

## Eastern Cape Department of Housing

### Budget Analysis

2008/09

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### Key Findings and Recommendations

#### *Finding*

The personnel budget of the Department of Housing is set to increase from R47.03 million in 2007/08 to R85.18 million in 2008/09, which represents an increase of 70.55 in real terms.

#### *Recommendation*

The shortage of appropriately-skilled staff has been an ongoing challenge for this Department, and is one of the primary reasons for slow service delivery and poor quality homes. This capacity crisis will not be solved by large budget increases alone. While it is commendable that the Department is finally providing significant financial resources in order to bolster its human resource capacity, it will need a detailed, considered human resource plan to be implemented. Ultimately, improved human resource performance will depend upon senior management improving upon their own accountability and taking action against poorly performing staff remunerated to provide a public service.

#### *Finding*

The Integrated Housing and Human Settlement Development Grant (IHHSDG) is set to increase from R552.55 million in 2007/08 to R1.25 billion in 2008/09, which is an increase of 113.19 percent in real terms. This is despite the very poor spending record of this Department in the 2007/08 financial year, which resulted in the Department having to surrender 45.95 percent of its conditional grant allocation to the National Treasury due

to its inability to spend such resources and respond to the constitutional imperative that people have a constitutional right to access adequate housing.

*Recommendation*

Allocations should not exceed the Department's ability to spend such funds efficiently and effectively. The massive housing backlog in the province will not be solved solely by drastic budget increases. Until the Department addresses a range of systemic challenges which include a lack of human resource capacity, accountability and poor planning, it will continue to underperform in spending its budgets efficiently and effectively.

*Finding*

The housing conditional grant, which was previously administered by Programme 3, has been moved to Programme 1 (Administration), which will result in a total budget increase of 5 736.82 percent in real terms for the Administration Programme. While it is encouraging to note that this programme has significantly increased its personnel budget by 66.61 percent in real terms, it should be noted that the Department intends increasing its staff complement from three people to 125 in the 2008/09 financial year, which is unlikely to be covered by the 66.61 percent increase.

*Recommendation*

This programme will require additional staff with the requisite financial skills to manage the housing conditional grant, and the personnel budget should reflect this. As with the total Departmental human resources, this programme will need to plan effectively if it is to make any significant headway on its own human resource constraints. The Department's record on staff recruitment has been dismal, with the critical vacancy rate at the highest it has been since 2002/03.

*Finding*

Programme 2 (Housing Policy, Planning and Research) is set to receive an increase of 80.38 percent in real terms, from R8.95 million in 2007/08 to R17.14 million in 2008/09. This is encouraging considering the poor quality of planning and the lack of housing-related research that has become the norm in this Department. In addition, this programme is responsible for capacity-building at the local level, and the lack of capacity in municipalities is a major barrier to the delivery of quality housing.

*Recommendation*

As a matter of urgency, the Department needs to undertake appropriate housing research and use this information to improve its strategic planning. The Member of the Executive Council (MEC), Head of Department (HOD) and senior managers need to fulfil their responsibilities by exercising appropriate oversight over the development of research projects and strategic plans to ensure that research outcomes are appropriately incorporated into the planning processes of this Department. Furthermore, the Department needs to improve its efficacy in terms of municipal capacity-building – improved planning and appropriate research into local government capacity constraints are essential in this regard.

*Finding*

As noted above, the conditional grant has been moved to the Administration Programme, which means that Programme 3 (Housing Development and Implementation) is set to receive a decrease of 84.73 percent. In terms of the equitable share, however, this programme's allocation is increasing from R28.34 million to R94.18 million), which is an increase of 212.93 percent in real terms. Over the MTEF, this Programme's budget is decreasing by 10.31 percent in real terms.

*Recommendation*

This programme is responsible for initiating, planning and managing housing projects, and its budget allocation should therefore be commensurate with the expected increases in the IHHSDG, as this grant goes to the planning and implementation of housing projects, including the construction of low-cost housing. The Department needs to ensure that budget allocations within different line items complement one another.

## Introduction

The South African Constitution commits government departments to the progressive realisation of various socio-economic rights within available resources. These rights include the right to education, healthcare, housing and social welfare.<sup>1</sup> The PSAM defines social accountability as the obligation by public officials and private service providers to justify their performance in progressively addressing the above rights via the provision of effective public services. In order to effectively realise these rights through the delivery of public services, state departments and private service providers responsible for the management of public resources must implement effective accountability and service delivery systems. These include: planning and resource allocation systems; expenditure management systems; performance monitoring systems; integrity systems; and, oversight systems. The effectiveness of these systems can be established by monitoring their information outputs. To evaluate these systems, the PSAM has developed a set of evidence-based tools for monitoring the information produced annually by each system.

Government seeks to ensure that it addresses the most pressing social and economic needs of those that they serve through the prioritisation of public resources within the annual budget. This report analyses the impact of policy priorities (national, provincial, sectoral and departmental) on the Eastern Cape Department of Housing's 2008/09 budget and on its ability to implement effective and efficient service delivery and accountability systems in the up-coming financial year. In addition, assumptions informing both policy priorities and budget allocation trade-offs are analysed in terms of the Department's external and internal service delivery environment.

### I. Policy Priorities

In this section, key policy priorities for the 2008/09 financial year will be highlighted and discussed. They are drawn from the provincial Housing Policy Speech<sup>2</sup> and the Eastern Cape Department of Housing's most recent Annual Performance Plan:

- *Rectification Programme*

The Rectification Programme is the Department's plan to improve houses that were built between 1930 and 2002.<sup>3</sup> According to the MEC, 5 145 houses have been targeted for rectification for the 2008/09 financial year. This is contradicted by the 2008/09 Annual Performance Plan (APP), however, which indicates that the target for rectification for this financial year is 12 047 houses.<sup>4</sup> In addition, in her 2008/09 Housing Policy Speech, the MEC also refers to a "parallel redress process", but fails to expand on what this means.<sup>5</sup>

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<sup>1</sup> Constitution of the Republic of South Africa, Act 108 of 1996, Chapter 2, Sections 26, 27 and 29.

<sup>2</sup> Housing Policy Speech of 2008/09, delivered on 12 March 2008 by MEC T. Xasa. At the time of release of this Budget Analysis, the National Housing Budget Speech had not yet been delivered in Parliament.

<sup>3</sup> This is divided into two time frames, namely, houses built between 1930 and 1994, and those built between 1994 and 2002. Currently, the emphasis is on houses built in the latter time period.

<sup>4</sup> Eastern Cape Department of Housing, Annual Performance Plan 2008/09-2010/11, p. 64.

<sup>5</sup> Housing Policy Speech of 2008/09, delivered on 12 March 2008 by MEC T. Xasa.

- *Capacity-building at the provincial and municipal levels*

In the 2008/09 Housing Policy Speech, MEC Xasa states that it is “apparent” that the recruitment of staff should be “intensified”. The MEC added that a new organogram has been developed which will shift the “centralisation” of housing delivery at the provincial level to a more “locally based implementation”, which will include focusing more on capacity-building at the local level and less on accreditation.<sup>6</sup>

In terms of capacity-building at the municipal level, the Department will continue to assist municipalities in the development of housing chapters in their integrated development plans (IDPs). In addition, according to the MEC, the Department is currently assessing the capacity of district municipalities, and this assessment will be used to develop a capacitation programme to be implemented in 2008/09.<sup>7</sup>

- *Emergency housing*

People eligible for emergency housing fall into two broad categories: a) those living in circumstances considered to be beyond their control, such as displacement due to flooding or fire, facing the imminent demolition of their homes or living in situations deemed to be immediately dangerous to their lives, health or security, or b) those living in a situation of “exceptional housing need”, which can be reasonably addressed only by resettlement or other “appropriate assistance”.<sup>8</sup>

In her 2008/09 Policy Speech, MEC Xasa states that the emergency housing programme had been prioritised and that provincial policy guidelines, developed in 2007/08, would be rolled out in 2008/09. She adds that “baseline studies” of areas prone to disaster-driven emergency situations would be conducted in 2008/09, together with institutions of higher education, with the intention of using this information to develop a strategy for emergency housing in the province.

- *Policy development and research*

The improvement of Eastern Cape housing (and housing-related) policy development and research is a key focus area for the Department of Housing. The MEC lists a number of activities to this effect, including the development of a Provincial Sustainable Human Settlements Research Strategy as well as a provincial housing demand database, and the enactment of legislation targeted at reducing the growth of informal settlements.<sup>9</sup>

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<sup>6</sup> Part 4, Section 10 of the Housing Act (No. 107 of 1997) allows for municipalities to become “accredited”, which enables them to manage a housing project in the same way as a provincial Department. The devolution of responsibilities to accredited municipalities (by allowing them to receive housing subsidy applications and consider housing business plans from potential developers, for example) is intended to ease the burden on the provincial Department and, in theory, speed up housing delivery. A municipality needs to apply for accreditation from the MEC for Housing, and needs to meet certain criteria, including sufficient capacity for efficient financial management and strategic planning, and must have staff members with the right skills to approve housing business plans.

<sup>7</sup> Housing Policy Speech of 2008/09, delivered on 12 March 2008 by MEC T. Xasa.

<sup>8</sup> Eastern Cape Department of Housing, “Departmental Draft Policy on Emergency Housing Assistance”, Section 7, 2007.

<sup>9</sup> Housing Policy Speech of 2008/09, delivered on 12 March 2008 by MEC T. Xasa.

- *Quality assurance and project management*

Improving the quality of houses by improving project management is a key policy area for the Department in 2008/09.<sup>10</sup> While the MEC says very little in her 2008/09 Housing Policy Speech on this issue, the 2008/09 APP provides additional information on planned activities, including assisting municipalities in the development of Housing Sector Plans, recruiting technical staff at the provincial and local levels, and introducing new methods of internal control.<sup>11</sup>

- *Established and emerging contractors*

In 2006, the Eastern Cape Department of Housing, Local Government and Traditional Affairs launched Operation Thunderstorm, an attempt to lure established contractors back to the low-cost housing sector. Under this programme, established contractors are expected to “embrace” emerging contractors, possibly through sub-contracting.<sup>12</sup> In her 2008/09 Policy Speech, the MEC reiterates the policy of using established contracts to accelerate housing delivery, adding that nine established contractors have been awarded tenders.<sup>13</sup>

According to the MEC, Operation Thunderstorm is not intended to exclude emerging contractors, and the Department has plans to train and capacitate emerging contractors, together with the Department of Public Works and the Eastern Cape Development Corporation. This will include on-site “mentoring and training”. In addition, the Department has an agreement with the Nelson Mandela Metro University which includes a short course for emerging contractors.<sup>14</sup>

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<sup>10</sup> Housing Policy Speech of 2008/09, delivered on 12 March 2008 by MEC T. Xasa.

<sup>11</sup> Eastern Cape Department of Housing, Annual Performance Plan 2008/09 to 2010/11, p. 62.

<sup>12</sup> Eastern Cape Department of Housing, Local Government and Traditional Affairs, Housing Circular No. 3 of 2006, *Appointment of Established Contractors for Rapid Housing Delivery*, signed 23 November 2006 by the Superintendent-General.

<sup>13</sup> Housing Policy Speech of 2008/09, delivered on 12 March 2008 by MEC T. Xasa.

<sup>14</sup> Ibid.

## II. Budget Analysis

**Table 1: Eastern Cape Department of Housing by Economic Classification, 2004/05 to 2010/11 (see Annexure)**

### Total Allocation

The Department's total budget is set to increase from R617.91 million (adjusted appropriation) in 2007/08 to R1.42 billion in 2008/09. This is an increase of 115.94 percent in real terms.<sup>15</sup> In comparison to the revised estimate (projected expenditure), the 2008/09 allocation represents an increase of 127.95 percent in real terms, which means that the Department will need to spend more than double its projected expenditure by the end of 2007/08.

### Compensation of Employees

The compensation of employees' line item is a particularly important one, considering the chronic human resource constraints facing this Department. The 2007/08 adjusted appropriation for personnel was R47.03 million, which is set to increase to R85.18 million in the 2008/09 financial year. This is an increase of 70.55 percent in real terms. The average increase over the MTEF period, however, is projected to be only 1.14 percent in real terms, which means that the Department believes it will be able to fill almost all vacant posts in 2008/09. This is supported by the 2008/09 APP which indicates that the Department is aiming to fill 85 percent of its vacant posts by the end of 2008/9.<sup>16</sup> As Diagram 1 indicates, however, the Department has not managed to make any progress on its vacancy rates. Between 2005/06 and 2006/07, both the general and critical vacancy rates increased rather than decreased. Given this poor record, it remains to be seen if the Department will be able to spend the entire personnel allocation for 2008/09.

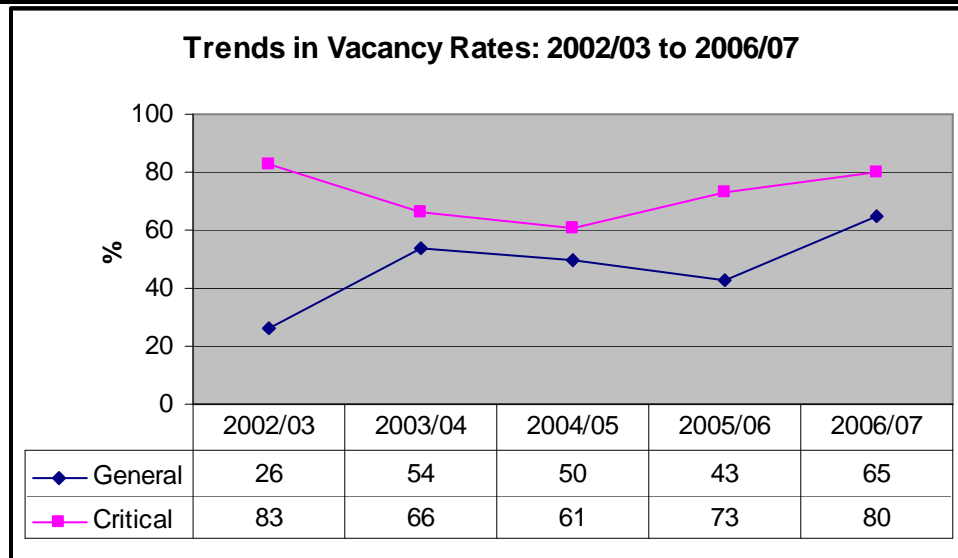
Historically the Department has not experienced significant yearly increases in its salary line item and it is likely that this has contributed to its ongoing inability to fill vacancies. In 2007/08, the compensation of employees' budget increased by only 8.14 percent in nominal terms (from R264.7 million in 2006/07, to R286.26 million in 2007/08) despite having a general vacancy rate of 65 percent and a critical vacancy rate of 80 percent by the end of the 2006/07 financial year.<sup>17</sup> It is encouraging to see that in 2008/09, the Department will finally be making significant resources available for recruitment. As noted above, however, the Department's previous record on human resource constraints has been rather dismal and it will need to ensure that it has a well-developed recruitment strategy capable of implementation. Such a strategy would include clear time frames for filling vacant posts.

<sup>15</sup> In comparison to the main appropriation (R1.1 billion), the budget for 2008/09 increases by 28.59 percent in nominal terms (and by 13.69 percent in real terms). Given the poor spending record of this Department, however, it is useful to compare the 2008/09 allocation with the 2007/08 adjusted appropriation, as the latter was reduced by 45.95 percent due to underspending (discussed in more detail under Table 3).

<sup>16</sup> Eastern Cape Department of Housing, Annual Performance Plan 2008/09 to 2010/11, p. 27.

<sup>17</sup> Eastern Cape Provincial Government *Budget Statement II 2007/08*, p. 227.

**Diagram 1: General and Critical Vacancy Rate trends in the Department of Housing, Local Government and Traditional Affairs, 2002/03 to 2006/07**



**Table 2: Eastern Cape Department of Housing by Programme, 2004/05 to 2010/11 (see Annexure)**

Programme 1 (Administration) provides strategic and political leadership and administrative support to the other three programmes, including the management of Departmental human resources. This programme also administers the housing conditional grant by managing payments for housing development.<sup>18</sup>

Programme 2 (Housing Planning and Research) is responsible for a number of important activities, namely facilitating the development of housing policy and legislation, coordinating housing planning, undertaking research which will inform planning,<sup>19</sup> and providing ongoing support to municipalities and other housing stakeholders, including promoting and assisting with the accreditation of municipalities as well as developing and implementing capacity-building programmes for stakeholders (including training consumers).<sup>20</sup>

Programme 3 (Housing Development and Implementation)<sup>21</sup> develops, plans and implements housing projects (including social and rental housing), and hostel redevelopment, manages the provision of housing subsidies, monitors the quality of

<sup>18</sup> Eastern Cape Department of Housing, Annual Performance Plan 2008/09 to 2010/11, p. 24.

<sup>19</sup> This research can be into the extent of the housing backlog and need in the province, including where such need is located, as well as research into alternative building technologies and different approaches to low-cost housing development.

<sup>20</sup> Eastern Cape Department of Housing, Annual Performance Plan 2008/09 to 2010/11, p. 40.

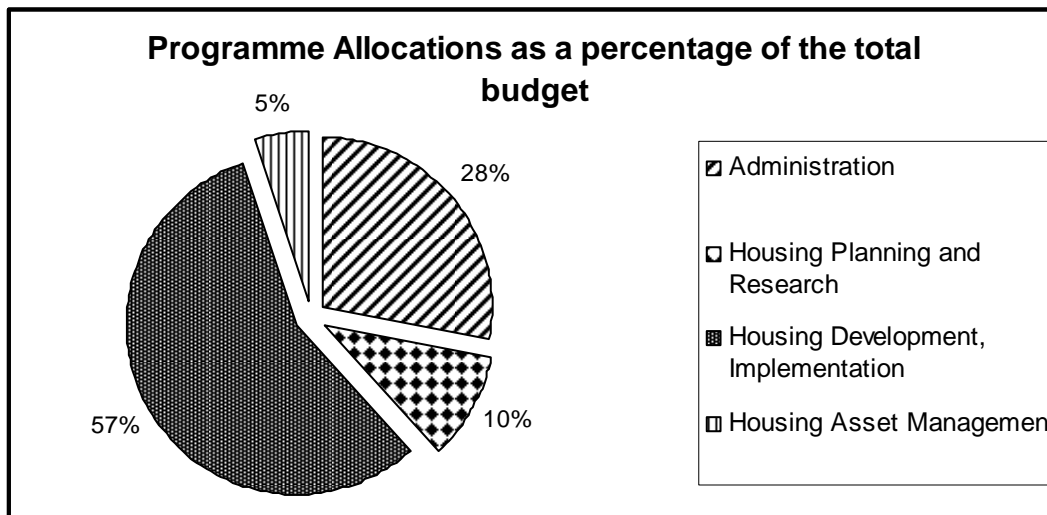
<sup>21</sup> In the Eastern Cape Provincial Government *Budget Statements II 2008/09*, p. 393, Programme 3 is referred to as "Housing Programmes Facilitation and Administration". In the tables, however, it is called "Housing Development and Implementation". In the interests of consistency and to avoid confusion, in the narrative of this Budget Analysis, Programme 3 will be known as "Housing Development and Implementation".



houses, facilitates and coordinates the upgrading of informal settlements and trains emerging contractors.<sup>22</sup>

Programme 4 (Housing Asset Management) manages rental and social housing stock, maintains housing assets and an asset register, assists in the acquisition of land for housing development.<sup>23</sup>

**Diagram 2: Department of Housing Programme Allocations for 2008/09<sup>24</sup>**



Programme 1 – Administration

- Financial Management

In 2006/07, the Department received a qualified audit opinion, an improvement from its previous record of four disclaimers in as many years (2002/03 to 2005/06), and the Auditor-General highlighted the Department’s improved monitoring of the conditional grant as well as the quality of housing, citing the implementation of a new quality assurance system.<sup>25</sup> The Auditor-General still discussed, however, the monitoring of the conditional grant at some length, citing it as an issue of concern.<sup>26</sup> Inadequate monitoring of transfer payments to municipalities (as the principal developers) and the

<sup>22</sup> Eastern Cape Department of Housing, Annual Performance Plan 2008/09 to 2010/11, p. 50.

<sup>23</sup> Ibid, p. 54.

<sup>24</sup> If one uses the figures in Table 2, Programme 1 (Administration) receives 91.57 percent of the budget. This is because Table 2 includes the conditional grant under Programme 1, which administers the grant. If the conditional grant allocation for 2008/09 (R1.25 billion) is subtracted from the total allocation of Programme 1, the budget is reduced to R46.56 million, which then places this programme second in terms of its budget share.

<sup>25</sup> Eastern Cape Department of Housing, Local Government and Traditional Affairs, Annual Report, 2006/07, p. 126.

<sup>26</sup> Ibid, states that the Auditor-General “could not obtain sufficient appropriate evidence to determine whether adequate measures were in place to ensure that transfer payments of R9.4 million to municipalities were used for their intended purposes” and that “[a]dequate documentation in support of these payments for houses of the various housing projects could not be provided”, which made it impossible to verify if payments were made for “value created”.

poor quality of housing that has been the result of this mismanagement has been the primary reason for the Department's repeated audit disclaimers.<sup>27</sup>

The conditional grant has been moved to Programme 1 which will place an increased burden on this programme's human resources. It is encouraging to note that the Department is aware of this and has increased this programme's personnel budget from R19.39 million to R34.3 million, which represents a 66.61 percent increase in real terms.<sup>28</sup> The projected staff numbers for 2008/09 indicate that this programme intends increasing their staff complement from 3 to 125 by the end of the financial year.<sup>29</sup> Not only is this a massive increase which will require rigorous planning and careful implementation to ensure that staff are adequately skilled, but it will also require a significant increase in financial resources.

It is unlikely that the 66.61 percent increase in the compensation of employees' line item for this programme will be sufficient to fund the additional 122 staff which will need to be paid out of this programme's personnel budget. Even if the budget was larger, however, the recruitment and retention record of this Department has been dismal, as seen in Diagram 1. The Department will therefore need to improve its human resource planning if it is to recruit and retain the necessary skilled staff to ensure that it improves its management of the conditional grant. The National Department of Housing, in keeping with its responsibilities in the Housing Act, should provide the necessary assistance to the Eastern Cape Department of Housing, so that the continuing crisis of poor capacity at the provincial level can be overcome.

In addition, while the personnel budget increases significantly in 2008/09, it only increases by 6.22 percent in real terms over the MTEF period, which indicates that the Department assumes it will be able to recruit almost all the necessary staff by the end of 2008/09.

- Human Resources

This Programme is responsible for building the human resource capacity of the Department. As depicted in Diagram 1, the human resource constraints faced by this Department are severe, and the Department has therefore increased the compensation of employees' line item for the entire Department considerably.

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<sup>27</sup> Eastern Cape Department of Housing, Local Government and Traditional Affairs, Annual Report, 2002/03, pp. 106-107; Annual Report, 2003/04, pp. 60-61; Annual Report, 2004/05, p. 94; and Annual Report, 2005/06, p. 92.

<sup>28</sup> This financial year (2008/09) is the first year that the functions of housing have been delineated from that of local government and traditional affairs as a separate budget vote. The spending and allocation figures as shown in the Budget Statements for this budget horizon (2004/05 to 2010/11) for Vote 11 (the new Eastern Cape Department of Housing) have been drawn out of the spending and budget figures for the old Department of Housing, Local Government and Traditional Affairs (by Treasury). Thus, when this Budget Analysis makes reference to the budgets of particular line items for previous financial years (such as personnel expenditure for example), these figures only take into account what was spent on housing (salaries for housing staff), and are not the total figures of what was spent on those same line items for the old Department of Housing, Local Government and Traditional Affairs.

<sup>29</sup> Eastern Cape Provincial Government *Budget Statements II 2008/09*, p. 399.

Poor capacity, in terms of both staff numbers and skills shortages, is frequently cited as the main barrier to poor service delivery (pace and quality). In the 2008/09 APP, the problem of insufficient capacity is cited as a key constraint for every programme.<sup>30</sup> In addition, for the Project Management and Quality Assurance sub-programme, the Department notes that weak capacity at the provincial level, particularly in terms of technical skills, “has not been sufficient to address communities’ housing needs”.<sup>31</sup>

Poor provincial capacity will also have a negative impact on the Rectification Programme, as this policy priority will require substantial human resources in a Department which already experiences this as a major challenge.<sup>32</sup> The process of rectification requires input from the provincial and local levels, as it entails identifying what the specific problems are and where they are, whose responsibility it is to repair the house, planning for the actual rectification and then undertaking it, tracking down the contractor who built those houses and other related activities.<sup>33</sup> While municipalities are required to assist with this programme, the weak capacity at local government will require the Department to carry the burden of the Rectification Programme, as capacity-building at municipalities will take time. It is essential, therefore, that this programme plans and spends effectively so that key policy priorities, including the Rectification Programme, are implemented efficiently.

## Programme 2 – Housing Policy, Planning and Research

This programme’s budget is set to increase from R8.95 million in 2007/08 to R17.14 million in 2008/09. While the allocation for Programme 2 increases by 80.38 percent in real terms, the budget share of this programme as a percentage of the total Departmental budget is fairly small. Despite being responsible for almost everything except initiating and monitoring housing development (including payments), Programme 2 only receives the third largest share of the budget. As Diagram 1 indicates, this programme receives ten percent of the Department’s equitable share allocation. The activities of this programme directly and indirectly support Programme 3 in particular, which is responsible for initiating and implementing housing projects. Housing projects cannot be effectively planned for and managed unless the Department has a clear idea of where housing should be located, what kind of housing is needed and how many houses should be built.

In addition, the programme’s personnel numbers and budget should be commensurate with the wide range of important activities that Programme 2 is expected to undertake. This, however, is not the case. In 2007/08, this programme was allocated R8.15 million for personnel. This has increased to R9.38 million, which represents an increase of only

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<sup>30</sup> Eastern Cape Department of Housing, Annual Performance Plan 2008/09 to 2010/11, pp. 25, 42, 51 and 55.

<sup>31</sup> Ibid, pp. 60 and 62.

<sup>32</sup> The Rectification Programme is necessary and it is commendable that the Department is taking steps to improve poor quality. It does highlight, however, how the problem of poor quality not only affects beneficiaries who are forced to live in substandard housing, but it also affects housing delivery on a larger scale, delaying the delivery process which is already outstripped by the growing demand.

<sup>33</sup> See “The challenge of delivering quality housing in the Eastern Cape: A Case Study into government-subsidised housing at the Ngqushwa Local Municipality”, which can be accessed at [www.psam.org.za](http://www.psam.org.za).

8.41 percent in real terms. The Budget Statement II includes a table reflecting the number of staff members each programme intends to recruit over the MTEF period.<sup>34</sup> Programme 2 intends to recruit 15 people during the 2008/09 year (increasing their staff from 20 to 35 people). This is an increase of 42.86 percent, yet, as noted above, the budget is set to increase by only 8.41 percent. Furthermore, this programme intends increasing its staff complement by ten people in each financial year of the MTEF period, yet the personnel budget is expected to decrease by 3.9 percent in real terms over this period.<sup>35</sup>

The goods and services' line item for this programme is set to receive a massive increase, from R802 000 in 2007/08 to R7.76 million in 2008/09, which is an increase of 867.96 percent in nominal terms. According to the 2008/09 Operational Plan, this will go towards the development and review of housing policies, providing support to municipalities and the verification of the housing backlog.<sup>36</sup> It is encouraging to see that the importance of these activities is being taken seriously and it is vital the budget is used effectively. This size of this increase for the 2008/09 financial year indicates this programme has received insufficient funds in prior years, which is evident in the Department's poor record on housing-related research and strategic planning.

- Research and planning

A lack of information on the extent and location of the housing backlog, as well as other important factors such as rural to urban migration, has been one of the primary weaknesses in the strategic planning of the Department. The 2007/08 APP is the first strategic plan in which the Department gives any indication that it is aware of the size of the housing backlog, and it places this at 800 000.<sup>37</sup> Even this new information, however, is rather tentative as the plan states that the housing backlog figure (of 800 000) is an estimation using "informal data", rather than concrete figures based on official research. Furthermore, the Department adds that this estimation is over three times the figure that Statistics South Africa provided in 2001, which was 220 000.<sup>38</sup> This tentative approach is echoed in the 2008/09 Annual Performance Plan, which reiterates that while informal data places the housing backlog at 800 000, the 2001 Census provided a much lower

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<sup>34</sup> Eastern Cape Provincial Government *Budget Statements 2008/09*, p 399.

<sup>35</sup> The disjuncture between the budget and the recruitment targets has been queried by the PSAM – we are currently seeking clarity from the Eastern Cape Department of Housing and Treasury.

<sup>36</sup> Eastern Cape Department of Housing, Operational Plan, 2008/09, pp. 26, 29 and 31. Unfortunately, the Operational Plan is somewhat vague and should provide additional detail about these activities, so that the reader can develop a clear understanding of how the budget will be spend.

<sup>37</sup> Eastern Cape Department of Housing, Local Government and Traditional Affairs, Amended Strategic Plan, 2005-2010; Annual Performance Plan, 2007-2010, p. 31. This information is also not adequately reflected in the activities and targets of individual programmes in the 2007/08 Annual Performance Plan and is too general to be of any real use.

<sup>38</sup> *Ibid*, p. 9. The APP adds that the Department has commissioned research into the extent and location of the backlog due to the uncertainty surrounding the backlog figures. This was also promised in the third 2006/07 Annual Performance Plan, however. Provincial departments are required to formulate strategic plans on a yearly basis. For the 2006/07 financial year, the Department brought out three different strategic plans with no explanation for why this was the case. The last document was the most detailed, but was released in July of 2006/07 (the second quarter of the financial year). It is not clear which plan the Department was officially working from.

figure.<sup>39</sup> It is also not clear if this refers to the number of people needing houses or the number of houses needed.

As if this uncertainty was not enough, MEC Xasa confuses the issue further in her 2008 Housing Policy Speech by stating that the provincial housing backlog stands at 797 932 “as per Census 2001 Statistics”, which directly contradicts both the 2007/08 and 2008/09 Annual Performance Plans, which (as noted above) indicates that the 2001 census yielded different results to that of the Department’s own research.<sup>40</sup>

In addition, if this figure of 800 000 is really taken from the 2001 census (as opposed to the “informal data” which the Annual Performance Plans refers to), then the MEC’s reliance on data as old as 2001 indicates that the Department needs to urgently undertake research into the current housing backlog. This information is an essential part of improving planning and service delivery. This programme will be unable to fulfil its responsibilities in this regard unless it has sufficient appropriately skilled staff to plan and undertake research, as well as incorporate this research into the strategic planning of the Department.

- Local government capacity-building

Programme 2 is also responsible for building capacity at the local level. Insufficient capacity at the local government level<sup>41</sup> to plan, implement and monitor housing projects is one of the biggest barriers to the delivery of quality low-cost housing.<sup>42</sup> The Department has been struggling to overcome this challenge, partly due to its own poor planning in this regard, despite the fact that it has been frequently cited as a key policy area in previous financial years.

Municipalities are important role players in housing development as they are the default developers<sup>43</sup> for housing projects, despite the continuing understaffing of housing units at the local government level.<sup>44</sup> This has posed a challenge for the efficiency of service delivery, according to one official in the Department of Housing:

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<sup>39</sup> Eastern Cape Department of Housing Annual Performance Plan, 2008/09 to 20010/11, p. 9.

<sup>40</sup> Housing Policy Speech of 2008/09, delivered on 12 March 2008 by MEC T. Xasa. The 2007/08 Annual Performance Plan seems to use the figures of 800 000 and 797 932 interchangeably. Given the small difference between these numbers, this Budget Analysis will tend to refer to 800 000.

<sup>41</sup> I include here local and district municipalities. The Department is re-establishing housing offices at the district level, which are intended to provide technical and strategic support on housing projects to local municipalities (see “The challenge of delivering quality housing in the Eastern Cape: A Case Study into government-subsidised housing at the Ngqushwa Local Municipality”, which can be accessed at [www.psam.org.za](http://www.psam.org.za)).

<sup>42</sup> For a more detailed discussion of this challenge: “The challenge of delivering quality housing in the Eastern Cape: A Case Study into government-subsidised housing at the Ngqushwa Local Municipality”, which can be accessed at: [www.psam.org.za](http://www.psam.org.za).

<sup>43</sup> A developer is the direct implementer of housing projects, and can be the Department, the municipality, a parastatal or a private entity. The developer usually assists in drafting a housing project plan, appoints the contractor, monitors the quality of the units and the progress of the projects, pays contractors and liaises with the relevant stakeholders (such as the Department, the community and the municipality).

<sup>44</sup> For a more detailed discussion of the role of local government in housing development, as well as an analysis of the capacity of housing units, see “The challenge of delivering quality housing in

Many municipal authorities are inadequately resourced and unable to undertake certain responsibilities, despite the fact that the responsibilities were transferred to them... This state of affairs is jeopardizing both the pace and quality of housing delivery.<sup>45</sup>

Furthermore, municipalities are also partly responsible for assisting the Department with the Rectification Programme, particularly by identifying which houses are in need of repair.<sup>46</sup> If the municipality lacks the necessary technical and human resource capacity to gather that information, this negates the purpose and efficacy of the programme.

Given the central role of local municipalities in housing development, the building of capacity at this level in terms of both the numbers of staff, as well as the necessary technical expertise, is essential if housing development is to be accelerated. It is important, therefore, that this programme is sufficiently resourced and has an effective plan to use these resources to support and capacitate local government on an ongoing basis.

### Programme 3 – Housing Development and Implementation

Programme 3 is responsible for planning, implementing and monitoring housing development, which includes upgrading informal settlements. The process of housing development is a long one, which includes close interaction with local authorities to draw up housing business plans which need to be assessed and approved by the provincial Department, the inspection of houses in terms of quality, and the general monitoring of the project to ensure that money paid for housing development does not constitute fruitless and wasteful expenditure.<sup>47</sup> In keeping with the wide range of important responsibilities, the Department receives the largest share of the budget (56.72 percent), as seen in Diagram 2.

This programme's total allocation is set to decrease from R580.89 million in 2007/08 to R94.18 million, which is a reduction of 84.73 percent in real terms. This decrease, however, is the result of the removal of the conditional grant from this programme. The 2007/08 equitable share allocation for this programme was R28.34 million. If one compares this figure to the 2008/09 allocation (R94.18 million), then this programme is set to receive an increase of 212.93 percent in real terms. This is a considerable increase and if the programme is able to spend the entire amount effectively, it would hopefully result in the acceleration of housing delivery which was particularly dismal for the 2007/08 financial year, as depicted in Diagram 3. Despite this massive increase in the equitable share allocation for 2008/09, the projected MTEF allocations are set to

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the Eastern Cape: A Case Study into government-subsidised housing at the Ngqushwa Local Municipality", which can be accessed at [www.psam.org.za](http://www.psam.org.za).

<sup>45</sup> "The challenge of delivering quality housing in the Eastern Cape: A Case Study into government-subsidised housing at the Ngqushwa Local Municipality", October 2007, which can be accessed at [www.psam.org.za](http://www.psam.org.za).

<sup>46</sup> Ibid.

<sup>47</sup> For a more detailed account of the activities related to housing development, see "The challenge of delivering quality housing in the Eastern Cape: A Case Study into government-subsidised housing at the Ngqushwa Local Municipality", October 2007, which can be accessed at [www.psam.org.za](http://www.psam.org.za).

decrease by 10.31 percent in real terms. The 10.78 percent MTEF increase (in real terms) of the housing conditional grant indicates that the Department intends increasing its housing delivery over the next three years, and it is therefore unclear why the programme which is responsible for initiating, planning and managing housing projects is seeing its budget decrease in both nominal and real terms over this same period.

The personnel budget of this programme is set to increase from R14.06 million in 2007/08 to R39.26 million in 2008/09, which represents an increase of 162.96 percent in real terms. Given the projected staff number for this programme, it is unclear why this programme has received such a substantial increase in its personnel budget. The Department intends employing ten more staff members for this programme (from 93 to 103).<sup>48</sup>

- Housing development and delivery

As Diagram 3 illustrates, housing delivery has been slowing down, particularly over the past three financial years. By the end of the 3<sup>rd</sup> quarter of 2007/08, the Department had only built 6 812 houses (this figure includes houses under construction). If the current rate of delivery persists, the Department would take approximately 80 years to eradicate the backlog (not taking into account the ever-growing demand for housing which currently outstrips delivery).<sup>49</sup> Given the high demand for housing, it is essential that the Department accelerates delivery, while avoiding compromising the quality of the houses it builds, in order to meet its constitutional obligations to ensure that people have access to adequate housing on a progressive basis.

The Bill of Rights states that “[e]veryone has the right to have access to adequate housing”, and goes on to add that the “state must take reasonable legislative and other measures, within its available resources, to achieve the progressive realisation of this right.”<sup>50</sup> In the Eastern Cape, however, the poor quality of state-subsidised housing is one of the key barriers to the achievement of this right.

There are a wide variety of reasons for poor quality housing, including (but not limited to) insufficient human resource capacity at the provincial and local levels to effectively monitor the construction of houses, the lack of a coherent monitoring system (until November 2006), the building of 40m<sup>2</sup> houses in the Eastern Cape while the national norm was 30m<sup>2</sup> resulting in an unfunded 10m<sup>2</sup>, and the use of emerging contractors.<sup>51</sup>

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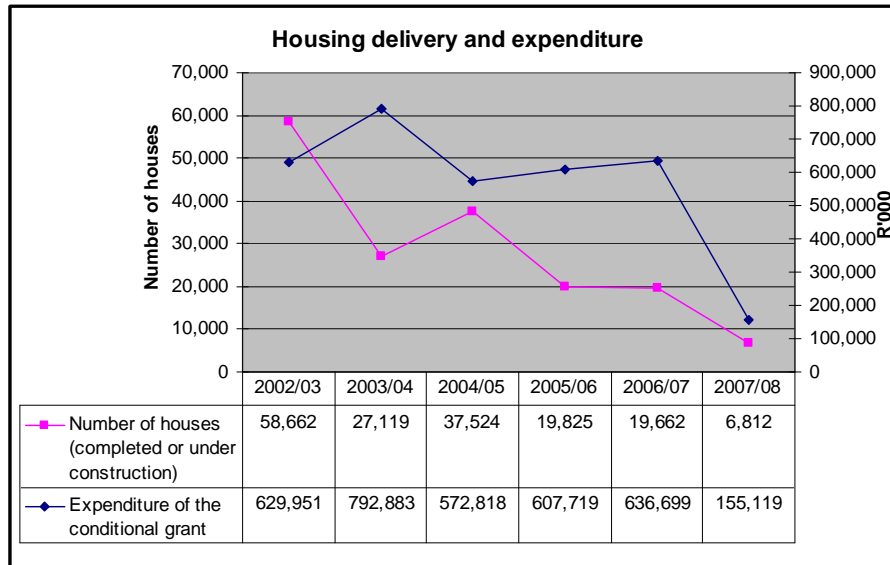
<sup>48</sup> Eastern Cape Provincial Government *Budget Statements 2008/09*, p. 399.

<sup>49</sup> This is worked out using the Department’s estimate of the backlog which is 800 000, and using an estimate of 10 000 houses completed per year.

<sup>50</sup> South African Constitution, Chapter 2, Bill of Rights, Section 26 (1) and (2).

<sup>51</sup> For detailed discussions of these issues (and others affecting quality), see “The challenge of delivering quality housing in the Eastern Cape: A Case Study into government-subsidised housing at the Ngqushwa Local Municipality”, October 2007, which can be accessed at [www.psam.org.za](http://www.psam.org.za).

**Diagram 3: Housing delivery and spending trends for 2002/03 to 2007/08<sup>52</sup>**



Programme 3 is responsible for the monitoring the construction of homes, together with municipalities. This will require sufficient staff with the necessary technical expertise, not only so that houses are inspected properly, but also to prevent the stalling of construction between phases due to a lack of project managers and building inspectors who need to approve each phase. The slow-down in delivery in the 2007/08 financial year seems to be due to the creation of a more rigorous quality assurance system, but the Department has lacked the necessary staff to implement this system. In 2007, the Quality Assurance and Project Management Chief Directorate was operating with a 78 percent vacancy rate.<sup>53</sup> This unit's expertise base includes engineers, town planners, building inspectors (sometimes known as control or building technicians) and project managers. In terms of the Department's organogram, engineers, town planners and control technicians are critical posts, and yet by the end of 2006/07, the Department had

<sup>52</sup> All housing delivery figures are taken from the Eastern Cape Provincial Government *Budget Statements I 2008/09*, p. 48, except for 2007/08 figure, which was taken from the website of the National Department of Housing ([www.housing.gov.za](http://www.housing.gov.za)). This latter figure is for the first three quarters of the financial year (i.e. up until the end of December 2007). All housing delivery figures include houses which are under construction. The 2002/03 conditional grant expenditure figure is sourced from the *Budget Statements 2006/07*, p. 320, while the 2003/04 expenditure is taken from the *Budget Statements II 2007/08*, p. 226. All expenditure figures from 2004/05 to 2006/07 are taken from the *Budget Statements II 2008/09*, p. 388. The amount given for 2007/08 is how much the Department spent by the end of the third quarter. This figure was taken from "Conditional Grants transferred from National Departments and Actual Payments made by Provinces, 3<sup>rd</sup> Quarter ended 31 December 2007, Eastern Cape Province" as released by National Treasury.

<sup>53</sup> "The challenge of delivering quality housing in the Eastern Cape: A Case Study into government-subsidised housing at the Ngqushwa Local Municipality", October 2007, which can be accessed at [www.psam.org.za](http://www.psam.org.za).



only 20 percent of its engineers,<sup>54</sup> less than 2 percent of its town planners and 28 percent of its control technicians.<sup>55</sup>

- Emerging contractors

This programme is responsible for supporting, training and capacitating emerging contractors, which is one of the key policy priorities of this Department. Emerging contractors generally lack sufficiently skilled staff and cannot take on large housing projects, which results in slower delivery, and sometimes an inferior product.<sup>56</sup> This is the primary reason for the implementation of Operation Thunderstorm, which (as stated above) is intended to encourage established contractors to tender for more low-cost housing construction.

This programme is responsible for lending technical support to emerging contractors in order to counteract the negative side-effects without reversing the policy on the widespread use of these contractors for low-cost housing delivery.<sup>57</sup> While the 2008/09 APP provides no targets for the supporting and capacitating of emerging contractors, any ongoing activity of this kind will require significant human resource capacity (in terms of both numbers and technical skills). The personnel budget for this programme increases significantly (162.96 percent in real terms), but if it is not used effectively to recruit sufficient numbers of appropriately-skilled staff, this policy priority will not be implemented to any great degree, or human resources will need to be diverted from the other ongoing work of this programme, such as the monitoring and implementation of housing projects, which will result in a further slow-down in delivery.

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**Table 3: Eastern Cape Department of Housing by Conditional Grant allocations, 2004/05 to 2010/11 (see annexure)**

The Integrated Housing and Human Settlement Development Grant (IHSDG), also known as the housing subsidy, funds municipal infrastructure (such as roads, street lighting and storm-water drainage), planning for housing particularly at the municipal level, pays for land acquisitions for housing development and provides various subsidies to qualifying beneficiaries. It is also used for the upgrading of informal settlements.<sup>58</sup>

This grant makes up 88.28 percent of the Department's total allocation. Diagram 3 shows that the expenditure of this grant has been on the decline for the past four financial years, particularly in 2007/08. For that financial year, the Department was initially allocated R1.05 billion and only spent R155.2 million (14.74 percent) by the end

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<sup>54</sup> This includes both chief and deputy chief engineers.

<sup>55</sup> Eastern Cape Department of Housing, Local Government and Traditional Affairs, Annual Report, 2006/07, p. 170.

<sup>56</sup> For a more detailed discussion of the problem of emerging contractors, see "The challenge of delivering quality housing in the Eastern Cape: A Case Study into government-subsidised housing at the Ngqushwa Local Municipality", October 2007, which can be accessed at [www.psam.org.za](http://www.psam.org.za).

<sup>57</sup> Eastern Cape Department of Housing, Annual Performance Plan, 2008/09 to 2010/11, pp. 50 and 51.

<sup>58</sup> National Department of Housing, Annual Report, 2006/07, pp. 23-24.

of the third quarter.<sup>59</sup> In addition, the Adjustments Estimates shows that the Department had to surrender R483.62 million of this conditional grant due to underspending. In percentage terms, this represents a loss of 45.95 percent of the housing subsidy.<sup>60</sup>

It is not surprising that the Department was unable to spend its entire 2007/08 allocation, given the considerable increase it received in that financial year. The conditional grant increased by 38.13 percent (from R762.99 million in 2006/07, to R1.04 billion in 2007/08).<sup>61</sup> Despite this poor spending record, the Department is set to receive a substantial increase in its grant allocation for 2008/09. In comparison to the adjusted appropriation for 2007/08, this grant is set to increase by 113.19 percent in real terms (from R552.55 million to R1.25 billion). This means that the Department will need to spend more than double what it projects it will be able to spend in 2007/08.<sup>62</sup>

The primary reason for poor spending is poor capacity at the provincial and local levels. Diagram 1 indicates that the critical staff vacancy rate in the provincial Department is higher than the previous three financial years. Without the necessary skilled staff, such as engineers, project managers, town planners and building inspectors, not only will the pace of delivery and spending remain low, but the quality of housing will be (and has been) compromised, resulting in homes which are uninhabitable. Not only has the Department shown itself unwilling or incapable of making significant progress on its vacancy rates, but it also faces other significant constraints, including poor capacity at the local level combined with the policy of using of municipalities as the default developers and a lack of skills in the emerging contractors sector. It is likely, therefore, that we will continue to see significant underspending in this Department, given the massive budget increase it is expected to receive in 2008/09.

### III. Conclusion

Human resource limitations, both in numbers and skills, remain central to the failures of this Department and it is therefore encouraging to see the Department's personnel budget increase so significantly in 2008/09. All other policy priorities rely on an adequately staffed and well-trained workforce. Increases in other line items, including the conditional grant and the budget for the research and planning unit, become futile if the Department's lacks sufficient numbers of adequately skilled staff.

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<sup>59</sup> This Budget Analysis has generally compared the 2008/09 allocations to the 2007/08 Adjusted Appropriation figures. It is worth noting here, however, the initial 2007/08 conditional grant allocation (Main Appropriation) due to the massive underspending which resulted in almost half the grant being removed during the 2007/08 financial year. In addition, this paragraph states that R1.05 billion was allocated in 2007/08 for the conditional grant, while the following paragraph places this figure at R1.04. The 2007/08 figure is taken from the 2007/08 Budget Statements II (p. 226), while the latter figure was taken from the most 2008/09 Budget Statements II (p. 388). The inconsistency is small enough to avoid having any significant impact on the percentage change calculations.

<sup>60</sup> Eastern Cape Adjustments Estimates, 2007/08, p. 56.

<sup>61</sup> Eastern Cape Provincial Government *Budget Statements II 2007/08*, p. 226.

<sup>62</sup> Given the low level of expenditure by the end of the third quarter, it is possible that the Department will not even reach the level of the projected spending (the revised estimate) as it is presented in the Budget Statements.

It is essential, however, that this Department makes good use of its personnel budget by developing a detailed, costed and time-bound plan for recruitment, training and retention. This will require the MEC and the HOD to provide effective political and administrative leadership, including holding staff accountable for their performance. Furthermore, the National Department of Housing may need to become increasingly involved in the Eastern Cape Department of Housing which, thus far, has proved itself unwilling or incapable of significantly and sustainably improving its performance.

In the PSAM Budget Analysis for the 2007/08 financial year, it was noted more than once that the Department was most likely going to underspend on its conditional grant in 2007/08, due to the ongoing challenges that face this Department, including the weak capacity at the provincial and local levels, and the poor planning. As noted in this Budget Analysis, this Department did massively underspend in 2007/08, which resulted in almost half of the grant being removed. Despite this poor spending, the Department has once again received a large increase for the 2008/09 financial year. The Department will need to take urgent steps to address its challenging internal service delivery environment. The Department's numerous and long-running problems cannot be solved in a single financial year and will not be solved solely by increasing budget allocations.

Each year, the PSAM produces seven main outputs: 1. Budget Analysis; 2. Strategic Plan Evaluation; 3. Expenditure Tracking Report; 4. Performance Monitoring Report, 5. Accountability to Oversight Report, 6. Scorecard; 7. Integrity Systems Evaluation. Together, these publications provide a comprehensive overview of the performance of government service delivery departments in respect of their implementation of accountability and service delivery systems necessary to realise socio-economic rights to education, health care, housing and welfare. The Budget Analysis and Strategic Plan Evaluation are forward-looking research outputs, produced at the beginning of the financial year. These outputs analyse the likely impact of policy priorities, budget allocations and planned activities on each department's ability to implement effective accountability and service delivery systems in the upcoming financial year. The remaining outputs are retrospective, and provide an analysis of each department's actual performance in the previous financial year. All PSAM outputs are available on [www.psam.org.za](http://www.psam.org.za).

**Annexure:**

**Table 1: Eastern Cape Department of Housing by Economic Classification, 2004/05 to 2010/11<sup>63</sup>**

| (R' 000)   | Outcome            |                    |                    | Main Appropriation<br>2007/08 | Adjusted appropriation<br>2007/08 | Revised estimate<br>2007/08 | Medium-term estimate                                  |                |                  |                  | Real Change between<br>2007 and<br>2008 | Real Average Growth over<br>MTEF |
|--|--------------------|--------------------|--------------------|-------------------------------|-----------------------------------|-----------------------------|---|----------------|------------------|------------------|---|----------------------------------|
|  | Audited<br>2004/05 | Audited<br>2005/06 | Audited<br>2006/07 |                               |                                   |                             | % change<br>from Adjusted<br>Appropriation<br>2007/08 | 2008/09        | 2009/10          | 2010/11          |   |                                  |
| <b>Current payments</b>                          | <b>43,023</b>      | <b>51,965</b>      | <b>59,113</b>      | <b>65,810</b>                 | <b>64,843</b>                     | <b>59,967</b>               | <b>139,888</b>  | <b>115.73</b>  | <b>146,750</b>   | <b>155,288</b>   | <b>103.14</b>                           | <b>0.39</b>                      |
| Compensation of employees                        | 23,858             | 29,381             | 37,688             | 41,539                        | 47,031                            | 46,782                      | 85,183  | 81.12          | 91,343           | 96,689           | 70.55                                   | 1.14                             |
| Goods and Services                               | 15,830             | 18,041             | 21,425             | 24,271                        | 17,812                            | 13,185                      | 54,705  | 207.12         | 55,407           | 58,599           | 189.19                                  | -0.80                            |
| Financial transactions in assets and liabilities | 3,335              | 4,543              |                    |                               |                                   |                             |   |                |                  |                  |   |                                  |
| <b>Transfers and Subsidies to</b>                | <b>617,589</b>     | <b>614,291</b>     | <b>636,722</b>     | <b>1,036,171</b>              | <b>552,554</b>                    | <b>525,386</b>              | <b>1,251,018</b>                                      | <b>126.41</b>  | <b>1,510,127</b> | <b>1,865,963</b> | <b>113.19</b>                           | <b>10.78</b>                     |
| Provinces and municipalities                     | 44,771             | 6,572              | 23                 |                               |                                   |                             |   |                |                  |                  |   |                                  |
| Households                                       | 572,818            | 607,719            | 636,699            | 1,036,171                     | 552,554                           | 525,386                     | 1,251,018   | 126.41         | 1,510,127        | 1,865,963        | 113.19                                  | 10.78                            |
| <b>Payments for capital assets</b>               | <b>-5</b>          | <b>71</b>          |                    |                               | <b>508</b>                        |                             | <b>26,150</b>   | <b>5047.64</b> | <b>6,458</b>     | <b>6,331</b>     | <b>4,747.12</b>                         | <b>-39.57</b>                    |
| Buildings and other fixed structures             |                    |                    |                    |                               |                                   |                             | 20,000  |                |                  |                  |   | -100.00                          |
| Machinery and equipment                          | -5                 | 71                 |                    |                               | 508                               |                             | 6,150   | 1110.63        | 6,458            | 6,331            | 1,039.95                                | -2.10                            |
| <b>Total economic classification</b>             | <b>660,607</b>     | <b>666,327</b>     | <b>695,835</b>     | <b>1,101,981</b>              | <b>617,905</b>                    | <b>585,353</b>              | <b>1,417,056</b>                                      | <b>129.33</b>  | <b>1,663,335</b> | <b>2,027,582</b> | <b>115.94</b>                           | <b>9.25</b>                      |

<sup>63</sup> Eastern Cape Provincial Government *Budget Statements II 2008/09*, p. 288. In all the tables, the figures for 2004/05, 2005/06 and 2006/07 are audited *expenditure*. The Main Appropriation figures for 2007/08 represent the initial allocations for that financial year while the Adjusted Appropriation figures are the revised allocations subsequent to the tabling of the Adjusted Appropriation Act. The Revised Estimates are a combination of un-audited *incurred expenditure* and *projected expenditure* (what the Department thinks it will spend by the end of the 2007/08 financial year). The outer years are MTEF projections (*projected allocations*). All figures (R'000) are nominal (they do not factor in the effect of inflation on buying power). The percentages in the last two columns were calculated using real figures. CPIX figures were used to calculate what the real buying power would be for each of the budget allocations in the budget horizon (2004/05-2010/11). These figures were then used to calculate the real growth percentages shown in the last two columns.

**Table 2: Eastern Cape Department of Housing by Programme, 2004/05 to 2010/11<sup>64</sup>**

| Programme (R ' 000)                    | Outcome         |                 |                 | Main Appropriation 2007/08 | Adjusted appropriation 2007/08 | Revised estimate 2007/08 | Medium-term estimate                         |               |                  |                  | Real Change between 2007 and 2008 | Real Average Growth over MTEF |
|--|-----------------|-----------------|-----------------|----------------------------|--------------------------------|--------------------------|--|---------------|------------------|------------------|-----------------------------------|-------------------------------|
|  | Audited 2004/05 | Audited 2005/06 | Audited 2006/07 |                            |                                |                          | % change from Adjusted Appropriation 2007/08 | 2008/09       | 2009/10          | 2010/11          |                                   |                               |
| 1. Administration                      | 14,400          | 10,688          | 12,314          | 15,833                     | 20,933                         | 13,551                   | 1,297,575                                    | 6,098.71      | 1,560,899        | 1,924,392        | 5,736.82                          | 10.57                         |
| 2. Housing Planning and Research       | 3,244           | 7,974           | 6,828           | 8,909                      | 8,949                          | 8,302                    | 17,143                                       | 91.56         | 17,971           | 19,628           | 80.38                             | 1.43                          |
| 3. Housing Development, Implementation | 637,807         | 640,604         | 669,267         | 1,070,109                  | 580,893                        | 556,485                  | 94,176                                       | -83.79        | 75,855           | 74,550           | -84.73                            | -10.31                        |
| 4. Housing Asset Management            | 5,156           | 7,061           | 7,426           | 7,130                      | 7,130                          | 7,015                    | 8,162  | 14.47         | 8,610            | 9,012            | 7.79                              | 0.21                          |
| <b>Total payments and estimates</b>    | <b>660,607</b>  | <b>666,327</b>  | <b>695,835</b>  | <b>1,101,981</b>           | <b>617,905</b>                 | <b>585,353</b>           | <b>1,417,056</b>                             | <b>129.33</b> | <b>1,663,335</b> | <b>2,027,582</b> | <b>115.94</b>                     | <b>9.25</b>                   |

**Table 3: Eastern Cape Department of Housing by Conditional Grant allocations, 2004/05 to 2010/11<sup>65</sup>**

| Conditional Grant Allocation (R ' 000)                       | Outcome         |                 |                 | Main Appropriation 2007/08 | Adjusted appropriation 2007/08 | Revised estimate 2007/08 | Medium-term estimate                         |               |                  |                  | Real Change between 2007 and 2008 | Real Average Growth over MTEF |
|--|-----------------|-----------------|-----------------|----------------------------|--------------------------------|--------------------------|--|---------------|------------------|------------------|-----------------------------------|-------------------------------|
|  | Audited 2004/05 | Audited 2005/06 | Audited 2006/07 |                            |                                |                          | % change from Adjusted Appropriation 2007/08 | 2008/09       | 2009/10          | 2010/11          |                                   |                               |
| 1. Integrated Housing and Human Settlement Development Grant | 572,818         | 607,719         | 636,699         | 1,036,171                  | 552,555                        | 525,386                  | 1,251,018                                    | 126.41        | 1,510,127        | 1,865,963        | 113.19                            | 10.78                         |
| <b>Total payments and estimates</b>                          | <b>572,818</b>  | <b>607,719</b>  | <b>636,699</b>  | <b>1,036,171</b>           | <b>552,555</b>                 | <b>525,386</b>           | <b>1,251,018</b>                             | <b>126.41</b> | <b>1,510,127</b> | <b>1,865,963</b> | <b>113.19</b>                     | <b>10.78</b>                  |

<sup>64</sup> Eastern Cape Provincial Government *Budget Statements II 2008/09*, p. 387.

<sup>65</sup> *Ibid.*, p. 388.