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The challenge of delivering quality housing in the Eastern Cape

A Case Study into government-subsidised housing at the Ngqushwa Local Municipality

Occasional Paper

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Acronyms and Key Definitions

Accreditation:

The Housing Act allows for municipalities to become accredited, which would enable them to manage a housing project in the same way as a provincial Department. The idea is that 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) would 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.

Blocked projects:

Sometimes referred to as stalled projects. These are housing projects on which construction has stopped but that are not yet complete. Projects become stalled for a variety of reasons, such as delayed payments by developers which causes contractors to walk off site, disputes between the contractors, developers and community or other problems.

BNG:

Breaking New Ground, otherwise known as the Comprehensive Plan for the Development of Sustainable Human Settlements. This is the most recent major policy to be developed by the National Department of Housing and was adopted in September 2004. It is intended to herald a shift in paradigm and approach to national housing policy. The aim of this plan is to ensure the creation of sustainable human settlements. This can be done through the inclusion of social and economic amenities (such as schools, clinics and community halls) and by ensuring that housing becomes a major job creation sector, for example.

Delineation:

This is a process currently being undertaken by the Eastern Cape Department of Housing, Local Government and Traditional Affairs, in which the housing function will be separated from the local government and traditional affairs functions. They will become two separate departments, but with the same political head (MEC).

Developer:

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).

Housing Code:

The Housing Code sets out the overall vision for housing in South Africa and is based on the White Paper on Housing

(1994) and the Housing Act (Act no. 7 of 1997). It elucidates the purpose, mandate and responsibilities of different national housing programmes as well as the different spheres of government. It also contains information on the minimum norms and standards for state-subsidised housing.

NHBRC: National Home Builders Registration Council. The NHBRC is a Section 21 company established in terms of the Housing Consumer Protection Measures Act, 1998 (Act No. 95 of 1998). Its purpose is to protect housing consumers against poor quality and against any failure of builders to comply with their obligations in terms of the Act. All state-subsidised housing projects must be enrolled with the NHBRC (since 2002). The NHBRC issues a certificate for each unit that meets the minimum quality standards and has also assisted the Eastern Cape Department of Housing with the Rectification Programme.

PHP: People's Housing Process. The People's Housing Process is a housing delivery mechanism which is driven by beneficiaries. It is targeted at families and communities who want to build their own homes, who already own land and who qualify for a housing subsidy. The government provides technical assistance and training. PHP is used by a group of people who agree to pool their resources and contribute labour, which usually results in larger houses. Beneficiaries are responsible for managing the housing project, unless they choose to outsource the role of developer.

Rectification Programme: The Rectification Programme is the Department's plan to repair government housing stock constructed between 1930 and 2002. The deadline for funding applications by provincial Departments (to the National Department of Housing) for the implementation of this programme is March 2008.

Thubelisha: Thubelisha Homes is a Section 21 company and was established in June 1998. It was intended to serve as a special-purpose financial vehicle, in partnership with private financial institutions, but its mandate has been reviewed in line with the objectives of Breaking New Ground. It is assists with unblocking stalled housing projects and emergency housing, and is the government's lead developer for mega-projects.

Unfunded mandate: An unfunded mandate is an obligation (usually a service delivery responsibility) that is assigned through legislation, regulations or policy to a sphere of government without the

necessary resources being made available to fulfil that obligation.

Introduction

Aim

The aim of this research report is to consider the key challenges that have an impact on the structural quality of state-subsidised housing, drawing on the Ngqushwa Local Municipality as a case study.

Context

The availability of adequate housing has a critical role to play in social transformation because it is a vital part of poverty alleviation. Furthermore, housing rights are not just a legal issue – they also have political, social, economic and historical implications. Adequate housing promotes the building of safe, cohesive and thriving communities and if a housing policy is administered appropriately, it can change the racially-segregated living spaces which were established under apartheid. The questions surrounding the right to adequate housing are numerous and complex, involving questions about fiscal policy, budgetary priorities and the location of housing projects, among other things. This report, however, looks only at the structural quality of state-subsidised housing insofar as it is directly related to the right to have access to *adequate* housing.

As the supreme law of the Republic, the Constitution is the starting point for an examination of the right to housing. 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."[1] In the Eastern Cape, however, the poor quality of state-subsidised housing has been frequently highlighted as one of the key barriers to the achievement of this right.

The Housing Code provides some information on the national norms and standards that must be adhered to by housing developers, in order for state-subsidised housing to comply with the Constitutional right to adequate housing.[2] Specifically, the Code focuses on two issues: 1) the municipal services that are subsidised,[3] and 2) the minimum standards for the top structure.[4]

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[1] South African Constitution, Chapter 2, Bill of Rights, Section 26 (1) and (2).

[2] Housing Code, Part 2, Chapter 3. These minimum norms and standards do not apply to houses built using the Rural Housing Subsidy or to *in situ* upgrading of informal settlements unless the upgrading was done through the People's Housing Process.

[3] The focus here is on the portion of the subsidy earmarked for the different kinds of internal infrastructure, such as basic reticulation services or bulk infrastructure (water pipes, electricity lines, stormwater drainage etc), rather than on the actual provision of basic services such as water, electricity and sanitation. This section includes information on the minimum levels of internal infrastructure and cost limits.

[4] The top structure is the actual house – everything that is above the ground.

Method

The PSAM conducted two site visits to Peddie[5] and spoke to beneficiaries. We focused primarily on the structural quality of the houses and took photographs of structural defects.

At the Eastern Cape Department of Housing, Local Government and Traditional Affairs, the PSAM interviewed the following officials:

➢ Mr. Nkosiphendule Ntsebeza. Ntsebeza is a Senior Manager in the Department, and the Acting General Manager of the Project Management and Quality Assurance Chief Directorate. He joined the Department on 1 June 2006. The function of this Chief Directorate is to provide housing project management services, such as contract administration and coordinating between the Department and the developer. The quality assurance function provides technical services, such as providing assistance on housing designs, quantity surveying (for example, evaluating the costs of housing projects by looking at the design and materials) and conducting housing inspections.

➢ Mr. Ngwadi Mzamo. Mzamo is the General Manager for the Housing Performance Chief Directorate. He has been with the Department since 1 May 1995. This Chief Directorate consists of three sub-programmes (Housing Subsidy, Sustainable Human Settlements and Housing Administration), which Mzamo oversees.

➢ Mr. William Perks. Perks is the Senior Manager of the Sustainable Human Settlements sub-programme. He has been in that post since 2005. This sub-programme is responsible for the promotion and facilitation of integrated and sustainable human settlements, informal settlement upgrading and eradication, and the coordination of funding for socio-economic amenities, including the MIG (Municipal Infrastructure Grant).

At the Ngqushwa municipality, we spoke to Ms. Sisanda Mcoseli, the Estate Officer, who is in charge of land administration, town planning and housing. She is the first Estate Officer to be appointed in that municipality and is the sole member of the housing unit. She was appointed in 2004.

Scope and Limitations

The PSAM had originally intended to use the Makana Local Municipality as an additional case study. This would have provided a useful basis for comparison, particularly because Peddie is a rural town and Makana is a more urbanised area. Unfortunately, certain officials were unwilling to meet with us at Makana and others were not available. Time constraints did not permit us to choose another municipality, so we focused on

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[5] Ngqushwa Municipality encompasses Peddie and Hamburg, and the areas surrounding those towns. Site visits were conducted at Peddie only but the information that we gathered from Ms. Mcoseli is relevant to the full jurisdiction of the Ngqushwa Local Municipality.

Ngqushwa only. As such, while this report looks at key themes and challenges at the provincial and local levels, it only uses Peddie as an example of how these challenges relate to poor quality.

Furthermore, this is not a quantitative study and we did not, therefore, use a sampling method which was based on a percentage of beneficiaries in the area. This report should not be regarded as a house-to-house survey. Rather, the PSAM randomly visited beneficiaries who were available at the time of our visits. As such, the PSAM does not quantify the problems that were witnessed by providing the figures or percentages of houses that were of poor quality.

Housing in the Eastern Cape

The right to adequate housing should be at the centre of housing provision – formulating coherent policies, undertaking research into socio-economic need and ensuring that resources are used as efficiently as possible by instituting effective internal controls, are all vital to the realisation of the right in question. It can be argued, therefore, that sufficient planning, fiscal controls and other measures are part and parcel of the right to adequate housing. Therefore, if the government fails to appropriately quantify the need it is trying to meet and does not plan effectively around this, the state is neglecting its Constitutional duty in relation to the right to housing.[6]

Housing Need in the Eastern Cape and Ngqushwa

The housing need in the Eastern Cape has not been fully established as yet. In 2006, the Department's own "informal" research put the backlog at 800 000 houses, but this figure has not been verified.[7] It is not clear from the Department's 2007-2010 Annual Performance Plan whether this figure of 800 000 refers to people or houses, because some discussions on this backlog refer to houses while some refer to people.[8] Most mentions, however, refer to "households" or "houses" and we have therefore used this figure to mean that 800 000 houses are needed. At the municipal level, the Amathole District Municipality has a housing backlog of 182 439,[9] while the Ngqushwa Local Municipality requires 19 380 houses.[10]

The question of using houses as opposed to people as a means of counting the backlog is an important one because of the large households that are characteristic of the

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[6] The Urban Sector Network argues that there are a number of key actions that the state must take to fulfil its obligations in terms of housing rights. These include, among others, formulating housing policies, ensuring adequate access to relevant information so that citizens and civil society can mobilise around housing rights, and ongoing monitoring and evaluation of housing progress and implementation ("Expanding Socio-Economic Rights and Access to Housing, 29 October 2003, p. 4). See also p. 17 of the same paper for a brief discussion on the principles regarding government policies and programmes that arose from the Grootboom Judgement.

[7] Eastern Cape Department of Housing, Local Government and Traditional Affairs, Amended Strategic Plan, 2005-2010; Annual Performance Plan, 2007-2010, p. 9.

[8] On page 9 of the 2007-2010 Annual Performance Plan, the Department states that "the current number of persons in the province requiring houses [is] 800 000". Page 31 of the same document, however, states that the "current housing backlog is… estimated at 797 932" and then begins to break this figure down into the different kind of *housing* that this figure is comprised of, such as informal housing and traditional dwellings. Furthermore, on page 9, immediately after giving the figure of 800 000 persons, the plans begins referring to "households", stating that its own figure of 800 000 is inexplicably higher than the 220 000 "households" that Statistics SA has said constitutes the housing backlog. It is not clear, therefore, what the housing backlog is, or even how the Department recognises its backlog (in persons requiring housing or the number of houses required). The PSAM is using this figure of 800 000 to mean the number of houses needed, while being fully aware these questions and inconsistencies.

[9] Eastern Cape Socio-Economic Consultative Council (ECSECC), "Growth and Development Summit, 2007, Socio-Economic Profile, Amathole District", p. 19.

[10] Ibid. Mcoseli stated that the municipality did not know the backlog in the area but that information is currently being gathered. She added, however, that she did not believe that there was a substantial need for housing and that housing delivery was not a priority in terms of the municipality's planning.

Eastern Cape, particularly in rural areas. In Peddie, the PSAM saw a number of overcrowded houses. When we asked beneficiaries how many people lived in their house, most said five or six (few said less than three). One house had eleven occupants and another thirteen (seven adults and six children). The Department should consider this when planning housing projects, so that its delivery is congruent with the nature of the demand for housing. Whether the Department uses houses or people to quantify its backlog, the government is using a supply-driven approach to housing delivery, and is therefore not planning around the fact that extended family structures are common-place in South Africa. In Peddie, most of the houses the PSAM visited were one-roomed, which is not suitable for larger families, let alone a family of thirteen.

If one were to use this figure of 800 000 houses needed, then at the current rate of delivery the Eastern Cape will take over 30 years to eradicate the backlog.[11] This does not take into the account the increasing need for housing.[12] According to government statistics, the Eastern Cape has built 268 754 houses since 1994.[13] It is important to note, however, that this figure includes houses which are still under construction.

A number of housing projects are stalled and have been for some time, so one can only assume that the figure for completed delivery is substantially less. In addition, this number is likely to include houses that are of such poor quality that they are uninhabitable and therefore standing empty, or that have not been taken up by beneficiaries for a variety of reasons, such as being poorly placed geographically.[14]

Mcoseli (the head of the housing unit at Peddie) said that some houses were standing empty because beneficiaries had not come to claim them:

> The people of Ngqushwa… want social amenities and roads… if you
> look at the two projects that are blocked and the one that is complete,
> some of the beneficiaries have not occupied their house yet because
> they have houses in their villages, they do not really need those
> houses when you look at it… and also some of the beneficiaries have
> already died and no one in the family is even interested in taking over

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[11] The Department has been building between 16 000 and 38 000 houses a year for the past four years (Eastern Cape Provincial Government Budget Statement I 2007/08, p. 30).

[12] 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" (Eastern Cape Provincial Government *Budget Statement I* 2007/08, p. 31). In addition, the broadening of the qualifying income bracket for the housing subsidy to include those earning less than R7000 (the threshold was previously R3500) means that there are now an additional 1.76 million people across the country who quality for a housing subsidy (T. Lehloesa, Head of the Secretariat for the African Ministerial Conference on Housing and Urban Development, *Rapid Housing Require Massive Injection of Resources*, 11 September 2007, can be accessed on http://www.housing.gov.za)

[13] Eastern Cape Provincial Government *Budget Statement I* 2007/08, p. 30, Table 9.

[14] Unfortunately, housing provision in South Africa has, in some instances, "tended to perpetuate urban segregation and [houses] run the risk of becoming poverty traps themselves" (Katharine Hall, "Accommodating the Poor? A review of the Housing Subsidy Scheme and its implications for children", in A. Leatt and S. Rosa (eds.), Towards a Means to Live: Targeted poverty alleviation to make children's rights real. (Cape Town, Children's Institute, University of Cape Town, 2001), p. 41.) Government-initiated housing settlements are frequently on the urban periphery, which results in the poor remaining on the outskirts of economic activity (both literally and figuratively).

> or occupying those houses… but they want better amenities in their villages, like your roads, your community halls, water, electricity, but they do not really want a house.

Mzamo concurred, adding that some people secured employment while they were waiting for their house, sometimes in another city, and therefore never claimed their house.

Thus, the number of households that have been housed is unlikely to equal the number of houses built. By the start of 2007/08, 68 projects were stalled. At the time that this report was written, 24 of those projects had been unblocked. In the Amathole District, 3 projects were unblocked, two of which were in Ngqushwa.[15] The Peddie 500 project, which originally had 500 planned units, still has 105 units to be built. The Peddie PHP has 710 units outstanding of an original total of 1420 subsidies.

Mcoseli indicated that there had been additional delays while the Department approved top-up funding. These projects were started in 2000 (Peddie 500) and 2004 (Peddie PHP) and the prices have since escalated, given inflation and rises in material costs. The top-up funding has recently been approved and Thubelisha has been appointed to manage these projects. Mcoseli made it clear that the municipality is the developer, but because of its severe capacity constraints, Thubelisha will be responsible for appointing contractors and handling the day-to-day project management, together with the Department.

The Quality of Housing at the Ngqushwa Local Municipality

The PSAM conducted two site visits in Peddie, which falls under the jurisdiction of the Ngqushwa Local Municipality. We took numerous pictures of the interiors and exteriors of government-subsidised housing and spoke to beneficiaries about the quality of the houses they were living in. Below is a brief indication of what the key quality concerns are, as well as some photographs.[16]

The most common complaint was that when it rained, water would come in through the roof, along the bottom and top edges of the walls and around the doors. Beneficiaries said that they routinely needed to move all their furniture and possessions to the centre of the house when it rained to avoid water-damage. The PSAM took photographs of damp walls and floors, which was made worse by the fact that walls were sometimes not waterproofed sufficiently, with plaster or an appropriate paint (such as cemcrete or stipplecrete). Sometimes beneficiaries finished the walls themselves.

Key structural quality defects:

➢ Roofs were not always firmly secured to the walls and/or trusses, causing them to rattle, or even blow off, when windy. Beneficiaries had taken to placing stones and tyres on roofs to prevent this.

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[15] Mzamo and Mcoseli (both interviewed on 12 September 2007).
[16] This report uses only a very small sample of the photographs that were taken. The quality defects discussed below were not isolated instances – all the quality problems highlighted in this section were repeatedly witnessed.

➢ Doors did not fit securely into their frames and beneficiaries usually had to stuff material or newspaper along the frames, especially at the bottom, to stem the water that comes in when it rains. Some beneficiaries tried to fix the problem permanently by removing doors and adding additional cement or mud to fill the gaps. Ill-fitting doors were made worse when the frame was made of metal which rusted and warped over time. In addition, doors were not varnished and the wood started stripping off. Some beneficiaries covered their doors with plastic to keep them waterproof and keep the cold out. Also, some doors had gaps between the wooden slats which were wide enough to see through. Beneficiaries filled the gaps with material or plastic.

➢ Cracks in the walls developed soon after beneficiaries moved in, particularly around the windows, doors and corners.
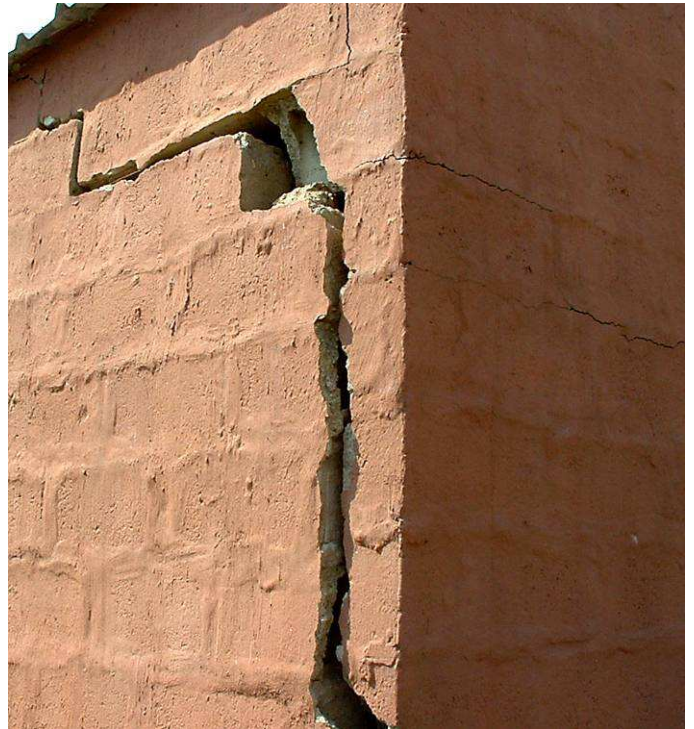
> Foundations were often cracking where they met the top structure. In addition, some top structures did not align and square off with the foundations. The damp proof course appears to have been laid incorrectly in a number of homes inspected with some beneficiaries complaining of rising damp.

Water and Electricity
Most houses we visited did not have bathrooms, and beneficiaries shared communal toilets and taps. Sometimes there was a tap outside each house. Some beneficiaries had water meters in their house. One beneficiary indicated that they had been receiving free water but had recently been asked to a sign forms so that they could

have water meters installed.[17] A committee has been organised, however, to investigate what the situation is with the water and the community is still receiving free water. Some beneficiaries had electricity meters. The PSAM saw many houses with overhanging electrical reticulation which connected to plugs inside houses, usually being fed through a window.

Responsiveness of the municipality to complaints about quality
When asked if they had complained to the municipality or Department, most beneficiaries said no, adding that there was no point because officials seldom came to inspect the houses when other people had complained. Those who indicated that they had complained said that even when officials did come to look at the house, they never came back to tell beneficiaries if anything would be done about the poor quality of their homes.

One beneficiary said that some officials from the municipality came in 2005 and promised to renovate her house, but they had never returned. This particular beneficiary had a number of problems with her home, including numerous cracks on the inside and outside, water damage to the walls and floor, no handles on windows so they could not be opened and a rusting doorframe which had warped, leaving her door unable to close properly. Another beneficiary said that municipal officials had visited her house in 2006 and promised to come back. She had not yet heard anything from them.

When asked if beneficiaries complained to the municipality about poor quality, Mcoseli said "[m]any of them. We've had sit-ins, because these are old projects, they have been complaining and coming to the office, demanding their houses many times." She added that when she had first arrived at the municipality, she had held regular meetings with the Department. These have since ceased, however, and she said that she now passes on complaints about quality to the mayor, municipal manager and the project managers.[18]

The quality of housing that the PSAM saw in Peddie raises questions about why some houses are of such a poor quality, where the breakdown in the delivery process occurred and how service delivery in this regard can be improved. It is also important to consider the implications of poor quality. The right to adequate housing means the "right to live somewhere in security, peace and dignity".[19] Houses provided by the state should align with the Constitutional rights to privacy and human dignity, should be large enough to prevent overcrowding, strong enough to withstand the elements and provide protection from weather.[20] It is also important to consider how government's systems have failed and how poor quality requires a shift in perspective and practices at the provincial and local levels. Poor quality does not occur in a vacuum and it is important to consider what

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[17] She was unsure if it had been officials who had asked people in her area to sign forms.

[18] Mcoseli did not say when or why these meetings had stopped occurring.

[19] Committee on Economic, Social and Cultural Rights, General Comment 4, paragraph 7. Can be accessed at: http://cesr.org/low/generalcomment4.

[20] According to the CESCR, "inadequate and deficient housing and living conditions are invariably associated with higher mortality and morbidity rates". (Committee on Economic, Social and Cultural Rights, General Comment 4, paragraph 8 (d). Can be accessed at: http://cesr.org/low/generalcomment4).

challenges and constraints face provincial and local officials when planning and implementing housing plans and policies.

Key Challenges

No service delivery environment is without its challenges. The housing delivery environment is a particularly difficult one for a variety of reasons. For example, housing projects are multi-year and beneficiaries can sometimes wait for years for their house to be built, over and above the time they spend on the waiting list.[21] In addition, there are a wide variety of role players who are involved in housing delivery in general, and quality monitoring in particular, which can have the adverse effect of delaying delivery if this interaction is not managed effectively. Furthermore, these key challenges interact with and exacerbate one another. It is therefore impossible to discuss each challenge in isolation. This section discusses the key challenges and reasons why poor quality housing has been delivered in the Eastern Cape.

Roles and responsibilities of provincial and local government, and intergovernmental cooperation

The Housing Act and the Housing Code, as well as national policies (such as the Social Housing Policy and Breaking New Ground) all have sections aimed at clarifying the roles and responsibilities of the different spheres of government. Legislation and policy are fairly consistent but also somewhat vague, with frequent use of words like "facilitate", "support" and "manage" with little or no indication as to what these terms really mean for institutional activities and service delivery. Responsibilities do overlap and the concurrency of activities can lead to problems with "ownership" of policies and procedures, as well as difficulties in the implementation process. The multiplicity of role players and responsibilities potentially dilutes accountability and can fragment implementation.

The national Housing Department and even the provincial Department can find themselves somewhat removed from the realities of local authorities and housing beneficiaries. This can lead to nationally-formulated policies and practices (both political and administrative) that are flawed or unresponsive to the realities of housing delivery at the provincial and local levels. This is partly acknowledged by the National Department, which asserts that:

> although National Government has an overarching responsibility around housing matters, the implementation of policies lies with the different spheres of government, thus making it impossible for National Government to determine where projects should be allocated and resources distributed. [22]

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[21] Ntsebeza said that sometimes beneficiaries waited for so long that they decided to settle on the designated land without waiting for the houses to be built. Many built their own homes on that land because they knew that the land had been serviced (with water and electricity) in preparation for housing development.

[22] National Department of Housing, Annual Report, 2006/07, p. 27.

Similarly, provincial and local authorities may feel distant from the political and bureaucratic processes that determine policy, and the spirit and letter of policies can be lost during the implementation by those closer to the ground. Flawed implementation of housing policies or the implementation of flawed housing policies can impact negatively on the quality of houses. This is particularly true when one takes into account the wide variety of role players involved in quality assurance:[23] developers, local and district municipalities (whether as developers, partners or accredited service providers), the NHBRC, ward councils, the provincial Department, the national Department of Housing, the Auditor-General, Provincial Legislature (such as Portfolio Committees), the Special Investigations Unit, civil society and the South African Human Rights Council (to name only some of them).

MinMec[24] meetings go some way towards alleviating this problem. There are, however, broader questions surrounding intergovernmental cooperation and participatory decision-making, especially when it comes to policies and budgets. Budget allocations directly impact the ability of provincial Departments to employ adequate and sufficiently skilled staff to conduct quality inspections on houses, as well as to develop or purchase efficient data management services,[25] or support local municipalities who are engaged in quality assurance, or in the number of other ways that Departments can improve their quality assurance processes. The United Nations Special Rapporteur on Adequate Housing has pointed out that the "progressive realisation of access to adequate housing in South Africa is compromised by the fragmented governmental approach to the implementation of housing law and policy".[26]

While Mcoseli did not directly cite policy processes as a problem, she did state that the provincial Department expected her to comply with its policies and regulations without being considerate of the human resource constraints the municipality was facing, particularly within the housing unit.[27] This highlights the need for improved and meaningful communication when policies and processes are formulated at different levels of government.

Weak capacity at the provincial level

The provincial Department has been experiencing severe staff and skills shortages for some time, as Diagram 1 shows. Both the general and critical vacancy rates have

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[23] Here, I use quality assurance to encompass all activities which relate to quality, whether they occur before, during or after the actual construction process, such as the formulation of appropriate policies, the approval (or otherwise) of business plans which contain proposed housing designs, inspecting the actual units or mobilising beneficiaries if quality standards are not being met.

[24] The MinMec forum is made up of the national Minister and provincial MECs in charge of the line Departments. It is intended to strengthen intergovernmental cooperation and promote participatory decision-making.

[25] The monitoring system of the Eastern Cape Department (which is a new system) is not yet automated (Ntsebeza) despite the large amount of data that is acquired as part f the ongoing monitoring of every unit of every project in the province.

[26] "Preliminary observations as of 24 April 2007 by the United Nations Special Rapporteur on Adequate Housing, Mr. Miloon Kothari in the light of his mission to South Africa", (12 April – 24 April 2007).

[27] This will be raised again later in this section and in the next.

generally been on the rise over time.[28] 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 high housing backlog and slow delivery.[29]

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

Trends in Vacancy Rates: 2002/03 to 2006/07

	2002/03	2003/04	2004/05	2005/06	2006/07
General	26	54	50	43	65
Critical	83	66	61	73	80
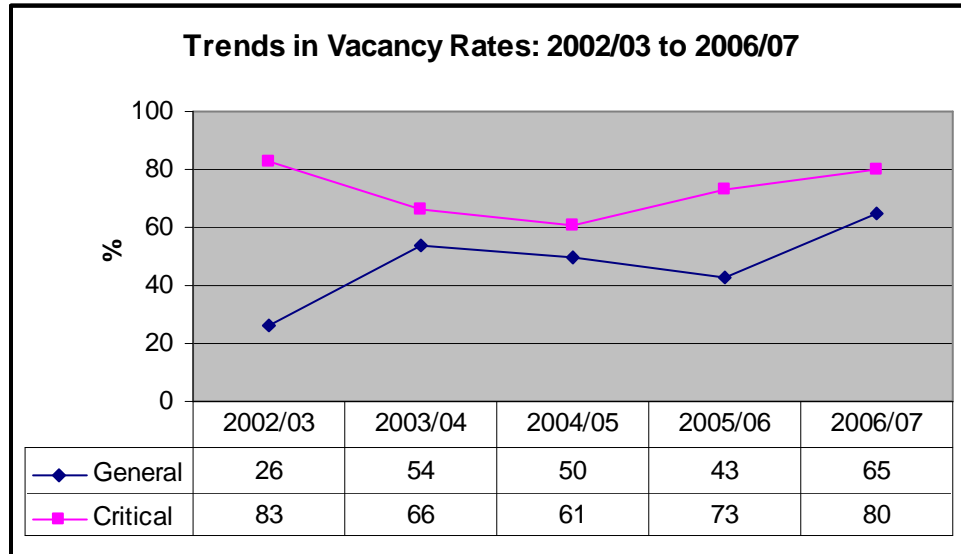
The weak capacity at the provincial level is exacerbated by the weak capacity at the local level, as it has compelled the Department to intervene when municipalities are unable to fulfil their obligations as a housing developer. Increased intervention in housing projects is necessary given the lack of technical skills and understaffed housing units at the local level.[30] This puts increased pressure on an already under-capacitated provincial Department. Ntsebeza highlighted this, stating that the Department will "tend to overstep [its core functions] because [municipalities] just don't have the… technical capacity to provide the necessary [quality] inputs that are required, like the monitoring [and] contract management." He added that because of this, the province has been unable to move away from

> doing the same job as what the developer should be doing… we are involved in [quality] control itself sometimes [and] where the municipalities are very weak, we even tend to be the co-signatory to the certificate of payment of a contractor… we go that far to assist that municipality.

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[28] Eastern Cape Department of Housing, Local Government and Traditional Affairs, Annual Report, 2002/03, p. 76, p. 2003/04, p. 67; 2004/05, p. 103, 2005/06, p. 105 and 2006/07, p. 170.
[29] 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.
[30] Ntsebeza (interviewed 14 August 2007) and Mzamo (interviewed 12 September 2007).

As stated above, Ngqushwa municipality has never before acted as a developer on a housing project. Mcoseli indicated that in one of the previous housing projects, however, all payment claims by the contractor were given directly to the Department because of the weak capacity of the municipality – at that time, there had been no housing unit. Currently, the municipality receives assistance from the province in the form of project managers and coordinators.[31] Two housing projects in the municipality have recently been unblocked and Ngqushwa is the developer for both projects. Given the current severe capacity constraints in the municipality (with only person in the housing unit and one building inspector), the Department's already strained human resources are likely to be stretched even more, even with the assistance of Thubelisha, which has been commissioned to manage the completion of these projects.

Part of the mandate of the provincial Department is to build capacity at the local level because the local government branch forms part of the Department.[32] In addition, provincial housing Departments should be assisting municipalities become eligible for accreditation,[33] which requires significant financial, administrative and technical capacity on the part of local authorities. All four officials highlighted that weak capacity at the local level had not been adequately addressed. Mzamo stated that "we have been talking about [capacity at the local level] for a long time and it doesn't help… just to talk".

Quality assurance encompasses a range of tasks, including the approval of business plans, and mapping out delivery targets and standards for each project. These tasks are primarily (but not wholly) the responsibility of the provincial Department. The Department's Quality Assurance and Project Management Chief Directorate, however, is currently operating with a 78 percent vacancy rate.[34] In addition, this unit is being headed up by an Acting General Manager, who says that the Chief Directorate's performance and efficiency is "definitely" being affected by the shortage of staff, and that "one person is probably doing the job of 4 [or] 5 people".[35]

This Chief Directorate'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. As depicted earlier (Diagram 1), the Department's critical vacancy rate at the end of 2006/07 was 80 percent.[36] Specifically, the Department has only 20 percent of its engineers,[37] less than 2 percent of its town planners and 28 percent of its control technicians.[38] According to Ntsebeza, one of the biggest problems for housing delivery has been the "absence… within the Department itself of this technical support for housing development". Mzamo concurred, saying that "in terms of capacity, [the Department] is challenged… we are trying to beef up this capacity,

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[31] Mcoseli (interviewed 12 September 2007).
[32] See the Eastern Cape Department of Housing, Local Government and Traditional Affairs, Amended Strategic Plan, 2005-2010; Annual Performance Plan, 2007-2010, pp. 44-47.
[33] Ibid, p. 32.
[34] Ntsebeza (interviewed 14 August 2007).
[35] Ibid.
[36] The most recent human resource figures available are those in the latest Annual Report, which is for the 2006/07 financial year. See pp. 166 to 191.
[37] This includes both chief and deputy chief engineers.
[38] Eastern Cape Department of Housing, Local Government and Traditional Affairs, Annual Report, 2006/07, p. 170.

especially on the technical side in terms of engineers, quantity surveyors, project managers. That's one of the biggest challenges".

The Portfolio Committee for Housing has highlighted the fact that weak capacity results in substandard housing:

➢ "There is a lack of control and monitoring of standards in respect of housing projects due to the limited number of project managers" and "The quality of houses built is not fully monitored due to the lack of technical staff"[39]

➢ The Department "lacks internal capacity to monitor and evaluate housing development"[40]

➢ "The Department still has the problem of shoddy workmanship with regard to housing delivery. This is mainly due to poor monitoring as a result of a high vacancy rate."[41]

Weak capacity makes it difficult for project managers and other technical personnel to regularly visit housing sites and inspect the quality of each unit that is being built. Ideally, the developer would be the eyes of the Department, to ensure that each payment made (based on claims submitted by the contractor) is for "value-created". Unfortunately, as stated above, the lack of staff and skills at the local level means that municipalities, who are frequently the developer on housing projects, cannot fulfil this role, compelling the provincial Department to send its over-stretched staff all over the province to the large number of housing projects. The ideal ratio is one project manager to every five projects. In 2006, the ratio in the Eastern Cape was one to every 25 to 30 projects.[42]

The province currently has about 200 active housing projects.[43] This strains the already understaffed Department, because projects managers have to travel to many projects with large distances between them within a limited time-frame, compromising the amount of time that a project manager can spend at any one site.[44] This has compromised project management and the control coverage of the province, and therefore the quality of the end product, because the large number of projects combined with the distances between projects means that project managers and building inspectorates sometimes need to travel far from Bhisho on a regular basis to reach housing projects.

The large number of projects also requires substantial resources. Ntsebeza pointed out that sometimes decision-making, especially around budget allocations and human resource policies, is centralised and the necessary resources are not always available for things like laptops, which housing staff need when they are out in the field for data-capturing purposes. He added, however, that the Department's leadership was responsive to resource constraints and that there were already improvements in the resources available to staff who were working out in the field on a regular basis.

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[39] Recommendations and Resolutions of the Housing Portfolio Committee, 13 December 2004.

[40] Ibid, 25 May 2005.

[41] Ibid, 30 November 2005.

[42] Formal transcript of testimony before the Commission of Enquiry into the finances of the Eastern Cape: Department of Housing, Local Government and Traditional Affairs (7 August 2007) – as produced by Sneller Transcriptions, PTY Limited, Grahamstown.

[43] Ntsebeza (interviewed 14 August 2007). Officially, there are 400 to 500 current projects but these include projects from as far back 1995/96, which have not been closed off even though no more work can or will be done on them.

[44] Ibid and Mzamo (interviewed 12 September 2007).

Weak capacity also slows down communication with local authorities. Mcoseli emphasised that one of the key challenges facing the municipality was the delay in decision-making processes which requires provincial input. "[T]hey take time to approve anything, starting from beneficiaries to the top-up funding. Sometimes, you need an urgent response... they'll take a month or two to respond and the beneficiaries are here demanding their houses."

Mcoseli also criticised the lack of skills of some Department representatives, stating that

> even if they send someone to make a presentation, if you're asking questions, they cannot even answer those questions… [S]ometimes, we do have problems and you'll ask someone [in the Department] to assist you and we'll get a different response from what you heard [at the presentation]. Sometimes it puts us in a very difficult situation.

Weak capacity at the local level

The three provincial officials I spoke to repeatedly mentioned weak capacity at the local level as being a major hindrance to housing delivery in general and quality control in particular. At the centre of this challenge is the practice of using municipalities as the default developer. Perks noted that:

> [m]any 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.

Ntsebeza stated that:

> at some stage there has been a decision taken, I don't know where in the structure of the province, that the municipality is by default, or should be, the developer of choice… [but] we cannot say that all 36 municipalities [can be developers]… we have to be selective.

He added that using municipalities as the default developers was being done without looking at the capacity of individual municipalities and without ensuring that the necessary funding, systems and human resources were being provided to these municipalities who are acting as developers.[45]

The three provincial officials also noted that district municipalities needed to be strengthened. The Portfolio Committee for Housing concurred, saying that:

> [d]istrict municipalities responsible for delivery of various services associated with housing still lack the necessary capacity to deliver quality housing products that meet national standards. This is the

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[45] Perks concurred, stating that the developing role has been given to municipalities, "not withstanding the capacity constraints that they're battling with".

main impediment to housing delivery and development of integrated human settlements. [46]

Ngqushwa Municipality does not have a unit dedicated to housing alone. As mentioned above, Mcoseli is also responsible for land administration and town planning. Neither the building control officer (the building inspector) nor the technical services manager are directly responsible for housing development, and they both fall under a different unit, but they assist with housing inspections. Mcoseli says that the primary reason why her unit is so poorly staffed is a lack of funding, and that it would be more effective if the municipality had a person dedicated to housing alone, since it is such a big responsibility and requires a significant amount of time.

Weak capacity affects housing quality because municipalities (as developers) are responsible for checking on the quality and progress of units and projects before the Department can authorise payment to contractors. If the municipality lacks staff and skills, however, the ability to verify the quality of work done is compromised, resulting in possible fruitless and wasteful expenditure, as well as the delayed payment of contractors.[47]

Mzamo believes that the biggest challenge to the devolution of housing responsibilities to local government is the reluctance on the part of municipalities to be developers on housing projects, because it is perceived to be an unfunded mandate:

> As far back as 2003, the Department came up with a capability model for housing delivery in each municipality, so that as long as you have a skeleton structure, you can build houses. And we went around to the municipalities in order to try and sell this idea. We found that our biggest challenge is the so-called unfunded mandate, because they say it is a concurrent competence with national and all that… but I think that, now we are on the side of winning. We are no longer getting that strong argument of unfunded mandate.

Emerging contractors and the South African economy

The policy of using emerging rather than established contractors was repeatedly mentioned as a problem by the officials I spoke to. The general consensus is that this "political interference", as one official termed it, has compromised the quality of state-subsidised housing. At one time, the policy of the Eastern Cape was to use emerging contractors instead of established ones.[48]

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[46] Findings and Recommendations of the Housing Portfolio Committee, 31 May 2006. See also, 21 January 2003 and 25 May 2005.

[47] From 2002/03 to 2005/06, the Department received disclaimed audit opinions from the Auditor-General, primarily because of poor control and monitoring of the housing subsidy, which has led to an un-quantified amount of fruitless and wasteful expenditure due to the construction of sub-standard houses. See 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.

[48] It is not clear why this decision was taken by the provincial government. One possible reason is the Local Economic Development (LED) framework, which aims to accelerate economic growth, promote skills development and encourage employment at a local or community level. One way

The use of emerging contractors can delay service delivery. According to Mcoseli, sometimes such contractors cannot be contacted by the developer to arrange and confirm payment or discuss the progress of the projects because they do not have a reliable method of communication. In addition, emerging contractors often experience cash flow constraints.[49] Because of weak capacity on the part of developers, payment is frequently delayed and emerging contractors usually lack the financial capability to continue construction until payment blockages are resolved at the local or provincial level. Emerging contractors also tend to produce the final product more slowly, because of a lack of skills and experience, resulting in delayed completion of projects.[50] In addition, the lack of skills sometimes results in an inferior product.[51]

The problem of emerging contractors occurs within a broader economic framework – increasing material costs combined with rising inflation erodes the profit margins of contractors because the housing subsidy is only adjusted once a year. Between February 1998 and February 2005, the cost of building materials rose by 143 percent (not taking inflation into account), while the housing subsidy increased by less than 50 percent in the same period.[52] This means that the cost of building a house escalates while the subsidy does not, paving the way for contractors to cut corners so that they can build a house with less money than they started with.

Furthermore, the preparations for the 2010 Soccer World Cup are likely to put extra strain on the construction industry, which is less likely to opt for low-cost housing as contractors become more selective about the work they accept. These factors (cost of materials, inflation and 2010) make the low-cost housing sector less lucrative and therefore less attractive to established contractors, which will possibly force the government to make increased use of emerging contractors.

Department structure and monitoring systems

The Project Management and Quality Assurance Chief Directorate was officially established in the 2006, so provisions for the acquisition of the necessary technical expertise has only recently been created.[53] The absence of a Chief Directorate dedicated to monitoring the technical aspects of housing delivery, combined with the lack of a monitoring system, impacted negatively on the quality of housing. Officials also

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this can be done is to encourage government to make use of and support small to medium enterprises in the areas in which they work (emerging contractors frequently operate in the areas in which they are based). The next section (Addressing Challenges) discusses the Department's new approach to emerging contractors.

[49] Mzamo (interviewed 12 September 2007).

[50] Ibid.

[51] Ntsebeza (interviewed 14 August 2007), Mzamo and Perks (both interviewed 12 September 2007).

[52] National Department of Housing, Annual Report, 2006/07, pp. 18 and 21.

[53] The Urban Renewal and Human Settlement Redevelopment sub-programme was previously responsible for facilitating the delivery of houses and monitoring their quality, as well as rehabilitating dysfunctional urban settlements through the introduction of social and economic amenities. It did not, however, function as a technical sub-programme (Eastern Cape Department of Housing, Local Government and Traditional Affairs, Annual Report, 2004/05, p. 37 and Ntsebeza, interviewed 14 August 2007).

cited the lack of a Department dedicated to housing as being problematic and hampering their performance.[54]

Ntsebeza stated that:

> in the absence of a Chief Directorate for… project management and quality assurance, there has been an uncoordinated quality assurance management. You find that you tended to manage the quality that you can see – even our systems were not there – coverage couldn't give us the effectiveness of picking up these things as we would have liked but we have since improved by implementing systems that actually make us… go to each and every house that we have built in the province in terms of quality. [55]

As mentioned earlier, quality control encompasses a variety of activities at different stages of the delivery process, including the approval of business plans. Prior to the development of a quality monitoring system, some aspects of the housing plans (such as foundations) had not been effectively monitored. Geo-technical reports form part of the business plans and should be evaluated as part of the approval process. It is only since November 2006, however, that the Department has considered these. Ntsebeza indicated that:

> [i]f you look at our [housing] foundation, it has been taken as a norm to actually build straight foundations, irrespective of what the ground conditions were like. The geo-technical reports… by developers were only done to access the money for… slope.[56] Instead of the geo-technical investigations being done to actually respond to ground conditions in terms of the design that must respond… it was really for accessing additional funds.

The lack of a monitoring system resulted in a situation where houses were inspected only if there were time and resources. There was limited coverage and inspectors examined only a sample of the houses. Structural defects went undetected and remedial action could only be taken on a very limited scale, if and when poor work was discovered. [57] Ntsebeza stated that:

> [s]omebody would go into the project and look at one, two, three, four houses, pick up one, two problems and talk to those problems but

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[54] Ntsebeza (interviewed 14 August 2007). The delineation seeks to rectify this. Perks pointed out, however, that town planning will become difficult because this discipline is currently located in the local government branch. The Department is drawing up an organogram to address difficulties like this.
[55] Mzamo and Perks concurred, saying that there had never had a technical unit for housing before 2003/04, when the Department started establishing a project management and quality assurance unit. This culminated in the current Chief Directorate which Ntsebeza heads up on a temporary basis.
[56] If the area in which houses are built presents difficult construction challenges, such as excessive slopes, the amount of money set aside for the top structure can be increased (Housing Code, Part 2, Chapter 3, Section 3.1).
[57] Ntsebeza (interviewed 14 August 2007).

there was no system which could track each and every unit of the
project development, to find what the problems are.

In addition, the previous quality assurance framework failed to make use of the expertise of the NHBRC – up until 2002, housing projects did not have to be enrolled with this parastatal.[58]

Rectification Programme

The Breaking New Ground strategy is intended to accelerate delivery. The Rectification Programme, however, is draining resources out of the budget. In 2006/07, the Department arrived at a figure of 19 000 houses in 60 projects requiring rectification. It has since realised, however, that this does not reflect the total need and is once again gathering data on the number of houses which need to be targeted. Municipalities need to apply for funding for rectification by March 2008.[59]

Not only does the Rectification Programme require funding which could be used for new development, but it also requires time and human resources, both of which are already stretched. The inevitable result is a slow-down in delivery.[60] 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 build those houses and other related activities.[61] Municipalities are partly responsible for finding out which houses are in need of repair. If the municipality, however, lacks the necessary technical and human resource capacity to gather that information, this negates the purpose and efficacy of the programme. In relation to this concern, Mcoseli stated that "it goes back to the capacity of the municipality. I cannot do all these things by myself. I have other programmes to look after".

Ntsebeza indicated that Departmental officials are probably going to approach the Office of the MEC in an attempt to scale back delivery because of the Rectification Programme, given that "that is a significant amount of money that we are talking about. We can call about half of our budget… just on rectification".[62]

Building 40m^2 with a 30m^2 budget

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[58] Perks (interviewed 12 September 2007).
[59] Ntsebeza (interviewed 14 August 2007), Mcoseli and Mzamo (both interviewed 12 September 2007).
[60] The Rectification Programme is necessary and it is commendable that the Department is taking steps to improve poor quality. It does highlight, however, how 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.
[61] Mzamo (interviewed 12 September 2007).
[62] It is unclear if he was referring to the Department's budget or the budget of the Chief Directorate. The 2007/08 allocation for this programme is R50 million and it is taken from the conditional grant (Perks, interviewed 12 September 2007).

Prior to the revision of the Housing Code, the national norm for top structures of state-subsidised housing was a gross floor area of at least 30m^2.[63] The Eastern Cape increased the minimum floor area to 40m^2, but the adverse consequence was an unfunded 10m^2 because the Eastern Cape was not been receiving the necessary funding for the additional space.[64]

This was repeatedly mentioned by officials as being one of the primary reasons for the poor quality of houses, especially when combined with the problem of emerging contractors. Contractors calculate their profit margins over scale (more houses means more profit, minimising the impact of the unfunded 10m^2), but because emerging contractors can only manage a fairly small number of houses at any one time, they lack the financial capacity to provide the additional 10m^2 without cutting into their profits, so they tend to cut corners instead.[65]

In addition, the extra 10m^2 caused established contractors to pull out of the low-cost housing sector, forcing government to continue using emerging contractors.[66] Providing 40m^2 with a 30m^2 budget:

> has posed a challenge. The negative impact is that it forces the big contractors to withdraw because they cannot make any profit. At the same time, it has compromised the quality because, for instance, you find that you want this poor guy to build a 40m^2, whereas there's an unfunded 10m^2. And now, the poor guy is bound to cut corners. [67]

Ntsebeza linked the unfunded 10m^2 with the high number of houses needing rectification:

> We've gone too long providing 40m^2 from a 30m^2 budget and that has proved to be our biggest… blunder, because I'm sure that the money we are going to use to go back and fix those houses, it's even much higher than that 10m^2. We could have just provided that 10m^2 money and I'm sure we would be paying a lesser price today in terms of the rectification amounts that we're going to require.

The People's Housing Process

The Eastern Cape has primarily used PHP up until now, despite the fact that it is known to be a slow-moving housing delivery mechanism.[68] Perks highlighted this as a factor that has contributed to the large number of projects because PHP projects tend to involve fewer units.

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[63] Housing Code, Part 2, Chapter 3.
[64] As stated earlier, the new Housing Code has revised this standard to 40m^2 (National Department of Housing, Annual Report, 2006/07, p. 11).
[65] Ntsebeza (interviewed 14 August 2007) and Perks (interviewed 12 September 2007).
[66] Mzamo (interviewed 12 September 2007) and Ntsebeza (interviewed 14 August 2007).
[67] Mzamo (interviewed 12 September 2007).
[68] Perks (interviewed 12 September 2007).

The PHP also places less stringent financial obligations on the Department and it has therefore tended to opt for this housing delivery instrument in order to be able to transfer the money out of its coffers more easily.[69] With regard to this issue, Ntsebeza said that the Department uses PHP:

> just because we want to relax some requirements, statutory requirements, NHBRC enrolments… to be able to get rid of the money up front… I think PHP has been utilised mostly because of its flexibility… rather than its real intended purpose. And I believe that we can still improve a lot in terms of the implementation of PHP.

In addition, up until recently, PHP projects did not have to be enrolled with the NHBRC,[70] which made it easier for contractors to deliver products of inferior quality, especially because the Department only started inspecting each unit last year.

Poor financial management

The Housing Code, the Division of Revenue Act (DoRA) and the Public Finance Management Act (PFMA) all place obligations on the provincial Housing Accounting Officer in relation to the monitoring and control of the housing subsidy. Part of this entails the provision of reports by developers to the provincial Department and its project managers, particularly when contractors claim payment for work they have done. The developers should inspect each unit to ensure that the work has been completed according to the minimum standards. The Department should then use these reports to determine if payment should be made or not and will usually transfer the money to the developer.[71]

The inadequate monitoring of transfer payments to municipalities (as the principal developers) has been the primary reason for the Department's repeated audit disclaimers. Even once the money has left the coffers of the provincial government, the Department still has the responsibility of monitoring the use of these funds.[72] In 2005/06, the disclaimer received by the Department was the fourth in a row, since 2002/03.[73] In 2006/07, however, the Department received a qualified audit opinion[74] which is possibly the result of the implementation of a quality monitoring system in November 2006.

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[69] Ntsebeza (interviewed 14 August 2007).

[70] Ibid.

[71] Mcoseli, Mzamo and Perks (all interviewed 12 September 2007). Mcoseli added, however, that because of weak capacity sometimes the municipality (even as a developer) will write reports but will not always be responsible for payments made to contractors. Ntsebeza also asserted that the Department will sometimes be a co-signatory on payments where municipal capacity is weak.

[72] See the Public Finance Management Act, Section 38; Treasury Regulations, Part 3, 8.1.1; and the Division of Revenue Act, 2007, Part 2, Section 12.

[73] 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; Annual Report, 2005/06, p. 92.

[74] Eastern Cape Department of Housing, Local Government and Traditional Affairs, Annual Report, 2006/07, pp. 124-129.

Addressing Challenges

The Department appears to be aware of the challenges it faces. Not only did officials discuss these challenges with the PSAM, but a glance at the strategic plans for this Department for the past three years will show that these problems are frequently highlighted. Unfortunately, the same vague solutions are offered in these plans year after year with no mention of how the Department is going to implement them. We have not yet seen a significant improvement in the Department's performance. Below are some of the ways that the government is trying to improve housing delivery.[75]

Weak capacity at the provincial and local levels

The national Department has allowed for added support to provincial housing departments through its OPSCAP facility (Operational Expenditure Budget in Support of the implementation of National and Provincial Housing Programmes). This facility allows provincial Housing Departments to use some of their allocation to employ external professionals, such as building inspectors, engineers and contract managers. This is also intended to encourage skills transfer.[76]

The status of this facility is unclear, however, because the 2006/07 Annual Report of the National Department of Housing mentions the OPSCAP facility only once and provides the same limited information as in the 2005/06 Annual Report.[77] It is therefore not possible to determine the success (or lack thereof) of this facility. The Eastern Cape Department of Housing's 2006/07 Annual Report makes no mention of OPSCAP, and neither does the Department's 2007-2010 Annual Performance Plan.

The provincial Department is in the process of re-establishing the housing offices at the district level in the hope that this will allow for some devolution of responsibility to the local government level, "because you cannot run housing from Bhisho".[78] The opening of the district offices and the building of technical capacity at that level is intended to ease the burden on the Department. Senior managers are currently being recruited for district housing offices and they will be responsible (together with the Department) for building the capacity at the district and local municipal levels.[79] Municipalities (as developers) need a technical base from which they can draw. The district offices are intended to fill this gap. In addition, the Department is currently recruiting a general manager for the Project Management and Quality Assurance Chief Directorate.

While the current recruitment drive is a positive step, it should be tempered with the realities of the financial resources of the Department, especially with such a significant

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[75] It should be noted that this report only looks at some of the recent ways in which the government is attempting to address the key challenges, and does not provide a detailed analysis of this. Some measures are intended to target a number of challenges – where this occurs, problems have been put together.

[76] National Department of Housing, Annual Report, 2005/06, p. 22.

[77] The information in the two Annual Reports are virtually identical (word for word). The only difference is that the 2005/06 Annual Report refers to the allowance of using 2 percent of the total voted allocation for OPSCAP, while the 2006/07 Annual Report increases this to 3 percent (National Department of Housing, Annual Report, 2006/07, p. 25).

[78] Mzamo (interviewed 12 September 2007).

[79] Ibid and Ntsebeza (interviewed 14 August 2007).

increase in the number of posts. While the vacancy rate for 2006/07 is higher than for 2005/06, this is probably the result of a drastic increase in the total number of posts, which increased from 1296 to 3763 between 2005/06 and 2006/07. It is not clear why the number of posts increased so significantly in the 2006/07 financial year, but is possibly the result of the delineation and the recent creation of the Project Management and Quality Assurance Chief Directorate.

The 2007/08 budget for the compensation of employees increased 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.[80] For the past two financial years (2005/06 and 2006/07), the Department has spent close to the entire budget for personnel (95.67 and 92.69 percent respectively) despite its significant vacancies.[81] It is not evident, therefore, how the Department intends filling its vacant posts with a personnel budget that increased by less than 3 percent (in real terms) in 2007/08, and is set to increase by an average of less than 1.22 percent over the MTEF period.

As mentioned in the previous sections, some challenges exacerbate the weak provincial capacity, such as the large number of projects. The Department is currently considering reducing the number of projects by introducing "mega-projects", which would have 10 to 20 thousand units. This is intended to alleviate some of the pressure on the overburdened housing staff, because project managers and inspectors will not have to travel to as many projects. The Department believes this would also make the low-cost housing sector more attractive to established contractors.[82]

Furthermore, as mentioned in the previous section, the large number of projects has impacted on the resources that are needed for housing officials to travel to the different housing projects across the province. According to Ntsebeza, however, the Department has responded positively to the resource needs of the Project Management and Quality Assurance Chief Directorate. "Ever since I joined the Department, there has been a great improvement, all our guys have got cars, they've got laptops, they've got cellphones".

The previous section highlighted how weak capacity at the local level was putting increased strain on the provincial Department of Housing. All three provincial officials indicated that the capacity of individual municipalities was not being considered when using them as developers. In 2003, the Department developed a "capability model" which determines the basic resources and capacity that a municipality should have in order to manage a housing project.[83] It is unclear how this capability model has been used and if it has been an effective tool with regard to capacitating local government. As mentioned in the previous section, Mzamo indicated that municipalities are often

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[80] Nominal figures do not take inflation into account, while real figures factor in inflation, giving a more accurate idea of the "buying power" of a particular budgeted line item. For a further discussion of this budget line item (compensation of employees), as well as a more detailed explanation of the differences between and implication of the nominal and real figures, see the PSAM's 2007/08 Budget Analysis for the Eastern Cape Department of Housing, Local Government and Traditional Affairs, which can be accessed at www.psam.org.za.

[81] Eastern Cape Department of Housing, Local Government and Traditional Affairs, Annual Report, 2005/06, p. 105 and 2006/07, p. 139.

[82] Mzamo (interviewed 12 September 2007).

[83] Ibid.

reluctant to take on housing as it is perceived to be an unfunded mandate and the responsibility of another sphere of government. He added, however, that municipalities appear to be more receptive to the idea of managing housing projects and that the capability model will be an effective tool when determining what a municipality needs in order to maintain its role as the developer. While this is a positive step, the current use of municipalities as the default developer will continue to slow down service delivery.

With regard to Ngqushwa Municipality specifically, the provincial Department and district municipality do not appear to be particularly responsive to the municipality's request for additional funding and staff, and Mcoseli expressed frustration over this:

> I am sitting with people from different spheres of government trying to explain to them that we cannot implement housing projects without staff and nothing has come [of it]… [The] provincial department is aware of that, the Amathole District Municipality is also aware of that… We've been holding meetings with them, they know about the position, they know that there is no housing unit in the municipality and that there are no current projects because of capacity. How are we going to implement these projects if there's no staff to look after them… We have been writing to them, even the MEC. We had a meeting with the HOD about this issue. Nothing has come back so I don't know.

Emerging contractors

Substandard housing has compelled the government to regulate the employment of contractors by stipulating that they must be registered with the Construction Industry Development Board (CIDB) and NHBRC. According to Mcoseli, this means that many local contractors are unemployable, and there seems to be some uncertainty on the part of local government as to the status of the policy regarding employing emerging contractors.[84]

In 2006, the Eastern Cape launched Operation Thunderstorm, which is 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. In addition, part of Operation Thunderstorm involves redefining the contractual relationship between municipalities and the Department, and some Project Agreements will need to be terminated so that the tendering process can start anew for the targeted projects.[85]

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[84] Mcoseli (interviewed 12 September 2007).
[85] 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. The circular is not clear or explicit about what kinds of plans the Department has for ensuring that Operation Thunderstorm achieves its objectives.

The provincial Department is involved in training employees of emerging contractors on-site, with skills which include brick-laying, plumbing and carpentry.[86] In 2005/06, the Department trained 7 241 people.[87] The 2006/07 Annual Report, however, makes no mention of training employees of emerging contractors. It is not clear if and why this activity has fallen away.

Departmental structure and monitoring systems

The Department has begun the delineation of functions and as part of this process, it has produced a draft organogram which is intended to strengthen its human resource base, particularly the technical aspect.[88]

The establishment of a Chief Directorate, which is dedicated to monitoring housing projects, has improved the technical capacity of the Department. Ntsebeza stated that the Department has "tried to recruit people called Clerks of Works, project managers and all this, to actually start to be the eyes and hands of the department from the technical perspective and the quality perspective".[89] The introduction of an organised and official project management section has improved communication with local authorities. Mcoseli said that it used to be difficult to even get hold of someone to talk to in the Department, but that communication had been improved now that they have a project manager and project coordinator to liaise with.

In November 2006,[90] the Department implemented a monitoring system. Some steps being taken as part of this monitoring process include:[91]

> ➢ The Department is participating in the formulation of housing designs to ensure that they are conducive to quality assurance (for example, that they suit the particular ground or soil conditions), and that they can be translated into a quality product (for example, that they are cost-effective given the limits of the housing subsidy). The Department is also part of the procurement process to ensure that the most appropriate contractor is chosen.

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[86] At the national level, the national Department of Housing has a programme which aims to train and support emerging contractors, in partnership with the NHBRC (National Department if Housing, Annual Report, 2006/07, pp. 51 and 56). Furthermore, NURCHA (National Urban Reconstruction and Housing Agency) provides financial assistance to established and emerging contractors in the low-cost housing sector (National Department of Housing, Annual Report, 2006/07, p. 13).

[87] Eastern Cape Department of Housing, Local Government and Traditional Affairs, Annual Report, 2005/06, p. 38).

[88] Mzamo and Perks (both interviewed 12 September 2007).

[89] Ntsebeza (interviewed 14 August 2007).

[90] According to Perks and Mzamo, measures to improve monitoring were started in 2003/04, but the introduction of a formal system, supported by a technical Chief Directorate only occurred in November 2006.

[91] All this information (which does not cover the entire spectrum of activities forming part of this system) comes from a combination of interview material and internal Departmental documents provided by the three provincial officials I interviewed. Some of these steps and activities are not new but are now part of a new and detailed monitoring system.

> ➤ The Department appoints a project manager for all projects so that every aspect of each unit is checked.[92] Each unit is inspected against this checklist, which looks at the foundation, roof, door frames, plumbing, window frames and other aspects. The checklist is used to formulate a control sheet (a summary of the checklists on a project-wide basis) as well as a monthly housing project report. These reports include comments on the progress of the projects, remarks on quality, instructions issued for defective work and a photo gallery. Payment is withheld if project managers or inspectorates find work that is defective. Written instructions are issued and payments are then made when the problem has been rectified.

> ➤ The Department enrols every project with the NHBRC, which carries out inspections and issues certificates for each unit that complies with the minimum standards.

Part of this system includes utilising the in-year monitoring mechanism more effectively. In previous years, in-year monitoring focussed exclusively on spending and general financial management issues, but now includes performance.[93] The monitoring system is fairly new and it is not clear how significant an impact it is making because housing delivery involves multi-year projects, and it will take some time to determine if the process has improved quality on a large and sustainable scale.[94]

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[92] This has possibly been one of the most important changes. The previous section discussed how the severely limited coverage of housing projects meant that structural flaws went undetected. This system is intended to rectify that.

[93] Mzamo (interviewed 12 September 2007).

[94] There are a number of payment monitoring documents that the PSAM was given access to. These are intended to track the expenditure of each housing subsidy, and aligning it to work completed. Furthermore, this monitoring system is underpinned by the *Basic Guide to Quality Housing Development Norms and Standards*, and the *Technical and Quality Monitoring Procedure Manual*. The guide on norms and standards provides detailed information on the minimum standards that should be met with regard to foundations, floors, blockwork, roofing, painting and other aspects related to construction, when building a state-subsidies house. The technical annual summarises the processes and procedures to assist project managers, inspectorates and quality coordinators.

Conclusion and Recommendations

This report has looked at the factors that impact on the quality of housing delivery in the Eastern Cape, using Peddie as an example of how these translate into poor quality. Below are some ways in which the government can consider improving its performance within the difficult service delivery environment it faces.

Intergovernmental cooperation is essential to the success of housing delivery, particularly because of the multiplicity of role players and functions. Enhanced communication and coordination would improve implementation, as it would assist government in identifying the monitoring gaps. It would have the added advantage of preventing an unnecessary overlap of functions, which places extra strain on scarce public resources (human, financial and others).

Furthermore, an integrated approach to decision-making and delivery would have the long-term impact of setting the precedent for ongoing consultation, preventing the current approach which is fragmented and ineffective (as evidenced by the quality concerns raised by beneficiaries, officials, the Auditor-General and other stakeholders).

The use of municipalities as the default developers, regardless of capacity, is an unrealistic and unsustainable policy which should be reviewed. The devolution of responsibilities to local government will need to happen on a progressive basis. While municipalities are frequently the developers on paper only, and are therefore not always expected to manage some aspects of project management, there is still increased pressure on municipalities to perform this role. This also has the adverse effect of forcing the Department to provide additional support and undertake quality assurance functions. This report has highlighted how the Department is frequently filling the vacuum left by municipalities unable to take up the full responsibilities of developer.

The Department should consider a progressive approach with regard to the devolution of responsibilities to local government, which could include using parastatals or private entities as developers while encouraging a skills transfer to local municipalities. Importantly, this would require the Department and other government bodies to address the myriad of other challenges facing local municipalities on an ongoing basis, such as political instability, generally weak capacity, lack of resources, corruption and mismanagement. The Department's approach of establishing district offices with technical capacity will only be truly effective if the Department, together with other government entities, develops clear, coherent and relevant policies that will improve the environment within which their efforts to capacitate districts operates.

Economic factors, such as inflation and the cost of building materials, are reasonably beyond the control of the Department (both national and provincial). That does not mean, however, that the government should develop and implement housing policy as if it occurs within an economic vacuum. Both the provincial and national Departments of Housing need to re-examine how the subsidy system, procurement policies and payment processes (among other things) can be modified and improved so that they become responsive to the vagaries of the dynamic economic environment.

The realities and challenges presented by the economy should be factored in when planning and budgeting. The provincial Department of Housing is not unaware of some of these issues (as evidenced by the comments made by officials during interviews), yet

it fails to include this kind of vital information in its Annual Performance Plans, which implies that it is not adequately addressing these issues. In addition, the challenges presented by the use of emerging contractors should be factored in when the Department is planning housing development.[95]

The monitoring system that the Department has recently instituted is a big step in the right direction and it is encouraging to see that it is taking seriously the importance of performance and financial management systems. The impact of the failure of these systems has clearly resulted in poor quality homes that are unfit for human habitation and that do not conform to provincial, national or international standards. It is clear, however, that human resource constraints will continue to hinder the Department's ability to monitor quality, regardless of how sophisticated the quality assurance system is. Poor capacity within the Department is repeatedly cited as central to its failures, but the Department appears unable to improve in this regard.

Carefully considered strategies, as well as a concerted effort to implement these, are needed. The national Department of Housing needs to be more pro-active in this regard. Government should be making better use of its potential partners, specifically tertiary intuitions (such as Further Education and Training colleges (FETs), technikons and universities), as a resource for skills development and transfer.

Beneficiary education could potentially be a powerful tool in the struggle for access to improved housing quality. Beneficiaries should be involved in the planning and design of their own houses.[96] Not only would this be empowering for individuals who should feel part of deciding on how their communities will be developed, but it would also ensure that the demand management of the Department would be improved, and is one way in which the government would be able to meet the needs of families more effectively. As part of this education process, beneficiaries should be given adequate information on who should be approached, should they discover quality defects after moving in.

Finally, the Department should make improved use of reporting opportunities[97] to reflect on its performance and develop detailed, coherent and realistic plans to improve its management systems and service delivery. For example, the Department's strategic plans and Annual Report appear to be attempts to comply with legislation and regulations, as well as give the appearance of honouring the principle of accountability. They appear to not be seen as documents which can be used to review performance and plan for sustainable and meaningful improvements. The same barriers to service delivery (in the Annual Report) and the solutions (in the strategic plans) are rehashed every year, with little sign of improvement.

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[95] Operation Thunderstorm is not intended to eliminate the use of emerging contractors and the Department is still likely to encounter some of the same challenges and delays, even if it begins using more established contractors.

[96] Ntsebeza (interviewed 14 August 2007) indicated that this was happening to some extent.

[97] Departments are required to produce a variety of internal and external reports, such as monthly, quarterly and annual financial and performance reports. Departments also report to the Portfolio Committees, Audit Committees and other oversight bodies. I include strategic planning as one of these reporting mechanisms because Annual Performance Plans need to include information on how previous financial and service delivery performance will be improved and challenges addressed.