

2016 EASTERN CAPE DEPARTMENT OF HUMAN SETTLEMENTS



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Budget Brief of ECDHoS Budget for 2016/2017

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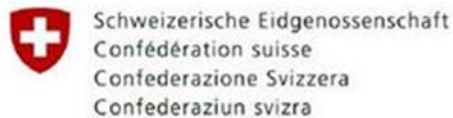
OUR ORGANIZATION

The South African Constitution commits government departments to the progressive realisation of socio-economic rights within available resources. These rights include the right to education, healthcare, housing, a healthy environment and social welfare. In order to effectively realise these rights through the delivery of public services, state departments and private service providers responsible for the management of public resources must implement effective accountability and service delivery systems. These include: planning and resource allocation systems; expenditure management systems; performance monitoring systems; integrity systems; and, oversight systems. The effectiveness of these systems can be established by monitoring their information outputs. To evaluate these systems, the PSAM produces the following reports annually; Budget Analysis, Strategic Plan Evaluation and Expenditure Tracking Reports alongside occasional service delivery reviews.

Visit- <http://www.ru.ac.za/psam/>

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Swiss Agency for Development and Cooperation SDC



KEY MESSAGES

- The Eastern Cape Department of Human Settlements receives a total allocation of R2.349 billion in 2016/2017 and a total of allocation of R8. 062 is availed over the 2016 MTEF
- In 2015 the Eastern Cape housing backlog was estimated to be over **600 000 housing units**.
- With the allocated budget, the Department is planning to build 13180 housing units, install 10606 service stands and to rectify 1 899 housing units in 2016/2017.
- In 2015 the Department completed 8962 of the planned 13 100 housing units, 2569 of the planned 2 311 defective units were rectified and 8 059 of the targeted 10 231 sites were serviced.

3 %

is the Eastern Cape Department of Human Settlement's share of the provincial budget

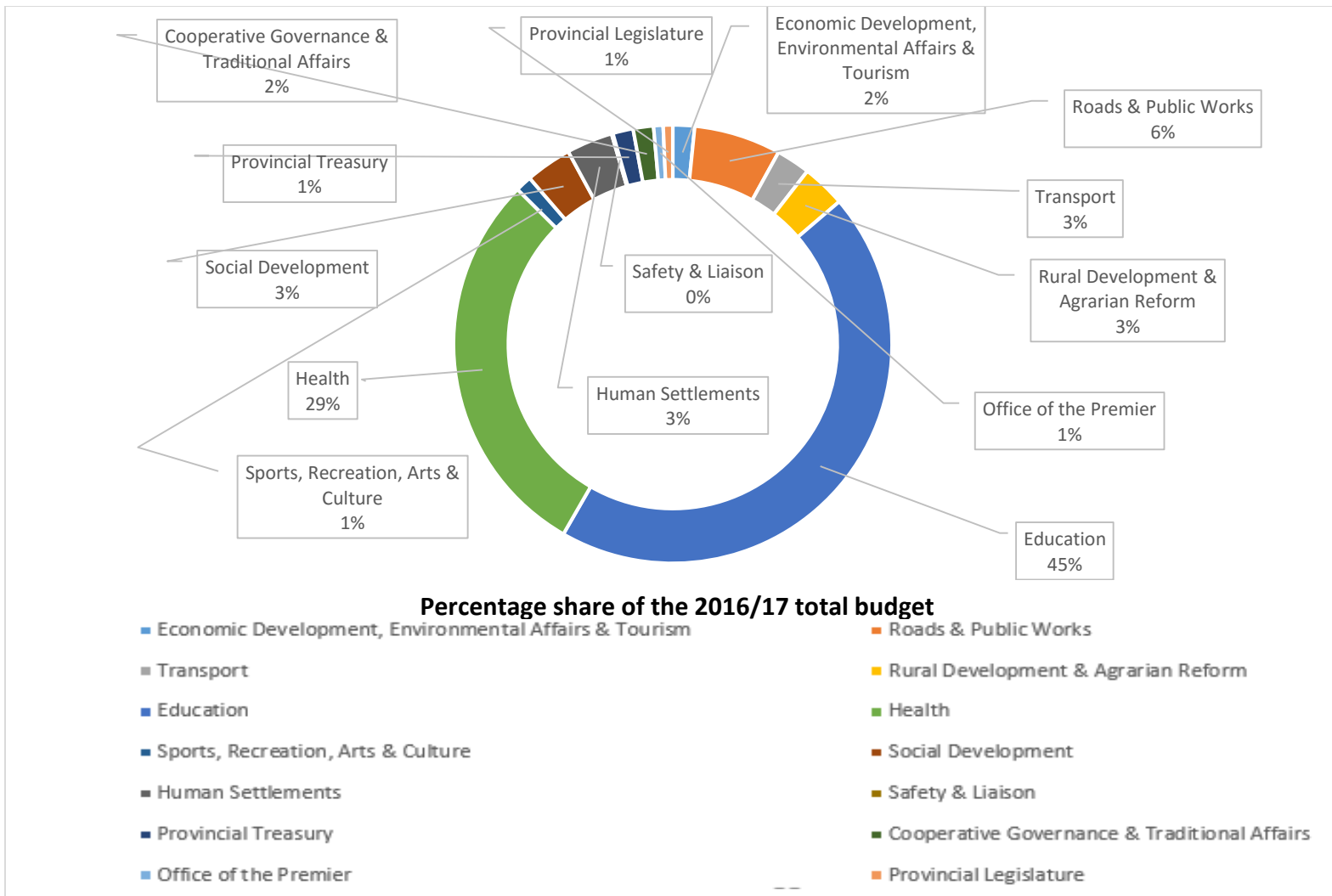
INTRODUCTION

This brief explores the budgetary allocation for the Eastern Cape Department of Human Settlements (ECDoHS) for the 2015/16 financial year. By asking a number of questions, looking at past spending trends and housing outputs vis-à-vis the current backlog, this brief seeks to analyse the ECDoHS budget in light of the constitutional mandate to deliver adequate housing. The 2016 budgets were tabled at a time when the country's economic condition is very fragile; the rand has depreciated, business confidence is weak and the country was going through a drought. This year the country's economic growth is at 0.9 per cent and the average economic growth between 2010 and 2016 is 2.1 per cent.¹ As the Finance Minister, Hon Pravin Gordhan, stated during the delivery of the budget speech, "We cannot spend money we do not have. We cannot borrow beyond our ability to repay. Until we can ignite growth and generate more revenue, we have to be tough on ourselves".²

¹ Sachs, M. (2016). Budget 2016: A resilient South Africa Making Hard Choices in Difficult Times (A Presentation given on the 08 April 2016 In Cape Town.

² Gordhan, P. (2016). 2016 Budget Speech accessed from:

<http://www.treasury.gov.za/documents/national%20budget/2016/speech/speech.pdf>



Pie chart 1: Adapted from the Eastern Cape 2016 People’s Budget Guide

However, as McLaren notes “in good times and in bad, government is under an obligation to put forward a budget that advances human rights”.³ The Eastern Cape Province budget for the financial year of 2016/17 is **R69.5 Billion**. The budget is the financial expression of national, provincial and local government policy priorities.

The mission of the Department of Human Settlements is to facilitate the creation of sustainable human settlement and improve the quality of household life. Its functions are to determine, finance, promote, communicate and monitor the implementation of housing and sanitation programmes. This is in line

³ McLaren, Daniel. (2016). *With Its Available Resources: Socio-Economic Rights and the National Budget*. Johannesburg: Studies in Poverty and Inequality Institute

with the Department of Human Settlement's mandate in terms of Section 26 of the South African Constitution (Act 108, 1996) which states

“Everyone has the right to have access to adequate housing. The state must take reasonable legislative and other measures, within its available resources, to achieve the progressive realisation of this right”.

In addition, South Africa, as a member of the United Nations, has an obligation to meet the agreement expressed in the Sustainable Development Goals, which states 'halve the proportion of people living in slums by 2030'. The country is also expected to continue realising the obligations in the Millennium Development Goals that state 'by 2020 a significant improvement in the lives of at least 100 million slum dwellers will be achieved'. Government should ensure access to drinking water, access to improved sanitation facilities, secure tenure, sufficient living area and durability of housing.

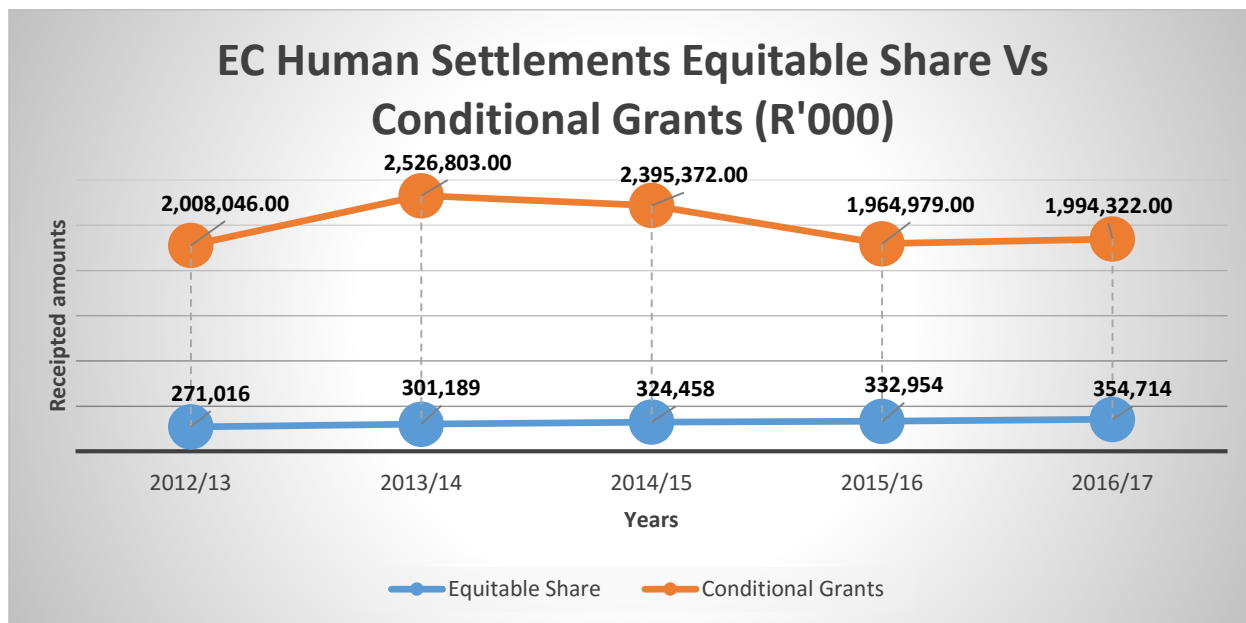
The budget for the department of Human Settlements consists of the equitable share budget and the conditional grant budget. The Constitution provides that each sphere of government - national, provincial and local - is entitled to an equitable share of revenue raised nationally to enable it to provide basic services and perform the functions allocated to it. The ECDoHS receives an equitable share budget from the province to enable it to perform operational functions (of the conditional grant). Operational activities include filling of critical vacancies, capacity development of municipalities, housing research and planning amongst other activities. The equitable share is an unconditional allocation and serves as the main source of revenue for provincial expenditure responsibilities.

The major function of the Department is driven by Conditional Grants. The conditional grant allocation funds the implementation of housing projects such as bulk infrastructure, upgrading of informal settlements, unblocking of projects and the construction of top structures.

“There are multiple factors affecting the performance of the Department but the major factor identified is insufficient resources to complement the growing conditional grant allocation for planned housing projects. More recently conditional grant allocations have also become increasingly insufficient for implementing bulk infrastructure thereby delaying the implementation of projects”.

(Chiweshe, 2013: 8)

The then MEC of human settlements in Eastern Cape, MEC Mabandla, bemoaned the apparent misalignment between the Equitable share budget and the Conditional grant budget in her 2010/11 policy. She noted that “the misalignment of the Equitable Share budget with the Conditional grant...remains an area of serious concern to the Department as it impacts negatively on essential operational activities that have a direct bearing on the Conditional Grant.” It is worrying to note that the misalignment between the equitable share budget and the conditional grant budget still persists as shown by the graph below



1 HOW IS THE HUMAN SETTLEMENTS DEPARTMENT DEFINED?

The constitution of the Republic of South Africa established housing as a concurrent schedule 4A function between national and provincial government, with no role for local government. However, according to the Housing Act and the National Housing Code, local government has a role to play alongside national and provincial governments to ensure the constitutional right to housing is realised.⁴ The housing Act⁵ clarifies this by defining key national and provincial responsibilities, and assigns a role for municipalities that are accredited in terms of the Act. Accreditation of municipalities allows for the administration and implementation of housing programmes by municipalities. The Eastern Cape department of human settlements is then responsible for monitoring the performance of accredited municipalities. A framework for accrediting local authorities was finally put in place in

⁴ Mukorombindo, Yeukai. (2014). Eradicating Informal Settlements by 2014: A Goal Deferred. Grahamstown: Public Service Accountability Monitor

⁵ Act No. 107 of 1997.

2006, but to date only a handful of local authorities, the metros, have been granted a limited form of accreditation, as further described below.⁶ The Eastern Cape Department of Human Settlements has only two municipalities (Nelson Mandela Bay Metro and Buffalo City Municipality) that are accredited. That means that the provincial desk has to deal with the administration and implementation of housing programmes in all the other municipalities.

The national department of Human Settlements is responsible for establishing and maintaining a sustainable national housing development process. It does this by developing policy and strategy, determining delivery goals, monitoring and evaluating the sector's performance, establishing a national funding framework for housing development, and allocating the budget to provincial governments.

The Department is urged to expand and speed up the Municipal accreditation process beyond the two Metros if the current backlog is to be seriously dealt with.

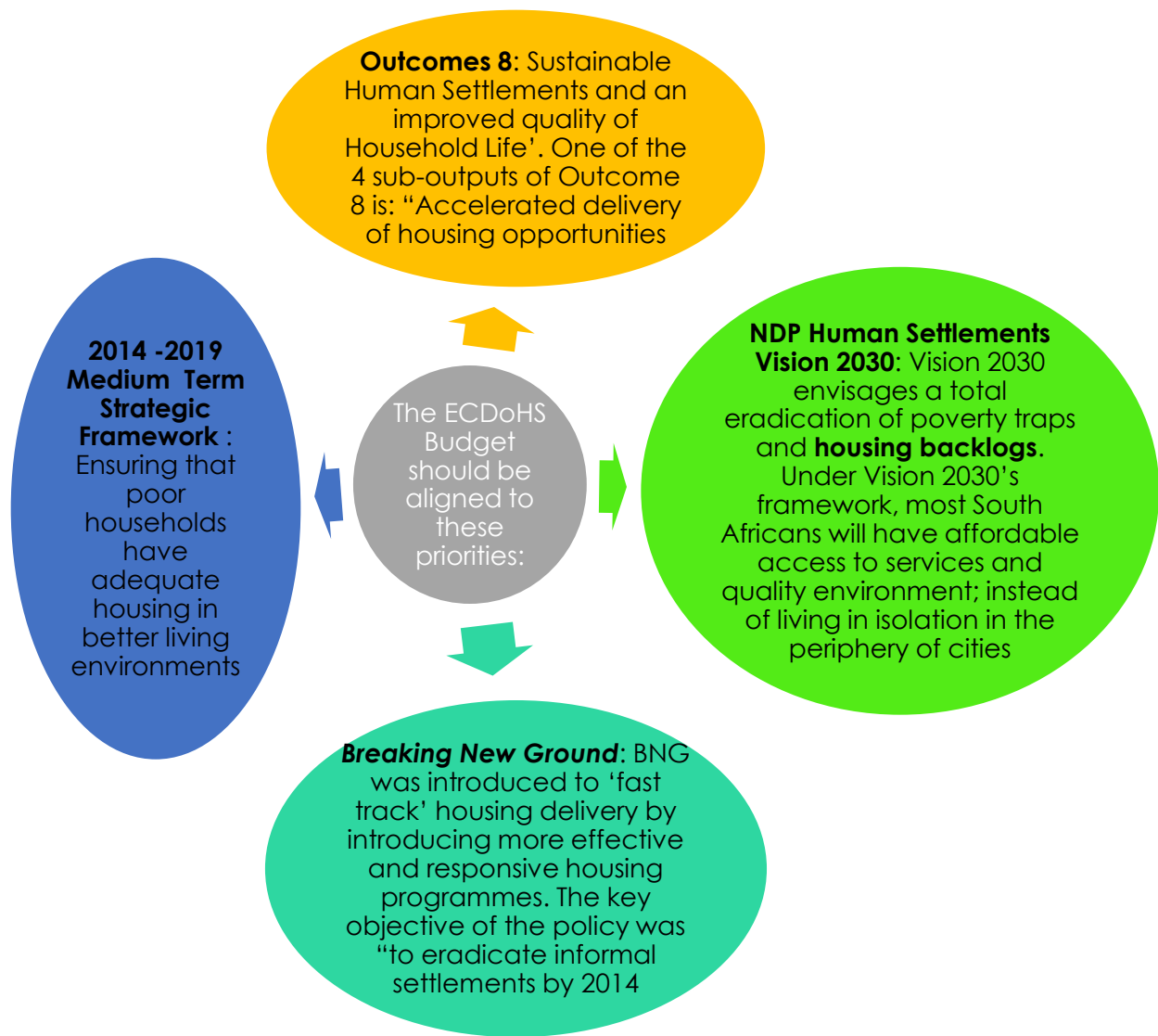
2 HOW DOES THE DEPARTMENT OF HUMAN SETTLEMENTS ADDRESS EC HOUSING CHALLENGES?

“Accordingly, we are continuing with our programme of providing sustainable human settlements for our people” – Premier of the Eastern Cape, Hon Phumulo Masualle (2016 State of the Province Address).

Since 1994, South Africa has come up with a number of policies and initiatives to fast track housing delivery and thus fulfil its constitutional obligation. South Africa is also a signatory to a number of international initiatives such as the United Nation's Millennium Development Goals which aimed to “slum-free” cities by 2014. The National Norms and Standards (2007) outlines the minimum physical

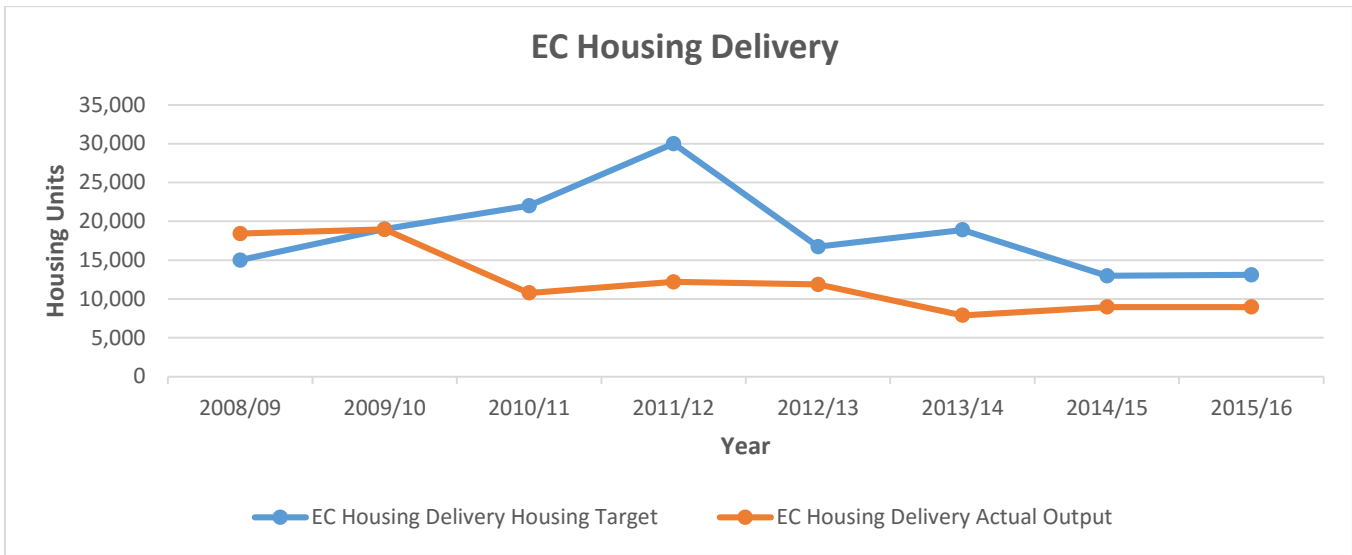
⁶ Tomlison, Mary. South Africa's Housing Conundrum. Retrieved from South African Institute of Race Relations: <http://irr.org.za/reports-and-publications/atLiberty/files/liberty-2013-south-africas-housing-conundrum>

requirements for standalone dwellings. Each house must have 40m² of floor space, two bedrooms, a separate bathroom with a toilet, a shower and hand basin, and a combined living area and kitchen.⁷



In light of the above policy priorities and the Constitutional obligation to deliver adequate housing, Provincial Human Settlements Departments should promote, co-ordinate housing programmes within the framework of national housing policy. Provinces approve housing subsidies and projects and provide support to municipalities for housing development. Municipalities make sure that, within the framework of national policy and provincial guidelines, constituents within their jurisdictional areas have access to adequate housing.

⁷ Wilkinson, Kate. FACTSHEET: The housing situation in South Africa accessed from: <https://africacheck.org/factsheets/factsheet-the-housing-situation-in-south-africa/>



Graph 1: Eastern Cape housing targets vs Housing delivery

EC Housing Delivery									
Year	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	Total
Housing Target	15,000	19,000	22,000	30,000	16,726	18,900	12,979	13,100	147,705
Actual Output	18,424	18,965	10,784	12,187	11,863	7,898	8,966	8,962	98,049

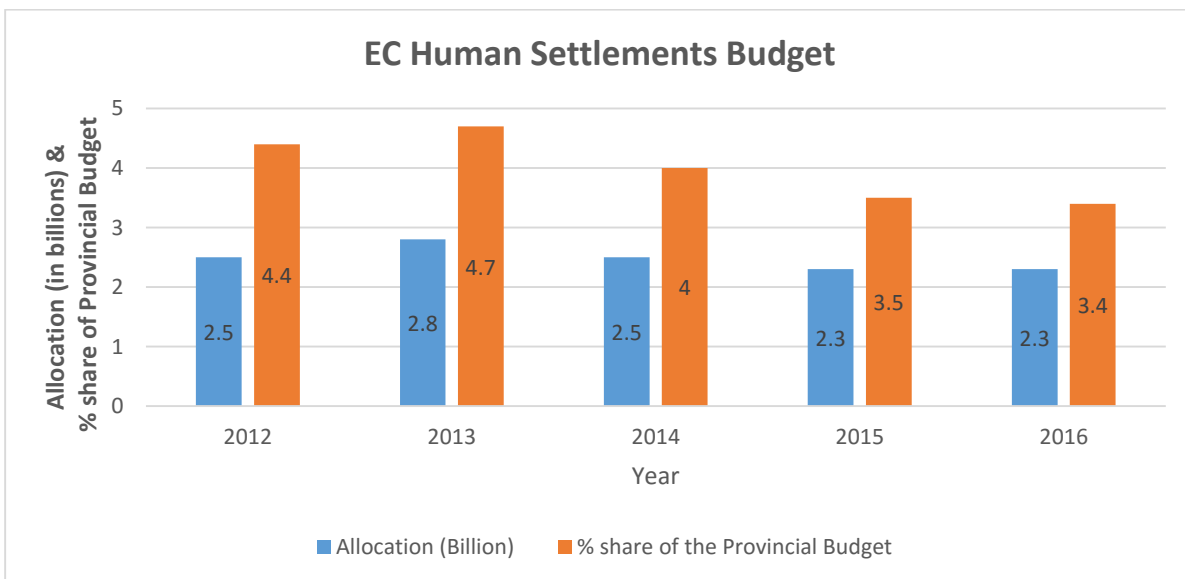
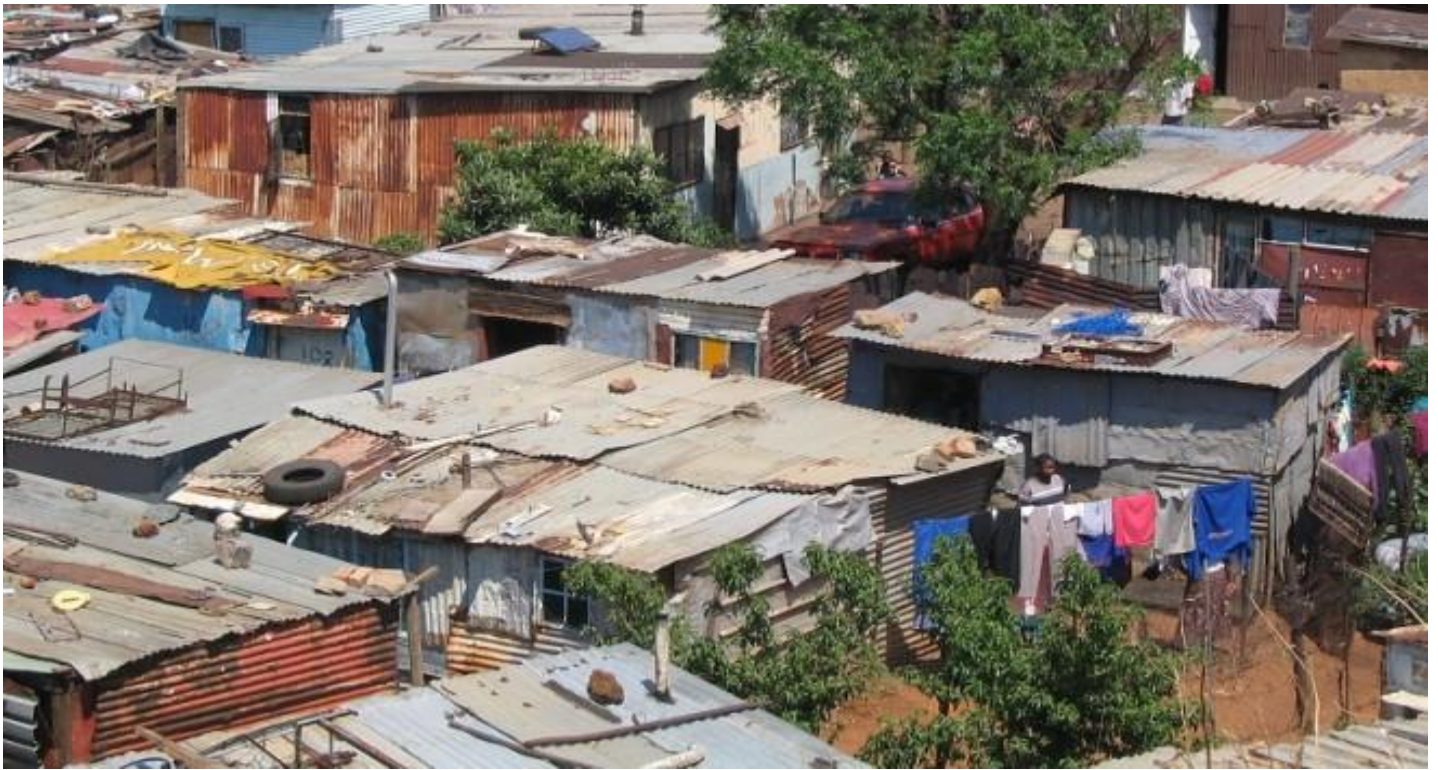
Despite a growing backlog which has been described as a “moving target”, the above graph shows that there has been a decline in housing targets and housing delivery within the Eastern Cape Province

Slow housing delivery has been identified as one of the leading causes for protests in the Province. For example, between the 2014 and 2015 it was reported that the police responded to 2045 service delivery protests around the Eastern Cape, mainly over housing, water and electricity.



Port Elizabeth residents burn a truck during a housing protest. Image source: HeraldLive 2015

3 WHAT TRENDS EMERGE FROM THE HUMAN SETTLEMENTS BUDGET?



Graph 2: ECDHoS budget allocation & Share of the provincial budget

EC Human Settlements Budget					
Year	2012	2013	2014	2015	2016
Allocation (Billion)	2.5	2.8	2.5	2.3	2.3
% share of the Provincial Budget	4.4	4.7	4	3.5	3.4

From the graph above, Treasury seems to be doing a good job despite the tough economic conditions of recent years with regard to allocations to the department of Human Settlements. One is able to see that the allocation to the Eastern Cape Department of Human Settlements has remained steady throughout the years. However, in light of the 2011 Census Statistic, which reported a massive outward migration in the province, and the steady allocation in the last 5 years, the question we should all be asking the ECDoHS:

WHY IS THE BACKLOG GROWING?

According to the Socio-Economic Rights Institute of South Africa (SERI) the housing backlog has increased exponentially since 1994 and the National Department refers to the housing backlog as a “moving target”.⁸ The extent of the backlog is evidenced by the fact that research into public protests in South Africa reveals that there are four times more protests over housing than any other service.⁹ For example, between the 2014 and 2015 it was reported that the police responded to 2045 service delivery protests around the Eastern Cape, mainly over housing, water and electricity.¹⁰ The housing backlog in the province is currently estimated to be around 600 000 housing units

WHY IS THE QUALITY OF HOUSES BEING BUILT DETERIORATING EACH YEAR?

Each year a portion of the Human Settlements budget is set aside for rectifications. Mark Haywood of Section27 phrases this question more broadly elsewhere when he asks, “why does the quality of social services look like it's declining”? For the 2015/2016 Financial year one of the policy priorities of the ECDoHS was to rectify 2 311 housing units.¹¹ In this year's State of the Province Address the Premier announced, “ for the current financial year we had planned to build 13 100 quality housing units,

“Lack of sufficient levels of monitoring and evaluation takes place, negatively impacting on the ability to assess levels of success and thereby identifying existing gaps and plan appropriately”-
SAHRC

⁸ Mukorombindo, Yeukai. (2014). Eradicating Informal Settlements by 2014: A Goal Deferred. Grahamstown: Public Service Accountability Monitor

⁹Lund, Troye. (2015). Provincial Housing Grants: Underspensing Rife. Accessed from: <http://www.financialmail.co.za/features/2015/03/25/provincial-housing-grants-underspending-rife>

¹⁰ <http://www.dispatchlive.co.za/gen/eastern-cape-police-pleased-with-annual-crime-stats/>

¹¹ 2015/16 Policy and Budget Speech, Delivered by MEC for Human Settlements – Ms. Helen Sauls-August at The Eastern Cape Provincial Legislature, 19 March 2015.

service 10 231 sites and rectify 2 311 units. Up to 97% of the targeted housing units were delivered, we have surpassed the target for site servicing and rectification."¹² The delivery of poor quality houses contributes to wasteful expenditure. In 2015 the South African Human Rights Commission (SAHRC), through public hearings, investigated access to housing, local government and service delivery. They found that, amongst other things, " private contractors frequently deliver houses of poor quality and are not held to account".¹³



shoddy construction. Image source: daily Dispatch, March 2015

4 HOW WELL HAS THE EC DEPARTMENT OF HUMAN SETTLEMENTS EXECUTED ITS PAST BUDGETS?

"Nento yokujika kwemali seyikhona apha ephondweni sithi mayiphele" – Hon Somyo, MEC for Finance Eastern Cape (Budget speech 2016)

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

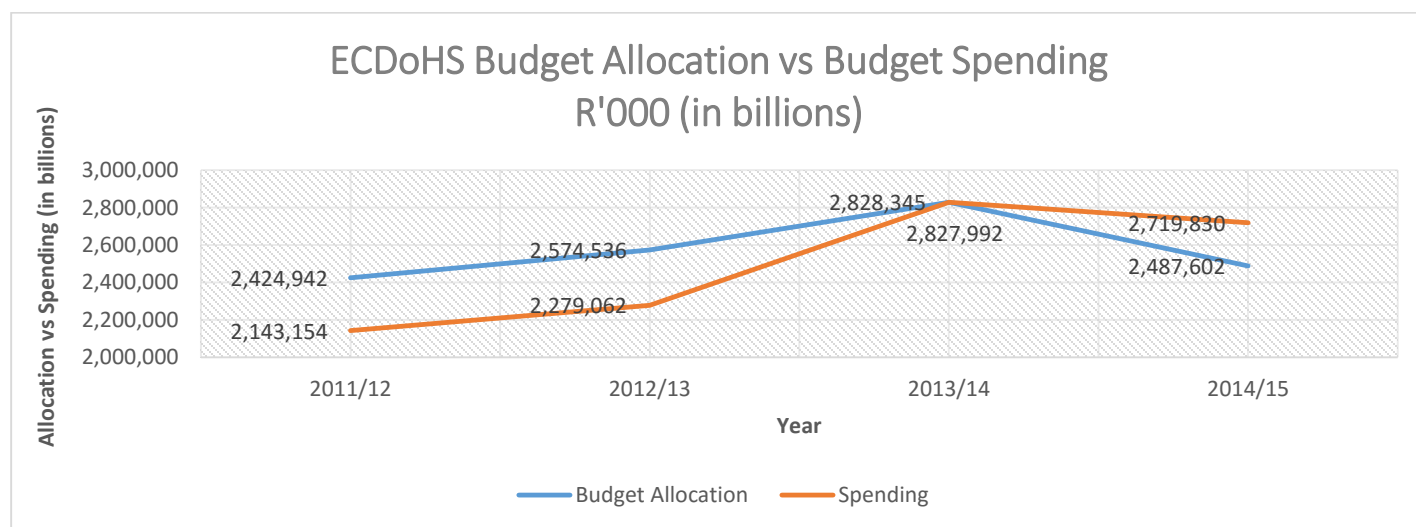
¹² State of the Province Address by Premier Phumulo Masualle, delivered in Bhisho, on 19 February 2016 (Page 23).

¹³

to them.¹⁴ There has been a widespread culture of underspending of allocated in the Eastern Cape. Over the years, the Province has underspent millions of Rand in several crucial departments, including Education, Health and Human Settlements. For example, In 2015/16 financial year the province is reported to have underspent R530 millions of its infrastructure grant for education and R98 million of its health budget.¹⁵

“Under-expenditure is a violation of the obligation to use all maximum available resources.”

During the 2011/2012 Financial year the ECDoHS underspent R 470 Million of its budget. Between 2009 and 2012/13 the ECDoHS underspent almost R 1 billion as a result of large. However, as the graph below shows, the department's spending has picked up in the last two years



Graph 3: ECDoHS Budget Allocation Vs Budget Spending

EC Human Settlements Spending vs Budget Allocation (R'000)		
Year	Budget Allocation (Billion Rands)	Spending (Billion Rands)
2011/12	2,424,942	2,143,154
2012/13	2,574,536	2,279,062
2013/14	2,828,345	2,827,992
2014/15	2,487,602	2,719,830

¹⁴ Overy, N. (2005). Housing in The Eastern Cape: A crisis of Delivery. Grahamstown: Public Service Accountability Monitor

¹⁵ Sesant, S. (2016, April 6). EC Stands to Forfeit Over A R1 BLN Due to Underspending. Retrieved from Eyewitness News: <http://ewn.co.za/2016/03/24/EC-stands-to-forfeit-over-a-R1-blm-due-to-underspending>

