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Eastern Cape Department of Housing, Local Government and Traditional Affairs

Budget Analysis

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Key Findings and Recommendations

- The personnel budget for the Department increases negligibly, especially over the MTEF period, despite the substantial human resource problems that have persistently plagued the Department. In real terms, the budget for the compensation of employees is set to increase by only 2.9 percent between 2006/07 and 2007/08, and 1.22 percent over the MTEF period.

The Department's ongoing capacity crisis requires a well-funded plan to fill vacant posts and provide adequate training. Improved human resource management is central to the effective implementation of government's policy priorities, such as the unblocking of stalled projects, improved quality of houses and the eradication of the bucket system.

- The budget for the Developmental Local Government Programme is not commensurate with the stated policy priority of building municipal capacity to facilitate and accelerate the process of accreditation. Between 2006/07 and 2007/08, the

allocation increases by only 2.39 percent, and by only 0.16 percent over the MTEF period.

The budget for the Local Government Programme should be increased in order to reflect the government's stated policy of improving capacity at the local level. Accreditation of municipalities, and housing delivery, will continue to be slow unless municipalities can fulfil their obligations in terms of housing planning and project management.

- For many of the key line items, such as the Housing Subsidy and the Housing Programme, the increase in 2007/08 allocations in comparison to the 2006/07 expenditure figures are substantial and may result in further under spending in the 2007/08 financial year.

Allocations for 2007/08 should not exceed the Department's ability to spend effectively. Therefore, budget allocations should be reflective of the projected under spending, taking into account persistent challenges, such as capacity.

- The 2007/08 allocation for the Integrated Housing and Human Settlement Development Grant (IHSDG) represents a significant increase of 38.13 percent (from 2006/07).

While it is commendable that housing is receiving the necessary funds to reduce the significant housing backlog in the province, poor spending by the end of the financial year (2006/07) indicates that more needs to be done to ensure that provincial and local government can effectively manage their budgetary allocations.

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.¹ 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, Local Government and Traditional Affairs' 2007/08 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, policy priorities will be highlighted and discussed, with a particular emphasis on the consistency of policy between the different spheres of government (national, provincial and local). These policy priorities are drawn from a combination of provincial and national policy and budget speeches,² overarching national and provincial strategic frameworks, and the Eastern Cape Department's most recent strategic plans. The following policy priorities were identified in the Policy Speech of MEC Kwelita for the provincial Department of Housing, Local Government and Traditional Affairs:³

1. Provide housing through the establishment of sustainable and integrated human settlements⁴

Obviously, the key policy priority of the Department is to provide housing. Since the adoption of the latest national housing policy, the Comprehensive Plan for the Development of Sustainable Human Settlements (also known as 'Breaking New Ground' or BNG) in September 2004,⁵ the approach to housing has changed from one of simply providing rows of houses, to one which emphasises the creation of communities. As such, housing delivery now includes the provision of basic services and amenities, such as water, electricity, community centres, schools and other facilities. The BNG is intended to herald a shift in paradigm and approach to national housing policy.⁶ In addition to providing houses, the BNG policy looks to accelerate growth in the economy, combat crime, by promoting social cohesion, improve the quality of life of the poor, and accelerate housing delivery to alleviate poverty.⁷ These

objectives were highlighted by the Eastern Cape Premier's 2007/08 State of the Province Address,⁸ the President's 2007/08 State of the Nation Address⁹ and the National Budget Speech.¹⁰

2. Eradication of informal settlements

The target date for the eradication of informal settlements (a policy priority identified at the national level) has been set at 2014.¹¹ Despite this, it was not referred to by the President or the Premier, or National and Provincial Finance Ministers, in their 2007/08 Policy and Budget Speeches.

3. Accreditation of municipalities, and the general improvement of municipal capacity, planning and financial management

Local government plays a crucial role in the delivery of housing. The Housing Act obligates every municipality to plan and take all 'reasonable and necessary steps' to ensure that inhabitants of its area of jurisdiction have access to adequate housing on a progressive basis.¹² Municipalities are required to 'initiate, plan, co-ordinate, facilitate, promote and enable appropriate housing development', as well as set housing delivery goals, and identify and designate land for housing development.¹³

The Housing Act also provides for the accreditation of municipalities.¹⁴ This enables a municipality to manage a housing project in the same way as a provincial Department, thereby easing the burden on the provincial administration and, in theory, speeding up housing delivery.¹⁵

MEC Kwelita has identified the accreditation of municipalities as a policy priority in his 2007/08 policy speech.¹⁶ Accreditation also forms part of the strategic objectives and targets in the Department's 2007-2010 Annual Performance Plan.¹⁷

The Eastern Cape Provincial Growth and Development Plan (PDGP), which outlines the development goals and targets for the province for the period 2004-2014, also draws attention to the central role of local government. The PDGP states that 'Local Government will in future be the primary site for service delivery'.¹⁸

4. Improving the quality of housing by implementing a comprehensive monitoring and evaluation system

In his 2007/08 Policy Speech, MEC Kwelita stated that the quality of houses would be improved by implementing a comprehensive monitoring and evaluation system. The MEC recognised the need for increased compliance with regulations and mechanisms¹⁹ to avoid poor financial management²⁰ within the Department of Housing, Local Government and Traditional Affairs.²¹

5. Unblocking stalled housing projects

The unblocking of stalled projects was highlighted by MEC Kwelita in his 2007/08 Policy Speech.²² This policy priority also featured in the 2006/07 strategic plans of the Department²³ and appears again in its most recent Annual Performance Plan.²⁴ The Department recently stated that it had 'determined to assist the delivery programme by taking over the implementation of previously unblocked projects which are slow moving'.²⁵

The MEC for Finance also made reference to a plan to fast-track housing development and thereby improve the poor spending record of the Department (the primary concern of the Treasury) which is one of the inevitable outcomes of blocked projects.²⁶ The Department has recently implemented a plan (Operation Thunderstorm) to address blocked projects which prioritises the involvement of major established contractors over emerging ones to try and accelerate the provision of housing in the province.²⁷

6. Eradication of the bucket system²⁸

The target for the eradication of the bucket system in formal settlements has been set for the end of December 2007.²⁹ This priority received considerable attention by the Premier in her 2006 State of the Province Address, when she stated that she would personally monitor the progress of the removal of bucket toilets.³⁰ In her 2007 address however, the Premier did not mention this policy priority once.

In his 2007/08 Policy Speech, MEC Kwelita stated that the bucket system backlog has been reduced to 37 192 units in 'formal settlements'.³¹ He gave further targets for the verification of water and sanitation needs (March 2007 and June 2007 respectively). MEC Kwelita added that while there was sufficient funding for this priority, significant challenges remained in the form of lengthy project and financial management processes (such as supply chain management), and delays in implementing the recommendations of the Department of Water Affairs and Forestry.³²

7. Rectification Programme

The Rectification Programme is the Department's plan to repair government housing stock constructed between 1930 and 2002.³³ According to the MEC, a policy for the rectification of houses built between 1930 and 1994 has been adopted, but the backlog has not yet been determined. R10 million has been set aside for an investigation into the number of houses needing to be repaired or upgraded.³⁴ The MEC noted that R40 million had been set aside for the rectification of houses constructed between 1994 and 2002.³⁵ The MEC added that '[a]pproval of any rectification project will depend on action taken against the previous contractor / developer who has failed to deliver'. He failed to elaborate on what this meant.³⁶ It is interesting to note that this policy priority is not mentioned in any of the other speeches reviewed.

II. Budget Analysis

Table 1: Eastern Cape Department of Housing, Local Government and Traditional Affairs by Economic Classification, 2003-2009³⁷

(R' 000)	Outcome			Main Appropriation 2006/07	Adjusted appropriation 2006/07	Revised estimate 2006/07	Medium-term estimate			Real % Change between 2006 and 2007	Real Average Growth over MTEF %	
	Audited 2003/04	Audited 2004/05	Audited 2005/06				% change from Adjusted Appropriation 2006/07	2007/08	2008/09			2009/10
Current payments	305,718	289,380	303,232	356,641	357,669	330,699	390,188	9.09	406,855	425,913	3.80	1.19
Compensation of employees	178,148	171,847	193,822	261,781	264,700	238,512	286,258	8.14	300,571	315,599	2.90	1.22
Goods and Services	127,557	93,200	96,099	94,860	92,969	92,187	103,930	11.79	106,284	110,314	6.37	1.12
Interest and rent on land												
Financial transactions in assets and liabilities	13	24,333	13,311									
Unauthorised expenditure												
Transfers and Subsidies to	927,895	706,177	769,474	862,891	872,113	668,171	1,150,717	31.95	1,366,710	1,601,887	25.54	17.05
Provinces and municipalities	135,062	133,359	161,755	100,897	110,119	101,281	114,547	4.02	115,692	120,320	-1.03	-1.68
Departmental agencies and accounts												
Universities and technikons												
Public corporations and private enterprises												
Foreign governments and international organisations												
Non-profit institutions												
Households	792,833	572,818	607,719	761,994	761,994	566,890	1,036,170	35.98	1,251,018	1,481,567	29.38	19.34
Payments for capital assets	7,258	2,007	10,019	31,074	31,074	10,268	33,233	6.95	34,562	35,945	1.76	0.20
Buildings and other fixed structures	1,958		6,946	25,364	25,364	4,919	26,821	5.74	27,894	29,010	0.61	-0.18
Machinery and equipment	5,300	2,007	3,073	5,710	5,710	5,349	6,412	12.29	6,668	6,935	6.85	1.90
Cultivated assets												
Software and other intangible assets												
Land and subsoil assets												
Total economic classification	1,240,871	997,564	1,082,725	1,250,606	1,260,856	1,009,138	1,574,138	24.85	1,808,127	2,063,745	18.79	12.57

Total Allocation

The Department's total allocation for 2007/08 is set at R1.57 billion. When compared to the adjusted appropriation for 2006/07, the 2007/08 allocation increases by 24.85 percent. When compared to the 2006/07 expenditure, however, which was R1.09,³⁸ this figure increases to 44.61 percent. This effectively means that the Department will need to spend almost 45 percent more in 2007/08 than they spent in 2006/07. In 2006/07, the Department under spent R172.33 million, or 13.67 percent, of its adjusted allocation.³⁹

Payments for Capital Assets

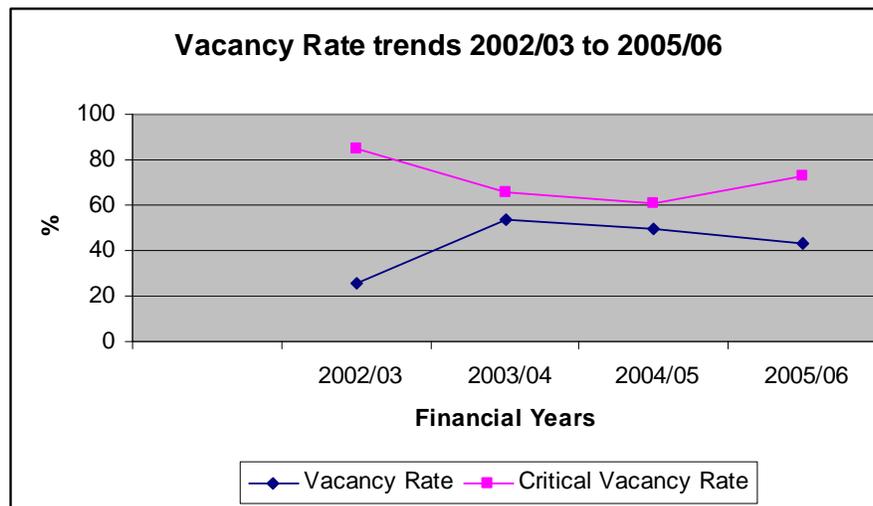
The revised estimates (projected expenditure) for 2006/07 indicate that significant under spending of the Department's infrastructure budget is expected. The Department estimates that it will have spent only R10.27 million of the R31.07 million allocated to this line item.⁴⁰ This represents projected under expenditure of 66.96 percent. The bulk of the capital assets budget for 2007/08 is allocated to building and other fixed structures, which is where the vast majority of the projected under spending was expected to be in 2006/07. The 2007/08 allocation for this item (buildings and fixed structures) is 445.25 percent more than the revised estimate projected expenditure.⁴¹ Effectively, this means that in 2007/08, the Department will need to spend more than four times what it estimates it will have spent in 2006/07 on buildings and fixed structures.⁴²

Compensation of Employees

The budget for the compensation of employees is set to increase by 8.14 percent in nominal terms (from R264.7 million in 2006/07, to R286.26 million in 2007/08). In real terms, this amounts to an increase of only 2.9 percent from 2006/07 to 2007/08, and an average increase of 1.22 percent over the MTEF period. Considering that the Department has consistently operated with between 44 and 55 percent of its proper staff complement for the past four years,⁴³ it is disappointing to see such a negligible increase in the personnel budget. In effect, the Department appears to be budgeting for its vacancies. For the past three financial years (2003/04 to 2005/06), the Department has spent close to the full budget for personnel (96.05, 93.63 and 95.67 percent respectively) despite its significant vacancies.⁴⁴

The minor increase for the compensation of employees is likely to be the result of the Department's high vacancy rate, as it has repeatedly demonstrated that it is unable to make significant headway into its severe staff shortages, as can be seen in Diagram 1 below. Between 2002/03 and 2003/04, the overall vacancy rate increased sharply, but has been slowly decreasing since then, and, by the end of 2005/06 had fallen to 43 percent. The critical vacancy rate has been consistently high. In 2002/03, it was 85 percent, but had fallen back slightly to 73 percent by the end of 2005/06.⁴⁵ Given this, it is possible that the Department's personnel budget increases so insignificantly between 2006/07 and 2007/08 (and over the MTEF period) because of the Department's failure to improve its human capacity crisis.

Diagram 1: General and Critical Vacancy Rate trends in the Department of Housing, Local Government and Traditional Affairs, 2002/03 to 2005/06



The 2007-2010 Annual Performance Plan indicates that skills shortages and high vacancy rates at both the provincial and local levels are major impediments to housing delivery and are the primary cause of the housing backlog.⁴⁶ In brief, what is needed is a comprehensive and well-articulated recruitment and retention strategy that is based on a thorough skills audit and personnel needs analysis.

As mentioned above, the Department's MTEF increases are marginal, which means that the vacancy rates will remain consistently high if there are insufficient funds to recruit the necessary skilled staff. In addition, the Department continues to retain excess personnel (staff that are additional to the fixed establishment and are not accommodated in the accepted

organogram). By the end of 2005/06, 22 percent of the Department's staff were considered 'excess' (294 employees out of a total staff complement of 1296).⁴⁷ This means that almost one quarter of the Department's spending on personnel has not been budgeted for, negatively affecting the Department's ability to fill critical posts.

It remains to be seen if the 2007/08 budget is sufficient for the Department's personnel needs. The adequacy of the budget will depend largely on the Department's ability to fill its vacant posts. What is clear is that the policy priorities of this Department will not be effectively realised until the personnel budget increases significantly and the Department demonstrates that it can effectively recruit and retain the necessary skilled staff.

Table 2: Eastern Cape Department of Housing, Local Government and Traditional Affairs by Programme, 2003-2009⁴⁸

Programme (R' 000)	Outcome			Main Appropriation 2006/07	Adjusted appropriation 2006/07	Revised estimate 2006/07	Medium-term estimate			Real % Change between 2006 and 2007	Real Average Growth over MTEF %	
	Audited 2003/04	Audited 2004/05	Audited 2005/06				% change from Adjusted Appropriation					
							2007/08	2008/09	2009/10			
1. Administration	71,834	82,406	83,111	80,329	86,612	83,880	102,215	18.01	106,137	110,869	12.29	3.81
2. Housing	894,963	660,607	666,327	824,207	820,810	624,290	1,101,981	34.26	1,319,456	1,553,127	27.74	18.25
3. Local Government	208,999	188,957	243,684	242,038	224,748	205,758	241,852	7.61	248,618	259,556	2.39	0.16
4. Traditional Affairs	65,075	65,594	89,603	104,032	128,686	95,210	128,090	-0.46	133,916	140,193	-5.29	-1.75
Total payments and estimates	1,240,871	997,564	1,082,725	1,250,606	1,260,856	1,009,138	1,574,138	24.85	1,808,127	2,063,745	18.79	12.57

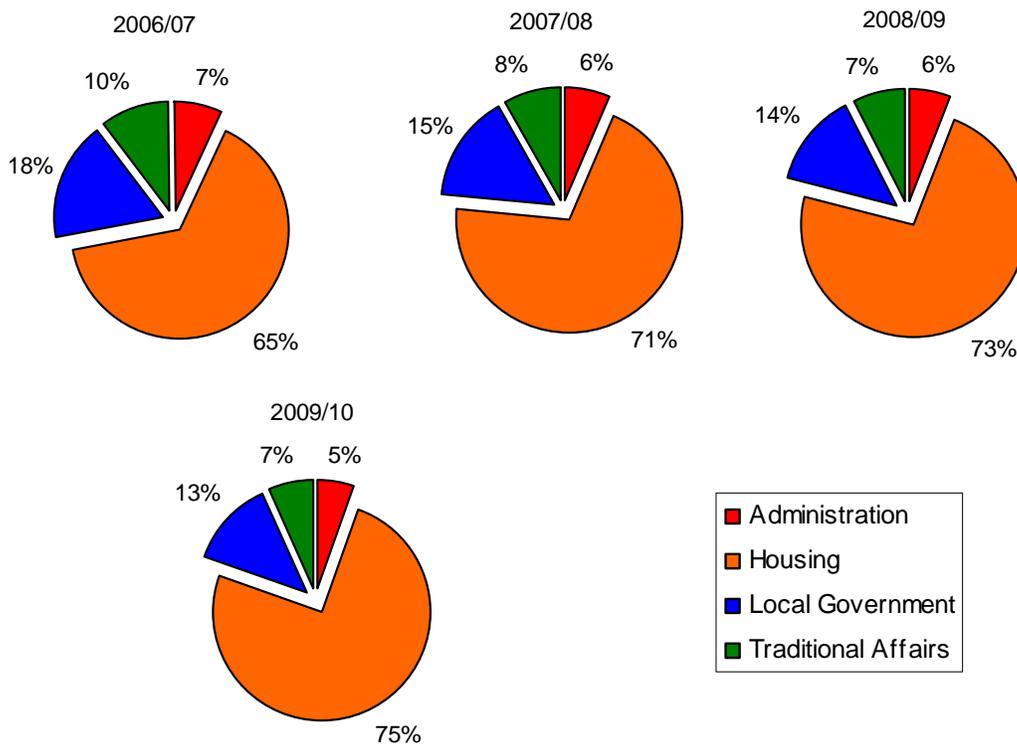
Changes in Key Programme Allocations over the MTEF period

The Administration Programme is responsible for financial and human resource management, communication and corporate services, and providing general strategic direction and leadership for the entire Department.⁴⁹ Given the Department's poor financial performance (evidenced by its repeated audit disclaimers), as well as its weak human resource management, it is of concern that Programme 1 is experiencing negative growth in real terms, in the two outer years. In percentage terms, between 2006/07 and 2009/10, the allocations increase by 12.29, -0.82 and -0.04 percent, while the average real growth over the MTEF is 3.81 percent.

The Housing Programme is responsible for facilitating the creation of sustainable human settlements; coordinating housing planning; conducting research into the housing sector; processing subsidies; and, rendering housing project management.⁵⁰ Diagram 2 shows that over the MTEF period, the allocation for Programme 2 (Housing) experiencing significant increases in real terms.⁵¹ Growth between each financial year is very high, especially when compared to the other programmes. In percentage terms, between 2006/07 and 2009/10, the allocations increase by 27.74, 14.36 and 12.64 percent, while the average real growth over the MTEF is 18.25 percent.

The Developmental Local Government Programme is responsible for providing hands-on support to municipalities; ensuring that effective administrative systems are in place; promoting good governance at the local level; monitoring the performance of municipalities; and facilitating effective and integrated planning, especially with regard to land and housing.⁵² In percentage terms, between 2006/07 and 2009/10, the allocations increase by 2.39, -1.82 and -0.10 percent, while there is minimal average real growth over the MTEF of 0.16 percent.

Diagram 2: Comparison of Programme Share of Total Allocation, 2006/07-2009/10



Programme 2 has an important role to play in respect of ensuring that the housing subsidy is used effectively and that quality houses are built, and it is encouraging to see that the allocations for the Housing Programme increase in real terms. What is discouraging, however, is that that is being done at the expense of the other two major programmes (Administration and Developmental Local Government), both of which are central to the success of Programme 2. As mentioned above, Administration is responsible for ensuring that the Department’s human and financial resources are managed effectively. Both of these tasks need to be handled efficiently if Programme 2 is to succeed.

Developmental Local Government and its Role in Service Delivery

Local government plays an important role in housing delivery⁵³ and many of the blockages are a result of chronic problems at the local level, such as a lack of political stability, capacity constraints and skills shortages, poor financial management, and mismanagement and corruption.⁵⁴

The 2007-2010 Annual Performance Plan does not commit the provincial Department to securing contracts to ensure the delivery of the 24 000 houses it has said will be built. It only commits the Department to ensuring that all houses conform to quality standards through effective project management.⁵⁵ Instead, local government themselves enter into agreements with contractors in line with the policy objectives of the BNG.

One strategic objective highlighted by the BNG plan is adjusting the roles, responsibilities and processes of government institutions through the redefinition of these roles. The main focus is to expand the role of local government, with a substantially increased emphasis on its

responsibility to determine the location and nature of housing. Commensurate with this is an increased devolution of resources and responsibilities to municipalities. Under the BNG, municipalities are required to set up Housing Units and Planning Committees.⁵⁶ The BNG envisages increasing municipal accreditation 'in order to enable municipalities to manage the full range of housing instruments within their areas of jurisdiction'.⁵⁷

While Programme 3 (Developmental Local Government) does not cite the accreditation of municipalities as being part of its strategic objectives, targets or mandate, it has a clear role to play in this process. This Programme is directly responsible for promoting the implementation of effective administrative and financial management systems, improving the planning and budgeting of municipalities, monitoring and supporting municipal functions, such as the provision of free basic services, and generally promoting good governance at the local level.⁵⁸ These are all part of ensuring that a municipality is capable of managing housing programmes and, therefore, moving towards accreditation.⁵⁹ The BNG states that '[i]n order to be accredited, municipalities will have to demonstrate their capacity to plan, implement, and maintain both projects and programs that are well integrated within IDPs and within the 3 year rolling capital investment programs mandated by the Municipal Finance Management Act (MFMA)'.⁶⁰

Thus far, the Eastern Cape Department of Housing, Local Government and Traditional Affairs has generally failed to significantly improve municipal performance to the extent that accreditation can be granted. The capacity constraints and generally weak administration in Eastern Cape municipalities has meant that to date only one municipality has been accredited to level one with a second one currently applying.⁶¹ Municipalities experience a number of persistent challenges.⁶² In addition, targets for the accreditation of municipalities, or even the improvement of municipal performance for the specific purpose of facilitating accreditation, has only recently begun to be planned for.⁶³

Given the chronic challenges at the local level and the role of the Developmental Local Government Programme in assisting municipalities in being accredited, it is of concern that the Programme's budget decreases in the two outer years (in real terms). In addition, high vacancy rates and general skills shortages has resulted in the construction of many poor quality houses by the Department.⁶⁴ To improve the quality of housing, which is one of the key policy priorities of the Department, vacant posts will need to be filled and training provided to ensure that the Department has enough staff with the right skills to implement the monitoring and evaluation mechanisms proposed by the MEC.

Local Government is not only responsible for ensuring that the citizens in its jurisdiction are adequately housed as the site of delivery for the eradication of the bucket system is also at the local government level. As mentioned above, municipalities are experiencing a severe capacity crisis. In 2006/07 the Eastern Cape was allocated R154.5 million for the eradication of the bucket system, but only spent 29.9 percent of that (R46.2 million).⁶⁵ Improved spending will require an increase in capacity and the necessary skills (such as financial and project management) to ensure the effective use of funds.

Table 3: Eastern Cape Department of Housing, Local Government and Traditional Affairs, Conditional Grant allocations, 2003-2009⁶⁶

Conditional Grant Allocation (R ' 000)	Outcome			Adjusted Appropriation 2006/07	Medium-term estimate				Real % Change between 2006 and 2007	Real Average Growth over MTEF %
	Audited 2003/04	Audited 2004/05	Audited 2005/06		% change from Adjusted Appropriation	2007/08	2008/09	2009/10		
1. Integrated Housing and Human Settlement Development Grant	792,883	572,818	607,719	761,994	1,052,554	38.13	1,251,018	1,481,567	19.43	19.43
Total payments and estimates	792,883	572,818	607,719	761,994	1,052,554	38.13	1,251,018	1,481,567	19.43	19.43

Conditional Grants

The conditional grant, in the form of the Integrated Housing and Human Settlement Development Grant (IHSDG), is set to increase by 38.13 percent (from R762.99 million in 2006/07, to R1.05 billion in 2007/08).⁶⁷ Between 2006/07 and 2009/10, allocations are set to increase in real terms by 31.43, 13.52 and 13.33 percent respectively, while the average real growth over the MTEF is 19.43 percent.

By the end of the 3rd quarter, the Department had only spent R291.09 million (38.2 percent) of its total conditional grant allocation.⁶⁸ Despite this very poor spending, by the end of the 2006/07 financial year, the Department had managed to spend 83.66 percent of its Housing Subsidy allocation.⁶⁹ A comparison of the 3rd and 4th quarter spending results shows that in the 4th quarter, the Department spent R364.38 million, which represents 54.34 percent of the total expenditure on the conditional grant (over half of its conditional grant expenditure occurred in the last quarter of the financial year).⁷⁰

The Department has previously been criticised for 'fiscal dumping'.⁷¹ Fiscal dumping is an attempt by the Department to shift its under spending to local authorities by transferring funds for housing construction to municipalities when the necessary conditions for transferring such funds have not been met. The dramatic increase in expenditure of the housing subsidy in the 4th quarter is strongly reminiscent of previous fiscal dumping.

It is not possible to determine from the Department's plans, if the funds for the Rectification Programme will be sourced from the conditional grant housing subsidy. Despite appearing as a policy priority in the Department's plans for the previous two years, this Rectification Programme never appears in the tables and narratives devoted to strategic objectives, activities, targets and budgets.⁷² As mentioned above, the MEC states that R40 million has been set aside for the Rectification Programme, yet the 2007-2010 Annual Performance Plan does not reflect this. This project cannot possibly hope to succeed unless clear plans and an adequate budget are provided. The costs of the Rectification Programme are likely to be considerable given the wide-spread disintegration of state housing stock. If funds are to be taken from the housing subsidy, this will have financial implications for the Department's ability to fulfil other obligations and achieve policy priorities, such as the eradication of informal settlements, land acquisition and the provision of amenities (as envisioned by the BNG).

This poor spending in 2006/07 indicates that the Department is not able to effectively manage its financial resources, and should serve as a precursor for the possible inadequate use of its 2007/08 allocations, especially given the Department's lack of capacity and high vacancy rates. Such a substantial increase in the conditional grant budget could add to the problem of poor quality houses, as the Department may feel pressured to spend this money to avoid it being returned to Treasury, and could therefore make substantial and numerous transfers to local government without ensuring that the necessary conditions are in place.⁷³

The Housing Target

Despite there being a target date for the eradication of informal settlements (2014), the provincial Department of Housing, Local Government and Traditional Affairs cannot quantify with any accuracy the extent of the housing backlog in the Eastern Cape. In its 2007-2010 Annual Performance Plan, the Department states that '[i]nformal data' collated at its request indicated that 797 932 houses are needed in the province.⁷⁴ It adds, however, that this is almost four times the figure cited by Statistics South Africa in 2001. The Department has finally commissioned research to gather reliable data.⁷⁵

The target of 2014 is ambitious given the slow rate of delivery in the province. Housing in the Eastern Cape is likely to require national intervention, given that poor capacity at the provincial level is a major hindrance to its ability to solve its own chronic problems as well as those experienced at local level.⁷⁶

In a Department which experiences poor planning and budgeting, it remains to be seen if the Department's allocation pattern (large increases to the conditional grant and Programme 2, but not to Programme 1 and 3) is able to keep up with the already high demand for housing and meet the 2014 deadline for the eradication of informal settlements. According to the Department's latest strategic plan, its entire backlog of 797 932 constitutes informal housing.⁷⁷ If the Department is to meet the 2014 deadline, it will need to build, on average, 99 741 houses a year.

The Department has been building between 16 000 and 38 000 houses a year for the past four years.⁷⁸ It should be noted, however that these figures include both completed houses and houses still under construction. The reporting on housing delivery by national and provincial housing departments is rarely indicative of how many actual houses have been completed and handed over to beneficiaries.⁷⁹

The Department's 2007-2010 Annual Performance Plan indicates that the 2007/08 housing delivery target is set at 24 000.⁸⁰ If housing delivery is maintained at 25 000 houses per year, the Eastern Cape will take over 30 years to eradicate the backlog. This calculation does not take into account the increasing need for housing, or the growing demands on the Department to repair deficient houses. According to the Eastern Cape Treasury, 'despite the delivery of some 2 million subsidized houses since 1994 [in South Africa], the housing backlog has grown. This is because of the increased demand for these houses and the pace of urbanization far outstrips the rate of housing delivery.'⁸¹

Given its capacity constraints and weak administration the Department is unlikely to reach the 2014 target, no matter how large the budget. Unless the Department makes drastic and long-term improvements to its financial and human resource management, housing delivery will continue to be slow, and is unlikely to meet the growing demand for shelter.

III. Conclusion

Housing delivery in the Eastern Cape is plagued by a variety of challenges that the Department is either unable or unwilling to effectively manage. While the policy priorities of the Department demonstrate an acknowledgement of the key constraints that hamper improved

service delivery, it is essential that budget allocations are commensurate with stated objectives.

Human resource limitations, both in numbers and skills, remain central to the failures of this Department. The budget for the compensation of employees, however, increases (in real terms) by only 1.22 percent over the MTEF period. All other policy priorities rely on an adequately staffed and well-trained workforce. Increases in budgets, such as for the housing subsidy, become futile if the Department is unable to ensure that funds are used effectively, avoiding under spending, and fruitless and wasteful expenditure.

The role of local government is also central, given legislative provisions and policy stipulations. The budgets for the Administration and Developmental Local Government Programmes do not keep pace with the large increases seen in the Housing Programme and the Housing Subsidy. This is likely to result in under spending of the Housing Subsidy as municipalities will be unable to spend subsidy transfers made to them by the provincial Department. Improved capacity and financial management at the local level will require the ongoing intervention and support of the provincial Department.

The Department's numerous and long-running problems are unlikely to be solved in a single financial year and will not be solved by simply increasing budget allocations. Improved service delivery requires improved capacity to deliver services, a proactive planning and genuine commitment by both political and administrative officials within the Department.

From 2007 the PSAM will produce seven main outputs: 1. Budget Analysis; 2. Strategic Plan Evaluation; 3. Expenditure Tracking Report; 4. Service Delivery 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. The current outputs, and those which will be completed during the course of 2007, can be accessed via www.psam.org.za.

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

² At the time of release of this Budget Analysis, the National Housing Budget Speech had not yet been delivered in Parliament.

³ Department of Housing, Local Government and Traditional Affairs, 2007/08 Policy Speech, delivered by MEC Kwelita on 14 March 2007.

⁴ This policy priority is broad and encompasses a variety of housing approaches, such as social and rental housing, rural and urban programmes and the People's Housing Process.

⁵ 'Breaking New Ground': A Comprehensive Plan for the Development of Sustainable Human Settlements, Part B, Section 1, September 2004.

⁶ See, for example, National Housing, Annual Report, 2005/06, pp. 6 and 25, and Department of Housing, Local Government and Traditional Affairs, 2007/08 Policy Speech, delivered by MEC Kwelita on 14 March 2007, p. 2.

⁷ 'Breaking New Ground': A Comprehensive Plan for the Development of Sustainable Human Settlements, Part B, Section 1, September 2004.

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- ⁸ State of the Province Address, delivered by Premier Balindlela on 16 February 2007.
- ⁹ State of the Nation Address, delivered by President Mbeki on 9 February 2007.
- ¹⁰ Budget Speech, delivered by Minister Manuel on 21 February 2007, page 17 and 18.
- ¹¹ See, for example, Department of Housing, Local Government and Traditional Affairs, 2006/07 Policy Speech, delivered by MEC Kwelita on 23 March 2006, and Eastern Cape Department of Housing, Local Government and Traditional Affairs, Amended Strategic Plan, 2005-2010; Annual Performance Plan, 2007-2010, p. 15.
- ¹² Housing Act, 107 of 1997, Part 4, Section 9 (1)(a).
- ¹³ Ibid, Part 4, Section 9 (1), (b) and (c) and (f).
- ¹⁴ A municipality needs to apply for accreditation from the MEC for Housing. Section 10 of the Housing Act stipulates that any municipality may apply to be accredited for the purposes of administering one or more national housing programmes. Accreditation is granted for the administration of the housing project/s mentioned in the application. In addition, any municipality that is accredited must be regularly reviewed by the MEC on the basis of adequate performance against the criteria (Housing Act, No. 107 of 1997, Part 4, Section 10 (1) and (2)).
- ¹⁵ In his 2007/08 Policy Speech, MEC Kwelita stated that the focus of the accreditation in the Eastern Cape would be on housing subsidy budgeting and planning, and programme and financial management of housing projects (Department of Housing, Local Government and Traditional Affairs, 2007/08 Policy Speech, delivered by MEC Kwelita on 14 March 2007, p. 4). See also the Annual Submission for the Division of Revenue, 2006/07, by the Financial and Fiscal Commission, pp. 29-30.
- ¹⁶ Department of Housing, Local Government and Traditional Affairs, 2007/08 Policy Speech, delivered by MEC Kwelita on 14 March 2007, p. 4.
- ¹⁷ Eastern Cape Department of Housing, Local Government and Traditional Affairs, Amended Strategic Plan, 2005-2010; Annual Performance Plan, 2007-2010, p. 32.
- ¹⁸ Eastern Cape Provincial Growth and Development Plan, 2004-2014, Section 3, Subsection 4.
- ¹⁹ Department of Housing, Local Government and Traditional Affairs, 2007/08 Policy Speech, delivered by MEC Kwelita on 14 March 2007, pp. 6- 13. The aim of improving financial management also received attention from President Thabo Mbeki and the Eastern Cape MEC for Finance.¹⁹ While these were not specific to housing, it is commendable that improved financial management is beginning to receive increased attention by the various spheres of government. See, State of the Nation Address, delivered by President Mbeki on 9 February 2007 and Eastern Cape Budget Speech, delivered by MEC Nel on 2 March 2007, pp. 10-11 and 20.
- ²⁰ Department of Housing, Local Government and Traditional Affairs, 2007/08 Policy Speech, delivered by MEC Kwelita on 14 March 2007, pp. 6- 13. The aim of improving financial management also received attention from President Thabo Mbeki and the Eastern Cape MEC for Finance.²⁰ While these were not specific to housing, it is commendable that improved financial management is beginning to receive increased attention by the various spheres of government. See, State of the Nation Address, delivered by President Mbeki on 9 February 2007 and Eastern Cape Budget Speech, delivered by MEC Nel on 2 March 2007, pp. 10-11 and 20.
- ²¹ See, for example, the reports of the Auditor-General: Eastern Cape Department of Housing, Local Government and Traditional Affairs, Annual Report, 2000/01, p. 63; Annual Report, 2002/03, pp. 106-107; Annual Report, 2003/04, pp. 60-61; Annual Report, 2004/05, p. 94; Annual Report, 2005/06, p. 92.
- ²² Department of Housing, Local Government and Traditional Affairs, 2007/08 Policy Speech, delivered by MEC Kwelita on 14 March 2007, p. 5.
- ²³ Eastern Cape, Department of Housing, Local Government and Traditional Affairs, Revised Strategic Plan, 2005-2010 and Annual Performance Plan 2006-2009, p. 43.
- ²⁴ Eastern Cape Department of Housing, Local Government and Traditional Affairs, Amended Strategic Plan, 2005-2010; Annual Performance Plan, 2007-2010, p. 33.
- ²⁵ Press Release by the Department of Housing, Local Government and Traditional Affairs, 'EC Housing Delivery Status', 20 April 2007, p. 2.
- ²⁶ Eastern Cape Budget Speech, delivered by MEC Nel on 2 March 2007, p. 6.
- ²⁷ Eastern Cape, Department of Housing, Local Government and Traditional Affairs, Housing Circular No. 3 of 2006, signed on 23 November 2006.
- ²⁸ Most of the funding for the eradication of the bucket system has been ring-fenced within the Municipal Infrastructure Grant (MIG). These funds are transferred from National Treasury to the

municipalities, bypassing the provincial Department. Thus, this Budget Analysis focuses on the funding available for supporting local government, general municipal capacity and the capacity of the provincial Department to monitor the use of the MIG rather than whether there are sufficient funds for the actual eradication of bucket toilets. In addition, it should be noted that the National Departments of Water Affairs and Forestry and Provincial and Local Government, have plans in place and funds to assist municipalities to eradicate the bucket system. The role of the Developmental Local Government Programme, however, is vital given its mandate and its ongoing support to and engagement with municipalities.

²⁹ Minutes of the Land and Environmental Affairs Select Committee, 22 February 2007. Can be accessed at www.pmg.org.za.

³⁰ State of the Province Address, delivered by Premier Balindlela on 10 February 2006.

³¹ Department of Housing, Local Government and Traditional Affairs, 2007/08 Policy Speech, delivered by MEC Kwelita on 14 March 2007, p. 10. Figures on the bucket system backlog are inconsistent. According to the Department's Amended Strategic Plan, 2005-2010; Annual Performance Plan, 2007-2010, (p. 10), 29 percent of people in the province do not have access to a flushing or chemical toilets. With an estimated population of 7 million people (*Eastern Cape Budget Statement I, 2007/08* p. 5) this percentage translates into 2.03 million people. Meanwhile, the Eastern Cape Budget Statement states that less than a third of people in the Eastern Cape have access to a flushing toilet (*Budget Statement I, 2007/08*, p. 35). This inconsistency could be the result of the fact that not all bucket toilets have been targeted for eradication. According to a presentation to the Parliamentary Portfolio Committee for Water Affairs and Forestry, given on 16 August 2006 by the Department of Water Affairs and Forestry, the target for 2007 only applies to those toilets in formal areas, excluding poor sanitation in informal settlements. Thus, there will still be thousands of bucket toilets in the province and across the country beyond the December 2007 deadline. This, however, does not necessarily account for the fact that the figure given by the MEC is so low, because in his speech he states that the 'initial backlog for bucket toilets was 48 417 bucket units and this included all other forms of unacceptable sanitation systems *in both formal and informal settlements*' (emphasis mine). He goes on to say that this figure has been reduced to 37 192 units in the 'formal settlements'. Given the inconsistent reporting by the government, it is impossible to determine what the province's bucket toilet backlog is.

³² Department of Housing, Local Government and Traditional Affairs, 2007/08 Policy Speech, delivered by MEC Kwelita on 14 March 2007, p. 10.

³³ Eastern Cape Department of Housing, Local Government and Traditional Affairs, Amended Strategic Plan, 2005-2010; Annual Performance Plan, 2007-2010, p. 32 and 33. The plan only refers to housing stock built between 1994 and 2002. The broader time frame (from 1930) is mentioned by the MEC in his 2007/08 Policy Speech (Department of Housing, Local Government and Traditional Affairs, 2007/08 Policy Speech, delivered by MEC Kwelita on 14 March 2007, p. 5).

³⁴ Department of Housing, Local Government and Traditional Affairs, 2007/08 Policy Speech, delivered by MEC Kwelita on 14 March 2007, p. 5.

³⁵ The MEC does not say if this budget is only for 2007/08 or for the completion of this programme. He also does not say if this R40 million is being taken from the conditional grant or from another source.

³⁶ Department of Housing, Local Government and Traditional Affairs, 2007/08 Policy Speech, delivered by MEC Kwelita on 14 March 2007, p. 5.

³⁷ Eastern Cape Provincial Government *Budget Statement II 2007/08*, p. 227. In all the tables, the figures for 2003/04, 2004/05 and 2005/06 are audited *expenditure*. The Main Appropriation figures for 2006/07 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 2006/07 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 (projected inflation figures) were used to calculate what the real buying power would be for each of the budget allocations in the budget horizon (2003/04-2009/10). The 'deflated' figures were then used to calculate the real growth percentages shown in the last two columns. The deflators for each year are: 2003/04 – 1; 2004/05 – 1.043; 2005/06 – 1.083677; 2006/07 – 1.133526142; 2007/08 – 1.191335975; 2008/09 – 1.247328766; 2009/10 – 1.303458561.

³⁸ Eastern Cape Province, Statement of Receipts and Payments for the 4th Quarter ended 31 March 2007. These figures are unaudited.

³⁹ This under expenditure figure of R172.33 million has been worked out by subtracting the Department's 2006/07 expenditure from the adjusted appropriation for 2006/07. The allocation figure can be found in the Eastern Cape Provincial Government *Budget Statement II, 2007/08*, p. 227, Table while the expenditure can be found in the Statement of Receipts and Payments for the 4th Quarter ended 31 March 2007, for the Eastern Cape.

⁴⁰ Eastern Cape Provincial Government *Budget Statement II, 2007/08*, p. 227, Table 7.3.

⁴¹ Ibid, p. 227, Table 7.3. The expected expenditure (revised estimate) for 2006/07 is R4.92 million, compared with an allocation of R33.23 million in 2007/08. Presumably, the delineation of the Department into two will mean that more offices and fixed structures will be needed and this is likely a reason for the large increase in the 2007/08 allocation.

⁴² Ibid, p. 227, Table 7.4.

⁴³ Eastern Cape Department of Housing, Local Government and Traditional Affairs, 2002/03, Annual Report, p. 5; Annual Report, 2003/04, p. 102; Annual Report, 2004/05, pp. 131-132; Annual Report, 2005/06, p. 139.

⁴⁴ Eastern Cape Department of Housing, Local Government and Traditional Affairs, Annual Report, 2003/04, p. 67; 2004/05, p. 103 and 2005/06, p. 105.

⁴⁵ Ibid.

⁴⁶ See, for example, pages 6, 11, 14, 20-22, 31, 35, 46 and 48 in the Amended Strategic Plan, 2005-2010; Annual Performance Plan, 2007-2010 for the Department of Housing, Local Government and Traditional Affairs.

⁴⁷ Eastern Cape Department of Housing, Local Government and Traditional Affairs, Annual Report, 2005/06, p. 139.

⁴⁸ Eastern Cape Provincial Government *Budget Statement II 2007/08*, p. 227.

⁴⁹ Eastern Cape Department of Housing, Local Government and Traditional Affairs, Amended Strategic Plan, 2005-2010; Annual Performance Plan, 2007-2010, pp. 19-22.

⁵⁰ Ibid, p. 30.

⁵¹ These graphs were formulated using real figures, accounting for inflation. Therefore, while the figures on Table 2 show the MTEF allocations for Programme 1 and 3 gradually increasing, when inflation is taken into account, it reveals that these two programmes will experience negative growth from year to year. Note that the allocation for Programme 2 includes the Housing Subsidy (the figures appear in Table 2 and were used to formulate Diagram 2).

⁵² Eastern Cape Department of Housing, Local Government and Traditional Affairs, Amended Strategic Plan, 2005-2010; Annual Performance Plan, 2007-2010, p. 44, 48 and 54.

⁵³ An enduring and multifaceted problem that has plagued the public housing sector is the question of institutional responsibility and intergovernmental relations. The Constitution, the Housing Act and Code, and national policy (such as the Social Housing Policy and Breaking New Ground) all have sections devoted to detailing the role of each level of government. The legislation is fairly coherent but also somewhat vague, with frequent use of phrases like 'facilitate', 'support' and 'manage' with no indication as to what these really mean for institutional activities and service delivery. Activities and responsibilities do overlap and there is apparent confusion over who is ultimately responsible for building houses.

⁵⁴ See, for example, Eastern Cape Department of Housing, Local Government and Traditional Affairs, Strategic Plan 2006-2010; Annual Performance Plan, 2006-2009, Revised Edition, p. 26 and Amended Strategic Plan, 2005-2010; Annual Performance Plan, 2007-2010, pp. 6, 11, 14-15, 45-46, 47 and 48-49. See also Department of Housing, Local Government and Traditional Affairs, 2007/08 Policy Speech, delivered by MEC Kwelita on 14 March 2007, pp. 6- 13.

⁵⁵ Eastern Cape Department of Housing, Local Government and Traditional Affairs, Amended Strategic Plan, 2005-2010; Annual Performance Plan, 2007-2010, p. 42. The Eastern Cape Provincial Growth and Developmental Plan, however, does state that one of the Key Performance Areas of the Housing Programme is the 'Delivery of rural and urban houses' (Section 5, Subsection 2.3).

⁵⁶ 'Breaking New Ground': A Comprehensive Plan for the Development of Sustainable Human Settlements, Part 5, Section 5.2.

⁵⁷ Ibid. The BNG lays out a strategy for the acceleration of the accreditation of municipalities, which includes establishing housing units in each municipality, establishing housing planning committees, producing plans for land reform and other activities.

⁵⁸ Eastern Cape Department of Housing, Local Government and Traditional Affairs, Strategic Plan 2006-2010; Annual Performance Plan, 2006-2009, Revised Edition, p. 26 and Amended Strategic Plan, 2005-2010; Annual Performance Plan, 2007-2010, pp. 44-47.

⁵⁹ It is important that the budget is commensurate with the increasing responsibilities of local government in housing provision (and, therefore, the increasing role for the Developmental Local Government Programme), to avoid the problem of unfunded mandates. An unfunded mandate is 'an obligation that is assigned through legislation, regulations, or policy to a sphere of government without the necessary resources being made available to fulfil that obligation' (Financial and Fiscal Commission, Annual Submission for the Division of Revenue, 2006/07, p. 18). The FFC highlights the fact that by the start of 2006/07, the government had not yet worked out exactly how funding would be managed for accredited municipalities, risking an implicit unfunded mandate.

⁶⁰ 'Breaking New Ground': A Comprehensive Plan for the Development of Sustainable Human Settlements, Part B, Section 5.2, 1 September 2004.

⁶¹ According to the Department's Amended Strategic Plan, 2005-2010; Annual Performance Plan, 2007-2010, 'The Department has started with the process of accrediting municipalities to administer and implement National Housing programs. Two municipalities, i.e. BCM [Buffalo City Municipality] and NMBM [Nelson Mandela Bay Municipality], have been piloted for this purpose and the latter already delegated level 1 accreditation' (p. 32). The plan does not explain the different levels of accreditation. The accreditation of municipalities has been very slow across the entire country. According to the Financial and Fiscal Commission (FFC), by the start of the 2006/07 financial year, not one municipality in the country had applied for accreditation (Financial and Fiscal Commission, Annual Submission for the Division of Revenue, 2006/07, p. 20).

⁶² These include political instability, severe skills shortages, high vacancy rates, maladministration and corruption. In his 2007 State of the Nation Address, delivered on 9 February 2007, President Mbeki highlighted the issue of vacancy rates at the local level. He stated that 'What is of concern, though, is that in many of these municipalities, many vacancies remain or have emerged in senior management and the professions. For instance, in September last year, 27% of municipalities did not have municipal managers'. In addition, National Minister for Finance, Trevor Manuel has said that 'With vacancy rates of between 30 and 70 percent in senior management (section 57 employees), including Chief Financial Officers (CFOs) and municipal managers, many municipalities will find it exceedingly hard to meet the standards of financial management prescribed by the Municipal Finance Management Act (MFMA)' (Address to the South African Local Government Association (SALGA) National Conference, Johannesburg, 25 April 2007).

⁶³ Eastern Cape Department of Housing, Local Government and Traditional Affairs, Strategic Plan 2006-2010; Annual Performance Plan, 2006-2009, Revised Edition, p. 26 and Amended Strategic Plan, 2005-2010; Annual Performance Plan, 2007-2010, p. 37.

⁶⁴ Eastern Cape Department of Housing, Local Government and Traditional Affairs, 2002/03, Annual Report, p. 106-107, 2003/04, Annual Report, p. 60, 2004/05, Annual Report p.94-95, and 2005/06, Annual Report, p. 92. The minutes of the Housing Portfolio Committee make frequent reference to the poor quality of housing. See for example the Recommendations / Resolutions of the Portfolio Committee on Housing, 13 December 2004, 25 May 2005, 30 November 2005 and 31 May 2006.

⁶⁵ Presentation by the National Department of Provincial and Local Government at the Select Committee on Land and Environmental Affairs Hearings, 22-23 February 2007.

⁶⁶ Eastern Cape Provincial Government *Budget Statement II 2007/08*, p. 226.

⁶⁷ Ibid.

⁶⁸ Conditional Grants Transferred from National Departments and Actual Payments by Province, 3rd Quarter ended 31 December 2006, Eastern Cape Province, Housing (Vote 28).

⁶⁹ Conditional Grants Transferred from National Departments and Actual Payments by Province, 4th Quarter ended 31 March 2007, Eastern Cape Province, Housing (Vote 28).

⁷⁰ Eastern Cape Provincial Government *Budget Statement II 2007/08*, p. 227. There is conflicting information with regard to the revised estimate for the Housing Subsidy within the 2007/08 Budget Statement. The figure given in the narrative is taken from Table 7.4 in Budget Statement II, p. 227. On

page 226, however, in Table 7.2, the revised estimate for the Housing Subsidy is given as R761.99 million (this figure can be seen in Table 3 of this Budget Analysis). Because the Provincial Treasury estimates that over R200 million of the housing subsidy will not be spent in 2006/07 (Eastern Cape Provincial Government *Budget Statement I, 2007/08*, p. 29), we have used the lower figure of R566.9 million.

⁷¹ In 2003/04, the Department made advance payments of R316 million to municipalities for housing construction. These payments accelerated between January and March 2004 (the last quarter of the financial year) and went entirely unspent. The Auditor-General noted that this represented a breach of Treasury Regulation 15.10.1.2(b) which requires the Department to make payments no earlier than is necessary with due regard to efficiency. (Eastern Cape Department of Housing, Local Government and Traditional Affairs, Annual Report, 2003/04, p. 61).

⁷² Eastern Cape Department of Housing, Local Government and Traditional Affairs, Amended Strategic Plan, 2005-2010; Annual Performance Plan, 2007-2010, p. 32 and 33; and Eastern Cape Department of Housing, Local Government and Traditional Affairs, Strategic Plan 2006-2010; Annual Performance Plan, 2006-2009, Revised Edition, p. 24.

⁷³ The Department should be conducting site visits, monitoring progress of projects against business plans and ensuring that funds are being used for their intended purpose, before more funds can be released. The Department has generally failed to fully comply in this regard. See, for example, Eastern Cape Department of Housing, Local Government and Traditional Affairs 2004/05, Annual Report, p. 87, 94 and 95, and 2005/06, Annual Report, p. 92 and 93.

⁷⁴ Eastern Cape Department of Housing, Local Government and Traditional Affairs, Amended Strategic Plan, 2005-2010; Annual Performance Plan, 2007-2010, p. 31. This estimate is for 2006 and includes traditional dwellings, informal settlements and backyard shacks. It appears that this figure does not include substandard houses that fall under the Rectification Programme (the improvement of RDP housing stock constructed between 1994 and 2002). Page 6 of the 2007-2010 Annual Performance Plan gives the backlog as 800 000. While there is no large difference between these figures, it does reflect poorly on the Department's reporting and planning processes.

⁷⁵ *Ibid.*, p. 6. It should be noted that in the Department's Annual Performance Plan for 2006/07, the situation analysis states that because of the disparity between the Department's figures and the Statistics South Africa figures, it is commissioning research into the housing backlog, further stating that this information would be available before the end of 2006/07 (Strategic Plan 2006-2010; Annual Performance Plan, 2006-2009, Revised Edition, p. 23). Its inclusion in the 2007/08 plan, *sans* projected deadline for the information, can only mean that the data had not been obtained before the end of the previous financial year.

⁷⁶ The Housing Act requires the National Department of Housing to 'assist provinces to develop the administrative capacity required for the effective exercise of their powers and performance of their duties in respect of housing development' as well as 'support and strengthen the capacity of municipalities to manage their own affairs, to exercise their powers and perform their duties in respect of housing development' (Housing Act, 107 of 1997, Part 2, Section 3 (2)(d) and (e)).

⁷⁷ Eastern Cape Department of Housing, Local Government and Traditional Affairs, Amended Strategic Plan, 2005-2010; Annual Performance Plan, 2007-2010, p. 31. On first reading, it does not appear that the entire backlog is informal housing. The Annual Performance Plan states: 'The current housing backlog is, by 2006, estimated at 797 932. This figure is comprised of traditional dwellings (68%), backyard shacks (6%) and informal settlements (26%)... traditional dwellings are counted under informal and inadequate housing category' (*ibid.*). From this, one can conclude that the housing backlog is constituted entirely of informal houses.

⁷⁸ Eastern Cape Provincial Government *Budget Statement I 2007/08*, p. 30. The housing delivery figures for the Eastern Cape for the past four years are as follows: 2003/04: 27 119; 2004/05: 37 524; 2005/06: 16, 874; 2006/07: 20 241. This last figure is an estimate and it is also the 2006/07 target given in Department's Strategic Plan 2006-2010; Annual Performance Plan, 2006-2009, Revised Edition, p. 28 and in the PGDP (Section 5, Subsection 2.3).

⁷⁹ The Department defines 'housing products' as 'completed houses, houses under construction and the provision of services (Department of Housing, Local Government and Traditional Affairs, Annual Report, 2002/03, p. 32). The figures provided above (in endnote 78) are a reflection of how government usually reports housing delivery statistics. Unfortunately, this way of reporting is not always made clear

when figures are given, arguably providing an inflated account of housing delivery. Reports on housing delivery by the National Department of Housing (www.housing.gov.za) include houses that are still under construction.

⁸⁰ Eastern Cape Department of Housing, Local Government and Traditional Affairs, Amended Strategic Plan, 2005-2010; Annual Performance Plan, 2007-2010, p. 42.

⁸¹ Eastern Cape Provincial Government *Budget Statement I 2007/08*, p. 31.