services and when they could afford to pay. Payment, in these circumstances, is part of building a sense of ownership, responsibility and active citizenship."* http://www.anc.org.za/content/masakhane-campaign[20].

While Nelson Mandela said in 1995 at the launch of the Maskakhane Campaign in Koeberg, *"…government is putting massive investment into programmes for housing and services. We all have the responsibility to pay for what we use, or else the investment will dry up and the projects come to an end."*[21] http://www.mandela.gov.za/mandela_speeches/1995/950225_masakhane.htm

At this stage, the scene was set for implementing infrastructure provision and service delivery policies. However, two clear principles were established and entrenched for future policy development in the run-up to the post-1994 era. The first was the principle that users must pay for services, and secondly, services must be aligned with household affordability by implementing differentiated service levels. The period after 1994 up to 2000, with the implementation of the new local government dispensation, was very much a rational technocratic process. This may be the reason for the relatively stable and uneventful period between 1994 and 2000 that marked the development of policy and putting the required legislation in place.

The "Twenty Towns study" 1995[22]

For the first time, the Twenty Towns study of 1995 used a mathematical model to show the explicit link between capital expenditure and the operating impact.

The report estimated that between R50 billion and R80 billion would be required to address residential infrastructure over ten years. The report recognised that how much is invested, where it is invested and financed and paid for, will have important implications for municipal services' financial viability and sustainability. There was a strong emphasis on financial viability, recognising the role service payments will play through service levels aligned with household income.

The report listed four questions that are still valid:

- What level of investment can local authorities and South Africa afford?
- What level of subsidy is necessary and desirable, and how should these be applied?
- What are the long-term financial implications of these investments and subsidies?
- What financial policies should be adopted for municipal infrastructure and services?

The report recognised that providing full services to all households is unsustainable and that the alignment of service levels with household income was a more viable approach[23].

The MIIF 1995 to 2007

The "Twenty Towns study" 's immediate outflow was that it escalated to a national assessment of service delivery. As a result, the Municipal Infrastructure Investment Framework (MIIF) was born. The first version was released in October 1995[24] and last of seven iterations in 2007[25].

The purpose of the MIIF was to quantify infrastructure delivery in terms of service numbers, capital requirements and operating consequences. The models used for the MIIF, the Combined Services Model (CSM)[26], evolved, and more sophisticated versions are still in use. However, with developing infrastructure investment frameworks for more than 120 municipalities in South Africa, the message since 1995 remains precisely the same: our system cannot afford or sustain services at a full level of infrastructure services. The challenge remains that the results and predicted consequences of delivery policies are not good news from a political perspective.

The Constitution 1996[27]

The Constitution adopted in 1996 and amended subsequently was a direct outflow of the pre-1994 area, the RDP vision pegged down during the Convention for a Democratic South Africa (CODESA) negotiations.

Chapter 7 of the Constitution addresses local government in South Africa. Section 152 deals with the constitutional objectives of local government.

It is vital to quote it in its entirety, namely:

"(1) The objects of local government are—

(a) to provide democratic and accountable government for local communities;

(b) to ensure the provision of services to communities in a sustainable manner;

(c) to promote social and economic development;

(d) to promote a safe and healthy environment; and

(e) to encourage the involvement of communities and community organisations in the matters of local government.

(2) A municipality must strive, within its financial and administrative capacity, to achieve the objectives set out in subsection (1)."

Section 152(1)(b) underlines the importance of sustainable service delivery, and this is amplified in Section 152(2), where it clearly states that municipalities must execute their mandate within the limits of their institutional and financial capacity. The Constitution emphasises a resource-based approach and not a needs-based approach. Municipalities' current financial and delivery predicaments may be one of South Africa's biggest constitutional failures. Even the subsequent White Paper on Local Government of 1998 negated or did not recognise principles of institutional and financial capacity.

White Paper on Local Government 1998[28]

The latter part of the 1990s saw the rapid development of South Africa's policy and legislative framework for municipalities. As a result, the foundation was laid for South Africa's municipal legislation.

The theme of access to basic and affordable services remained, but vital ideological elements started to surface around the conception of developmental local government[29]. Emphasise access to basic services from a health and safety perspective, but the principles for service delivery are again confirmed in Section F(2.1) of the White Paper[30].

The White Paper strongly emphasises private sector investment and funding through public and private partnerships (PPPs). During this period, two of the most successful PPPs in Africa were also concluded as 30-year concessions for water and sanitation in Mbombela and parts of the iLembe District municipality. However, progress with PPPs was practically nipped in the bud by Cosatu's policy and opposition to service delivery arrangements involving the private sector[31].

The following is a direct result and outflow of the White Paper on Local Government:

- Municipal Demarcation Act 27 of 1998
- Structures Act 117 of 1998
- Systems Act 32 of 2000
- Municipal Finance Management Act 56 of 2003
- Property rates Act 6 of 2004

The Municipal Demarcations of 2000[32]

South Africa has a strong history of rural and local government where elements survived for more than 150 years. The local government system as it existed in 1994 was fragmented and complicated. However, it served one fundamental principle and was a system that responded to local needs and had a history where "form followed function". The Divisional Councils in the Cape grew out of the need to serve vast rural areas, while the Transvaal Board for Peri-urban areas addressed the needs of small rural settlements. Even the dreaded homeland governments had a functional relationship with the areas they had to serve[33].

The reasons behind the change in local government were motivated, on the one hand, to rationalise the very fragmented system and, on the other hand, to get rid of any remnants of the old Apartheid system, although the tribal system (traditional leadership) was kept intact.

The concept of "wall to wall" municipalities translated into a single type of local municipal government. However, there are important consequences, namely:

- All policies and strategies up to 2000 were focused on cities and urban development. However, South Africa was now confronted with a system of regional government that included vast rural areas to high-density urban areas. Municipal areas are vast. For example, the David Kruiper LM is bigger than 23 European countries, while it has a north-south distance of 460km, the same as Tshwane to Musina. Furthermore, a municipality such as Mangaung does not conjure up images of a metropolitan area when the urban footprint in the municipality is less than 2% of its total area.
- The distance, size and settlement mix directly impact municipal infrastructure provision and service delivery. The 2000 demarcations resulted in regional governments whom it is required to address different demands emanating from rural and urban environments in the same jurisdiction on an equitable basis. It is simply not a practical reality.
- As part of the uniform regulatory and policy environment, there is a high level of central control, and the expectations for regulatory compliance make it nearly impossible to respond to local issues that differ from municipality to municipality.
- The last issue is that the pre-2000 service delivery and infrastructure policies were developed with a solid urban focus and were simply transplanted into an environment that is not suitable or conducive for achieving the objectives of those policies.

These unintended consequences of the 2000 demarcations may be one of the most significant contributors to the challenges of local government service delivery in South Africa.

Free Basic Services

The introduction of free basic services was the last event in 2000 that had a lasting and very negative impact on municipal service delivery and the financial sustainability of municipalities. First, President Thabo Mbeki announced free basic services during the municipal election campaign in December 2000[35]. Then, in July 2001, the policy to provide free basic services to poorer households was adopted. Under this policy, municipalities were tasked to identify indigent households that would receive services – such as water and electricity – for free or at substantially subsidised rates.

At that point, the payment for service was still national policy, and indications were that progress was made. However, the notion of free basic services promised before an election rendered all previous efforts to apply cost recovery useless. Furthermore, in an apparent competition between political parties and supported by activist groups, the services provided under a basic services policy were not basic services anymore. Instead, full services became the norm, as indicated in this paper's first sections. House connections for water, waterborne sanitation, door-to-door refuse collection, and tarred roads became the norm. Full-service levels are applied in most municipalities and national departments such as the Department for Housing.

The application and implementation of free basic services was a challenge from day one. Firstly, it was not easy to apply, and there were initial attempts to apply it to all residential customers in a municipality. However, this often proved to be too costly. Identifying indigent households also remains challenging and being indigent is also dependent on many variables; a household's status can change rapidly and regularly for many reasons.

The net result was that more and more households received services they did not pay for or simply could not afford. In addition, the past decade's economic challenges have caused municipalities' revenue base to shrink, resulting in increasing shortfalls and cashflow problems.

CONCLUSION - WHERE DOES ALL OF THIS LEAVE US?

South Africa started with a clear and rational approach to municipal service delivery and infrastructure provision. As a result, very sound and sensible policy and legislative frameworks were developed and implemented. However, three events changed the course of the process.

The first was the White Paper on Local Government in 1998, introducing ideological innuendos into the delivery process but, the fundamentals remained sound. However, implementing the redesigned municipal demarcations in 2000 proved to be disastrous, not necessarily by intention, but through the unintended consequences as explained by The Municipal Demarcations of 2000 above. The last and perhaps the most challenging event was introducing the free basic services policy and its implementation and evolution over the past decade.

The extent of policy creep that took place shifted the focus in many instances away from the intentions and rationale of the initial policies. Free basic services clearly increased the demands on the tax base and national fiscus, which the system cannot afford or sustain.

Two further factors aggravated the situation. The first is increased poverty due to low economic growth, and the second is the extent of urbanisation and how populations are literally shifting at increased rates which may also be a result of economic pressures and perceptions of better opportunities in some areas for destitute people.

The irony is that the two most pressing issues, namely access to services and household income, are the aspects which are the least covered in national and public domain data sets. First, as argued earlier, it is virtually impossible to get a clear picture of service access at a detailed level. Secondly, detailed household income data only becomes available every decade in the national census.

It is tough to contemplate any solutions. As the title suggests, the issue addressed are entrenched and nearly irreversible. One cannot practically dig up the services of people who cannot afford them, and, maybe, more importantly, it is doubtful if any politician in this country has the guts to say we need to change or reverse our service delivery approaches. The near impossibility of reversing the status quo is why this paper views the issues addressed as structural. The most significant gains lie in efficiency improvements and better planning. However, we have proved that our ability to plan AND implement these plans is limited.

In the same way, as we allowed policy creep, we need to revert to the original policies. We see this, for example, in the changing approach of the Department of Housing, but it is not easy. With national elections looming in 2024, the obvious political approach will be to make the necessary trade-offs and shift any contentious decisions to some undefined time in the future in the hope that we will somehow a national municipal and service delivery disaster.

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