

A Case Study of Non-Payment for Municipal Services In the Vhembe District Municipality

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Abstract

The aim of this study was to investigate reasons for non-payment by residents for services rendered by the Vhembe District Municipality. The municipalities are responsible for delivering such services as water supply, electricity, road maintenance, refuse collection and sanitation. Multistage sampling techniques were employed. The subjects in the study were grouped into clusters and a sample was taken from each cluster. In this case the local municipalities that took part in the study were selected first, followed by wards, villages and households. Households in the selected villages were selected randomly to participate in the study. The results showed that although the municipalities were making an effort to raise revenue and send bills to the residents, some 38% of the residents were not forthcoming with payments. The reasons found in the survey for the unwillingness to pay services by residents include ignorance, poverty and simple unwillingness to pay.

Key words: Municipal services, non-payment, residents, water supply, electricity, sanitation, district municipality.

1. Introduction

Service delivery is one of the key mandates of South African governments. The Constitution of the Republic of South Africa, 1996 (hereafter called the Constitution) clearly states in section 152(1)(b) that one of the objects of local government is to ensure the provision of services to communities in a sustainable manner; and section 195(1)(d) states that services must be provided impartially, fairly, equitably and without bias. The South African government has focused on the effective and efficient delivery of services to the majority, particularly rural African inhabitants, who have historically been deprived of basic essential services such as water and sanitation, housing, electricity and health facilities. Scientific research towards understanding and explaining the dominant trends in service delivery provision for human development is critical, as is analysing and generating practical solutions to problems of planning and administration. Local government (municipality) is the sphere of government closest to the people. Local government councillors are elected by citizens to represent them and are responsible for ensuring that services are delivered to the

community. The Constitution provides that municipalities have the responsibility to make sure that all citizens are provided with services to satisfy their basic needs. Municipalities provide the service themselves, partially through the use of their own resources - finance, equipment and employees, and also a part of the "equitable share and conditional grants". National government has made available resources (for support of the Free Basic Services policy in the form of the Equitable Share Grant¹). The grant, however, remains insufficient for the needs of municipalities. Moreover, the grant is unconditional, allowing local government to spend it as it deems fit. The Share Grant is also just one component (out of six) which comprises the Equitable Share Grant. In December 2009, Cabinet approved a turnaround strategy for local government which was expected to ensure that local government has the correct management, administrative and technical skills. A municipality may also outsource the provision of a service, that is, it may choose to hire someone else to deliver the service.

In terms of section 153 of the Constitution (<http://www.GOV.za/constitution>), the developmental duties of municipalities include, amongst others, budgeting and planning processes to give priority to the basic needs of the community, and to promote the social and economic development of the community. This compels municipalities to carry the responsibility of providing residents in its jurisdiction with water, sanitation, transportation facilities, electricity, municipal health services and security. In order for municipalities to carry out their constitutional responsibilities, they have to mobilise resources locally. One way of doing this is through the collection of rates and tariffs. Municipalities must make sure that people in their areas have at least the basic services they need. There are a large number of services that they provide, the most important of which being: Water supply; Sewage collection and disposal; Electricity and gas supply.

These services have a direct and immediate effect on the quality of lives of the people in that community. If the water that is provided is of a poor quality or refuse is not collected regularly, unhealthy and unsafe living environments would be created. Poor services can also make it difficult to attract business or industry to an area and can limit job opportunities for residents. Water is a basic right and it should be universally guaranteed, at least at some basic level (García-Valiñas, Martínez-Espiñeira and González-Gómez 2012, 2696).

Municipalities, such as Sannieshof in North West Province and Ngwathe and Mafube in the Free State Province in South Africa are unable to deliver services to

¹ The Local Government Equitable Share is one element in a system of transfers that flow to local government. Along with local government's own revenue raised mainly from its taxes and user charges, transfers make up the total resources available to local government. By definition, transfers originate outside of local government – they are raised by other spheres of government using revenue instruments particular to those spheres. In South Africa between 15% and 20% of all local government revenue comes from national and provincial grants. The annual Division of Revenue Act (DORA) specifies and governs the Local Government Equitable Share allocations. The Act quantifies all of the vertical and horizontal equitable share allocations to provinces and municipalities.

residents. This might be because of lack of finances or lack of capacity to provide a good service at an affordable price. Such municipalities should find other ways to ensure that services are improved and that they reach the people most in need of them. Some options that they could consider are capacity building, corporatisation and municipal service partnerships (Anon 2011).

Whatever method a municipality chooses, it must always be in line with the overall goals of improving the quality of services, extending services to residents who do not have them and providing services at an affordable cost. It is important to provide services that are affordable, but municipalities must do so without compromising on their ability to operate and maintain existing services (Ajam 2001, 102). A major financial problem in many municipalities in South Africa is the inadequate collection of service charges due to widespread non-payment. However, huge variations in compliance exist both within poor communities and between communities with similar socio-economic characteristics. How can these differences be explained? Moreover, what factors determine citizens' compliance? Other studies, however, claim that widespread unwillingness to pay exists due to an "entitlement culture", and the "culture of non-payment" inherited from the apartheid era (Ajam 2001, 85; Johnson 1999, 69). This study argues that non-payment is related not only to the inability to pay or "a culture of entitlement", but also to whether citizens perceive the local government to be acting in their interests. In particular, three dimensions of trust may affect citizens' compliance: (1) trust in the local government to use revenues to provide expected services; (2) trust in the authorities to establish fair procedures for revenue collection and distribution of services; and (3) trust in other citizens to pay their share (Cashdan 2002, 159).

The non-payment of rates and service charges, particularly in African and "Coloured" areas, is not, however, a new phenomenon in South Africa (Bond 2000, 200; McDonald 2002, 59). During the apartheid era, boycotts of rents and user charges became the chief weapons against what was considered an illegitimate regime. In the late 1980s, many townships and rural areas in the homelands were already effectively ungovernable. With the passing of the apartheid system, such boycotts were expected to cease, but they did not. Non-compliance with respect to service charges seems to have become an established "norm" in many areas, creating major constraints to attempt to develop a viable new local government system in South Africa (Timm & Jadwat 1998, 121). Moreover, the phenomenon of non-payment, which until recently has been restricted to one population group, is likely to spread to other population groups in accordance with growing dissatisfaction with government performance (Mattes, Davids & Africa 2000, 69).

Different arguments are used to explain the extensive and increasing non-compliance. A recent study by the Centre for Development Support (CDS 2001, 10) at the University of the Free State concluded that non-payment is primarily an issue of the inability to pay. It argued that the poverty of many households made them unable rather than unwilling to pay, hence the need for free basic services to the poorer

segments of the population and/or a lowering of the rates. This argument is supported by, for instance, Fiil-Flynn (2001, 109) and McDonald (2002, 57). It is assumed that an understanding of the relationship between payment and the provision of services is a critical factor for compliance. Consequently, the prescription is education and the political mobilisation of ratepayers, combined with the restoration of law and order.

To heighten citizens' awareness of issues associated with local government finances and service provision, the Masakhane campaign was launched by the South African government in February 1995 (Timm & Jadwat 1998, 123). The overall aim of the Masakhane campaign which means "let us build together" was to normalise governance and the provision of basic services at the local government sphere. The campaign has a broad set of objectives, including (i) accelerating the delivery of basic services and housing; (ii) stimulating economic development in both urban and rural areas; (iii) promoting the resumption of rent, service charge and bond payments; and (iv) creating conditions for large scale investments in housing and service infrastructures and local economic development.

Although the Masakhane campaign was a general and narrowly focused programme to "get people to pay for services", the importance of delivery has not received adequate attention (Timm & Jadwat 1998, 124). Although the campaign has had a substantial budget and administrative structure, the general view of a cross-section of people at national, provincial and local spheres is that it has not been successful (Cashdan 2002, 159). On the positive side, it may have contributed to increasing the awareness of issues associated with local government and service provision. But with respect to improving payment of service charges, the results are dubious. A general picture is that the Masakhane campaign contributed to increased payments for either a short period of time only or not at all (Johnson 1999, 65). In some communities, non-payment even worsened after the launching of the campaign.

Municipalities have responded to the non payment crisis by implementing a harsh policy of disconnecting municipal services. Research which has recently been undertaken estimates that at least ten million people have experienced either a water or electricity disconnection since 1994 (Desai 2003). As these harsh measures are being implemented, the poor are responding through new social movements, for example, in the form of the Anti Privatisation Forum or the Soweto Electricity Crisis Committee. These movements are, for the first time in South Africa's new democracy, beginning to challenge the state in its free market and privatisation stance on the provision of basic services.

In recognition of the inability of poor households to pay for municipal services, government introduced the Free Basic Services policy, which provides some free water and electricity to all households. The implementation of the programme has been uneven, with municipalities implementing what is affordable to their councils. In most cases the greatest progress has been made by South Africa's largest metropolitan

councils, especially those having budgets of around R10 billion per annum, such as Johannesburg, Cape Town and eThekweni (previously Durban).

2. Literature Review

Non-payment of rates, service charges and other tariffs began in the Black townships in the 1980s as a political strategy to confront the former government and its system of separate development. It was then justified and it was also taken for granted that this would just wane out after the political transition to a democratic country. However, fifteen years after the historic transition to democracy in South Africa, non-payment of services continues to pose a serious financial challenge to municipalities.

At the end of June 2009, South Africa's municipalities were owed R50 billion (Coetzer 2010). South Africa is also going through the process of de-industrialisation witnessed in many other countries, for example Austria, Canada and Poland (Anon 2012). This involves a run down in manufacturing; mining and agriculture; growth is only limited to the service sector. This has had an extremely depressive effect on the formal sector job market because the unemployed masses being absorbed onto it usually lack the skills required in the growth areas of the service sector such as information technology, software and financial services. There is a general decline in per capita incomes with relative growing inequality within groups. The number of poor white people is increasing too. Thus it is expected that more and more of them will react, as have the white community of Carletonville, situated in the Gauteng Province, South Africa, by becoming non-payers themselves on a very significant scale. Thus, the phenomenon of non-payment for municipal services, predominantly an African one to date, is likely to spread to other racial groups (Johnson 1999, 100).

The money collected from ratepayers covers the costs of certain development projects that local councils initiate, for example, the provision of basic services needed by the community. This developmental role of municipalities is emphasised in the Reconstruction and Development Programme (RDP) (1994, 130), which states that all municipalities should embark on programmes to restore, maintain, upgrade and extend networks of services. Tariff structures should be structured on a progressive basis to address problems of affordability. Even though the RDP stresses that "all consumers should pay for services consumed", the culture of non-payment for municipal services in South Africa continues to frustrate the efforts of local government to provide these essential services.

According to Johnson (1999, 1), the phenomenon of non-payment clearly undermines not only local government structures, but the entire capacity of national government to deliver change at the local sphere. All development programmes ultimately rely on the support and co-ordination that only local government structures and officials can provide. In the words of the former President of South Africa, Nelson Mandela, "non-payment today hurts those who have nothing and who

are waiting for houses, electricity and sewerage. It hurts neighbours who must carry the unfair burden" (Kromberg 1995, 31).

According to Johnson (1999, 101), the approach of the Masakhane campaign appeared to be based on the assumption (or belief) that non-payment is simply a cultural issue. As a result, it was argued then that the strength of this campaign lay in its attempts to tackle these cultural phenomena head on and to install a strong sense of community consciousness in its place.

Given the limited success that the Masakhane campaigns have enjoyed, many local councillors have come forward to state that the fundamental reason for this is simply the poverty of many of their constituents which makes them unable rather than unwilling to pay. This view is also strongly supported by evidence from the baseline survey by Botes and Pelsler (2001, 60).

3. Method

The study was empirical in nature. The study involved the development of certain theories meant to explain the non payment for services and these were tested in the field to find out if they were true or false. The study involved different types of research such as descriptive, historical and explanatory research.

3.1 Research demarcation

A number of questions should be asked in order to understand clearly the research problem. These include questions such as where the problem is located. For this study the following questions were asked: Why do communities fail to pay for the services rendered? How do municipal customers pay for their services? Where do the municipal customers pay for the services? How often do municipal customers receive their statements? For this study, the geographical boundaries comprise the Thulamela and Mutale Municipalities, situated in the Limpopo Province, South Africa. In terms of the population it will concentrate on the population that can legally enter into contract with the municipalities for the supply of particular services. The services to be considered for the study were also demarcated. In the scope of the study, one needs to decide upfront whether the intention is to investigate a general solution to a problem or in one that works for a particular area or field. If a general solution is required, then a far wider study is needed. In this case the problem of non-payment for services is common throughout South Africa and although the study was carried out in the Vhembe District Municipality, the results could possibly be pursued by other researchers in other municipalities.

3.2 Variables

After demarcating and determining the scope of the study it was necessary to

determine the variables since these would determine the data collection techniques and instruments. The quantitative variable was used in this research.

3.3 Population and samples

A population is any given group that is the subject of research interest. Oxygen molecules in the universe, supercomputers in the world, frogs in South African rivers or dogs in a particular city could all be the populations that are groups a researcher wants to study. According to Goddard & Melville (2001, 26) it is often not practical or possible to study an entire population. For example someone trying to determine the average length of adult frogs in South Africa would find it impossible to do this by measuring each and every frog in the entire country. In such cases it is necessary to make general findings based on a study of only a subset of the population that is a sample.

Samples must be representative of the population being studied; otherwise no general observations about the population can be made from studying the sample. Two key features of sampling determining how representative the sample is of the population are size and bias. In the case of the Vhembe District municipality, the populations consisted of the consumers of services, municipality and government officials, local politicians, special interest groups such as civic bodies and other key informants or experts.

3.3.1 Sample size

A sample must be large enough to correctly represent a population. For this study, the samples differed from one population set to another. At least 10% of the consumers were studied, while 35 of the concerned municipality officials were involved in the study. Other categories, such as special interest groups and experts, were included depending on their availability in the area. The sample was representative of each particular selected group.

3.3.2 Sample Bias

A sample is said to be biased if it represents only a specific subgroup of the population or if particular subgroups are over or under represented in it. In this study, measures were taken to avoid any source of bias such as deliberately choosing the local municipalities that are nearer to the district centre at the expense of those that are further away. The other source of bias could be caused by the fact that the researcher works for the Vhembe District Municipality. Respondents might have given responses they suspected she wanted to hear. This was overcome by engaging research assistants at community level and training them thoroughly in administering data collection tools. The researcher also avoided making assumptions based on her

knowledge of the municipality systems but she tried as much as possible to collect data objectively.

3.4 Sampling Methods

In the current study, three random sampling methods were utilised. The Vhembe District Municipality has four local municipalities that have wards and villages under them. There are also distinct urban, commercial and small scale farming and rural areas. There are different races and socio-economic groups. There are commercial and industrial enterprises, as well as mines. The sampling mechanism should take all these various members of the study population into account so that representative samples can be selected. Cluster sampling was employed in order to select the local municipalities that will take place first instead of dealing with the whole district. The municipalities were selected using simple random techniques. Once the local municipalities have been selected, the wards participated in the study were selected from those local municipalities using simple random sampling techniques. Once the wards were selected, then population was stratified into different strata before further sampling. The population was stratified into different categories of consumers such as rural and urban population, commercial and small scale farming sectors, commerce and industry. A simple random sampling technique was used to select members from each stratum to participate in the study.

4. Data Collection Instruments

Researchers have to collect data and the instruments commonly used to collect data from people are tests, interviews and questionnaires, checklists, observations, focus group discussions (FGDs) and a range of participatory tools. Questionnaires were used to collect data from the generality of the consumers. FGDs were conducted with key informants, such as community leaders and civic organisations, who had particular knowledge and expertise in the subject at hand. Participatory tools were used to allow in depth discussion of certain themes relating to service delivery while checklists were used to review all documents relating to payment for services.

5. Results and Discussion

This section presents the results of the field study. The data was collected mostly through interviews with communities using structured questionnaires. In a few cases, especially concerning government and municipal officials, self administered questionnaires were sent out and later collected for analysis. Official municipal records were reviewed to assess the level of payments made by the consumers. Focus group discussions were held with the community leadership to assess their knowledge, attitudes, practices and perceptions towards payment for services. The

leaders were brought into groups of not more than 15 people each and the facilitator chose a theme relating to service delivery and payment for services. The facilitator made sure that the discussion went smoothly by ensuring that no participant dominated others. The data was analysed using a SPSS computer based programme for analysing data from social science studies. The results highlight the reasons why communities resist paying for services rendered by municipalities. The unit, study population and sample size were as follows:

UNIT	STUDY POPULATION	SAMPLE SIZE
Local Municipalities	4	35 Municipal officials were interviewed. They were grouped (8-10) and focus group interviews were conducted.
Wards in selected municipality	75	A total of 159 villagers completed the questionnaire which had both open and closed ended questions.
Villages in selected wards	405	

5.1 Characteristics of the Respondents

Fifty one percent of the respondents were females and the remaining 49% were men. Fifty five percent of the respondents had primary school education, 30% had secondary school education, 12% had tertiary education while the remaining 7% had no education at all.

5.2 Access to Municipal Services

Ninety-three percent of the respondents confirmed that they had access to municipal services and 7% indicated that they had no services.

Municipal officials who were interviewed also confirmed that the municipality offered services to members of the community. Eighty-seven percent of the respondents indicated that they had access to municipal water services. Only 13% said

they had access to municipal refuse collection services, 76% said they had access to electricity services, 53% said the municipality maintained the road network, while 93% confirmed that they had access to sanitation/sewerage services.

5.3 Payment for Separate Municipal Services

Sixty-two percent of the respondents said they paid for municipal services, whilst 38% indicated that they did not. Fifty-seven percent of the respondents said they paid for water. Only 17% said they paid for refuse collection, while only 7% said they paid for sanitation. Although a lot of respondents claimed to pay for services, a look at municipal records and interviews with officials revealed that the number of people paying for services could be far less than the above figures. For example the majority of rural dwellers are covered under free basic water and electricity supply². The people in rural areas are only required to pay R120 per year (about \$14 USD) for all services they receive from the municipality. Some residents of the community of the Thohoyandou urban area do not pay anything at all for all the services they receive from the municipality. This situation has serious implications on the sustainability of services since the municipality is not recovering the cost of providing services. Lessons need to be learnt from other African countries such as Zimbabwe which tried the idea of providing services without cost recovery, resulting in the collapse of services.

5.4 Receipt of Bills

Sixty-nine percent of the respondents said they received bills for the municipal services they get from the municipality and the other 31% did not. Sixty-seven percent of those who received bills said they got the bills monthly, while the rest said they got them bimonthly. The municipality is performing relatively well in sending out bills, but the low amounts that the people are paying could in the longer run be exceeded by the cost of sending out the bills. This also raises the question of sustainability of the services if they continue to be offered at costs below the cost of providing the service.

5.5. Last Time a Bill Was Received

Twenty-two percent of the respondents who received bills had last received their bills in the previous week, 31% had last received theirs two weeks before, 42% had received theirs a month before while the remainder (5%) could not remember.

5.6 Method of Sending Bills

² Currently all households in South Africa receive 50kWh of electricity and 6kl (6000 litres) of water per household per month free.

Seventy-eight percent of the respondents said their bills were sent by post, 19% were sent through a messenger, while the remaining 3% said the bills were sent by other means which were not specified. The fact that the bulk of the bills are sent by post increases the chances of them reaching the rate payers.

5.7 Place Where Bills Are Paid

Seventy-eighty percent of the respondents said they paid their bills directly to the municipalities, 8% said they paid at the bank, 6% said they used stop orders to pay for their bills, while the remaining 8% said they paid through other unspecified means. One of the municipalities included in the study is Thulamela Local Municipality which is situated in the Thohoyandou urban centre. People converge on the urban centre to conduct various transactions. The transport network linking Thohoyandou to the rural areas is good. This could also account for the high number of people paying their bills directly to the municipality.

5.8 Method and Means of Getting to the Payment Office

Sixty-eight percent of the respondents said they used buses or commuter taxis to get to the payment offices. Sixteen percent said they walked, 8% said they drove their own cars while the remaining 8% said they used other means which they did not specify. The accessibility of the municipal offices as already indicated could be responsible for the large numbers of people paying through those offices.

5.9 Time Taken to Get to the Place of Payment and Back

Only 47% of the respondents said it took them more than an hour to get to the payment office and back while the rest took less than that. This further shows that the pay offices are very accessible to the rate payers.

5.10 Average Amount Paid for Municipal Services Per Month

Fifty one percent of the respondents who paid bills said they were paying bills of above R200,00 per month, 29% said they were paying between R100,00 and R200,00 while the rest said they were paying less than R100,00 per month.

5.11 Affordability of Municipal Services

Only 8% of the respondents felt that the services were totally unaffordable, 50% felt that they were not very affordable while 42% felt that they are affordable. With such a high percentage of respondents feeling that the services are at least affordable, the municipality should not experience a high default pay rate from rate payers. If the

default rate is high under such circumstances, then it could mean that there are other reasons, including unwillingness by the users of the services to pay.

5.12 Rating of the Quality of Municipal Services

Only 2% of the respondents rated the services from the municipality as very good, 39% said they were good, 36% said the services were poor and 23% rated the services as very poor.

5.13 Attitudes Towards Payment for Services

Sixty-seven percent of the respondents felt that people should pay for services, whilst the remaining 33% did not feel that way. While this is a good attitude on the part of the consumers of municipal services, it should be noted that fewer people are actually paying as shown above. Therefore, there is an urgent need to take measures to improve services as a way to encourage residents to pay for services rendered by the municipalities. Fifty-two percent of those who felt that people should not pay for services believed it was government's duty to provide and pay for services on behalf of the citizens. This indicates a dependency syndrome on the part of communities and steps should be taken urgently to redress this situation. Communities need to be educated on the need for sustainability in service delivery as well as the importance of cost recovery in this regard.

5.14 Source and Level of Income of the Breadwinners in Households

Thirty seven percent of the respondents said they got their income from formal employment, 35% got it from self employment, 23% depended on social grants and the remaining 5% got assistance from relatives. Fifty-two percent of the respondents said they had an income of over R1,000 per month, 26% said they had an income of \pm R1,000 per month and 22% said they had an income of less than R1,000 per month. Since less than 40% of the consumers had a guaranteed income from formal employment and 22% of the respondents had less than R1,000 per month as an income, the community can be considered as vulnerable. The capacity of such a community to pay the full cost of supplying services is doubtful and, therefore, subsidies should be considered in accordance with the indigent policy. But cross subsidies should be considered where the services can be priced in such a manner that the rich are made to pay for the poor instead of the whole cost being met by the government since this latter option is not sustainable in the long run.

6. Recommendations

This section presents recommendations which are aimed at the municipalities improving on their service delivery so that the consumers of the services are encouraged to pay for the services. The municipality needs to urgently improve on the quality of services to ensure that consumers' willingness to pay for services is raised. The municipality needs to launch an educational and awareness campaign among the communities to deal with the apparent dependency syndrome. The communities need to be convinced that it is the duty of everyone to contribute towards provision of services and not the government alone. A carefully planned subsidy scheme based on the block tariff system³ needs to be introduced where the richer members of society can be made to augment government subsidies. Government subsidies alone cannot be sustained in the long term.

7. Conclusion

Vhembe District Municipality is indeed experiencing problems with people failing to pay for municipal services rendered, such as water, sanitation and electricity. This lack of payment is due to various reasons, including poverty and unwillingness to pay for services. The communities acknowledge that they get services from the municipality and that the municipality sends out bills regularly. The majority of the people pay their bills directly to the municipal offices and the offices are easily accessible to the community because of a good transport network in most parts of the district. Most of the people feel that the services are affordable although only less than 40% of them had steady incomes from formal employment. Only about 62% of the consumers are paying for the services that they receive from the municipalities in the Vhembe District Municipality. The number of people failing to pay is too high and the situation is not sustainable.

One contributing factor to the non-payment for services is the fact that only 2% of the population rated the services as very good. There was widespread dissatisfaction with the quality of services offered by the municipality. The other contributing factor towards non-payment could be originating from people's attitudes. A large portion of the population felt that it was Government's duty to deliver services and pay for them. This could be a dependency syndrome created by years of social welfare approaches to development in the country. The above situation is not sustainable and needs to be corrected urgently. Although a lot of people felt that the services were affordable, an

³ The block tariff structure is designed such that the more you consume, the higher your average price. The feature of this structure is that customers are charged at higher rates as their consumption becomes higher. The tariff structure is usually divided into four consumption blocks where each successive block has a higher price per kWh of energy or kl of water. The amount payable is the sum of the consumption per block multiplied by the rate/price per unit for each block.

analysis of the sources and levels of income among the communities showed that the communities were vulnerable and could be genuinely failing to pay for services.

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