



October 2024

Free Basic Services in the City of Johannesburg

What does this mean and why does it matter?

Compiled by:
JoburgCAN

JoburgCAN is an initiative of OUTA

Tel: 087 170 0639

www.joburgcan.org.za

Foreword

As South Africa continues its journey towards social and economic equity, the role of local government in delivering essential services to the most vulnerable members of our society cannot be overstated. The Free Basic Services (FBS) programme is a cornerstone to the government's efforts to uplift those living in poverty, providing them with the basic utilities needed to live with dignity. This subsidy comes directly from the national government through tax revenues received from hard-earned taxpayer income. Yet, as this report highlights, the gap between policy and practice remains a significant challenge.

The findings presented here are not just numbers on a page – they represent the real and pressing needs of millions of South Africans. The disparity between the resources allocated to support our poorest citizens and the actual delivery of these services is a stark reminder that we must do more to ensure that government policies reach those they are intended to serve. In fact, the precise execution of these grants to benefit those in need may just determine the next local elections outcome in 2026.

Understanding the current state of the FBS programme is crucial for anyone committed to social justice, whether you are a policymaker, an activist, or a concerned citizen. This report sheds light on the systemic issues that undermine efforts to reduce poverty, inequality and tax abuse. It also calls for urgent reforms to ensure that the benefits of our social safety nets are fully realised.

We must take these findings seriously and work collaboratively to address the shortcomings in the system. By doing so, we can move closer to a South Africa where every household has access to the basic services they need and deserve. We urge all readers to reflect on the importance of this information and to use it as a foundation for meaningful action.

Let us recommit ourselves to the principles of equity and justice that underpin our democracy. The well-being of our most vulnerable citizens depends on it.

Julius Kleynhans

Executive Manager for Local Government
Organisation Undoing Tax Abuse (OUTA)

Acknowledgement

This report was compiled by Julia Fish from the Joburg Community Action Network (JoburgCAN), with input from Dr Tracy Ledger from the Public Affairs Research Institute (PARI).

This report is based on research compiled by PARI and information from the Auditor General, National Treasury and the City of Johannesburg. We would like to thank PARI for their contribution to this report.

JoburgCAN is an initiative of OUTA, which aims to organise and empower a community network to ensure the responsible collection and use of rates and tax revenues, along with good service delivery by the City of Johannesburg to all its people.

INTRODUCTION	4
OVERVIEW OF FREE BASIC SERVICES (FBS)	4
ACCESS TO FREE BASIC SERVICES	4
FUNDING OF FREE BASIC SERVICES	5
MISALLOCATION AND MISMANAGEMENT OF FBS FUNDS	5
MAKING SENSE OF FBS IN COJ	6
IMPACT OF FBS MISMANAGEMENT ON POVERTY AND INEQUALITY	7
RECOMMENDATIONS	7
CONCLUSION	8
HOW TO APPLY FOR FBS IN THE COJ	9

Introduction

Municipal services—such as electricity, water, sanitation, and waste removal—are essential for raising living standards, reducing poverty, and facilitating economic opportunities. For many poor households in South Africa, however, the cost of these services is prohibitive. The Free Basic Services (FBS) policy was implemented as a means to alleviate this burden by providing a minimal amount of each service at no cost to qualifying households. While this initiative is crucial for supporting impoverished communities, there are significant shortcomings and systemic issues that hinder its impact. This report examines the current state of the FBS programme, its challenges, and its impact on poverty and inequality in South Africa, with a particular focus on the City of Johannesburg (COJ).

Overview of Free Basic Services (FBS)

The FBS policy aims to provide a lifeline to the poorest households by offering a limited amount of essential services each month: 50 kilowatt hours (kWh) of electricity, 6 kilolitres (kl) of water, basic refuse removal, and basic sanitation options. However, research indicates that these provisions are inadequate to meet the actual needs of most households. For instance, the minimum basic requirement for electricity is estimated at 200kWh per month, and for water, it is 10kl – significantly higher than what is currently provided¹. The FBS, therefore, only partially subsidises the needs of indigent households and does not fulfil the broader goal of universal affordable access to these critical services.

As of 2024, the monetary value of the FBS package is R567.12 per month, with R332 attributed to electricity and water. If households do not receive these services for free, they must cover the costs from their already strained incomes, exacerbating their financial difficulties. The most serious impact is on household food security, since food expenditure is the item most commonly sacrificed to pay for services. South Africa already has very high levels of child malnutrition (with 28% of children under the age of 5 classified as stunted). Depriving poor households of the FBS contributes directly to this outcome.

Access to Free Basic Services

Local municipalities are the gatekeepers of access to the FBS – they have absolute authority to decide who gets access and who does not. Access to FBS is contingent upon being registered as indigent by

¹ PARI short report on [FBS](#) in 2021

local municipalities. However, the criteria for indigent registration vary widely across municipalities, leading to inconsistencies and inequalities in access. This decentralised approach often leads to the exclusion of the poorest and most vulnerable. Even households that receive electricity directly from Eskom must be registered as indigent to access free basic electricity.

Despite the growing number of households living in poverty throughout South Africa, the number of those registered as indigent has declined significantly over the past decade. In 2022, only 2 622 070 households² across the country were registered as indigent, a decrease of over 200 000 from 2019 and nearly 1 million since 2015. This decline suggests that municipalities are intentionally limiting the number of households eligible for FBS, likely due to financial incentives discussed later in this report.

Funding of Free Basic Services

The funding for FBS is sourced from the national Budget, specifically through an annual allocation to municipalities as part of the equitable share. The National Treasury and Statistics South Africa estimate the number of indigent households in each municipality and calculate the cost of providing the FBS package. The resulting funds are then transferred to municipalities to cover these costs.

Over the past decade, the national budget allocation for FBS has increased in response to the rising number of households living in poverty. In the 2024/25 national Budget, funds were allocated for 11 180 538 households³ – an increase of nearly 2.5 million from a decade earlier. However, there is a significant gap between the number of households funded by the national budget and those actually receiving FBS. This gap, which exceeds 8 million households, represents a lost benefit of more than R50 billion annually to the poorest households in South Africa.

Misallocation and mismanagement of FBS funds

Municipalities that receive funding for FBS but provide services to fewer households than funded are required to disclose this discrepancy in their annual budgets and discuss it with affected communities. However, many municipalities fail to do so, leaving communities unaware of the benefits they are entitled to. The current regulations allow municipalities to reallocate unspent FBS funds to other areas, creating a financial incentive to minimise the number of indigent households on the register.

² 2024 Budget Review Explanatory Memorandum to the Division of Revenue, Annexure W1, Pg 37

³ 2024 Budget Review Explanatory Memorandum to the Division of Revenue, Annexure W1, Pg 37.

Making sense of FBS in COJ

The COJ has the widest gap between the number of households for which it receives funding from the national budget and the number to whom it actually gives benefits on any municipality in South Africa – almost 1 million households. Despite receiving funding to provide FBS to approximately 1 112 580 households⁴ which amounts to R7,5bn, only 130 000 households are registered as indigent according to COJ budget 2024/25⁵ amounting to a total of R884mn. To explain this, if a qualifying household is subsidised by R567,12 per month or R6 805,44 per annum, a simple calculation shows that the City should get only R884 707 200 (130 000 x R567,12 x 12) from the Department of National Treasury. However, the City's own Integrated Development Plan (IDP) estimates that between 600 000 and 700 000 households live below the lower-bound poverty line, highlighting a massive shortfall in the provision of FBS.

Further, according to City Power's cost of supply study for 2022/23⁶, there are only 6 106 registered households receiving the Free Basic Electricity (FBE) allocation.

In contrast, the Auditor General's Office has observed that a total of 140 329 households were reported to have benefitted from FBS. If 140 329 households benefitted from a full basic service package of R567,12 per month, the annual subsidisation amounts to R955 000 589.

The COJ Annual Report states that 1 297 925 reported allocations was conducted.

One can only assume that these vast disparities are deliberate. Even at the most generous allocation of 140 329 households receiving FBS, according to the Auditor General, there is approximately R6bn unaccounted for. We requested clarity from the City of Joburg on the discrepancy and they responded that "the discrepancy arises due to different definitions of indigent households. National Treasury's number is based on the broader equitable share calculation, while the City's IDP focuses specifically on households living below the lower-bound poverty line. The City's Expanded Social Package (ESP) operates using a means-tested system based on the City of Johannesburg Poverty Index, which provides more targeted assistance. The City offers assistance to qualifying individuals based on poverty scores. Households receive subsidies for water, electricity, and rates depending on their poverty score band." However they failed to clarify what the current recipient number for FBS was and why their criteria differed from Treasury or the ESP policy⁷.

⁴ National Treasury Local Government Equitable Share Summary, [Data and Formula](#)

⁵ CoJ budget 2024/25, "Free Basic Services: Basic Social Services Package", [Budget Book](#) p97

⁶ City Power, *Updated City Power Cost of Supply Study for FY2223* (Base Year). Table 1.

⁷ City of Joburg [Extended Social Package policy](#)

What makes things even worse, the restrictive and burdensome process for registration, including requirements such as pre-paid electricity and water meters, further limits access. Consequently, more than R6 billion intended for the poorest households in Johannesburg is instead funnelled into the City's general revenue account, depriving those in need of essential support.

Impact of FBS mismanagement on poverty and inequality

The mismanagement of FBS funds has dire consequences for the poorest households in South Africa. Those who do not receive FBS must pay for services out of their limited incomes, often at the expense of essential needs such as food. South Africa is currently facing a food security and malnutrition crisis, with over one in four children suffering from stunting due to inadequate nutrition. The failure to provide FBS to all eligible households exacerbates this crisis, as many families are forced to sacrifice food to pay for municipal services.

Moreover, the financial distress caused by the lack of FBS leads to an increase in illegal connections to municipal services, which in turn causes damage to infrastructure. The COJ's indigent policy, by depriving households of FBS, directly contributes to these issues. If the City were to appropriately allocate its equitable share, it could subsidise 1 112 580 households per month, significantly alleviating poverty and improving living conditions.

Recommendations

Standardization of indigent registration criteria

A national set of criteria for indigent registration should be established to ensure consistency and fairness across municipalities. This would prevent the arbitrary exclusion of households in need and promote equitable access to FBS.

Improved transparency and accountability

Municipalities must be required to disclose the actual number of households receiving FBS and the allocation of unspent funds in their annual budgets. Additionally, they should engage with communities to discuss the allocation and usage of FBS funds. Increased transparency would hold municipalities accountable for their management of FBS funds and ensure that communities are aware of their entitlements.

Adjustment of FBS provisions

The amount of free electricity provided under the FBS policy should be reviewed and adjusted to better meet the needs of households, like the higher water allocation. This adjustment would help align the policy with the actual consumption needs of impoverished households, reducing the financial burden on them and ensuring sufficient subsidisation of the service through Grants.

Strengthened oversight by national government

The national government should enhance its oversight of municipalities to ensure that FBS funds are used as intended and that households in need are not excluded from the programme. This oversight could include regular audits and the implementation of penalties for municipalities that fail to comply with FBS criteria.

Community awareness and advocacy

Communities should be educated about their rights to FBS and how to navigate the registration process. Advocacy groups and NGOs could play a vital role in raising awareness and assisting households in accessing FBS.

Conclusion

The Free Basic Services programme is a critical tool in the fight against poverty and inequality in South Africa. However, its effectiveness is currently undermined by systemic issues in the allocation and management of funds.

The true amount of FBS beneficiaries falling within the indigent threshold is unclear, in fact, the 130 000 households referred to by COJ is highly contestable as it includes middle class pensioners who qualify for a rebate. The existing reporting mechanisms of FBS efficacy within the COJ is questionable and needs improvement as there is no clarity on the performance of this programme.

To fully realise the potential of FBS, significant reforms are needed in the areas of registration criteria, transparency, funding provisions, accuracy and oversight. By addressing these challenges, the FBS programme can be strengthened to better serve the millions of South Africans who rely on it for their basic needs, thereby contributing to the broader goals of social equity and economic opportunity.

How to apply for FBS in the COJ

You may apply for FBS if your income is not more than R6 281.13 a month.

Documents required for registration

- Identity document
- Proof of income, such as a SASSA card, or bank statements for the last three months (all bank accounts must be declared) or a sworn affidavit confirming that you do not have a bank account and no other source of income (any source of income must be declared)
- Proof of residence

And if applicable:

- COJ property rates and utilities account number
- City Power pre-paid or conventional electricity account number
- Eskom prepaid or conventional electricity account number
- Johannesburg water account / pre-paid account number (ITU number on the receipt)

How to register as an indigent

Method A: In-person registrations at selected Revenue Customer Service Centres.

Method B: Online applications by visiting:

- www.joburg.org.za
- Select “Expanded Social Package”.
- Complete the form.
- Attach the required documentation and submit application.

Re-registration process

- The documents required for the re-registration process are the same as for a new registration.
- The ESP is a rebate and once your rebate is exhausted you are liable for additional consumption on metered services.
- The ESP does not write off debt on existing municipal services.
- Individuals must register on or before the 15th of the month to receive benefits in the next month. Later registration means that the benefit will reflect in the subsequent month.

More information

For more, see the COJ flyer on ESP here:

<https://joburg.org.za/services/Documents/ESP%20Flyer%20-%20Amended%2030%20Nov%2023.pdf>

ESP queries can be logged via telephone or e-mail on 011 407 6751 / 6721 / 6688 / 6515 or espunit@joburg.org.za or Tinos@joburg.org.za