



Public Service Accountability Monitor
Monitoring Accountability and Service Delivery in the Public Sector



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The Housing Crisis in the Eastern Cape 2000 - 2005

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Glossary

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| AG | Auditor-General |
| CSO | Civil Society Organisation |
| DORB | Division of Revenue Bill |
| DORA | Division of Revenue Act |
| FMS | Financial Management System |
| HOD | Head of Department |
| IMT | Interim Management Team |
| MEC | Member of the Executive Committee |
| MINMEC | Meeting of national Minister with nine provincial MECs |
| MTEF | Medium Term Expenditure Framework |
| MFMA | Municipal Finance Management Act |
| NGOs | Non-Governmental Organisations |
| NHBRC | National Homebuilders Registration Council |
| PFMA | Public Finance Management Act |
| PHP | Peoples' Housing Project |
| PSA | Public Service Act |
| PSAM | Public Service Accountability Monitor |
| SCOPA | Standing Committee on Public Accounts |
| SIU | Special Investigating Unit |
| SLA | Service Level Agreement |

The Housing Crisis in the Eastern Cape 2000 - 05

Key Findings and Recommendations

Underspending

Finding

Between the 2000/01 and 2003/04 financial-years the Department of Housing, Local Government and Traditional Affairs underspent its housing budget by 29 percent, failing to spend R928 million. During the same period the Department underspent its developmental local government budget by 18 percent, or R172 million.

Recommendation

In order to improve spending of its housing budget, the Department needs to ensure that municipalities are properly capacitated to manage their housing budgets. Only by doing so will these funds be used effectively and efficiently. However, municipalities will only make effective use of housing funds if the Department properly utilises its developmental local government budget. For this to take place, the Department needs to improve the quality of its strategic planning to enable it to focus its capacity building efforts where they are most needed. The provincial Standing Committee on Public Accounts, the Standing Committee on Housing, Local Government and Traditional Affairs and its various stakeholders should take steps to monitor the Department's spending throughout the course of each financial-year.

Advance Payments to Municipalities

Finding

In 2003/04, the Department made R316 million in advance payments to municipalities for housing projects, despite its failure to ensure that the predetermined conditions for such payments had been met.

Recommendation

The national and provincial treasuries need to take steps to ensure that the Department complies with Treasury Regulation 15.10.1.2 (b) which states that transfer payments can only be made 'with due regard for efficient, effective and economical programme delivery.' The Department cannot claim that its spending record has improved if all it has done is shift its underspending burden onto municipalities.

Failure to monitor transfer payments

Finding

Throughout the period under review the provincial Department has failed to monitor its housing subsidy transfer payments and various municipal support and training initiatives. The Department has failed to monitor whether these transfer payments have been used effectively and efficiently. In addition, the National Department of Housing has also failed to meet its obligations in terms of ensuring that housing funds it transfers to the provincial department are used effectively and efficiently. This

is in contravention of the Division of Revenue Act (DORA) and the Public Finance Management Act 1999 (PFMA).

Recommendation

The national and provincial treasuries must take steps to ensure that both the national and provincial departments of Housing comply with the DORA and the PFMA when making transfer payments. Effective monitoring mechanisms must be put in place to monitor and report back on the use of transferred funds. The provincial Department should ensure that itself, or municipalities its transfer funds to, sign Service Level Agreements (SLAs) with all stakeholders contracted to carryout work on behalf of the Department. These SLAs should then be monitored rigorously so that agreed service standards are adhered too.

Poor quality housing

Finding

Because of the Department's inability to effectively monitor housing subsidy transfer payments to municipalities the quality of many homes that have been constructed in the province has been well below that required by national norms and standards. In the 2002/03 financial-year the Auditor-General noted that 90 percent of new houses inspected by his office did not conform to national norms and standards. The Auditor-General noted that in the 2003/04 financial-year the situation had improved slightly towards the end of the year but 'numerous deficiencies' still existed in house construction. In addition, the Department's Standing Committee has noted on a number of occasions that most contractors employed by municipalities to build new homes are not registered with the National Home Builders Registration Council (NHBRC) as they are supposed to be.

Recommendation

The Department must take urgent steps to ensure that it monitors the quality of new homes being constructed throughout the province. It must make certain that each approved housing project is monitored throughout the course of its life by qualified housing professionals who ensure that each home is built in line with national norms and standards. In addition, the Department must ensure that municipalities only contract housing construction work out to companies which are registered with the NHBRC.

Critical Staff Shortages and capacity problems

Finding

The Department remains chronically short of critical staff and has consistently failed to recruit the necessary staff. The Department has failed to advertise critical posts, despite numerous promises to the contrary. This is despite the fact that the Department has repeatedly blamed critical staff shortages for its inability to properly meet its mandate in terms of housing delivery. In the 2003/04 financial-year the Department reported that it had only filled 34 out of 103 critical posts (in total, the Department reported that it had 587 vacancies out of a total staff quota of 1086 in the 2003/04 financial-year).

Recommendation

The Department must act upon the numerous recommendations of its Standing Committee and advertise and appoint staff to fill critical posts. Throughout the course of its recruitment process it should send reports to its Standing Committee detailing the progress it is, or is not, making in this regard.

National Department of Housing Capacity Problems

Finding

In the 2003/04 financial-year the national Department of Housing had a 25 percent vacancy rate. Of 68 vacancies, 60 were for employees listed as 'highly skilled and above.' The Department noted in its Management Report that such vacancies made it difficult for the Department to fulfill its mandate.

Recommendation

The national Department of Housing should advertise all its vacant posts, and adopt a staff retention and training strategy to enable it to properly fulfil its mandate.

Staff Additional to the Establishment

Finding

Despite having critical staff shortages and 587 vacancies the Department reported at the end of the 2003/04 financial-year that it still had 460 excess staff who did not have the necessary skills to be included into the Department's staff organogram. In other words the Department was still employing 460 people who did not have the necessary skills to justify their employment by the Department.

Recommendation

In the 2001/02 financial-year the Department had 1075 excess staff. Progress has clearly been made in this regard, but this has been too slow. It is unacceptable that the Department still has 460 workers in its employ who do not have designated roles within the Department's approved staff establishment. The Department must expedite the transfer or re-training of these staff members to ensure that it does not expend valuable resources in this fruitless and wasteful manner.

No Monitoring of Training

Finding

Despite the fact that the provincial Standing Committee for Housing, Local Government and Traditional Affairs has for the last four years called on the Department to monitor the effectiveness of training being undertaken at both provincial and municipal level it has failed to do so. In the absence of any evaluation of training courses the Department is unable to establish whether budgeted funds have been spent with due consideration to efficiency and effectiveness.

Recommendation

The Department must undertake a complete audit of all training courses completed in the last four financial-years and those currently being undertaken, both at provincial and municipal level. It should report its findings in full to the provincial Standing Committee for Housing, Local Government and Traditional Affairs. The Department

must ensure that it and all municipalities sign SLAs with each and every training provider to ensure that the training being undertaken is of a suitable standard. It should monitor compliance with these SLAs rigorously.

Consultants

Finding

In the absence of suitably trained public officials both national and provincial departments are increasingly choosing to employ consultants to carry out their basic functions. In the 2002/03 financial-year the provincial department spent R75.43 million on consultant services, while in the 2003/04 financial-year it spent R89.79 million on consultant services. In the 2003/04 financial-year the national department spent R19 million on consultants.

Recommendation

Both the national and provincial departments of housing should take steps to solve their capacity problems by employing new staff to fill critical posts. In addition, both should take steps to properly train and capacitate their own staff. The long-term use of consultants is self-defeating as it undermines or delays the ability of departments to undertake their core functions without assistance.

Legislature Accountability

Finding

There has been a manifest breakdown in the implementation of Legislature oversight committee resolutions by the Eastern Cape Department of Housing, Local Government and Traditional Affairs. Despite repeated requests from the Department's Standing Committee to address issues such as critical staff shortages and the monitoring of training the Department has been unwilling or unable to comply.

Recommendation

The Department should publish all previous oversight committee and SCOPA resolutions in its annual report. It should also provide a detailed account of its progress in the implementation of these resolutions in its annual report. For their part, Legislature and parliamentary oversight committees should be more assertive in the use of their Constitutional powers to call the MEC for Housing, Local Government and Traditional Affairs and senior departmental officials to account for their performance in implementing oversight resolutions.

Poor Strategic Planning

Finding

None of the department's strategic plans for the period between 2000 and 2004 were found to contain accurate information on the Eastern Cape housing delivery environment and the service delivery needs to be met by the Department. Nor did these plans contain evidence of effective consultation with the department's internal and/or external stakeholders. Of particular concern is the fact that none of the department's plans contained any reference to conditions attached to the transfer of funds to external bodies, or to any monitoring mechanisms for ensuring compliance

with these conditions. This is despite the fact that the Department transfers millions of Rands out of its budget each year to municipalities.

Recommendation

The Department should ensure that it identifies its strategic objectives on the basis of a detailed 'needs analysis' each year. It should also ensure that in the process of compiling its strategic plans it undertakes a thorough process of consultation with internal stakeholders (including its own managers and trade unions) and external stakeholders (including housing-related NGOs, experts and service providers). In addition, the department should attach a list of SLAs, or measurable performance indicators to be met by transfer recipients, to its annual strategic plan.

Contradictory Presentation of Housing Statistics

Finding

The provincial Department of Housing, Local Government and Traditional Affairs does not present its performance in regard to the construction of houses in a consistent and transparent manner. In various Department publications and during budget and policy speeches the Department has consistently given contradictory figures in regard to its house building initiatives.

Recommendation

The Department should present each year an accurate account of how many homes it has built, how many homes are under construction and how many homes still need to be constructed in order to ensure that every citizen of the province is provided with adequate housing. This is in line with the Department's constitutional obligation to uphold the principles of transparent and accountable government.

Corruption

Finding

Weak financial management, an absence of financial controls, and the failure to properly monitor expenditure on housing has served to create an enabling environment for corruption and the abuse of housing funds.

The Special Investigating Unit (SIU) is currently investigating corruption allegations in at least 12 municipalities within the province. These investigations were prompted by a 2004 Joint investigation into housing projects in the Port Elizabeth metro by the SIU and the Auditor-General. Leaked findings from this investigation allegedly show widespread corruption in relation to housing projects within the Metro.

Recommendation

The Department must take urgent steps to address its on-going financial management problems (including the lack of effective financial management planning, its shortage of competent financial managers and the absence of financial monitoring) and the current lack of financial management controls if it is to address corruption in the allocation and delivery of housing in the province.

Given that all investigations by the SIU and the Auditor-General are undertaken in the interests of the public, and at public expense, their findings should be made

public. In this regard, the Auditor-General's report into alleged corruption in implicated in corruption should be investigated subject to disciplinary action.

Introduction

Perhaps the most visible legacy of apartheid that continues to haunt South Africa is the existence of informal housing settlements throughout the country.¹ These settlements are characterised by an absence of basic amenities, such as water, electricity and sanitation, and insubstantial 'house' construction, with many informal 'homes' being little more than corrugated steel structures unable to withstand the extremes of the South African climate.² Since 1994 the South African government has begun to address the desperate need for housing, and recent estimates suggest that, to date, some 1.6 million new homes have been built or are currently being constructed.³ However, despite this effort, it is estimated that the South African housing backlog stands at 2.4 million households, with some 9.1million people waiting for proper housing.⁴

The Eastern Cape's provincial government stated in February 2004 that it had built 127 500 new homes since 1994, with a further 105 000 nearing completion.⁵ In addition, in March 2005 the then MEC for Housing, Local Government, Neo Moerane-Mamase, stated that her Department hoped to 'wipe out' the provincial housing backlog by 2010.⁶ However, as this report will show, there is no clarity in regard to the actual housing backlog that exists in the province because no proper needs analysis has been undertaken and housing statistics are not presented in a consistent manner.

This report sets out to establish how well the Eastern Cape Department of Housing has succeeded in delivering homes to the province's most needy citizens given the resources it has had at its disposal between the 2000/01 and 2003/04 financial-years.

The report is split into nine sections; section one briefly examines the legislative framework which governs the housing sector in South Africa; section two deals with the expenditure of budgeted funds by the Department; section three looks at the quality of homes being built in the province; section four examines human resource related issues that have effected housing service delivery; the fifth section examines the relationship between the provincial Department and the municipalities in relation to housing ; section six examines the use of consultants by the provincial Department; section seven examines corruption in housing delivery; section eight examines the quality of strategic planning within the provincial Department; and lastly, section nine investigates the issue of the accountability of the Department to the Legislature in the province. This last section is followed by a short conclusion.

¹ 'Informal housing settlement' refers to dilapidated townships and squatter camps.

² The Eastern Cape Provincial Government recently stated that such informal settlements were characterised by 'illegality and informality; poverty and informality; social stress and crime; are located on marginal land and are restricted in terms of public and private investment,' Imiyalezo, Eastern Cape Department of Housing, Local Government and Traditional Affairs, supplement to the *Herald* and *Daily Dispatch* newspapers, 14 March 2005, p. 6.

³ National Department of Housing, Annual Report, 2003/04, p. 14.

⁴ D. Gardner, Getting South Africans Under Shelter: An overview of the South African housing sector, Urban Institute, 2003, p. 8. This report also indicates that the rate of construction of new homes has not kept pace with the growth in new families and the flow of foreign workers into South Africa and '9.1 million awaiting houses – Minister,' *The Herald*, 26 May 2004.

⁵ Eastern Cape Government Budget Speech 2004, p. 5.

⁶ Imiyalezo, Eastern Cape Department of Housing, Local Government and Traditional Affairs, supplement to the *Herald* and *Daily Dispatch* newspapers, 14 March 2005, p. 6.

1) The Legislative Framework

National Government

The South African Constitution states that 'everyone has the right to have access to adequate housing,' noting that the state must take 'reasonable legislative and other measures, within its available resources, to achieve the progressive realisation of this right.'⁷

In 1997 the government passed the Housing Act which stated that all spheres of government 'must give priority to the needs of housing development.'⁸ The government's policy revolves around the payment of subsidies to qualifying citizens (currently those earning less than R3500 a month) who join waiting lists and assume occupation of new homes once they are constructed. The Housing Act makes it clear that only 46.8 percent of the subsidy can be spent on land and services, enabling the majority of the subsidy to be spent on the construction of the house itself. This is in an attempt to ensure that homes are constructed to a minimum standard in terms of quality and durability. Other steps have been taken to ensure that new homes are built to a suitable standard. For example, the Housing Code, issued in terms of the Housing Act, stipulates a number of minimum standards to be adhered to. These relate to the size of new homes and the provision of basic facilities such as water supply and access to electricity. In addition, from 2002 all construction companies involved in the building of new homes had to be registered with the National Home Builders Registration Council (NHBRC), which meant that all new homes would be covered by the Council's warranty.⁹

However, as housing experts have noted, 'this shift towards better quality has decreased success in terms of quantity.'¹⁰ This is because of the withdrawal of many private contractors from the housing market because they believe the housing subsidy is too small, and building requirements too onerous, to enable them to generate a suitable profit.

In response to this gradual withdrawal of the private sector from the housing market the government has increasingly turned to those in need of houses for assistance. The so-called Peoples' Housing Project (PHP) sees citizens themselves directly involved in the construction of their own homes. These citizens receive their subsidy in two stages, the first for the acquisition of land and basic services, the second for the construction of the top structure (the house itself). Those who do not wish to invest their labour in the construction of their homes are asked to contribute towards the state's construction of their new home. These policies have ostensibly been initiated in an effort to make people 'more responsible for producing their housing.'¹¹ However, there are a number of problems with both schemes. Firstly, those who opt to construct their own homes are not protected by the warranty that is offered by homes constructed by developers registered with the NHBRC. Secondly, those who do not build their own homes are expected to pay R2479 towards the construction. To those most in need this is a huge sum of money that can stall the application for a

⁷ South African Constitution, 26 (1) and (2).

⁸ Housing Act, 1997, Section 2(1)(a).

⁹ K. Rust, No Shortcuts: South Africa's progress in implementing its housing policy, 1994-2002, Institute for Housing of South Africa, 2003, p. 10.

¹⁰ Ibid., p. 10.

¹¹ Ibid., p. 13.

housing subsidy.¹² Whatever the reason for the shift in policy towards the PHP it is clear that throughout the Eastern Cape more homes are being constructed in this fashion. Despite this shift, it remains the case that the majority of homes being constructed in terms of the Housing Subsidy are built by contractors employed by municipalities.

Local Government

In common with most other government policy initiatives, housing policy is formulated at a national level and implemented at provincial and municipal levels. Given this, the Housing Act states that provincial governments must 'do everything in their power to promote and facilitate the provision of adequate housing in its province within the framework of the national housing policy.'¹³ To enable them to build homes, provincial governments are transferred huge sums of money in the form of conditional housing subsidy grants which may only be spent for the stated purpose of providing subsidies for the construction of new homes. This money is then, in turn, transferred by provincial government to municipalities who are responsible for the actual physical delivery of new homes.

The Housing Act makes it clear that both the national and provincial government must ensure that competency exists at all levels to ensure the effective utilisation of funds ring-fenced for housing. The Housing Act notes that national government must:

- '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.'
- 'support and strengthen the capacity of the municipalities to manage their own affairs, to exercise their powers and perform their duties in respect of housing development.'¹⁴

The Act notes that it is the responsibility of provincial government to

- 'take all reasonable and necessary steps to support and strengthen the capacity of municipalities to effectively exercise their powers and perform their duties in respect of housing development.'¹⁵

The Intergovernmental Fiscal Review for 2003 fleshes out the respective roles of provincial and local government in regard to housing. In relation to provincial government it states that it is responsible for:

Developing provincial housing policy within the national framework ... legislate on housing matters that fall within their provincial boundaries ... promote and coordinate housing development and implement national and provincial housing programmes within the framework of national housing policy. They approve housing

¹² It has been suggested this subsidy payment equals the cost of the warranty on homes constructed under the auspices of the National Home Builders Registration Council, *ibid*, p. 13. The Buffalo City Municipality Housing Division states that, 'Due to the exemption of the PHP projects from the National Home Builders Registration Council warranty cover, beneficiaries that opt to construct or manage the construction of their own homes will not be required to contribute R2479,' [Http://buffalocity.gov.za/municipality/dep_housing.stm](http://buffalocity.gov.za/municipality/dep_housing.stm).

¹³ Housing Act, 1997, section (7)(1).

¹⁴ *ibid*, sections (3)(2)d and (3)(2)e.

¹⁵ *ibid*, section (7)(2)f.

subsidies and projects and provide support for housing development to municipalities.¹⁶

In terms of local government responsibilities the review states that:

Municipalities ensure that, within the framework of national and provincial legislation and policy, constituents within their jurisdictional areas have access to adequate housing. They initiate, plan, coordinate and facilitate appropriate housing development within their boundaries ... they provide bulk engineering services like roads, water, sanitation and electricity ... prepare local housing strategy and set goals ... set aside, plan and manage land for housing.¹⁷

Given these conditions it is clear that it is incumbent on national, provincial and local government to ensure their own capacitation, in terms of planning, financial control and project management, to ensure the most effective use of available resources.

2) Housing Budget Spending

Given the responsibilities that are placed on the provincial governments to address housing needs, it is essential that they make the most effective and efficient use of all budgeted funds made available to them. This section will illustrate how effective the Eastern Cape Department of Housing, Local Government and Traditional Affairs has been in spending its budgeted funds between the 2000/01 and 2003/04 financial-years.

The Eastern Cape Department of Housing, Local Government and Traditional Affairs is made up of four programmes:

- Programme 1: Executive – Gives political and strategic direction to the Department.
- Programme 2: Housing – Promotes integrated housing development through the establishment of viable and sustainable municipalities. Facilitates the implementation of various infrastructure programmes, promotes sound land administration at municipal level, and assists with the management and monitoring of national and provincial housing programmes.
- Programme 3: Developmental Local Government – Promotes developmental local government.
- Programme 4: Corporate Services and Traditional Affairs – Gives administrative support to the key delivery programmes and promotes efficiency and effectiveness. Includes the sub-programme, Traditional Affairs.¹⁸

In the course of housing delivery, the Department receives the majority of its housing funds in the form of a conditional grant from national government. It is the provincial

¹⁶ Intergovernmental Fiscal Review, 2003, p. 161.

¹⁷ *Ibid*, p. 161.

¹⁸ All programme descriptions drawn from the Department of Housing, Local Government and Traditional Affairs Annual Report, 2003/04, pp. 12-47. As the sub-programme ,Traditional Affairs, falls outside of the scope of this research paper its performance will not be evaluated.

Department's responsibility to then transfer these resources to municipalities in the form of housing subsidy payments. These transfer payments, from both national government to provincial government, and provincial on to municipal, are governed by a tight regulatory regime which stipulates how they should be spent and how such spending should be monitored and accounted for. For example, National Treasury regulations state that accounting officers must ensure that such payments 'are applied for their intended purpose.' In addition, these Treasury regulations state that there must be regular reporting and monitoring procedures and 'scheduled or unscheduled inspection visits or reviews of performance.'¹⁹

For its part, the Division of Revenue Act (DORA) notes that transfer payments should be monitored to ensure that they are used effectively and efficiently. It also states that should such payments be used in a way which is inconsistent with their intended use, or they are significantly underspent by a province, such payments can be delayed for up to 30 days.²⁰ In terms of the DORA, transfer payments to provinces can in fact be withheld if there is 'a serious or persistent material breach of the conditions to which the allocation is subject.'²¹

In addition, the Public Finance Management Act (PFMA) states that accounting officers at both provincial and municipal level are responsible for 'the effective, efficient, economical and transparent use of resources.' It also notes that accounting officers must take appropriate steps to prevent 'fruitless and wasteful expenditure.'²² In terms of the Act fruitless and wasteful expenditure 'means expenditure which was made in vain and would have been avoided had reasonable care been exercised.'²³ In similar terms, the Municipal Finance Management Act states that municipal accounting officers must 'ensure that the resources of the municipality are used effectively, efficiently and economically [and] that unauthorised, irregular or fruitless expenditure and other losses are prevented.'²⁴ As the Auditor-General has noted, these regulatory provisions place the 'onus of responsibility on the department to ensure that transfer payments are utilised effectively, efficiently and for their intended purpose.'²⁵

The table below indicates the budget allocation and total spending of each programme between the 2000/01 and 2003/04 financial years.

All figures amounts in million (R' 000)

| Programme | Total Budget | Actual Expenditure | Variance: (over) / under expenditure | Percentage of budget underspent |
|----------------------------------|--------------|--------------------|--------------------------------------|---------------------------------|
| Executive | 93 489 | 75 549 | 17 940 | 19 % |
| Housing | 3 184 261 | 2 256 142 | 928 119 | 29 % |
| Local Government | 979 274 | 807 027 | 172 247 | 18 % |
| Corporate Services & Traditional | 329 910 | 275 320 | 54 590 | 17 % |

¹⁹ National Treasury Regulations, section 8.4.1.

²⁰ Division of Revenue Act, 2003, section 21.

²¹ *Ibid*, section 22.

²² Public Finance Management Act, sections 38(1)(b) and (cii).

²³ *Ibid*, Chapter 1 Definitions, p. 8.

²⁴ Municipal Finance Management Act, section 62(1).

²⁵ Audit Report, Department of Housing, Local Government and Traditional Affairs, Annual Report, 2002/03, p. 106.

| | | | | |
|---------|-----------|-----------|-----------|------|
| Affairs | | | | |
| Total | 4 586 934 | 3 414 038 | 1 172 896 | 26 % |

(Source: Department of Housing, Local Government and Traditional Affairs, Annual Reports, 2000/01 to 2003/04).

It is clear from this table that the Department has been unable to properly spend its budgeted allocations in any of its programmes. Crucially, its spending has been poorest in both programmes which relate directly to the delivery of houses; namely the housing and local government programmes. Within the housing programme the Department has underspent by R928 million or 29 percent, while in developmental local government it has underspent by R172 million, or 18 percent.

2000/01

The Department actually overspent its housing budget for this financial year by 7.9 percent, claiming that it did so because funds had been transferred into the province and spent which, the Department claims, had not been appropriated by the relevant Legislature.²⁶ In terms of local government, the Department underspent its budget by R68 million, or some 38 percent, the majority of which occurred in the sub-programme local government administration. The Department's annual report failed to adequately account for this underspending.²⁷

2001/02

In terms of programme 2, Housing, the Department underspent its housing budget in this year by R436 million, or 57 percent, and its developmental local government allocation by R75 million, or 25 percent, with the Department's Management Report noting that this was 'not a record to be proud of.'²⁸ The Head of Department (HOD) stated that 'the underspending may be interpreted as poor delivery although the funds are committed.'²⁹

In his audit of the financial statements of the Department the Auditor-General noted the underspending that had occurred in programmes 2, Housing, and 3, Local Government, and stated that 'underspending implies a service delivery problem and it also indicates that the various priority areas identified in the prior year have not been adequately addressed.' He noted that such was the magnitude of the underspending that the Provincial Treasury could 'justify reducing' the funds made available for housing in the province to be used more effectively elsewhere.³⁰

2002/03

In this financial year the Department underspent its housing budget by R353 million, or 40 percent, and its developmental local government budget by R10.4 million, or 5 percent.³¹ The then MEC, G. Nkwinti, acknowledged that this spending record 'leaves a lot to be desired.'³² The Department indicated that it had underspent its housing grant because of 'capacity problems at municipal level.'³³ In regard to this

²⁶ The Department failed to state what Legislature it was referring to.

²⁷ Annual Report, 2000/01, p. 79.

²⁸ Annual Report 2001/02, p. 75 and P. 104.

²⁹ *Ibid.*, p. 5.

³⁰ *Ibid.*, p. 85.

³¹ *Ibid.*, p. 125.

³² *Ibid.*, p. 2.

³³ *Ibid.*, p. 133.

underspending the Auditor-General stated again that it was indicative of a service delivery problem in respect of housing, and noted that 'as this was also reported in the prior year, it would appear that it has not been adequately addressed.'³⁴

2003/04

In the 2003/04 financial-year the Department underspent its housing budget by R178 million, or 17 percent, and its developmental local government budget by R19 million, or 8 percent.³⁵ However, the Department claims in its annual report that it exceeded its budget spending by 20 percent. The Department bases its calculation on the spending it achieved in the financial-year under review, some R894 963 million, compared to its original budget of R747 765 million. However, what this total of R747 765 million excludes is a R325 million roll-over from the previous year's budget which was underspent. The Department claims that the actual underspend of R174 million is made up of a portion of the roll-over it received from the previous financial-year. However, it is clearly disingenuous of the Department to claim that it has overspent its budget given that it actually applied for the roll-over and was fully aware that it was going to supplement the Department's budget for 2003/04.³⁶

Perhaps even more disturbing is the Auditor-General's finding that the Department made advance payments of over R316 million into municipal bank accounts when the municipalities themselves were not ready to take advantage of these funds (ie. the necessary predetermined conditions for such payments had not been met). The Auditor-General noted that such advance payments contravened Treasury Regulation 15.10.1.2(b), which states that all transfer payments can only be made 'with due regard for efficient, effective and economical programme delivery.'

The Auditor-General has noted that this transfer of funds to municipalities was accelerated towards the end of the financial year (between January and March 2004). The only conclusion that can be drawn from this breach of the regulatory framework was that the Department was trying to shift its underspending burden onto municipalities in a failed attempt to improve its spending record.³⁷

This unnecessary and illegal transfer of money took place despite MEC Nkwinti's acknowledgement that it was wrong to make such early transfers. He remarked in November 2003, '...we realised that this [early payments] would constitute a problem in the long term because the money was sitting with the local authorities and losing value. We decided to reorganise this protocol and tried to adjust the money according to demand and capacity and not just *dump it*.'³⁸ It is interesting to note that in the Department's strategic plan for 2004-09 it noted that 'underperformance' existed 'in terms of spending patterns in some municipalities in their trust accounts', which further demonstrates that the Department was aware of the municipalities'

³⁴ Audit Report, Department of Housing, Local Government and Traditional Affairs, Annual Report, 2002/03, p. 100.

³⁵ Department of Housing, Local Government and Traditional Affairs, Annual Report, 2003/04, p. 80. Yet again the Auditor-General highlighted this underspending and stated that it was indicative of a service delivery problem in respect of housing, and noted that 'as this also reported in the prior year, it would appear that it has not been adequately addressed,' Audit Report, Department of Housing, Local Government and Traditional Affairs, Annual Report, 2003/04, pp. 62-63.

³⁶ It is interesting to note that the Department states in this annual report that it has applied for a roll-over of R174 million for the unspent portion of the housing budget. Annual Report, 2003/04, p. 80.

³⁷ *Ibid.*, p. 61.

³⁸ 'Bisho Housing Strategy pays off,' *Daily Dispatch*, 28 Nov. 2003. Emphasis added.

inability to spend these budgeted funds prior to making these transfers.³⁹ This issue was also raised by the Department's Standing Committee in August 2004 when it observed that funds were held in municipal trust accounts for unacceptably long periods of time.⁴⁰

It is important to note that if the R316 million that the Department 'dumped' onto the municipalities is re-defined as unspent funds, we must conclude the Department actually underspent its budget by some R494 million, or 46 percent during the 2003/04 financial-year.⁴¹

Given the obligation that is placed on the national Department of Housing to monitor the use of these funds questions must be asked in regard to its ability to actually do so effectively. In the national department's annual report it notes that it has developed guidelines for the process of transferring funds from the Housing Fund to the provinces in the hope of accelerating spending. According to the Department, these guidelines were drawn up in terms of the PFMA, the DORA and the Housing Act.⁴² Despite these guidelines, the Department reported that in the 2003/04 financial-year just short of R1 billion had been rolled over nationally from the 2002/03 financial-year to provincial housing Departments. Of this R1 billion of underspending, the Eastern Cape contributed R325 million, or 33 percent. For the 2003/04 financial-year the national Department also recorded that nationally R539 million was unspent, of which the Eastern Cape contributed R174 million, or 32 percent.⁴³

The Department also noted that 'fiscal dumping' was taking place nationally in regard to the housing budget, with March consistently remaining 'the highest spending month of each year.' The Department argued that this process meant that value was 'not necessarily realised.' The Department stated this issue had been raised at MinMec meetings and steps were being taken to eliminate this spending trend.⁴⁴ However, the national Department itself noted that the 'fiscal dumping' of the housing budget by provinces had been taking place for the last five financial years. Given this, the national Department has had ample opportunity to address this critical issue and questions remain as to the national Department's willingness or competency to do so.

In addition, the national Department claimed that it had 'detected' in the 2003/04 financial-year that provincial underspending of housing funds was taking place and it had devised measures to deal with this. The Department claimed that the underspending was caused, among other things, by:

- Administrative problems relating to the payment process
- Problems with the procurement regime, and

³⁹ Department of Housing, Local Government and Traditional Affairs, Strategic Plan 2004-09, p. 15.

⁴⁰ Department of Housing, Local Government and Traditional Affairs, Standing Committee Minutes, August 2004.

⁴¹ It is interesting to note that in November 2004 the Department's acting head, Monwabisi Baza, told MPLs during an review of the Department's 2003/04 annual report that some R320 million did indeed remain unspent in municipal bank accounts. He said that this was because many municipalities lacked dedicated housing units to enhance housing delivery and considered housing an 'unfunded mandate.' See, 'EC housing target exceeded,' *Daily Dispatch*, 24 Nov. 2004.

⁴² National Department of Housing Annual Report, 2003/04, p. 19.

⁴³ *Ibid.*, pp. 72-73.

⁴⁴ *Ibid.*, p. 73.

- 'the absence of dedicated capacity at the local government sphere to deal with housing delivery.'⁴⁵

The Department noted that additional 'capacity' was sent to six (unnamed) provincial housing departments to try and minimise underspending during the 2003/04 financial-year.⁴⁶ However, this intervention raises a number of concerns. Firstly, it implies that underspending would have been even worse had this intervention not been made, and, secondly, it shows that provincial departments lack the capacity to spend their allocated housing budgets. Lastly, this type of intervention cannot hope to have a lasting effect on provincial departments unless capacity is built up within provincial departments themselves. There is little evidence to suggest, as following sections will demonstrate, that this is happening in any systematic and lasting fashion.

3) Quality of homes constructed

From the point of view of ordinary citizens it is not sufficient for the provincial Department of Housing, Local Government and Traditional Affairs to simply spend money budgeted to it. This is because the actual spending of money does not naturally equate to the provision of quality public services. For the ordinary citizen it is essential that the Department of Housing, Local Government and Traditional Affairs not only spends budgeted funds, but spends them on the provision of quality housing services.

It should be pointed out that despite the provincial Department's poor spending record, since the 2000/01 financial-year it has spent over R2.23 billion on housing in the province. However, the question that now needs to be asked is, has the Department spent this money in an efficient and effective manner in compliance with housing and finance regulations?

The Auditor-General undertook a performance audit of the Department during the 2002/03 financial-year. During this detailed audit site inspections were undertaken which revealed that at 90 percent of the housing projects inspected, houses did not conform to the norms and standards of the National Housing Code. The Auditor-General identified 'significant deficiencies in the quality of houses delivered throughout the province.' As we have seen, one of the key regulatory requirements governing the use of transfer payments is that the use of such payments be monitored effectively. In this regard the Auditor-General noted that 'monitoring and control systems and procedures, primarily in respect of the building of top structures, were inadequate.' He noted that site inspection reports were 'generally unavailable' and estimated that less than 10 percent of projects were being monitored. Because of these deficiencies the Auditor-General noted that a 'significant portion' of the top structure⁴⁷ payments of R264 million made in the year under review 'should have been withheld had adequate monitoring and control procedures been implemented.' The Auditor-General noted that it was not possible to quantify the exact financial loss to the Department so he was unable to state how much of the R264 million should be considered fruitless and wasteful expenditure. He also noted that the Department

⁴⁵ *Ibid*, p. 73.

⁴⁶ *Ibid*, p. 74.

⁴⁷ Top structure refers to the actual house itself being placed upon a foundation which should already have necessary facilities, such as water and electricity.

would incur further costs if it was considered liable for repairs to the sub-standard houses.⁴⁸

In the following financial-year, 2003/04, the Auditor-General reported almost exactly the same problems in regard to the effective use of the housing subsidy. In relation to the use of some R642 million for top structures the Auditor-General noted that:

- Monitoring and control procedures ... were 'inadequate.'
- Site visits to projects by departmental officials were 'infrequent.'
- Site inspection reports were inconsistent ... lacked specific comment on the quality of houses and were not submitted to the Department on time.

The Auditor-General noted that while project monitoring improved towards the end of the period under review 'for a substantial portion of the financial-year no proper structures were in place to coordinate and evaluate site inspection reports.' In addition, he noted that while the quality of houses improved in comparison to the previous year, 'numerous deficiencies' were apparent within the construction of new houses. Once again, the Auditor-General was not able to quantify how much fruitless and wasteful expenditure had taken place during the financial-year, or how much work the Department might have to undertake to repair defective houses.⁴⁹

Given the Department's inability or unwillingness to monitor the construction of new homes it is not surprising that for the last four consecutive years the Auditor-General has noted that the Department has contravened Treasury Regulations, the Division of Revenue Act and the PFMA in regard to the monitoring of transfer payments.⁵⁰ One of the reasons why these payments are not properly monitored is because the Department appears not to have entered into Service Level Agreements (SLAs) with municipalities it transfers money too. A SLA is a contract that states what is expected of each party when monies are transferred. It details service levels that must be met by the receiving body and lists penalties that can be imposed by the transferring body if service levels are not maintained. Along with the Auditor-General, the Department's Standing Committee has noted time and again that monitoring of transfer payments by the Department is inadequate. It specifically recommended in May 2003 that the Department sign SLAs with all bodies that it transfers funds too. Despite this, the Standing Committee noted in November 2003 that in regard to monitoring transfer payments the role of the Department still remained unclear.⁵¹ Over the past four years the Committee has also called on the Department to ensure that it complies with the PFMA 'when handling its budget', 'meets its measurable outputs' as outlined in the DORA and fully complies with section 38J of the PFMA which deals specifically with transfer payments.⁵²

⁴⁸ Audit Report, Department of Housing, Local Government and Traditional Affairs, Annual Report, 2002/03, pp. 106-107.

⁴⁹ Audit Report, Department of Housing, Local Government and Traditional Affairs, Annual Report, 2003/04, pp. 60-61.

⁵⁰ Audit Report, Department of Housing, Local Government and Traditional Affairs, Annual Report, 2000/01, p. 63, 2001/02, p. 83, 2002/03, pp. 109-110, and 2003/04, p. 62. The failure to monitor transfer payments during the 2003/04 financial year is particularly surprising. This is because at the start of that financial year the MEC noted that officials from his Department would 'on a constant basis monitor the efficient and effective utilisation of these funds.' Policy Speech, 2003/04, 13 March 2003, p. 17.

⁵¹ Standing Committee for Housing, Local Government and Traditional Affairs, Minutes, 21 May 2003 and 26 Nov. 2003.

⁵² Standing Committee for Housing, Local Government and Traditional Affairs, Minutes, 21 Jan. 2003, 21 May, 2003, and 26 Nov. 2003.

Notwithstanding the seriousness of the Auditor-General's 2002/03 and 2003/04 findings in relation to the poor quality housing in the province, it is the case that this issue has featured prominently in the province's newspapers since 2000. Over the last four years, Eastern Cape newspapers have time and again run stories highlighting the poor quality of homes being constructed throughout the province.⁵³ In August 2003, the poor quality of homes being constructed was further exposed after an inspection visit to the province by the national Portfolio Committee for housing. This committee noted in its report that 'many of the [housing] projects visited showed non-adherence to norms and standards.' They contended that, 'the poor quality of housing units undermines the government's ability to deliver adequate houses.'⁵⁴

The Department has acknowledged its need to improve the quality of houses being built. As early as March 2000 the MEC noted that standards of house construction needed to improve and promised that his Department would ensure that recently constructed homes would be reviewed by independent inspectors.⁵⁵ In the Department's annual report for 2000/01 the MEC noted that one of the key challenges that it faced was to ensure 'a better quality end product.'⁵⁶ The report noted that the independent inspection of housing projects would take place via a uniform reporting format which would see site inspection reports being submitted to the provincial Housing Board. In addition, it stated that it would encourage all builders to register with the NHBRC.⁵⁷ In the Department's annual report for 2002/03 the audit committee report noted that poor quality homes were being constructed, and noted the Department's inability to effectively monitor housing projects.⁵⁸

In an effort to address this situation the Department's strategic plan for 2003-06 stated that the Department intended training 100 'housing practitioners' to 'ensure adherence to norms and standards', promising that housing standards would be enforced by the production of monthly housing reports.⁵⁹ In its strategic plan for 2004-07 it noted that one of the Department's key goals was the 'monitoring and evaluation of delivery of quality housing products.' It promised that it would inspect each and every housing product delivered and ensure that they complied with norms and standards.⁶⁰ Despite these proposed measures the strategic plan for 2004-09 stated that 'inadequate quality control' was one of the constraints facing the housing programme. However, like the strategic plans before it, the plan still noted that the

⁵³ See, for example, 'Low quality could cost suppliers' contracts,' *Daily Dispatch*, 21 Sept. 2001, 'Alarm sounded over state housing, disaster response,' *Herald*, 7 Sept. 2002, 'Bisho to take action on shoddy building,' *Daily Dispatch*, 3 June 2003, 'Nkwinti urges discussion on delivery matters,' *Daily Dispatch*, 7 Aug. 2003, 'EC housing projects in state of disrepair,' *Daily Dispatch*, 23 Oct. 2003, 'Probe into shoddiness of low-cost housing,' *Herald*, 4 June 2004, 'Owners cry foul as houses fall apart,' *Herald*, 17 Jul 2004, 'BC residents move into defective housing,' *Daily Dispatch*, 20 Oct. 2004, 'Shoddy Amalinda homes a health hazard,' *Daily Dispatch*, 11 Jan. 2005, 'People "are living like animals" in low-cost Malabar houses,' *Herald*, 8 April 2005, 'Housing programme grinds to a halt,' *Daily Dispatch*, 13 April 2005.

⁵⁴ Draft Committee Report of the portfolio committee for housing, August 2003,

<http://www.pmg.org.za/docs/2003/appendices/031126imbizos.htm>.

⁵⁵ '10 year plan to tackle E Cape homes backlog,' *Daily Dispatch*, 15 March 2000.

⁵⁶ Department of Housing, Local Government and Traditional Affairs, Annual Report, 2000/01, pp. 2.

⁵⁷ *Ibid.*, p. 27 and 29.

⁵⁸ Department of Housing, Local Government and Traditional Affairs, Annual Report, 2002/03, p. 100.

⁵⁹ Department of Housing, Local Government and Traditional Affairs, Strategic Plan 2003-06, p. 13.

⁶⁰ Department of Housing, Local Government and Traditional Affairs, Strategic Plan 2004-07, pp. 8 & 18.

Department would monitor the quality of every housing product it produced regardless of its previous failures to meet this commitment.⁶¹

In the Housing, Local Government and Traditional Affairs policy speech for 2003/04 MEC Nkwinti stated that the Department would 'not compromise on the quality of the housing product delivered.'⁶² Yet, only a year later, in his policy speech for 2004/05, the MEC conceded that quality controls needed to be 'tightened', stating that the Department would pursue a 'more vigorous monitoring strategy' in the coming financial year.⁶³ Then again, in the then MEC Neo-Moerane's policy speech for 2005/06, it was stated that 'the quality of our homes must improve as matter of urgency.'⁶⁴ The MEC made this comment despite the fact that the Department stated in the same month that it had improved the quality of homes being constructed and had developed uniform norms and standards throughout the province.⁶⁵ The Department also noted that it had inspected more homes that it had set out to, proudly claiming that it had approved 80 percent of them.⁶⁶ What is most concerning about this finding is that 20 percent of new homes that the Department inspected, that is one in five, were still not meeting minimum standards. This means that, in effect, 20 percent of all funds being expended on new homes is not being used efficiently and effectively and could be considered fruitless and wasteful expenditure.

Despite all these undertakings by the Department to improve the quality of houses being built in the province there is little evidence to suggest that this has indeed taken place. For example, over two years after the Department stated that it was to encourage all builders to register with the NHRBC, the Department's Standing Committee noted in November 2003, and again in August 2004, that most builders in the province were still not registered with the body, which was resulting in poor quality homes being constructed in the province.⁶⁷

The Department itself has pointed to a number of factors which it claims have compromised its ability to fully meet its mandate in terms of housing delivery.

In the Department's annual report for 2001/02 the HOD noted that underspending occurred because the institutionalisation of the housing function within municipalities remained a 'major challenge' and was the cause of the Department's 'slow delivery.'⁶⁸ In the same annual report the Management Report blamed a number of factors for the Department's inability to spend money allocated to housing and thus fulfill its mandate:

⁶¹ Department of Housing, Local Government and Traditional Affairs, Strategic Plan 2004-09, pp. 16-17.

⁶² MEC for Housing, Local Government and Traditional Affairs, Policy Speech 2003/04, p. 8.

⁶³ MEC for Housing, Local Government and Traditional Affairs, Policy Speech 2004/05, p. 4. See also, 'Low quality could cost suppliers' contracts,' *Daily Dispatch*, 21 Sept. 2001, '12, 000 Ec house units under construction,' *Daily Dispatch*, 14 March 2003, 'Bisho to take action on shoddy buildings,' *Daily Dispatch*, 3 June 2003, 'Bisho takes over housing,' *Daily Dispatch*, 12 Feb. 2004.

⁶⁴ Neo-Moerane, MEC for Housing, Local Government and Traditional Affairs, Policy Speech 2005/06, 17 March 2005, p. 11.

⁶⁵ Imiyalezo, Eastern Cape Department of Housing, Local Government and Traditional Affairs, p. 7.

⁶⁶ Ibid, p. 7.

⁶⁷ Standing Committee for Housing, Local Government and Traditional Affairs, Minutes, 26 Nov. 2003 and Aug. 2004.

⁶⁸ Department of Housing, Local Government and Traditional Affairs, Annual Report, 2001/02, pp. 4-5.

- It blamed 'bottlenecks' at municipal level which slowed the housing process down.
- It indicated that the Department suffered from a critical shortage of management skills, arguing that capacity constraints led to much of the underspending.
- Lastly, it blamed what it described as the 'inflexible financial systems' that were in place.⁶⁹

In the annual report for 2002/03 the HOD listed a number of key problems that he said the Department faced:

- Insufficient capacity to drive and manage housing development by developers and municipalities.
- Delays in the submission of business plans from municipalities
- Lack of impact assessment by the Department regarding its intervention measures within municipalities.
- Skills shortages within the Department, especially those relating to finance.
- The absence of any strategic planning unit within the Department to support integrated planning.⁷⁰

As in previous annual reports, the Department's annual report for 2003/04 also listed a number of key challenges that it claimed hampered its ability to meet its mandate. These included:

- The failure to fill vacant posts at both provincial and municipal level.
- Lack of capacity at provincial level to properly engage with municipalities
- The failure of the Department to monitor its interventions at municipal level.
- Poor revenue and financial management at municipal level.
- The non-compliance with financial regulations by municipalities.
- Insufficient capacity within municipal housing units.
- Excess personnel in the provincial department.
- Political instability at municipalities.⁷¹

In essence the Department primarily contends that it cannot adequately meet its stated objectives due to a range of human resource problems. This has led the Department to conclude that both the provincial Department itself, and municipalities throughout the province, lack the necessary capacity to effectively manage housing development. This position was confirmed in the MEC's policy speech for the 2003/04 financial year when he contended that the main challenge his department faced in regard to delivering on its mandate was the 'deficient capacity to implement at both the provincial and local spheres of government.'⁷² This report now seeks to address this claim in detail.

4) Capacity and Human Resource Weaknesses

In the Department's annual report for 2000/01 the MEC notes a number of challenges that the Department faces, one of which, the MEC claimed, was the existence of a 'weak link' in 'administration and finance.' This clearly suggests that

⁶⁹ *Ibid.*, p. 76.

⁷⁰ Department of Housing, Local Government and Traditional Affairs, Annual Report, 2002/03, p. 4.

⁷¹ Department of Housing, Local Government and Traditional Affairs, Annual Report, 2003/04, pp. 3, 5, and 27.

⁷² MEC for Housing, Local Government and Traditional Affairs, Policy Speech, 2003/04, p. 8.

the Department has capacity problems among its staff. However, the annual report lacks detail in regard to human resource related issues. There is no breakdown in the annual report indicating overall staff numbers, or staff numbers by occupational level. In addition, the report fails to indicate if the Department has any shortages of staff in key skilled areas, simply noting that four new staff members joined the Department during the course of the year.⁷³ It did note however, that it had overspent its personnel budget due to 'staff additional to the establishment,' which implies that the Department was paying employees for job roles that no-longer existed.⁷⁴

Given its admission that it lacked capacity in the areas of administration and finance it would seem logical that the Department would prioritise the training of its employees. The annual report for 2000/01 notes that the Department did indeed train some 309 employees during the year under review.⁷⁵ However, the annual report also demonstrates that the Department only spent 33 percent of its training budget, underspending a R1.65 million budget by R1.1 million. The Department has a specific sub-programme called Human Resource Development which coordinates capacity building initiatives, but in the 2000/01 financial year the Department underspent this budget by 66 percent. It claimed that its overspending in personnel more generally meant that it could not fund other sub-programme items such as Human Resource Development.⁷⁶ Ironically, the Department's annual report noted that what training did take place was carried out by external parties, 'due to a lack of support personnel.'⁷⁷ This situation demonstrates that the Department experienced serious human resource problems in the 2000/01 financial year, both in the form of incapacity and recruitment of appropriate staff.

We have seen how the Department blamed its 'critical shortage of management staff' for its underspending in the 2001/02 financial year. In particular the Department identified three areas where serious capacity constraints existed. These were in finance and accounting, generic management, and engineering and technical.⁷⁸

In total the Department employed some 1665 people during the 2001/02 financial year, of whom 1075, or 65 percent, were additional to the establishment, 680 of whom were in grades 1 and 2 which the Department describes as 'lower skilled' employees.⁷⁹ However, when it comes to critical posts, which the Department described as professionals and technicians, it noted that it had only 33 positions filled, with 114 vacancies. The effect that these critical staff shortages have on the ability of programmes and sub-programmes within the Department to deliver on their mandates is immense. The sub-programme, Land Administration and Housing Policy Development (within programme 2, Housing), had three vacant deputy director posts and six vacant assistant director posts during the 2001/02 financial-year. The

⁷³ Annual Report, Department of Housing, Local Government, and Traditional Affairs, 2000/01, pp. 7-11.

⁷⁴ *Ibid.*, p. 80.

⁷⁵ *Ibid.*, p. 13.

⁷⁶ Annual Report, Department of Housing, Local Government, and Traditional Affairs, 2000/01, pp. 79-80.

⁷⁷ *Ibid.*, p. 14.

⁷⁸ Annual Report, Department of Housing, Local Government, and Traditional Affairs, 2001/02, p. 76.

⁷⁹ *Ibid.*, pp. 10 & 12. It should be noted that none of the annual reports from 2000/01 to 2003/04 provide reliable data in relation to exact employment numbers. Each report contains numerous tables which relate to human resources but none appear to tally with each other. This seems to suggest that the Department itself has not carried out a proper audit of its staff complement and does not, in fact, know with any degree of reliability how many staff it actually employs.

Department's annual report noted that as no vacant posts were filled in this sub-directorate a newly created housing policy and research unit did not function during the financial-year. This, despite the fact that the sub-programme had been tasked with providing for 'the systematic elimination of housing backlogs.'⁸⁰ It is clear that during the 2001/02 financial-year the Department's human resources were 'bottom heavy,' in that there was an overabundance of unskilled labourers, mostly additional to the establishment, while there was a desperate shortage of skilled staff.⁸¹

Despite these chronic shortages among critical posts only five new staff members were appointed or transferred into the Department during this financial-year.⁸² In terms of training and capacity development the Department noted that 508 employees underwent some form of training during the year under review. However, the human resource development sub-programme only spent R741 000, or 16 percent, out of a total budget of R4.54 million available for training, despite the fact that this sub-programme's mandate is to 'promote and coordinate institutional capacity building initiatives in the Department to ensure that personnel have the necessary skills to contribute towards service delivery.'⁸³ The Department offered a number of explanations for why this budget was underspent. These ranged from 'officials could not attend due to operational requirements' and 'workplace skills plan not in place for approval and implementation' to 'non-existence of computer training centre.'⁸⁴ The Standing Committee for Housing, Local Government and Traditional Affairs criticised this training underspend and noted that it was essential that the Department come up with a 'proper training programme' to ensure that training took place that was linked to the needs of the Department.⁸⁵

In spite of these problems, the Department confidently stated in its Management Report that it had put in place strategies to address all its staffing problems.⁸⁶ The Department's strategic plan for 2002-04 noted that one of its key objectives was the 'filling of vacant posts', noting that weekly progress reports to this end would be kept.⁸⁷

Notwithstanding these assurances, in similar fashion to the year before, the Department's annual report for 2002/03 noted that one of the Department's key challenges was skills shortages relating to financial management.⁸⁸ In total, the Department employed 1449 people in the 2002/03 financial-year, of whom 950, or 66 percent, were additional to the establishment and predominantly located within grades 1 to 2. In regard to critical posts the Department noted that it had only filled 11 of 64 critical posts. This meant that the Department had only two of four chief directors, and no chief engineers, deputy chief engineers, town and regulation planners or valuers.⁸⁹ In terms of recruitment or transfers, the Department noted that

⁸⁰ *Ibid.*, pp. 43-46.

⁸¹ *Ibid.*, pp.10-12.

⁸² *Ibid.*, p. 12.

⁸³ *Ibid.*, p. 63.

⁸⁴ *Ibid.*, pp. 63-67.

⁸⁵ Standing Committee for Housing, Local Government and Traditional Affairs, Minutes, 21 Jan. 2003.

⁸⁶ *Ibid.*, p. 76. The annual report noted that a Skills Development Plan had been created which identified 19 key training areas to be addressed, pp. 77-78.

⁸⁷ Department of Housing, Local Government, and Traditional Affairs, Strategic Plan, 2002-04, p. 31. Under quality control in regard to recruitment the plan bizarrely notes 'horses for courses.'

⁸⁸ Department of Housing, Local Government, and Traditional Affairs, Annual Report, 2002/03, p. 4.

⁸⁹ *Ibid.*, pp. 76-77.

it recruited only two employees during the year.⁹⁰ The weak and improbable excuse afforded for its failure to fill vacant posts was 'the slow process of job evaluation' which it claimed delayed the advertising of the posts.⁹¹

The effect that this failure to fill vacant posts had on programmes and sub-programmes can be gauged by examining the housing sub-programme 'housing infrastructure development' which was supposed to appoint 51 officials in the year under review, but appointed none, noting that it only managed to complete two job evaluations during the year. The annual report did confidently state, however, that the posts had been advertised and 'will be filled during 2003/04.'⁹²

In terms of training, the Department noted in its 2002/03 annual report that 491 employees had undergone some form of training during the year. However, a closer reading of the annual report shows the limitations of this training. Given the capacity problems that the Department points to in respect of its financial management, it is surprising to note that only 11 staff from the financial management sub-programme attended courses on the PFMA, when it had targeted 50 staff. It is equally disturbing to note that only 18 out of 30 employees from the same sub-programme attended management courses, and no staff attended proposed computer training courses.⁹³ In terms of overall spending in the Human Resource Development sub-programme the Department underspent this budget by ten percent.⁹⁴ The housing Standing Committee also noted in November 2003, when reviewing the Department's annual report, that some departmental staff from the Housing Programme had failed to complete courses they were attending.⁹⁵ This finding calls into question the utility of the staff training that took place within the Department for the 2002/03 financial-year because the Department's figures may simply represent those who actually registered for training, rather than those who actually completed training courses.

The MEC noted in his policy speech for 2003/04 that the key challenge that the Department faced in regard to housing delivery remained 'the deficient capacity to implement at both the provincial and local spheres of government.'⁹⁶ In the 2003/04 annual report the Department noted that there were 1086 posts within the Department, of which 665 were filled, meaning that there were 587 vacancies within the Department. It is not clear where the Department gets the figure of 587 from, as the figures it presents would suggest that it had 421 vacancies. The report also notes that the Department was still employing some 460 staff, or 42 percent of its total staff complement, who were additional to the establishment figure.⁹⁷ As far as critical posts were concerned the Department noted that only 34 positions were filled, or 33 percent of 103 critical posts.⁹⁸ The audit report for the Department noted that 'as in previous years vacancies were not filled,' while the Management Report commented that the Department was 'constrained by [its] shortage of personnel, especially at

⁹⁰ *Ibid.*, p. 84.

⁹¹ *Ibid.*, p. 55.

⁹² *Ibid.*, p. 36.

⁹³ *Ibid.*, p. 30.

⁹⁴ *Ibid.*, p. 73.

⁹⁵ Standing Committee for Housing, Local Government and Traditional Affairs, Minutes, 26 Nov. 2003.

⁹⁶ Department of Housing, Local Government, and Traditional Affairs, Policy Speech, 2003/04, p. 8.

⁹⁷ Annual Report, Department of Housing, Local Government, and Traditional Affairs, 2003/04, p. 102.

⁹⁸ *Ibid.*, p. 103.

management level.' It continued, 'this has impacted service delivery negatively since there are no managers to manage, drive and monitor critical projects.'⁹⁹

Despite the Department's assurance in the previous financial-year that posts would be filled in the critical sub-programme housing infrastructure development (under programme 2, Housing), no posts were filled in this sub-programme during 2003/04. This meant that this sub-programme still lacked the 51 staff that it lacked in the previous year. In regard to recruitment more generally the Department noted that it had employed 10 Cubans at the 'professionally qualified level', 'in an attempt to close the gap of skills shortages.'¹⁰⁰

This inability to fill vacant posts comes despite efforts from the Department's Standing Committee to ensure that it did so. In January 2003 the Standing Committee instructed the Department to evaluate all critical posts and ordered the MEC to see that they were filled as a matter of urgency which, the Committee argued, would assist the Department in the monitoring and management of housing projects. In May 2003 it stated that the process of advertising and filling all vacant posts had to begin before the end of June 2003. This was an instruction the Department clearly ignored, as in November 2003 the Standing Committee noting that the filling of vacant posts had not taken place and ordered the Department to submit a detailed report on the matter to the Committee by the end of December 2003. Despite this, while evaluating the Department's strategic plans in August 2004 the Committee noted that the Department had not budgeted for the filling of all vacant posts.¹⁰¹ According to newspaper reports, the Department blamed this failure to budget for critical posts on 'junior officials' who had not budgeted properly.¹⁰² This seems a somewhat bizarre excuse given that the Department's MEC and HOD are responsible for producing the Department's strategic plan.

In terms of training, the Department noted its intention in the 2003/04 financial-year to train 70 management staff. According to the Department's annual report, 102 staff members were subject to some form of training during the year, ranging from PFMA courses to internet and e-mail courses.¹⁰³ The annual report also notes that during the course of the year 34 training courses were implemented, but fails to note how many staff were actually trained. Once again, the Department underspent its Human Resource Development budget, this time by nine percent. It is significant to note that the budget for this sub-programme for 2003/04 was some 35 percent less than in the 2002/03 financial year.¹⁰⁴

Another human resource related problem which has hampered the Department's performance has been the long periods where the Department has lacked a permanent HOD. In October 2003 the then HOD, Solomzi Maye, was suspended following allegations of misconduct and maladministration, after having been placed on 'forced leave' from August 2003. In February 2005 the Department announced that Maye was cleared of the allegations against him and a 'settlement' was reached with him.¹⁰⁵ A few days later it was announced that Bea Hackula had been appointed

⁹⁹ *Ibid*, pp. 56 & 58. Interestingly the annual report noted that there were so few managers in the Department that disciplinary hearings could not be chaired properly, p. 47.

¹⁰⁰ *Ibid*, p. 58. It should be noted that five employees at the same level left the Department in the year under review.

¹⁰¹ Standing Committee for the Department of Housing, Local Government and Traditional Affairs, Minutes, 21 Jan. 2003, 21 May 2003, 26 Nov. 2003, and August 2004.

¹⁰² 'Critical vacancies but no money to pay,' *Daily Dispatch*, 23 June 2004.

¹⁰³ *Ibid*, p. 16.

¹⁰⁴ *Ibid*, p. 74.

¹⁰⁵ 'Five departments still need heads,' *Daily Dispatch*, 2 Feb. 2005.

HOD of the Department, which still lacked a chief financial officer and procurement manager.¹⁰⁶ This means that the Department had been without a permanent HOD from August 2003 to May 2004, and then from August 2004 to February 2005, a total of 15 months. HODs are critical to the delivery of effective public services because they are responsible for the day-to-day running of departments. Given this, it is essential that new appointments be made as soon as vacancies occur to ensure continuity of service delivery.

Over the past four years the provincial Department of Housing, Local Government and Traditional Affairs has demonstrably failed to properly manage its human resource problems. It has consistently failed to appoint suitable personnel, especially in critical areas, and has failed to deal adequately with its staff additional to the establishment figure. To compound its capacity problems the Department has also consistently underspent its training and capacity building budgets. This is despite the fact that the provincial MEC for Housing, Local Government and Traditional Affairs lamented in his policy speech for 2003/04 that a shortage of skilled personnel 'continued to plague and handicap the Department.'¹⁰⁷ In March 2005 the new MEC illustrated the crisis situation that the Department had come to when she stated that capacity problems within the Department could not be properly addressed due to staff shortages.¹⁰⁸

In regard to human resource issues the Department has also been remiss in terms of its obligation to meet with public service regulations and create a performance management culture within the Department. In the Department's annual report for 2002/03 it noted the Department's intention to see all 1656 staff members sign performance agreements, attend quarterly performance reviews and have valid workplace plans. However, during the 2002/03 financial-year no staff members attended performance reviews, no workplace plans were agreed and only nine performance agreements were actually signed. The Department blamed this failure to meet its targets on 'service delivery priorities' but offered no explanation of what these priorities were.¹⁰⁹

In the Department's strategic plan for 2003-06 it noted that only 5 percent of staff had signed performance agreements and stated that this was due to 'poor management support and apathy on the part of the officials in accepting the system.' The plan noted that 'resistance in accepting the change' was making the implementation of the performance management programme 'very slow.'¹¹⁰ This state of affairs drove the Department's Standing Committee in November 2003 to order the Department to enforce the Public Service Act and implement the performance management programme 'to ensure there is efficiency and effectiveness.' The Committee ordered the Department to report back to the Committee stating what progress it had made in this regard by December 2003.¹¹¹ Despite this, in its annual report for 2003/04 the

¹⁰⁶ 'New Bhisho appointments vow to make depts work,' *Daily Dispatch*, 8 Feb. 2005.

¹⁰⁷ MEC for Housing, Local Government and Traditional Affairs, Policy Speech 2003/04, p. 7.

¹⁰⁸ Neo-Moerane, MEC for Housing, Local Government and Traditional Affairs, Policy Speech 2005/06, 17 March 2005, p. 4..

¹⁰⁹ Department of Housing, Local Government, and Traditional Affairs, Annual Report, 2002/03, p. 64.

¹¹⁰ Department of Housing, Local Government, and Traditional Affairs, Standing Committee Minutes, Nov. 2003.

¹¹¹ Department of Housing, Local Government, and Traditional Affairs, Strategic Plan, 2003-06, p. 72.

Department noted that only six performance agreements had been signed, only 205 performance reviews completed and no staff had had their work plans validated.¹¹²

This failure to properly institute a performance management system within the Department, primarily because of the resistance of management staff themselves, demonstrates that staff members are unwilling to be held accountable for their performance. It is a damning testimony that managers within the Department, those responsible for setting an example to lower level employees, are apparently unwilling to be held responsible for their actions. Both the MEC and the HOD have the power, through various pieces of legislation such as the Public Service Act, to compel staff members to sign performance agreements. It is not known why they have chosen not to do so. This is especially so, given that MEC Nkwinti promised the Legislature in February 2002 that the 'institutionalised laxity' of managers within his Department would be 'turned around'.¹¹³

Given the disarray that seems to characterise the state of affairs that exists at provincial level it is important at this stage to reiterate the obligation that is placed on the national government in terms of the Housing Act. This Act states that national government must:

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

and

support and strengthen the capacity of the municipalities to manage their own affairs, to exercise their powers and perform their duties in respect of housing development¹¹⁴

In addition to this, the Municipal Finance Management Act 2003 (MFMA) notes that it is the joint responsibility of the national and provincial governments to 'assist municipalities to build the capacity of municipalities for efficient, effective and transparent financial management'.¹¹⁵ This next section will evaluate how effective the national government department has been in this endeavour.

The National Department of Housing

The National Department of Housing is mandated to 'determine, finance, promote, co-ordinate, communicate and monitor the implementation of policy for housing and human settlement'.¹¹⁶

The national Department's Management Report for 2003/04 noted that provinces and municipalities faced 'daunting problems' when it came to the delivery of houses. Given this fact, the Department's annual report for 2003/04 noted that one of the Department's 'key objectives' was to raise

¹¹² Department of Housing, Local Government, and Traditional Affairs, Annual Report, 2003/04, p. 51.

¹¹³ 'Housing Dept lacks vital staff,' *Daily Dispatch*, 11 Feb. 2002.

¹¹⁴ Housing Act, 1997, sections (3)(2)d and (3)(2)e.

¹¹⁵ Municipal Finance Management Act, 2003, section 34(1). In addition, it notes that both national and provincial governments must support the efforts of municipalities to resolve their financial problems, section 34 (2).

¹¹⁶ National Department of Housing, Annual Report, 2004/04, p. 9.

capacity 'in all spheres of government' to ensure that 'government housing policy and strategy are effectively implemented.'¹¹⁷

The preceding account of the chaotic state of human resources in the Eastern Cape provincial Department of Housing, Local Government and Traditional Affairs unambiguously demonstrates that the national Department of Housing has failed to meet its obligations in terms of the Housing Act in regard to raising capacity within the provincial government.

In short, the national Department of Housing has failed to meet its mandate in this regard because it also lacks the capacity to successfully meet its mandate. The national Department's Management Report for 2003/04 noted that staff shortages affected the service delivery capacity of the Department, claiming that vacancies were to blame for its failure to spend eight percent of its budget during the year.¹¹⁸ The Department has an approved staff of 275 posts, but at the end of the 2003/04 financial-year it had 68 vacancies, or a 25 percent vacancy rate. Of these vacancies, 60 were for employees listed as 'highly skilled and above.'¹¹⁹ According to the annual report, the Department was particularly deficient in town and regional planning, corporate governance, auditing, 'fraud and corruption busting' and research and evaluation.¹²⁰ The Department claimed that the challenge was in retaining staff.¹²¹ However, the departmental sub-programme, Human Resource Management, was supposed to implement a staff retention strategy in the 2003/04 financial-year, but noted that such a policy was only in 'draft form.' In other words, it was not completed as promised.¹²²

In terms of the Department's obligations to raise capacity internally the Department noted on page 146 of its annual report that no skills development training took place during the year. This 'fact' is then contradicted on page 154 which states that 179 staff members attended some training during the year under review.¹²³

In regard to raising capacity at provincial and municipal level the Department's efforts were wholly inadequate. A number of capacity building exercises and policies were pursued during the 2003/04 financial-year, but many were not instituted during the year. Under the sub-programme, Financial Administration, the Department noted the creation of a training plan for provinces and noted that it was proposed to hold four 'user group' meetings in this regard. The Department notes that it only held three, and failed to state where they were.¹²⁴

Under programme 3, Programme Management, there is a dedicated sub-programme called Capacity Building. The objective of this sub-programme is to 'oversee the housing capacity building programmes of the nine provincial departments.'¹²⁵ This

¹¹⁷ *Ibid*, pp. 79 & 28.

¹¹⁸ *Ibid*, pp. 81-82 & 11.

¹¹⁹ *Ibid*, p. 135.

¹²⁰ *Ibid*, pp. 26 & 82.

¹²¹ *Ibid*, p. 26.

¹²² *Ibid*, p. 34.

¹²³ *Ibid*, pp. 146 & 154. It is not clear if 179 *different* staff attended training courses.

¹²⁴ *Ibid*, p. 38.

¹²⁵ *Ibid*, p. 56.

sub-programme pointed to a number of successful capacity building exercises during the 2003/04 financial year:

- 1200 participants are said to have attended training courses as part of the Provincial Housing Capacity Building Programme. According to the Department, an average of eight courses were held in each province.¹²⁶ However, there is no evidence in the Department's annual report to suggest that the Department monitored the quality of the training on offer or monitored whether staff actually completed training courses they registered for.
- The Housing Consumer Education Pilot Programme was said to have been launched in four provinces (one of which was the Eastern Cape). This programme trained 26 officials to be able to undertake consumer education in relation to housing delivery.
- An information technology Housing Subsidy Support Team was created 'that assists provincial housing departments with dedicated system support.'¹²⁷
- The Department noted that all provinces had created housing capacity building 'units' in each province.¹²⁸ However, the Eastern Cape provincial Department of Housing, Local Government and Traditional Affairs stated in its annual report that it had launched a capacity building 'programme' for 'emerging contractors' only.¹²⁹ The launch of a single programme cannot really be said to constitute a functioning capacity building 'unit'.
- R10 million had been set aside to establish a pilot training programme to eventually support 27 000 emerging contractors.¹³⁰

Despite the pressing need for capacity building the national department's annual report also pointed to a number of failures by this sub-programme during the 2003/04 financial year:

- The Housing Sector Skills Plan was not implemented during the year. This plan was to involve seminars and 'workshops on housing policy to enable provinces and municipalities to develop work place housing skills.' The Department blamed the failure to initiate this training programme on 'the limited capacity of the directorate to undertake all the projects identified.'¹³¹
- The national Department was supposed to host two road shows per province to workshop housing policies, programmes and legislation. However, the annual report noted that it had completed only two road shows in two provinces. In addition, the Department had undertaken to conduct workshops for housing officials on the housing code, but had failed to complete any workshops.¹³²
- The Department had also undertaken to train capacity building coordinators in each province but failed to train any coordinators.¹³³
- The sub-programme acknowledged that all provinces had submitted housing capacity building business plans but noted that not all provinces had actually

¹²⁶ Ibid, p. 57.

¹²⁷ Ibid, p. 65.

¹²⁸ Ibid, p. 61.

¹²⁹ Department of Housing, Local Government and Traditional Affairs, Annual Report, 2003/04, p. 4.

¹³⁰ National Department of Housing, Annual Report, 2003/04, p. 64.

¹³¹ Ibid, p. 57.

¹³² Ibid, p. 62.

¹³³ Ibid, p. 62.

implemented them. The national Department of Housing annual report failed to state which provinces had not implemented these business plans.¹³⁴

The national Department of Housing has clearly failed to fulfill its mandate in terms of raising capacity at provincial and municipal level. It has failed due to a lack of capacity to deliver training and capacity building. As a matter of urgency the Department needs to advertise its vacant posts and institute its 'draft' staff retention strategy. It is simply not acceptable that the Department can observe in its annual report that there is an increased need for 'monitoring, policy development and research' while noting that staff shortages are effecting its 'research and evaluation capacity', and yet fail to institute a staff retention strategy.¹³⁵ Only when the national Department is adequately capacitated can it hope to be able to make incisive and lasting capacity building interventions at both provincial and municipal level.

The Department's inability to meet its capacity building obligations is matched by its failure to properly monitor housing development nationally. The Minister for Housing, Lindiwe Sisulu, is responsible for 'monitoring the implementation and performance of national housing programmes.' The Minister is assisted in doing so by programme 4, Housing Sector Performance, which is mandated to monitor the implementation and performance of housing policies and evaluate their impact on beneficiaries.¹³⁶ The chronic underspending that is taking place at provincial level and the poor quality of homes being constructed suggests that the Department is not effectively monitoring the delivery of housing programmes. We have seen that the national Department acknowledges that its research and evaluation capacity is limited and it is also aware of the poor quality homes that are being constructed. In its annual report for 2003/04 it noted that the quality of subsidised housing 'is uneven and needs further attention'.¹³⁷

The Department notes that it has a Monitoring and Impact Assessment Unit which provides the Department with statistics relating to housing projects and subsidies approved, allocation and expenditure of housing funds, sites and housing units completed, properties transferred, national expenditure priorities and 'other related housing statistical information.'¹³⁸ While this unit can clearly play a role in assisting the Department with its monitoring efforts it is entirely quantitative in nature and cannot address issues such as the quality of homes being constructed, or the quality of training courses being offered, or speak to qualitative issues relating to capacity and performance.

The Department noted that it had intended to produce a handbook on 'monitoring and evaluation indicators' during the 2003/04 financial-year but had failed to do so due to 'capacity constraints.'¹³⁹ In addition, the Department was supposed to have a functional monitoring and evaluation framework in place for 'project cycles and implementation' but noted that approval for had not been finalised.¹⁴⁰

In terms of monitoring more generally the Department made the astonishing admission that since the start of the Housing Subsidy Scheme 'no information on how it has impacted on the lives of beneficiaries and the community is currently

¹³⁴ *Ibid*, pp. 56-57.

¹³⁵ *Ibid*, pp. 34, 63 & 82.

¹³⁶ National Department of Housing, Annual Report, 2003/04, pp. 63 & 66.

¹³⁷ *Ibid*, p. 27.

¹³⁸ *Ibid*, p. 66.

¹³⁹ *Ibid*, p. 66.

¹⁴⁰ *Ibid*, p. 68.

available.’ In this regard the Department noted that it had commissioned consultants, presumably because of capacity problems, to undertake such a study. The Department noted that the consultants, who were supposed to be appointed during the 2003/04 financial-year but were only appointed in June 2004, would ‘provide insight into the housing subsidy programme and whether the objectives have been met.’¹⁴¹ It seems incredible that ten years into a housing programme which has seen approximately R36 billion¹⁴² spent on housing development, only now has the national Department set itself the task of establishing whether its objectives (in terms of housing development) ‘have been met.’

The Department also indicated in its annual report that it had contracted additional consultants to review the methods, mechanisms and procedures employed in housing delivery throughout the country.¹⁴³ While these two investigations are welcome it is regrettable that they are both overdue and are being undertaken by consultants because the Department lacks the research capacity to undertake them itself.

In October 2004 the national Minister for provincial and local government, Sydney Mufamadi, announced the launch of Project Consolidate which is a two year project to ‘improve and strengthen the coordinated actions of national, provincial and local government in key delivery areas.’¹⁴⁴ This project is designed to focus on ‘key’ municipalities (23 of the 136 targeted municipalities are in the Eastern Cape) to improve their capacity and ability to deliver. In regard to this project the Eastern Cape MEC recently noted that a project management team had been established in the province to further its objectives.¹⁴⁵ While this project is welcomed, unless the quality of the interventions it makes are monitored and evaluated, something that as we have seen has yet to take place in regard to other capacity building initiatives, its utility cannot be quantified.

The Provincial Department of Housing, Local Government and Traditional Affairs

We have already seen how the Housing Act states that it is the responsibility of provincial government to ‘take all reasonable and necessary steps to support and strengthen the capacity of municipalities to effectively exercise their powers and perform their duties in respect of housing development.’¹⁴⁶

The Eastern Cape Department of Housing, Local Government and Traditional Affairs is required to capacitate local government via programme 3, Developmental Local Government, which is tasked, among other things, with coordinating capacity building within municipalities. In addition, programme 2, Housing, is responsible for training emerging contractors engaged by municipalities to build houses. To assist the provincial department in these endeavours it receives a local government capacity building conditional grant from the national Treasury. Training itself takes place at municipal level via two institutions – the Municipal Support Programme (MSP) and the Municipal Mentoring Project (MMP). Both are designed to provide technical

¹⁴¹ *Ibid*, p. 66.

¹⁴² D. Gardner, *Getting South Africans Under Shelter*, pp. 7-9.

¹⁴³ *Ibid*, p. 68.

¹⁴⁴ *Imiyalezo*, Eastern Cape Department of Housing, Local Government and Traditional Affairs, p. 2.

¹⁴⁵ Neo-Moerane, MEC for Housing, Local Government and Traditional Affairs, Policy Speech 2005/06, 17 March 2005, p. 20.

¹⁴⁶ *Housing Act, 1997*, section (7)(2)f.

assistance to municipalities in the areas of financial management, human resources management, organisational development, and community and development planning.

In the 2000/01 financial-year the provincial Department stated that municipalities should be empowered to take full responsibility for housing development and noted that several training courses had been 'earmarked' by programme 2, Housing, for municipalities. However, it noted that in fact no training had actually taken place because of municipal elections in the year under review.¹⁴⁷ It is not at all clear why municipal elections should have prevented any training course being completed throughout the course of the year. Under programme 3 the Department noted under Local Government Administration that one of its key outputs was the strengthening of capacity within municipalities. However, in terms of actual performance the Department states in its annual report that 45 new municipalities were created.¹⁴⁸ It is not clear how the creation of new municipalities has improved the capacity of municipalities in the province. On the contrary, it is more likely to have created an increased demand for capacity building and training.

The Department did report, however, that 563 municipal employees had attended at least one of 12 training courses during the year, ranging from cash flow management to meter reading. However, under financial management the Department's annual report notes that no training funds were used, but a training partnership with the South African Local Government Association (SALGA) had been established.¹⁴⁹ In fact the sub-programme, Local Government Municipal Support and Training, responsible for capacity building within municipalities, spent only R27.4 million of its R37.4 million budget, which translates into underspending of 27 percent.¹⁵⁰ In terms of the training of emerging contractors to build better quality homes, the Department noted that its Municipal Mentoring Project had established a database detailing all training that had been provided. It noted that management training for emerging contractors had been carried out in four regions, but failed to indicate how many persons attended the training.¹⁵¹ It did note, however, that it was now encouraging all emerging contractors to register with the NHBRC.

Despite these efforts, the Department's Standing Committee noted in July 2000 that councilors within municipalities were not attending training courses regularly and urged the Department to pass a resolution which would commit councilors to attend training courses. In addition, the Standing Committee called on the Department to conduct a full evaluation of the effectiveness of the Municipal Support Programme.¹⁵²

In the Department's annual report for 2001/02 it noted its intention to accelerate spending on housing by working more closely with municipalities.¹⁵³ In terms of training, programme 2 set out to train 102 housing officials in the year under review, but only managed to train 71 due to what the Department claimed was the municipalities' inability to budget for accommodation correctly. In fact, the Department only managed to spend R431 000 of R1.1 million budgeted for the

¹⁴⁷ Annual Report, Department of Housing, Local Government, and Traditional Affairs, 2000/01, p. 30.

¹⁴⁸ *Ibid*, p. 35.

¹⁴⁹ *Ibid*, pp. 40-41.

¹⁵⁰ *Ibid*, p. 79.

¹⁵¹ *Ibid*, p. 30.

¹⁵² Standing Committee for Housing, Local Government and Traditional Affairs, Minutes, 20 July 2000.

¹⁵³ Annual Report, Department of Housing, Local Government, and Traditional Affairs, 2001/02, p. 76.

training of housing officials.¹⁵⁴ Programme 2 also only managed to spend R137 071 of R500 000 allocated to it for the training of municipal officials in land administration. The Department blamed the 'non-filling of vacant posts' and 'uncertainty regarding training recipients at local level.'¹⁵⁵ In terms of general training, the Department noted that 45 municipalities had been workshoped on the 'legislative framework' and capacity had been built up at 19 municipalities in regard to development finance.¹⁵⁶ In terms of spending, the Department noted that it had spent 100 percent of its Municipal Support Programme conditional grant.¹⁵⁷ The Standing Committee in its review of the 2001/02 annual report noted that it was clear that the MEC had to fast-track the process of capacity building within municipalities, and stated, once again, that the quality of training being undertaken at municipal level should be assessed.¹⁵⁸

In the 2002/03 financial-year the housing programme was budgeted R1.1 million to assist in the capacitation of 105 municipal officials. However, the Department only spent some R387 000, or 35 percent, because it claimed that municipal officials did not attend regularly or complete courses, which resulted in only 58 officials actually attending classes.¹⁵⁹ The Department also failed to capacitate six municipalities in land administration as it had hoped, claiming that the trainers themselves had been 'transferred to other units.'¹⁶⁰ Under the Developmental Local Government sub-programme, Municipal Development Finance, the Department noted that it carried out training within 33 municipalities, but admitted that it had deviated from its plans by 29 percent. As the Department failed to indicate how many municipal employees it intended training it is not possible to establish how many were actually trained.¹⁶¹ The Department noted that for the year under review it had overspent its Local Government Support Conditional Grant by some 53 percent.¹⁶² In May 2003 the Standing Committee once again called on the Department to evaluate the effectiveness, or otherwise, of the training being offered at municipal level. It ordered the Department to submit a report in this regard to it by the end of June 2003.¹⁶³

The Department's failure to fill vacant posts and train staff within its own structures, as well as at municipal level, clearly had a damaging effect on the Department's ability to deliver on its mandate. This can be demonstrated by its inability during the 2002/03 financial-year to inspect the quality of houses being constructed. The Department noted that it inspected less than half of those constructed due to 'lack of resources such as personnel ... to do quality inspections.'¹⁶⁴

¹⁵⁴ *Ibid*, p. 41.

¹⁵⁵ *Ibid*, p. 45.

¹⁵⁶ *Ibid*, pp. 52 and 55.

¹⁵⁷ *Ibid*, p. 94.

¹⁵⁸ Standing Committee for Housing, Local Government and Traditional Affairs, Minutes, 21 Jan. 2003.

¹⁵⁹ Annual Report, Department of Housing, Local Government, and Traditional Affairs, 2002/03, p. 34.

¹⁶⁰ *Ibid*, p. 35.

¹⁶¹ *Ibid*, pp. 43-48. It is interesting to note that the HOD noted that consultants had been employed to train municipal staff, p. 3.

¹⁶² *Ibid*, p. 133.

¹⁶³ Standing Committee for Housing, Local Government and Traditional Affairs, Minutes, 21 May 2003.

¹⁶⁴ Department of Housing, Local Government, and Traditional Affairs, Annual Report, 2002/03, p. 36.

In the 2003/04 financial-year Programme 2, Housing, set out to train 100 housing practitioners, but only managed to train 90.¹⁶⁵ Although the annual report for 2003/04 does not clearly state its training targets for Programme 3 it appears that it set out to train some 20 officials in human resources, and 20 more in finance and local economic development in 41 municipalities. Thus, it appears that it set out to train 1640 officials in 41 municipalities. However, the annual report states that it only managed to train 77 officials in total during the year under review.¹⁶⁶ Under 'development finance' Programme 3 also noted that it had hoped to produce 'competent' municipal managers by a mentoring programme within 14 municipalities. However, the annual report notes that while 17 mentors had been appointed in 14 municipalities, only one had managed to complete the mentoring task. The same sub-programme also noted that it had intended training municipal staff in 9 different municipalities, but only managed to do so in 2.¹⁶⁷ In terms of actual spending of the conditional grant for local government capacity building, the Department underspent this grant by five percent.¹⁶⁸ In November 2003, the Standing Committee offered some explanation for why municipal officials had not been trained as expected when it noted that many had failed to complete training courses. It recommended that the Department prioritised the training and development of municipal councillors and, yet again, called on the Department to carry out an impact assessment in regard to training taking place at municipal level.¹⁶⁹

In February 2005 the Premier noted that some 180 Community Development Workers had been trained within municipalities since July 2004.¹⁷⁰ Community Development Workers are trained to assist citizens to gain access to services offered by the government. While this is undoubtedly a positive development it is not clear how they will assist in the proper implementation of housing policy within municipalities and the province more generally. In terms of spending on capacity building initiatives for the 2004/05 financial-year, pre-audited Treasury figures present a confused picture. These figures show that the Department grossly underspent the local government capacity building conditional grant by 41 percent, spending only R20.87 million of a R35.18 million grant. Whereas the Department overspent the provincial project management capacity for municipal infrastructure grant by 208 percent, spending R19.13 million despite the fact that only R9.17 million was transferred for this grant.¹⁷¹ This erratic spending pattern clearly demonstrates that the Department's ability to manage its finances efficiently and effectively in terms of capacity building did not improve in the 2004/05 financial-year.

In terms of building capacity at municipal level the efforts of the Department have been at best, mixed and somewhat uncoordinated. Essentially the problem stems from the Department's own lack of capacity because of its inability to fill vacant posts and train its own staff. In its annual report for 2003/04 the Department admits that one of its key challenges is its 'lack of financial resources and capacity with regard to its own constitutional responsibility to support municipalities in human resource and finance related matters.'¹⁷² This problem was confirmed by the MEC in March 2005 when she noted that her Department's vacancy rate negatively effected 'its ability to

¹⁶⁵ Department of Housing, Local Government, and Traditional Affairs, Annual Report, 2003/04, p. 20.

¹⁶⁶ *Ibid*, p. 30.

¹⁶⁷ *Ibid*, pp. 36-37.

¹⁶⁸ *Ibid*, p. 90.

¹⁶⁹ Standing Committee for Housing, Local Government and Traditional Affairs, Minutes, 26 Nov. 2003.

¹⁷⁰ Premier Balindlela, State of the Province Address, 18 Feb. 2005, p. 20.

¹⁷¹ National Treasury, <http://www.treasury.gov.za/press/monthly/0505/easterncape.pdf>.

¹⁷² *Ibid*, p. 14.

support municipalities more proactively.¹⁷³ Given its own debilitating human resource limitations, the provincial department can hardly be expected to be able to effectively raise capacity and skills levels within municipalities.

However, it is also clear that the provincial Department's capacity problems also prevent it from properly monitoring those interventions it does make. This is despite the fact that the Standing Committee has been calling on it to do so since July 2000. In its last two annual reports the Department itself has highlighted its inability to monitor its municipal interventions.¹⁷⁴ In light of this failure, questions must arise about the quality of training that it has undertaken within municipalities. The act of simply spending training budgets will not solve capacity related problems if the training that is offered is poor. By failing to monitor the quality of training being provided, the Department has no way of knowing that it is having the desired effect on capacity issues within municipalities themselves. In addition, of course, it is also failing to adhere to regulations governing the transfer of funds.

It is clear that training budgets are not being used effectively. In the Department's strategic plan for 2004-07 it notes that programme 3, Developmental Local Government, tasked with raising capacity at municipal level, is characterised by 'fragmented interventions and support to municipalities.'¹⁷⁵ The Department's strategic plan for 2004-09 also noted that staff shortages meant that this programme lacked coherence.¹⁷⁶ For municipalities to be capacitated effectively there must be coherent and focused interventions from the provincial government rather than 'fragmented interventions' because training must be aimed at the specific needs of municipalities. This means that their respective needs must be identified and training courses carried out according to these specified needs. However, the essential ingredient in any training is the quality of the training being offered. The Department must, therefore, ensure that it has signed, or municipalities are signing, SLAs with those agencies or companies contracted to provide training. It must then proactively monitor the delivery of those training programmes to ensure that they represent the effective use of public resources.

In regard to training, the Department recognised in 2001 the need to 'consolidate uncoordinated' municipal capacity building efforts and in March 2002 it proposed the creation of the Eastern Cape Municipal Development Corporation (ECMDC) which would amalgamate three entities into one (the Municipal Mentoring Project, the Public Managers Bursary Fund and the Eastern Cape Municipal Support Services). The Department noted in 2002 that it had secured R10 million for the 2003/04 year for the creation of the corporation and a Bill had been drawn up.¹⁷⁷ However, in its annual report for 2003/04 the Department noted that the ECMDC had not been created because the Bill had yet to be promulgated into an Act. According to the Department, the non-functioning of the ECMDC meant that there were 'noticeable capacity gaps in the Department and the municipalities.'¹⁷⁸ According to newspaper

¹⁷³ Neo-Moerane, MEC for Housing, Local Government and Traditional Affairs, Policy Speech 2005/06, 17 March 2005, p. 4.

¹⁷⁴ See Department of Housing, Local Government and Traditional Affairs Annual Report 2002/03, p. 4 and 2003/04, p. 27.

¹⁷⁵ Department of Housing, Local Government and Traditional Affairs, Strategic Plan 2004-07, p. 19.

¹⁷⁶ Department of Housing, Local Government and Traditional Affairs, Strategic Plan 2004-09, p. 18.

¹⁷⁷ Department of Housing, Local Government and Traditional Affairs, Annual Report, 2002/03, p. 15.

¹⁷⁸ Department of Housing, Local Government and Traditional Affairs, Annual Report, 2003/04, p. 27. In December 2003 the MEC had stated that the corporation would provide

reports the Bill was rejected in the Legislature by members of the Standing Committee for Housing, Local Government and Traditional Affairs because it contained incomplete information and did little more than replicate the functions of the Department. The chair of the Standing Committee is reported as saying that the Standing Committee still did not know what the objectives and terms of reference of the ECMDC actually were.¹⁷⁹

Given the state of affairs described above it can be stated with some degree of certainty that the Department cannot accurately quantify its training needs, or vouch for the quality of training that has already been undertaken. Despite this, the MEC announced in March 2005 that the Municipal Mentoring Project and the Management Support Programme has completed over 600 projects which, she said, 'have had a positive impact on the administration and management of municipalities.'¹⁸⁰ The MEC made this claim despite the fact that, against the repeated demands of the Department's Standing Committee, no assessment of this training has taken place.

It is clear that as part of its strategic planning exercise the Department needs to initiative a through needs analysis of its training needs. This will enable the Department to properly identify its training requirements. By doing so, the Department should be able to focus its training programmes to maximize their utility and properly, and sustainably, raise capacity within the Department and within municipalities.

5) Provincial Municipal Relations

Chapter 3 of the South African Constitution states that all spheres of government must act in cooperative fashion, which includes 'assisting and supporting one another' and 'co-ordinating their actions and legislation with one another.' Despite this, evidence would suggest that there is, in some instances, a lack of cooperation and coherent planning between the provincial government and municipal governments in the Eastern Cape province when it comes to housing development.

This is evidenced by a number of public incidents that have taken place over the last few years which demonstrate that the provincial government and municipalities are not always working together and that there is a lack of effective communication between them.

In May 2003 the Department's director of housing policy admitted that one of the reasons for its underspending on houses was that municipalities 'lacked' housing units and the political will 'to do the right thing' at local level. In response to this statement the mayor of Buffalo City, Sindisile Maclean, stated that 'the department says municipalities have no capacity. We say the Department fails the municipalities.'¹⁸¹

In another exchange that took place in June 2004 between the MEC for Housing, Local Government and Traditional Affairs and Malcolm Langson, the head of housing and land affairs within the Nelson Mandela Metro (the Port Elizabeth municipal area), the lack of effective communication between the different levels of government is

much needed technical support to municipalities, 'MEC laments lack of skills in EC,' *Daily Dispatch*, 3 Dec. 2003.

¹⁷⁹ 'ECMDC unlikely to get off ground soon,' *Daily Dispatch*, 6 Oct. 2003.

¹⁸⁰ Neo-Moerane, MEC for Housing, Local Government and Traditional Affairs, Policy Speech 2005/06, 17 March 2005, p. 19.

¹⁸¹ 'Dept vows to spend R1.1 billion on new houses,' *Grocotts Mail*, 23 May 2003.

even more evident. In early June, in an apparent attempt to try and address poor quality housing in the Metro, the provincial government assumed responsibility from the metro for awarding housing project contracts within the Nelson Mandela Metro. In mid-June the MEC was forced to visit a housing project within the metro to reassure local residents that their concerns over the quality of their homes would be addressed. After the visit from the MEC, the Department's spokesperson, Mbulelo Linda, was reported as saying that confusion existed between the provincial department and metro over responsibility for the housing projects. He stated that the provincial department 'took full responsibility' for housing but needed financial and project management assistance from municipalities. However, it is reported that Malcolm Langson stated that the metro had no responsibility over projects initiated by the Department. Responding to this exchange some days later the MEC for housing stated that Langson should be 'ashamed of himself', with the MEC insisting that if projects were in the metro, it was the responsibility of the metro to manage them.¹⁸²

What these events seem to illustrate is that provincial and local spheres of government are not communicating effectively with one another and as a result have not always 'coordinated their actions' and 'supported one another.' While these may only be isolated incidents they do show that confusion and animosity can arise between the various levels of government within the province, prejudicing the successful delivery of public services. In this regard, it is interesting to note that in May 2003 the MEC had noted that there was a 'volatile' and 'unstable' environment within local government which led him to conclude that 'not all of us understand the significance of Chapter 3 ... one of the things we need to practise is co-operative government.'¹⁸³

In an encouraging attempt to address this issue the Department established a MUNIMEC forum¹⁸⁴ in December 2003 which is designed to give municipal managers and the Department a forum through which political instability and project implementation issues can be discussed. According to the Department it met three times during the 2003/04 financial year.¹⁸⁵ The Premier also noted in her state of the province address in February 2005 that relations between municipalities and provincial government needed to be strengthened in order to accelerate service delivery.¹⁸⁶ In March 2005 the MEC noted that there needed to be 'role clarification between provincial government and municipalities.' She noted that the Department would focus in the 2005/06 year on the promotion of intergovernmental relations 'and strengthening cooperation between us and municipalities.'¹⁸⁷ What is concerning about this statement is that cooperation between various levels of government should not become a focus for any particular year. The Department is constitutionally

¹⁸² 'Defective houses shock Nkwinti,' *The Herald*, 17 June 2004, 'Name and Shame' warning on corruption,' *The Herald*, 23 June 2004.

¹⁸³ 'Nkwinti calls for better co-operation,' *Daily Dispatch*, 9 May 2003. The Department's 2004-07 strategic plan noting that the housing programme suffered from 'poor communication internally and externally,' Department of Housing, Local Government and Traditional Affairs, Strategic Plan, 2004-07, p. 15.

¹⁸⁴ The MUNIMEC forum was established by the provincial department and provides a space where leaders from municipalities within the province can meet with the MEC for Housing, Local Government and Traditional Affairs to resolve problems and try and improve service delivery.

¹⁸⁵ Department of Housing, Local Government and Traditional Affairs, Annual Report, 2003/04, pp. 3-4.

¹⁸⁶ State of the Province Address, Premier Nosimo Balindlela, 18 Feb. 2005, http://www.ecprov.gov.za/Uploads/pdfFiles/05state_province_address.pdf, p. 20.

¹⁸⁷ Neo-Moerane, MEC for Housing, Local Government and Traditional Affairs, Policy Speech 2005/06, 17 March 2005, pp. 11 21.

obliged to cooperate with all forms of government at all times. What this comment reveals is the extent to which the relationship between provincial and municipal government has become compromised by a lack of clarity over respective roles in terms of housing delivery.

6) The Use of Consultants

In 2002 the national office of the Auditor-General looked at government's (both national and provincial) expenditure in the procurement of consultant services, with a view to facilitate public accountability in this area, and encourage the implementation of more effective management controls and improved value for money. The main findings of the report included:

- Alternatives to hiring consultants were not always exhausted, ranging from training staff to necessary levels of skill, to extending work hours with overtime pay.
- Proper planning and needs analyses were not performed, often leading to more expenses, as projects need to be extended to adequately meet the needs.
- There was a lack of adequate monitoring and verification of consultants' performance in meeting agreed objectives and also in measuring the impact of their work.
- Invoices supporting the terms of reference and reports prepared by consultants were often not received by departments, rendering them unable to determine the reasonability of the amounts charged against the work done.¹⁸⁸

The Auditor-General's report encouraged departmental managers to fill vacant posts, and to increase performance by setting productivity standards for employees before engaging consultants. It also recommended tighter control measures, including:

- rigorous assessment of the need to appoint consultants
- clearly defined terms of reference, and
- regular evaluations while an assignment is in progress

It is clear that the National Department of Housing has had to make extensive use of consultants because of its capacity shortages. For example, in the 2003/04 financial year the national Department spent just short of R19 million on consultants.¹⁸⁹ In a similar fashion the provincial Department of Housing, Local Government and Traditional Affairs has increasingly begun to use consultants to overcome many of its capacity problems. For example, in its annual report for 2003/04 it notes that 'external project management capacity' had been used to monitor the delivery of houses, while its strategic plan for 2004-09 notes the intention of outsourcing where skills were not available.¹⁹⁰ This intention was confirmed by the MEC in his policy speech for 2004/05 when he stated that the Department has to make use of 'external expertise' to undertake the inspection of housing projects.¹⁹¹ Figures relating to the

¹⁸⁸ Report of the Auditor-General on the appointment and utilisation of consultants at certain national departments and provincial administrations, August 2002.

¹⁸⁹ National Department of Housing, Annual Report, 2003/04, p. 156.

¹⁹⁰ Department of Housing, Local Government and Traditional Affairs, Annual Report, 2003/04, p. 19, Department of Housing, Local Government and Traditional Affairs, Strategic Plan, 2004-09, p. 19.

¹⁹¹ Department of Housing, Local Government and Traditional Affairs, Policy Speech, 2004/05, p. 4, (emphasis added).

Department's spending on 'consultants and advisory services' demonstrate this increasing reliance on consultants. In the 2001/02 financial-year the Department spent R40 million on consultants, this figure rose to R75 million in 2002/03, while in the 2003/04 financial-year the Department spent R89.79 million on consultants. The provincial Treasury has predicted that the Department will spend another R89.25 million on consultants in the current financial-year (2004/05). Medium term estimates from the provincial Treasury suggest that the Department will spend R89 in 2005/06, R98 million in 2006/07 and R111 million in 2007/08.¹⁹²

It is clear that neither the national or provincial Departments of Housing have made concerted efforts to fill their vacant posts, retain their staff or increase staff productivity. The national Department noted that during the 2003/04 financial-year its research unit operated 'mainly through secondments' which it claimed helped to 'build new capacity and transfer skills.' However, it also stated that it was 'often more efficient' to employ consultants than train existing staff because expertise 'soon became redundant.'¹⁹³ These comments seem to be directly contradictory. The Department cannot claim that it is employing consultants to raise capacity and at the same time state that it is inefficient to do so. It seems inconceivable that expertise soon becomes redundant, as this seems to undermine the whole point of learning in the first place.

It is clear that the Departments' current strategies of relying on consultants to fill the gaps in vital management functions is ultimately self-defeating as it either undermines or delays the departments' capacity to undertake these functions.

7) Corruption

Another problem which negatively affects the Department's ability to meet its mandate is that of corruption, principally at the municipal level. A number of instances of corruption have been reported within Eastern Cape municipalities involving housing projects.

In June 2004 the Auditor-General announced that he was to ask the Special Investigating Unit (SIU) to investigate housing projects within the Port Elizabeth metro area. This investigation was prompted by the numerous complaints that were being received from housing beneficiaries about the quality of their new homes.¹⁹⁴

In October 2004, the SIU announced that it was to partner with the Department of Housing, Local Government and Traditional Affairs to try and crack down on corruption within other municipalities in the Eastern Cape. Initially the SIU was to target 12 municipalities and would work with the Department to complete forensic investigations. The SIU is reported to have stated that the enquiry was necessary because of reports highlighting the irregular procurement of goods and services, the improper initiation and administration of housing projects and fraud and corruption in respect of financial management.¹⁹⁵ The Department was said to be contributing R6 million a year to the three year project allowing, among other things, the SIU to establish a 15 strong anti-corruption team.¹⁹⁶ The National Minister for Housing,

¹⁹² Eastern Cape Provincial Government Budget Statements 2005/06, p. 406.

¹⁹³ National Department of Housing, Annual Report, 2003/04, p. 46.

¹⁹⁴ 'Probe into shoddiness of low-cost housing,' *The Herald*, 4 June 2004.

¹⁹⁵ 'End of the gravy train,' *Daily Dispatch*, 11 November, 2004.

¹⁹⁶ 'Dept, SIU to target municipal corruption,' *Daily Dispatch*, 21 Oct. 2004.

Lindiwe Sisulu, was quoted as saying that this unit would be 'highly mobile, well-resourced and [will be] able to act speedily to bring those guilty to book.'¹⁹⁷

In November 2004 the Auditor-General's report on the Port Elizabeth Metro was tabled before the municipality's mayoral committee but it was not until January 2005 that details of the report began to filter into the public domain.¹⁹⁸ An Eastern Cape newspaper, *The Herald*, obtained a copy of the report which they claimed showed that metro councillors flouted government legislation and approved multi-million Rand housing contracts which did not go to tender. The report allegedly demonstrates that the Mayor, Nceba Faku, awarded contracts without putting them out to tender and that some R5.4 million worth of donor funding earmarked for housing projects could not be accounted for. In addition, the report allegedly shows that construction companies have been awarded contracts that had not gone to tender. For example, African Renaissance Consulting was said to have been awarded an R18 million contract without the project being put out to tender. A construction and engineering company, called Africon, was also said to have been paid more than R1.4 million for a housing project without any tenders being invited. In addition, a company called DSA was said to have been awarded a contract to supply building materials without proper tendering processes being followed.

According to *The Herald*, the audit also showed that houses being constructed in the metro were of very poor quality, especially in the Jacksonville and Bloemendal developments. The report apparently revealed that inexperienced emerging contractors (presumably not registered with the NHBRC) had built many of the poor quality homes.

The report was also said to have exposed a number of metro and provincial housing officials who had been receiving housing subsidy payments to which they were not entitled. The Auditor-General is said to have ordered a probe into all 3 985 government and 1 180 metro employees who have been approved for housing subsidies. Lastly, the report is said to have recommended that 27 other housing projects throughout the province be investigated.¹⁹⁹

In January the Department of Housing, Local Government and Traditional Affairs admitted that in late November it had given the implicated officials from the Port Elizabeth Metro 14 days to reply to the allegations. However, it reportedly withdrew this order because the officials said they were going on holiday, and ordered officials to respond at the beginning of 2005.²⁰⁰ It appears that no response was obtained until 2 February when the provincial Department confirmed that it had received correspondence from the metro stating that it was querying certain aspects of the report.²⁰¹ To date the Auditor-General's report has not been released to the public despite the report being undertaken in the interests of the public and at public expense.

¹⁹⁷ Imiyalezo, Eastern Cape Department of Housing, Local Government and Traditional Affairs supplement to *Daily Dispatch* and *Herald* newspapers, 14 March 2005, p. 5.

¹⁹⁸ 'Audit of alleged metro housing fraud completed,' *The Herald*, 30 Nov. 2005.

¹⁹⁹ 'Shock report blow to metro,' *The Herald*, 19 Jan. 2005, 'Millions from Swiss grant not shown on metro books,' *The Herald*, 19 Jan. 2005, 'Company denies anything "irregular" happened,' *The Herald*, 19 Jan. 2005, "'Shoddy" metro homes exposed,' *The Herald*, 19 Jan. 2005, and 'Legality of 5 600 state subsidies to be probed,' *The Herald*, 19 Jan. 2005.

²⁰⁰ 'Nkwinti stays tight-lipped on damning revelations,' *The Herald*, 19 Jan. 2005.

²⁰¹ 'Metro call for clarity on AG report,' *The Herald*, 4 Feb. 2005.

In terms of corruption in other municipalities, the Premier stated in her state of the province address in February 2005 that the SIU had finalised its investigations in seven municipalities (including the metro). She stated that the SIU was helping the provincial government recover funds and prosecute those guilty of corruption. She also noted that 19 municipalities were currently under investigation for 'maladministration and other such offences.'²⁰²

The net result of this alleged corruption is that resources are not used for their intended purposes, service delivery standards, such as the norms and standards relating to house construction, are ignored, donor funding is withdrawn and public confidence in government eroded. The PSAM welcomes the Department's initiative in inviting the Auditor-General and the SIU to investigate municipal affairs and looks forward to the full release of all investigative findings so citizens of the province are given a full and frank account of the state of affairs within their municipalities.

8) Strategic Planning

For a Department to be able to provide the best public services within available resources it must ensure that it spends its allocated funds effectively and efficiently. To do so, Departments annually draw up detailed strategic plans which set out their objectives for the coming financial year. Such strategic plans should be produced after a thorough needs analysis has been undertaken, enabling departments to identify, cost and measure priority targets and objectives over the medium term expenditure framework (MTEF).²⁰³ The following section examines, in brief, the Department of Housing, Local Government and Traditional Affairs draft strategic plan for the 2004-09 MTEF.²⁰⁴ It demonstrates how the Department has failed to adhere to the regulations governing the production of strategic plans.

Strategic plans begin with a statement of policy and commitment by the MEC which should include the policy priorities for the coming year and how they have changed from the previous year. However, instead of listing policy priorities for the year, the MEC quotes sections of speeches by the President and the former Premier Rev. Stofile and mentions that the Department will intensify its work on facilitating the provision of houses, municipal infrastructure and the building of viable municipalities.

In terms of mission and strategic goals the strategic plan sets out the Department's vision and includes a set of strategic goals and objectives. However, none of the Department's strategic goals are linked in any way to specific and measurable outcomes to be achieved by the Department during the life of the strategic plan. Rather they simply re-state the core functions of the Department.

In addition, despite setting broad objectives, the Department fails to identify activities to achieve these objectives. For example, while there is a breakdown of some

²⁰² Quoted from Media Lock-up, Premier's Residence, 18 Feb. 2005.

²⁰³ To this end there is a whole range of legislation that deals with the way in which departmental strategic plans must be produced. For example, the PFMA, Treasury Regulations and Public Service Regulations all contain guidelines setting out how departments are supposed to present their strategic plans (see section 2 of the PFMA Implementation guidelines, July 2000, Treasury Regulation 5.2 and section B. Strategic Planning from the 2001 Public Service Regulations). In addition to these requirements, each strategic plan should comply with a guideline 'Generic Format for Strategic Plans of Provincial Departments' issued in July 2002 by the National Treasury.

²⁰⁴ For a detailed review of the strategic plan please see the PSAM website, <http://www.psam.org.za/Docs/253.pdf>.

objectives into sub-programmes, the Department failed to clearly breakdown all its objectives into measurable activities. This makes it difficult to determine how the Department plans to achieve its objectives. The Department's objectives also do not have cost estimates and time frames attached to them. For example, in Programme 2, Housing, the Department sets a broad target of 20 813 thousand products to be completed in the 2005/06 financial-year but does not indicate exactly how much these houses will cost or the timeframes for their completion. In terms of developmental local government the plan notes that 80 municipal officials were to be trained in 2004/05 and 2006/07 to 'strengthen the capacity of municipalities.' However, the plan fails to state what they will be trained in, by when and at what cost.

The strategic plan identified a number of challenges facing the Department, but because the plan was not informed by a proper analysis of housing needs in the province it consequently failed to provide important background information relating to the actual demand for the services that the Department is mandated to supply. For example, the strategic plan lacked key information on the number of people who still need houses in the Province, the number of houses built, and at what cost, and cost estimates of houses to be built to eliminate the backlog. In addition, there was no information on how the Department plans to improve the delivery of houses. Lastly, there is no capital expenditure and maintenance plan in the strategic plan nor is there any information on housing projects carried over from previous years or how much the Department plans to spend on maintaining those houses already constructed.

In terms of evaluating its current performance, there was no information concerning the department's performance in the previous year. All the Department provides is a breakdown of actual expenditure by programme and sub-programme for the previous financial-year. Subsequently, there is no evidence of how the Department's expenditure patterns and previous underspending had been taken into account in the course of setting strategic objectives in this plan. This is despite the fact that the MEC stated in his policy speech for the 2003/04 financial-year that the Department needed to 'reinforce [the] link between [the] strategic plan and the budgeting process' to avoid under and overspending.²⁰⁵

In regard to local government the Department indicated that there are agency functions performed by municipalities on its behalf. However, the plan fails to provide specific details of any service delivery agreements it has with municipalities and how much funding has been committed for these functions. The strategic plan also lacks a detailed breakdown of strategies and procedures that the Department intends using to monitor compliance with these agreements. In terms of financial management issues more widely, the plan also fails to detail the Department's strategies and plans to address issues raised by the Auditor-General in the previous financial-years i.e. 2002/03 and 2003/04 years. This is despite the Department receiving audit disclaimers for the 2002/03 and 2003/04 financial-years.

The drawing up of strategic plans is supposed to be an inclusive process which should enable all relevant stakeholders an opportunity to enter into dialogue with the Department when setting its priorities. The Department indicates that the strategic plan is a product of wide consultation with a number of stakeholders drawn from local government (municipalities), traditional leaders, and representatives from the labour

²⁰⁵ Department of Housing. Local Government and Traditional Affairs, Policy Speech, 2003/40, p. 8. This exact point was ironically made in the Department's strategic plan for the 2003-06 period, see, Department of Housing. Local Government and Traditional Affairs, Strategic Plan, 2003-06, p. 66.

movement. However, no concrete evidence could be found in the strategic plan to substantiate the claim that there was indeed consultation with municipalities and external bodies. If this consultation did take place, the strategic plan should be able to detail the input made by these external bodies. For instance, the strategic plan should be able to provide an account of the housing needs in the Province drawn from information provided to the Department from municipalities. However, this information is lacking in the strategic plan which suggests that no input was actually obtained from the municipalities or other stakeholders. Inconceivably, there is also no evidence of any consultation with civil society organisations active in the housing field, such as the Urban Services Group in Port Elizabeth. Expertise and knowledge from CSOs within the housing sector should be an invaluable resource for the Department to draw on when considering its strategic objectives.

In sum, planning and budgeting in the Department is inadequate. The strategic plan lacks key information on service delivery issues faced by the Department and fails to provide sufficient information in regard to its situational analysis. Perhaps the most serious problem with the Department's strategic plan is the fact that it lacks a properly researched situational analysis which would provide the Department with accurate and up-to-date information in regard to the challenges it faces and the service delivery needs of the people it serves.

What is clear from this analysis of the department's strategic plan for this period is that it has difficulty in setting clear objectives for its programmes and activities. For the most part the activities conducted under these objectives are not allocated measurable performance indicators, nor were they bound to clear time-frames, nor are they adequately costed.

The annual budget projections for all government departments should be based on the detailed costing of individual activities listed in the operational plans for their various programmes. Government's zero based budgeting approach assumes that the operational plans for all programmes will be completed first, and that the costs of the individual activities listed in these plans (added up from zero), will be used as the basis for drawing up department's strategic plans. Even when the figures contained in its strategic plans have been costed, none of these have included a breakdown of individual unit costs for listed activities. An appropriate way of publishing these unit costs would be by including the departments operational or business plans for its main programmes and sub-programmes as attachments to its strategic plans.

What is also disturbing about the Eastern Cape Department of Housing, Local Government and Traditional Affairs strategic plan for the 2004–09 period is the absence of any reference to monitoring mechanisms for ensuring compliance with the terms of budget transfers to municipalities. The plan fails to indicate which departmental structures or officials will have specific responsibility for monitoring the implementation of the activities for which transfers are made (namely the construction of new homes and housing infrastructure). Neither does the strategic plan contain any detailed indication of the terms to be met by the receiving local government authorities. A list of service level agreements, or alternatively, a list of conditions including measurable objectives, unit costs, and time-frames to be met by the local authorities or other transfer recipients, should be attached to the department's strategic plan. Only on this basis will provincial Legislature oversight bodies be able to form an effective judgement about the wisdom of endorsing these transfers, or whether they are likely to deliver value for money.

9) Accountability and Oversight

The Office of the Auditor-General

The Office of the Auditor-General is one of the institutions established in terms of chapter nine of the South African Constitution designed to maintain and strengthen democracy in South Africa. The function of the Auditor-General is to audit and report on the accounts, financial statements and financial management of, inter alia, all national and provincial departments and administrations. In carrying out this function, the Auditor-General must ensure that at all times these institutions have made sure that 'satisfactory management measures have been taken to ensure that resources are procured economically and utilised efficiently and effectively.'²⁰⁶

To carry out this mandate the Auditor-General has 'the right to investigate and to enquire into any matter, including the efficiency and effectiveness of internal control and management measures, relating to expenditure by and the revenue of an institution whose accounts are being audited by him or her.'²⁰⁷ It is incumbent on the Auditor-General to draw attention to material cases 'where the utilisation of resources for a service is in his or her opinion uneconomical, inefficient or ineffective or not conducive to the best interests of the State or the statutory body concerned.'²⁰⁸

We have seen that for the last three years the Auditor-General has highlighted the Department's inability to adequately spend its budget for housing. Each time the Auditor-General has noted this underspending he has also remarked that it was mentioned in the preceding year. This has led to the Auditor-General to conclude in each of the last three years that the Department has not 'adequately addressed' this issue.²⁰⁹

In addition, in the Auditor-General's audit for the 2000/01 financial-year he remarked that internal controls within the Department were so poor that he could not discount the possibility of financial loss incurring, noting that;

It should be emphasised that it is the Accounting Officer's responsibility to protect its [the Department's] financial interests and indirectly, the citizens' interests, by watching over its finances with the utmost circumspection and within the provisions of the law.²¹⁰

Despite this finding in 2000/01 the Auditor-General has noted in every audit since that serious control deficiencies continue to exist within the Department.²¹¹ It is these factors which have seen the Department receive three audit disclaimers from the Auditor-General in the last four years, which includes disclaimers for the last two financial years.²¹²

²⁰⁶ Auditor-General Act, 1995, section 4(d).

²⁰⁷ *Ibid*, section 5(b)(iii).

²⁰⁸ *Ibid*, additional directives (5)b.

²⁰⁹ Department of Housing, Local Government and Traditional Affairs, Annual Report, 2001/02, p. 85, 2002/02, p. 110 and 2003/04, p. 63.

²¹⁰ Department of Housing, Local Government and Traditional Affairs, Annual Report, 2000/01, p. 69.

²¹¹ Department of Housing, Local Government and Traditional Affairs, Annual Report, 2000/01, p. 69, 2001/02, p. 83, 2002/02, p. 108 and 2003/04, p. 61.

²¹² An audit disclaimer is the most severe opinion the Auditor-General can issue, and is issued where a department's records and supporting documentation are either unavailable for

| Financial-year | Budget (R'000) | Audit opinion |
|----------------|----------------|---------------------------|
| 2000/01 | 762 054 | Disclaimer |
| 2001/02 | 1 127 011 | Qualified |
| 2002/03 | 1 220 433 | Disclaimer |
| 2003/04 | 1 440 545 | Disclaimer ²¹³ |

What this state of affairs seems to illustrate is that the Department is either unwilling or unable to act upon the recommendations of the Auditor-General. In failing to do so, the Accounting Officer of the Department is not meeting the requirements of the PFMA in regard to the effective and efficient use of public resources. This is particularly concerning because the Department appears to be demonstrating a disregard for the findings of the Office of the Auditor-General, and by inference the Constitution, and for the legal regulatory code governing financial affairs within government institutions.

The Standing Committee

According to the Constitution, a provincial Legislature must provide for mechanisms 'to maintain oversight of the exercise of the provincial executive authority in the province [and] any organ of state.'²¹⁴ Much of the work of Legislatures in this endeavour is carried out by Portfolio or Standing Committees, which are made up of elected members of the Legislature. These standing committees are assigned to specific government departments and are tasked with ensuring the accountable, transparent and effective implementation of policies by each department.

In terms of the standing rules of the Eastern Cape provincial Legislature the responsibilities of Standing Committees are extensive and exacting. Section 63 of the rules provides they must:

- 'ensure that all provincial executive organs of state in the province are accountable to it
- monitor, investigate, enquire into and make recommendations relating to the legislative programme, budget, rationalisation, restructuring, functioning, organisation, structure, personnel, policy formulation or any other matter it may consider relevant, of the provincial department, organs of state or Departments falling within the category of work assigned to the committee.'²¹⁵

What section 63 essentially states is that the Standing Committee for the Department of Housing, Local Government and Traditional Affairs must interest itself in all the affairs of the Department.

It is clear that throughout the course of the past four years the Standing Committee for Housing, Local Government and Traditional Affairs has made numerous recommendations to the Department. These recommendations have almost exclusively been related to human resource issues and transfer payments. Namely,

audit purposes or are of such poor quality that no reasonable determination of the validity of financial transactions can be made.

²¹³ Department of Housing, Local Government and Traditional Affairs, Annual Reports, 2000/01 – 2003/04.

²¹⁴ South African Constitution, section 114(1) and (2).

²¹⁵ Standing Rules of Procedure of the Eastern Cape Provincial Legislature, section 63.1.5.

the Department's failure to fill critical vacant posts or monitor its efforts to capacitate municipalities, and its failure to monitor transfer payments to municipalities.

In regard to these recommendations, the chair of the Standing Committee, Phaki Hobongwana, noted in May 2003 that the Department was simply not responding to them. One member stated that 'it is not good to sit here year after year and make recommendations that are not implemented.'²¹⁶ This is despite the fact that the rules of the Legislature state that if a resolution or recommendation from a Portfolio Committee has not been implemented the relevant MEC must report in writing to the Speaker of the Legislature within 30 days stating:

- the reasons for not implementing the resolution or recommendation;
- the steps undertaken to implement the resolution or recommendation; and
- the planning to implement the resolution or recommendation.²¹⁷

This process exists to ensure that recommendations that are before the Legislature are effectively implemented. It is deeply worrying that the Department has not implemented the recommendations of the Legislature. However, the Legislature rules themselves note that 'in order to secure the integrity of the House and to comply with the Constitutional duties of the Legislature' the House may, on the recommendation of the relevant Portfolio Committee, instruct an MEC to implement resolutions and recommendations.²¹⁸ The only conclusion that can be drawn is that the House (i.e. the Legislature as a whole) has been unwilling to exercise its full powers over the MEC.

It can also be argued that the Standing Committee itself has not properly exercised its powers. In May 2003 Hobongwana noted that the MEC had not attended a single meeting of the Committee in the last year. Hobongwana was quoted as saying it was important for the MEC to attend Committee meetings so that the Department and Committee could 'work together.'²¹⁹ However, it is fully within the power of the Committee to compel the MEC to attend Portfolio Committee hearings. It is not clear why the Committee chose not to do so.²²⁰

The disregard that the Department appears to have for its Constitutional obligations to the Legislature, and through it, to the public, is also demonstrated by the poor quality of its reporting. Various pieces of legislation compel departments to produce detailed and accurate reports throughout each financial year which are supposed to account for their financial affairs and performance.²²¹ Thus, an essential part of the oversight process is the production and publication of reports by departments as these reports enable the Legislature and civil society organisations to assess the performance of government departments in respect of their spending of public funds.

In September 2000 the Standing Committee for Housing, Local Government and Traditional Affairs rejected a financial oversight report from the Department, noting that it had failed to include actual figures indicating the Department's expenditure.²²² In March 2001 the Department was again condemned by the Standing Committee for providing it with an incomplete budget report. The then chair of the Committee, Gloria

²¹⁶ 'Housing dept under fire from MPLs,' *Daily Dispatch*, 15 May 2003.

²¹⁷ Standing Rules of Procedure of the Eastern Cape Provincial Legislature, section 203.

²¹⁸ *Ibid*, section 204.

²¹⁹ 'MEC fails to attend committee meetings,' *The Herald*, 29 May 2003.

²²⁰ Standing Rules of Procedure of the Eastern Cape Provincial Legislature, section 63.2.3.

²²¹ In particular, section 40 of the PFMA and various Treasury and DORA regulations.

²²² 'Poor Housing Report slated,' *Daily Dispatch*, 15 Sept. 2000.

Barry, stated that the Department appeared to have a problem with reports and it was getting worse over time. The Committee meeting was abandoned and the Department was asked to re-submit the report.²²³ Then in November 2003 another financial oversight report was rejected by the Committee. This time the Standing Committee was forced to wait 20 minutes while the report was printed up. Once in their hands, Committee members noted, however, that the report was not in the correct format and was incomplete, failing to show how much the Department had actually spent or was projected to spend for the remainder of the financial-year. Committee members called the report 'unacceptable and embarrassing.' The Committee Chair, Hobongwana, noted that the postponement of the meeting was unacceptable, stating that the Department could not 'continue doing this.' The Department admitted that the MEC had not even seen the report.²²⁴

The attitude of the Department towards its accountability obligations is also illustrated by the quality of its strategic plans. In terms of the regulations governing the production of strategic plans the executing authority of each department should set out clearly at the beginning of each strategic plan what policy priorities have been set for the year and which priorities have informed the creation of the plan.²²⁵ Despite this requirement, the Department's last three strategic plans have contained exactly the same 'statement of policy and commitment by the MEC.'²²⁶ This is despite obvious changes in the service delivery environment effecting housing. In addition, the last two strategic plans have contained the same overview by the Head of Department. What this seems to suggest is that the Department has either been negligent in updating the MEC's introduction, or it feels that its policy priorities have not shifted in over three years. This of course, implies that either the Department has ignored regulations governing the creation of strategic plans or it has achieved very little in the last three years. Perhaps even more concerning is the fact that the entire strategic plan for the 2004-09 period is, in effect, simply a duplication of the plan for 2004-07. Admittedly, some details have been added to a number of tables and the wording has been changed in places, but in essence the strategic plans are exactly the same.

What these issues illustrate is what can only be described as the Department's contempt for the oversight process. The Department has shown an alarming lack of commitment to deal with issues raised by its Standing Committee and has a history of having produced inadequate reports and plans. The process of democratic oversight presupposes that government institutions will abide by regulations governing their behaviour in regard to accountability issues. There can be little hope of holding government institutions to account for the use of scarce public resources if those very institutions fail to act in a transparent and accountable manner. It is equally concerning to note that in this instance the Legislature has been incapable or unwilling to force the Department to account for the proper spending of budgeted funds.

The Standing Committee on Public Accounts

²²³ 'Poor marks for housing report,' *Daily Dispatch*, 29 March 2001.

²²⁴ 'MPLs slam "unacceptable report", call of meeting,' *Daily Dispatch*, 19 Nov. 2003.

²²⁵ PSAM Evaluation template for Strategic Planning, drawn from the guideline 'Generic Format for Strategic Plans of Provincial Departments, revised document, National Treasury, 11 July 2002.

²²⁶ Department of Housing, Local Government and Traditional Affairs, Strategic Plans, 2003-06, p. 1, 2004-07, p. 2, and 2004-09, p. 2.

The Standing Committee on Public Accounts (SCOPA) meets once a year to analyse the financial performance of each department in the provincial government. Despite repeated annual requests by the PSAM for the minutes of these meetings for each department the Legislature has failed to forward any SCOPA minutes to the PSAM since 2001.

Conclusion

Since 1994 the delivery of houses in the province has been characterised by mismanagement and inefficiency. The provincial Department of Housing, Local Government and Traditional Affairs (the Department) has, since the 2000/01 financial year, managed to underspend its housing budget by R928 million, or some 29 percent of its housing allocation. At the same time, the Department has underspent its budget for developmental local government, essential for effective housing delivery, by R172 million, or 18 percent.²²⁷ In addition to these spending problems, concerns have been raised throughout the period in question about the quality of houses that the provincial department has delivered. Numerous studies and reports have suggested that many of the houses that have been constructed since 1994 are of poor quality and do not represent the effective use of funds, or provide a cost-effective long-term solution to the province's housing needs. In the absence of any proper strategic planning and recruitment and training initiatives, at both provincial and municipal level, it is difficult to see how this situation will be reversed.

Despite this, the Department claimed at the beginning of 2005 that it was on target to spend its housing conditional grant by the end of the 2004/05 financial-year and had built more houses than planned. In January 2005 the spokesperson for the Department of Housing, Local Government and Traditional Affairs, Mbulelo Linda, noted that the Department had spent 79.8 percent of its housing budget for the 2004/05 financial-year and guaranteed that the Department would spend all of its allocation and would not be applying for any funds to be rolled over.²²⁸ In fact according to the pre-audited fourth quarter spending figures, the Department spent R572.82 million of its R598.9 million conditional grant housing subsidy. This means that the Department only underspent the grant by some four percent.²²⁹ Although welcome news, it is necessary to sound a note of caution because, as we have seen, the Department has previously 'dumped' money on municipalities in an attempt to improve its 'spending' record. It will be necessary to establish that the Department has not disposed of its budget in the same manner, and that it has successfully spent its roll-over from the previous year before the true extent of its spending can be properly assessed. In addition, as this report has demonstrated, the act of spending money does not necessarily mean that it has been spent effectively and efficiently. Before any conclusions can be drawn concerning the Department's performance for the 2004/05 year the Auditor-General and the Legislature will need to be convinced that its budgeted resources have not been squandered on the production of poor quality houses.

The Department's spokesperson also noted that the Department had exceeded its housing target for 2004/05. This assertion was 'confirmed' by the Premier in her state of the Province Address in February 2005 where she claimed that the Department

²²⁷ Department of Housing, Local Government and Traditional Affairs, Annual Reports 2000/01 to 2003/04.

²²⁸ 'Dept beats housing delivery target,' *Daily Dispatch*, 15 Jan. 2005. Linda was only referring to the housing subsidy fund Conditional Grant and not the Department's budget in general.

²²⁹ National Treasury, <http://www.treasury.gov.za/press/monthly/0505/easterncape.pdf>.

had built 33 327 houses, which was over 10 000 more than the target of 23 149.²³⁰ She stated that these figures had prompted the national Treasury to acknowledge that the Eastern Cape was now the leading province in the country in regard to housing delivery.²³¹

Again, however, a note of caution must be sounded in regard to this claim. The Department's strategic plan for 2004-09 stated that the Department planned to complete 23 149 'housing products' in 2004/05.²³² The Department defines 'housing products' as 'completed houses, houses under construction and the provision of services.'²³³ Therefore, the Premier may in fact be announcing that 33 327 'housing products' were *delivered* during the year, when in fact it had planned to *complete* 23 149 'housing products.' It is interesting to note that in the 2002/03 financial-year the Department completed 57 729 'housing products' of which only 10 541, or 18 percent, were actually completed houses.²³⁴ Working at the same ratio, it may well be that the Department in fact only completed 6000 homes in the year under review.²³⁵ This matter is further confused by comments made in the Department's operational plan for 2004/05 which states that in the year it intends to construct 23 149 'housing units.'²³⁶ It is confused yet further by the MEC's announcement in March 2005 that the Department has built 21 510 houses in the 2004/05 financial-year as was ranked in the top three provinces in terms of housing delivery.²³⁷

Another issue relating to the Department's presentation of data that has arisen during this research is that there is no consistency in the way that the Department presents statistics in regard to housing backlogs in the province. This has led to a situation where there is a lack of clarity in regard to the Department's achievements in terms of house construction. The national Department of Housing has committed itself to eradicating informal housing by 2014.²³⁸ Mindful of this commitment, the MEC for Housing, Local Government and Traditional Affairs in the Eastern Cape recently stated that 'our housing backlog to date is estimated at 836 980 and we plan to complete it by 2010.'²³⁹ However, it is not clear from this statement if the MEC is indicating that there are 836 908 citizens in needs of housing or that there is a housing unit backlog of 836 908. The situation is further confused by the fact that the provincial Department recently claimed that it was to build 200 000 more homes in

²³⁰ State of the Province Address, Premier Nosimo Balindlela, 18 Feb. 2005, http://www.ecprov.gov.za/Uploads/pdfFiles/05state_province_address.pdf, p. 16.

²³¹ Premier Balindlela, Media Lock-up, Bhisho, 18 Feb. 2005.

²³² Department of Housing, Local Government and Traditional Affairs, Strategic Plan, 2004-09, p. 17.

²³³ Department of Housing, Local Government and Traditional Affairs, Annual Report, 2002/03, p. 32.

²³⁴ *Ibid*, p. 32.

²³⁵ Questions also need to be asked about the use of the term 'housing product'. For example, if a house under construction is included as a housing product in the 2003/04 calculations of the Department's output, it is conceivable that if it is completed in the 2004/05 financial year it could be included again as a 'housing product'. This means that it is possible that the Department is actually counting houses in various states of completion more than once it in reporting to the Legislature and public.

²³⁶ Department of Housing, Local Government and Traditional Affairs, Operational Plan, 2004/05, p. 27.

²³⁷ Neo-Moerane, MEC for Housing, Local Government and Traditional Affairs, Policy Speech 2005/06, 17 March 2005, p. 9.

²³⁸ *I Miyalezo*, Eastern Cape Department of Housing, Local Government and Traditional Affairs supplement to *Daily Dispatch* and *Herald* newspapers, 14 March 2005, p. 6.

²³⁹ Neo-Moerane, MEC for Housing, Local Government and Traditional Affairs, Policy Speech 2005/06, 17 March 2005, p. 10.

the coming five years.²⁴⁰ This would seem to imply that the MEC was in fact referring to the number of households who were not living in proper housing. It is obvious that the Department needs to unambiguously report its achievements to the Legislature and the public to fulfill its obligations around transparent and accountable government.

It is encouraging to note that in the Department's operational plan for 2004/05 the Department committed itself to carrying out a long overdue needs analysis which will quantify the housing needs of each municipality. It stated that this would be done in the first three quarters of the year with the final quarter dedicated to using the information to create a new provincial housing development plan.²⁴¹ It stands to reason that the Department can only realistically address, what the Department has recently called the 'huge housing ... backlog' in the province, if it is fully conversant with the nature of the challenge that it faces.²⁴² Given the confusion that presently exists over the presentation of the Department's data it is essential that the results of this needs analysis clearly state how many citizens still need to be properly housed, how many households this represents, and, crucially, how many homes need to be built to meet this demand.

In regard to the monitoring of the quality of housing the Premier encouragingly noted in her state of the province speech in February 2005 that housing project managers had been appointed in all municipalities and that the Department was in the process of employing clerks of works to strengthen the evaluation and monitoring of housing projects throughout the province. However, the Premier also noted that her government was 'still lacking' in regard to the 'monitoring and evaluation of ... programmes and projects.'²⁴³ While these developments are to be commended, their significance must not be exaggerated. It is clear that there are still far too few project managers in place to manage housing projects. As the MEC noted in his policy speech for 2004/05 'in terms of norms and standards the ratio of project managers to the number of projects per project manager is still far below the envisaged level.'²⁴⁴ Nevertheless, the Premier's comments in regard to the monitoring of house construction in the province are welcome, particularly because it is critical that not just houses are built, but quality houses are built which do actually represent the effective use of public resources.

In an encouraging development in regard to the quality of homes, the Department announced in February 2005 that it intended carrying out an assessment of all housing projects within the province.²⁴⁵ The Department spokesperson, Mbulelo Linda, stated that this was in response to complaints from various communities about the poor quality of their homes. Linda said that the Department wanted to get a 'clean' audit report for the 2004/05 financial-year. Despite this, Linda stated that the assessment had not been triggered by the Auditor-General's findings in relation to the quality of homes being constructed during the 2002/03 and 2003/04 financial-years.

²⁴⁰ Imiyalezo, Eastern Cape Department of Housing, Local Government and Traditional Affairs, p. 6.

²⁴¹ Ibid, p. 26.

²⁴² Department spokesperson Mbulelo Linda quoted in, 'Dept beats housing delivery targets,' *Daily Dispatch*, 15 Jan. 2005.

²⁴³ State of the Province Address, Premier Nosimo Balindlela, 18 Feb. 2005, http://www.ecprov.gov.za/Uploads/pdfFiles/05state_province_address.pdf.p, 20.

²⁴⁴ Department of Housing, Local Government and Traditional Affairs, Policy Speech, 2004/05, p. 4.

²⁴⁵ This seems to have been in response to the Auditor-General's recommendation allegedly contained in his report on corruption and mismanagement in the Port Elizabeth Metro.

It what can only be described as criticism of the Auditor-General, Linda stated that the Auditor-General had only inspected older homes and had made no more than 'general statements.' Linda's contention is hardly consistent with the findings of the Auditor-General as detailed above, and, once again, demonstrates a worrying disregard for the oversight process. In fact, so seriously were his comments taken that Linda was forced to publicly apologise to the Auditor-General a few days later. Linda was quoted as saying that it was 'an error to make such statements' noting that the Department viewed the Auditor-General's role 'in an important light' and appreciated 'the Auditor-General's efforts in monitoring and evaluating our work.'²⁴⁶

Linda also noted that once the Department had carried out its assessment of the homes that had already been constructed it would ask the provincial Treasury and national government for help with funds to repair houses. This statement merely reasserts the veracity of the Auditor-General's findings from the two previous financial-years, where he stated that he feared that the Department would become liable for the repair of sub-standard homes. What is perhaps most alarming from the statement is the fact that the Department seems to believe that it will be rescued by the provincial and national treasuries.²⁴⁷ This seems highly unlikely given that the provincial Treasury currently has a deficit of R2.4 billion which it is hoping to eradicate in the next two financial-years.²⁴⁸ Therefore, it is not clear where the Department hopes to source the budget necessary for it to make good repairs to sub-standard houses, that are sub-standard for no other reason that the Department's inability to effectively monitor the use of its transfer payments.

In regard to incomplete homes and stalled housing projects the MEC announced in March 2005 that a six month audit would take place during the 2005/06 year to establish exactly why so many housing projects in the province were stalled.²⁴⁹ As part of this audit the MEC also announced that plans would be developed to complete all outstanding projects.²⁵⁰ This was one of a number of policies priorities set out by the MEC during her policy speech in March 2003.

The MEC also announced that the provincial Department of Public Works would partner with the Department of Housing, Local Government and Traditional Affairs to build project management capacity at municipal level.²⁵¹ The likely success of this programme, however, is debatable. The provincial Department of Public Works itself experiences chronic capacity problems. In its 2003/04 annual report the Public Works Department noted that its Property Development Directorate, which is responsible 'for the management of planning and design, building and facilities construction management and provision of building professional services on behalf of other government departments' had a 73 percent vacancy rate. This directorate had only 11 staff, despite having 43 approved posts. Overall the Department of Public Works

²⁴⁶ 'Linda retracts AG comments,' *Daily Dispatch*, 12 Feb. 2005.

²⁴⁷ 'Audit of RDP housing ordered,' *Daily Dispatch*, 10 Feb. 2005, 'Linda retracts AG comments,' *Daily Dispatch*, 12 Feb. 2005.

²⁴⁸ 'Bhisho's deficit blow-out,' *The Herald*, 23 Feb. 2005.

²⁴⁹ It is interesting to note the situation in this regard in other provinces. Currently the Mpumalanga administration has frozen all house construction due to fears of corruption and poor quality home construction. Both Limpopo and Gauteng provinces have appointed commissions to investigate housing delivery problems. See *City Press*, April 10, 2005.

²⁵⁰ Neo-Moerane, MEC for Housing, Local Government and Traditional Affairs, Policy Speech 2005/06, 17 March 2005, p. 11.

²⁵¹ *Ibid*, p. 11.

has a 65 percent vacancy rate in regard to critical occupations in the 2003/04 financial year.²⁵²

The MEC also promised that critical posts within her department in relation to information technology, financial management and supply chain management would be prioritised and all vacant posts would be filled in the first quarter of the 2005/06 financial-year.²⁵³ While the PSAM welcomes this commitment to fill vacant posts similar promises have been made year on year by the Department to no avail.

Chief among the MEC's stated priorities for the year under review was the creation of a staff retention strategy which would be part of an 'integrated human resource development strategy'.²⁵⁴ While this appears to be a positive development it presupposes that the Department actually has the capacity to develop such strategies. Programme 4, Corporate Services, within the provincial Department of Housing, Local Government and Traditional Affairs, is tasked with implementing new policies relating to human resources, but indicated in the Department's annual report for 2003/04 that there was a shortage of human resources at management levels. It is interesting to note that in the 2003/04 financial-year this programme 'developed' seven new policies of which six were said to be in draft form. The only policy that was not in draft form at the end of the 2003/04 year was a 'cellular phone policy'.²⁵⁵

The MEC stated that her Department would forge new relationships with education institutions and the private sector to assist with capacity building and research work.²⁵⁶ While this is a commendable objective the Department needs to be cognizant of the concerns raised by the Auditor-General and the Public Service Commission in regard to the use of external expertise. The new MEC also noted that the Department would also ensure that the Department implements its performance management system.²⁵⁷ However, the Department has been promising to do just this since the 2002/03 financial-year and has failed to do so, despite the efforts of the Department's Standing Committee.

In terms of improving the quality of homes being constructed the MEC noted that the Department intended partnering with the South African Bureau of Standards, the NHBRC and the Council for Scientific and Industrial Research 'to set building standards for all our housing' that developers would have to adhere to.²⁵⁸ However, this objective contradicts the Department's statement in the same month that it already developed 'uniform norms and standards throughout the province'.²⁵⁹ It should also be remembered that as far back as 2002 the Department was supposed to ensure that all building work took place by registered NHBRC builders only to minimum standards as articulated in terms of the National Housing Act of 1997.

For any housing standards to be effective it stands to reason that they must be properly monitored. The Department acknowledged this in March 2005 when it noted

²⁵² Department of Public Works, Annual Report, 2003/04. pp. 94 & 149.

²⁵³ Neo-Moerane, MEC for Housing, Local Government and Traditional Affairs, Policy Speech 2005/06, 17 March 2005, p. 5.

²⁵⁴ *Ibid*, pp. 5-6.

²⁵⁵ Department of Housing, Local Government and Traditional Affairs, Annual Report, 2003/04, p. 47.

²⁵⁶ Neo-Moerane, MEC for Housing, Local Government and Traditional Affairs, Policy Speech 2005/06, 17 March 2005, p. 5.

²⁵⁷ *Ibid*, p. 6.

²⁵⁸ *Ibid*, p. 11.

²⁵⁹ *Imiyalezo*, Eastern Cape Department of Housing, Local Government and Traditional Affairs, p. 7.

that the success of housing policies would depend upon 'an effective evaluation and monitoring system.'²⁶⁰ In this regard, the MEC stated that the operations of Community Development Workers would be strengthened, and SLAs with municipalities would be created which set clear targets and had proper reporting mechanisms. The MEC noted that, to this end, the Department would develop 'an integrated monitoring system for all our development projects.'²⁶¹ Despite these welcome commitments concerns remain about the Departments ability and willingness to properly monitor service delivery. It has failed to do so adequately in the past, and questions must be asked about its ability to properly monitor SLAs between itself and municipalities.

The Department also noted in March 2005 that, as a result of a MINMEC decision responsibility for housing development had been transferred back to the provinces and away from the municipalities. In terms of this decision, municipalities could only be accredited for administering housing programmes once they demonstrate that they 'possess the required capabilities to execute the housing function.'²⁶²

This decision seems to get at the heart of the problem with housing delivery in the Eastern Cape because it recognises that municipalities themselves lack the necessary capacity to implement housing policy. But the problem is that it implies that the provincial and national departments of housing have the capacity to deliver. But what is clear from this report is that the Eastern Cape Department of Housing, Local Government and Traditional Affairs lacks the capacity to meet its mandate and deliver houses in the province. In addition, this report has also shown that the national Department of Housing lacks the necessary capacity and expertise to ensure the successful implementation of housing programmes and initiatives on a national scale. At all three tiers of government the capacity to deliver is compromised, and until this critical issue is properly addressed housing delivery in the Eastern Cape is unlikely to improve over the short or medium terms.

²⁶⁰ Ibid, p. 6.

²⁶¹ Neo-Moerane, MEC for Housing, Local Government and Traditional Affairs, Policy Speech 2005/06, 17 March 2005, pp. 26-27.

²⁶² Imiyalezo, Eastern Cape Department of Housing, Local Government and Traditional Affairs, p. 5.