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2020

Human Settlements Budget Brief

Public Service Accountability Monitor
Eastern Cape, South Africa



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Budget Brief: Human Settlements Water and Sanitation Eastern Cape

2020/21

September 2020

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Monitoring and Advocacy Programme

Public Service Accountability Monitor

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Introduction

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

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

systems, the PSAM has developed a set of evidence-based tools for monitoring the information produced annually by each system.

FINDING

The national budget for Human Settlements has been reduced by 12% in real terms between 2019/20 and 2020/21². There have also been reductions to provincial allocations. There is no dedicated grant for upgrading of informal settlements in the current financial year for the Eastern Cape Province. This translates to inadequate funds shared between programmes from the Human Settlements Development Grant (HSDG).

RECOMMENDATION

Further budget cuts for the Department of Human Settlements will be detrimental to the provision of adequate housing and the creation of sustainable human settlements. The Department should consider requesting more funds from National Treasury for Human Settlements Programmes and for upgrading of informal settlements which the Department aims to increase delivery.

FINDING

Provision of basic services like water, sanitation electricity, and bulk infrastructure which are key to upgrading informal settlements do not have clear budget lines within the Human Settlements Department.

RECOMMENDATION

The amalgamation of the Department of Water and Sanitation and Human Settlements nationally should translate to collaboration on planning and budgeting nationally and provincially. The Fiscal and Financial Commission has often recommended that direct conditional grants to municipalities be used as indirect conditional grants come with risks of weakened accountability since the municipality/province where the infrastructure is developed is not directly involved. The FFC recommendations must be considered seriously and a direct municipal grant can be used to roll out water and sanitation.

FINDING

The Department of Human Settlements, Water and Sanitation planned to undertake water projects to address water shortages in drought-stricken provinces. The COVID-19 pandemic has resulted in the Department prioritising the provision of water tanks in order to improve water supply in rural communities and informal settlements to curb the spread of the disease, delaying the planned projects for the current financial year.

RECOMMENDATION

The Department of Human Settlements must consider long term sustainable solutions that mitigate the impact of drought and disease outbreaks on the lives of the citizens especially

² National Estimates of national Expenditure. 2021/22 R31.8 billion was allocated 2022/23 R32.8 billion allocated. When inflation is factored the allocation is R29.1 billion and R28.7 billion respectively according to Vulekamali Online: <https://vulekamali.gov.za/2020-21/national/departments/human-settlements/>

informal settlements residents. The COVID-19 pandemic provides an opportunity for government to revisit policy on informal settlements in order to create more habitable living environments for the poor. Making available urban land for human settlements, ensuring a proactive and formal urban planning process for human settlements where communities can build their structures can help address the problem of informal settlements that emerge haphazardly and result in overcrowding.

FINDING

In response to COVID-19, The Department of Human Settlements provided funds to create settlements in order to relocate and 'decongest' congested informal settlements including the Duncan Village informal Settlements in the Eastern Cape Province through reprioritisation of funds from the Urban Settlements Development Grant. The need for relocation raises recurring policy debates relating to ensuring sustainable solutions to the challenges of informal settlements, i.e. whether to relocate or upgrade in situ.

RECOMMENDATION

The COVID-19 pandemic offers an opportunity to review policy on informal settlements and make adequate housing provision for the urban poor population central to the Department's mandate. It is therefore recommended that the Department of Human Settlements undertake more research work on sustainable solutions to the challenge of informal settlements which will inform the allocation of budget towards the programme.

Effective budgeting for informal settlements can go a long way in upgrading informal settlements, provision of water, sanitation, electricity and infrastructure.

This budget analysis focuses on one key programme which the National Department of Human Settlements has prioritised.³ The National Department, in its response to COVID-19, indicated that through its **Informal Settlements Upgrading Programme (ISUP)**, it will minimise the impact of the pandemic.⁴ Though the ISUP was not initially a COVID-19 Plan but an ongoing Human Settlements programme before the time of the pandemic, the Department wants to expedite the existing plan for the benefit of protecting individuals from COVID-19.⁵ The Department does not consider its COVID-19 response as independent of the overall plan for the upgrading of informal settlements. It acknowledges the need to speed up its implementation as a way of addressing the challenges presented by COVID-19. Upgrading of informal settlements is important in improving the health and well-being of the poor who live in informal settlements.

The National Department of Human Settlements has allocated R4.6 billion from the Human Settlements Development Grant and Urban Settlements Development Grant for the purposes of unblocking and decongesting informal settlements.⁶ National Treasury approved reallocations to be made according to section 20 (6) of the Division Revenue Act, 2019.⁷ These included R2.4 billion in Urban Settlements Development Grant to metropolitan municipalities to provide water and sanitation in informal settlements and cover increased costs of more frequent waste management and other services.⁸ R1.5 billion in Municipal Infrastructure Grant allocations was reallocated for the provision of water and sanitation, including where urgent maintenance is needed to restore the functionality of water infrastructure.⁹ R306 million in the indirect Regional Bulk Infrastructure Grant was reallocated at the end of the 2019/20 national financial year and transferred to Rand Water to fund the roll-out of water tanks to supply communities without reliable access to water services. A further amount of R151 million was

³ Department of Human Settlements. Online: <http://www.dhs.gov.za/content/media-statements/minister-sisulu-declares-136-priority-human-settlements-and-housing>

⁴ Parliament Monitoring Group, 21 April 2020. Minister and Deputy Minister on impact of COVID-19 and initiatives undertaken by Department to address this. Online: <https://pmg.org.za/committee-meeting/30104/?via=homepage-feature-card>

⁵ Ibid 2

⁶ South African Government. Speaking notes by Minister for Human Settlements Water and Sanitation, Lindiwe Sisulu. Online <https://www.gov.za/speeches/minister-lindiwe-sisulu-government%E2%80%99s-response-coronavirus-covid-19-pandemic-29-apr-2020>

⁷ Division of Revenue Act, 2019. Online https://www.gov.za/sites/default/files/gcis_document/201905/42439gon636divisionofrevenueact16of2019.pdf

⁸ National Treasury. Media statement. COVID-19 support to municipalities 12 May 2020. Clarity on Financial Support of R5 billion already made available to municipalities for COVID-19 response. Online http://www.treasury.gov.za/comm_media/press/2020/20200512%20Media%20statement%20-%20Covid-19%20support%20for%20municipalities.pdf

⁹ National Treasury. Media statement. COVID-19 support to municipalities 12 May 2020. Clarity on Financial Support of R5 billion already made available to municipalities for COVID-19 response. Online http://www.treasury.gov.za/comm_media/press/2020/20200512%20Media%20statement%20-%20Covid-19%20support%20for%20municipalities.pdf

approved for release from the Municipal Disaster Relief Grant to support non-metropolitan municipalities with the costs of sanitisation, and increased provision of other municipal services.¹⁰

The ISUP is considered in relation to its key related aspects namely the provision of water and sanitation, electricity and provision of bulk infrastructure. This analysis comes at a time of the global outbreak of COVID-19, corona virus that has killed 808 410 people globally by 24 August 2020 according to the World Health Organisation (WHO)¹¹. In South Africa by 24 August 2020 total infections stood at 609 773 with 13 059 confirmed deaths according to Government communications updates. The virus started in Wuhan, a city in China and spread across the world causing severe respiratory problems and pneumonia that results in death.¹² This pandemic has brought the issue of informal settlements to the fore because the disease is easily transmitted in areas that are highly populated like informal settlements where overcrowding makes physical distancing almost impossible. Access to water and proper sanitation becomes of critical importance when there is an outbreak of a disease like COVID-19.

In South Africa an estimated 43% of the population does not have access to clean water.¹³ More than 3 million people are estimated to have no access to a safe and reliable water supply and an estimated 14.1 million people do not have access to safe sanitation. In addition, the reliability of services to the country's households has declined to an estimated at 57% as a result of, *inter alia*, aging infrastructure and poor operations and maintenance.¹⁴ The Eastern Cape Province has the most unreliable water supply and sanitation services at 49%, followed by Limpopo Province at 53% with Gauteng and the Western Cape having the most reliable at 85% and 87% respectively.¹⁵ Failure to supply water and sanitation is largely due to lack of technical skills, institutional capacity and funding to operate, maintain and manage water and waste water infrastructure assets properly.¹⁶

¹⁰ National Treasury. Media statement. Covid-19 support to municipalities 12 May 2020. Clarity on Financial Support of R5 billion already made available to municipalities for COVID-19 response. Online http://www.treasury.gov.za/comm_media/press/2020/20200512%20Media%20statement%20-%20Covid-19%20support%20for%20municipalities.pdf

¹¹ World Health Organisation (WHO). Online https://www.who.int/docs/default-source/coronaviruse/situation-reports/20200517-covid-19-sitrep-118.pdf?sfvrsn=21c0d4fe_6

¹² World Health Organisation (WHO). Online <https://www.who.int/emergencies/diseases/novel-coronavirus-2019>

¹³ International Budget Partnership, 2020. Let's protect Each other: IBP South Africa's COVID-19 response. Online: <https://www.internationalbudget.org/2020/04/covid-19-in-south-africa/>

¹⁴ Department of Water and Sanitation Strategic Plan 2020/21-2024/25. Online http://pmg-assets.s3-west.amazonaws.com/Department_of_Water_and_Sanitation_Strategic_Plan_2020_21_to_2024_25.pdf

¹⁵ Department of Water and Sanitation Strategic Plan 2020/21-2024/25 Online http://pmg-assets.s3-west.amazonaws.com/Department_of_Water_and_Sanitation_Strategic_Plan_2020_21_to_2024_25.pdf

¹⁶ Department of Water and Sanitation Strategic Plan 2020/21-2024/25 Online http://pmg-assets.s3-west.amazonaws.com/Department_of_Water_and_Sanitation_Strategic_Plan_2020_21_to_2024_25.pdf

Department of Human Settlements Water and Sanitation COVID-19 response

In response to COVID-19, the National Department of Human Settlements, Water and Sanitation planned to provide communal water storage with water collection points, provide public places for washing of hands, and provide sanitisers in high density areas through the Urban Settlements Development Grant.¹⁷ The Department of Human Settlements Water and Sanitation allocated water tanks to the different provinces, with the highest allocation to the Eastern Cape Province of 5 395 followed by KwaZulu Natal with 4 011.¹⁸ Although this is an immediate positive response to improve water supply, progress on upgrading informal settlements going beyond the pandemic is critical for Human Settlements solutions in South Africa. In this regard, informal settlements policy and implementation becomes crucial.

It is encouraging to see the response the minister took to open up more land for relocating people from highly congested informal settlements in the country including the Duncan Village in the Eastern Cape, which is one of the largest informal settlement in the country and Dunoon in Cape Town.¹⁹ On 21 July 2020, the Minister reported that 1000 Temporary Residents Units (TRUs) had been built at Duncan Village.²⁰ In her Budget Vote 33 speech, the Minister indicated that other priorities included consolidating the occupation rights into formal tenure, access roads, water reticulation, sanitation and electricity. R2.4 billion and R2.2 billion had been allocated to provinces and metros respectively.²¹ Minister Sisulu's response during this pandemic reflects the dire need for urban land to be made available for the purpose of housing development. The government in its policy must consider purchasing more land or expropriating land in accordance with existing law to secure urban land for human settlements.

De-densification / relocation²² has however come under scrutiny by civil society organisations for a number of reasons. One concern is that this processes increases pressure placed on scarce resources that could be directed towards providing water, sanitation and food relief for

¹⁷ Daily Maverick, 'The City has condemned us to death' says Khayelitsha resident after water turned off. Online; <https://www.dailymaverick.co.za/article/2020-03-26-the-city-has-condemned-us-to-death-says-khayelitsha-resident-after-water-turned-off/>

¹⁸ Department of Water and sanitation. COVID-19 Interventions. Presentation to the portfolio committee, 21 April 2020.

¹⁹ Dispatch Live, March 2020. Online https://www.dispatchlive.co.za/news/2020-03-29-covid-19-puts-duncan-village-project-in-the-fast-lane/?utm_source=&utm_medium=email&utm_campaign=Covid-19+puts+Duncan+Village+project+in+the+fast+lane+%7C%C2%A0Family+of+slain+student+blame+Ft+Hare+for+lax+security+%7C%C2%A0BCM+rustles+up+lockdown+shelters+for+homeless&utm_term=http%3A%2F%2Fwww.dispatchlive.co.za%2Fnews%2F2020-03-29-covid-19-puts-duncan-village-project-in-the-fast-lane%2F

²⁰ Minister Lindiwe Sisulu: Human Settlements Department Budget Vote Online <https://www.gov.za/speeches/minister-lindiwe-sisulu-human-settlements-dept-budget-vote-202021-21-jul-2020-0000>

²¹ Minister Lindiwe Sisulu: Human Settlements Department Budget Vote Online <https://www.gov.za/speeches/minister-lindiwe-sisulu-human-settlements-dept-budget-vote-202021-21-jul-2020-0000>

²² At the time of publication of this Budget Analysis several attempts had been made to contact the National Treasury and the Eastern Cape Department of Human Settlements to find out the budget allocation for the de-densification of informal settlements nationally and for the Duncan Village informal settlements. The cost was not made available to the researcher.

communities that do not want to be moved away from areas where they have economic and social networks.²³ An estimated R50 000 or more can be used for a single temporary residential unit and the amount can triple when including national registration regulation compliance and improved service standards.²⁴ This makes relocation expensive despite it not being a permanent solution to the challenges of informal settlements. Ensuring adequate supply of water, electricity and provision of proper sanitation in informal settlements is crucial both as a response to COVID-19 and for future creation of sustainable human settlements. It is therefore crucial to ensure adherence to procurement and delivery procedures as stipulated in the Municipal Supply Chain Management Regulations of the Local Government: Municipal Finance Management Act 56 of 2003. A lack of adherence to procurement procedures result in poor service delivery and inefficient use of resources. In this regard, the local municipality should be transparent in its procurement process with bid specifications or contract information on how often water should be delivered to fill water tanks in an informal settlement where water has to be delivered.²⁵

Table 1: Covid-19 interventions per province: Regional Bulk Infrastructure Grant adjusted budget ²⁶

Province	COVID -19 Intervention according to project	Adjusted/increased amount
Eastern Cape	Ndlambe drought emergency desalination plant	R80 000 000
	Rand Water Projects (COVID-19) Chris Hani District Municipality ²⁷	R55 438 000
	Rand Water Projects (COVID-19) OR Tambo District Municipality	R40 000 000
North West	Rand Water implemented projects (COVID -19)	R34 085 000

²³ Daily Maverick, 2020. De-densification of informal settlements as a crisis response is bad short-term thinking-14 Civil society groups. Online <https://www.dailymaverick.co.za/article/2020-04-20-de-densification-of-informal-settlements-as-a-crisis-response-is-bad-short-term-thinking-14-civil-society-groups/>

²⁴Development Action Group (DAG) Online: <https://www.dag.org.za/wp-content/uploads/2020/04/ngos-submission-re-de-densification-covid-19-full.pdf>

²⁵ Van der Westhuizen, C, Chigwata, T and De Visser, J, 2020. Transparency in local government procurement during Covid-19. Online: <https://dullahomarinstitute.org.za/multilevel-govt/publications/transparency-in-local-government-emergency-procurement-10-july.pdf>

²⁶National Treasury. Division of Revenue Amendment Bill, 2020 Appendix A Pg 53-58. Online: [http://www.treasury.gov.za/legislation/bills/2020/\[B09-2020\]%\(Division%20of%20Revenue%20Amendment%20Bill\).pdf](http://www.treasury.gov.za/legislation/bills/2020/[B09-2020]%(Division%20of%20Revenue%20Amendment%20Bill).pdf)

The purchase of water tanks and installation for all the provinces has a single budget as these would be purchased and distributed from national funds from the Department of water and sanitation. See also <https://pmg.org.za/committee-meeting/30104/>

²⁷ The Rand water service provided include purchasing of water tanks, transporting and installing them and supplying the water.

Western Cape	Citrusdal Waste Water Treatment works	15 000 000
Mpumalanga	Lekwa Water Services	R2 000 000
	Lekwa Outfall Sewer	R20 000 000
	Lekwa Water Supply	R29 040 000
	Embalenhle Bulk Sewer	R60 000 000
	Steve Tshwete Water Services	R35 839 000
Limpopo	Rand water implemented projects (COVID -19) Mopani District Municipality	R36 090 000
	Rand Water implemented project (COVID-19) Sekhukhune District Municipality	R40 221 000
Free State	Brandfort construction of bulk sewer services	R30 074 000
	Water Supply for Marquard and Clocolan	R15 000 000
	Lindely Sewer	R47 968 000
	Fika Patso Treatment works	R34 284 000
	Warden Treatment Works	R28 709 000
	Mantsopa water and sanitation intervention	R18 660 000
KwaZulu Natal	Rand Water Implemented Projects (COVID-19) Thukela district Municipality	R6 090 000
	Randwater Implemented Projects (COVID-19) Zululand District Municipality	R30 000 000
Northern Cape	Rand Water Projects (COVID-19)	R19 469 000
	Warrenton Waste Water Treatment works	R21 221 000
	TOTAL	R620 528 000

The table above shows the increase in the Regional Bulk Infrastructure Grant in response to COVID-19. The Grant is used to develop new, refurbish, upgrade and replace ageing bulk water and sanitation infrastructure of regional significance that connects water resources to infrastructure serving extensive areas across municipal boundaries or large regional bulk infrastructure serving numerous communities over a large area within a municipality.²⁸ The

²⁸ Vulekamali Online <https://vulekamali.gov.za/datasets/frameworks-for-conditional-grants-to-municipalities/2019-20-regional-bulk-infrastructure-grant>

projects identified in the table are bulk infrastructure projects within the provinces that are benefiting from an increase in funds in order to improve water related infrastructure during the pandemic. Reprioritisations of R401 million within the direct Regional Bulk Infrastructure Grant, R409 million within the indirect Regional Bulk Infrastructure Grant were made. R689 million within the Water Services Infrastructure Grant funds the purchase and installation of water tanks, and the trucking of water to refill tanks for up to three months.²⁹ Funds will also be used to implement water source development or bulk water related projects to replace the need for water trucking.³⁰ An indirect grant is a grant in which funds are spent by a national department on behalf of a province or municipality.³¹ Indirect grants are often a response to lack of capacity by local municipalities to spend hence the national government intervenes in implementing infrastructure projects on behalf of municipalities. An analysis by the Financial and Fiscal Commission recommended that the National Treasury and line departments use indirect conditional grants as last resort because implementing bulk infrastructure projects from national government comes with challenges of weakened accountability, poor maintenance budgeting and planning.³² Direct grants to municipalities should be encouraged with the provincial departments working closely with municipalities for capacity building and monitoring spending. The provincial department is closer to municipalities than the national Department and municipalities can be better perform on infrastructure development with close monitoring from the province. Provinces and municipalities are often in a better position to understand community needs.³³ The Department of Water and Sanitation must consider strengthening the role of provincial government in monitoring bulk infrastructure projects. A direct municipal grant to municipalities must be used to roll out water and sanitation.

The Department of Water and Sanitation initially allocated R306 million for the purchase of water tanks, transportation and the installation across all nine provinces.³⁴ The funds were reprioritised from the 2019/20 Regional Bulk Infrastructure Grant (RBIG) that were meant to undertake about 70 water and sanitation projects and therefore will delay the projects which aimed to address water and sanitation problems in provinces that have been experiencing perpetual water crisis like the Eastern Cape, Limpopo and the Northern Cape.³⁵ The 2020/21

²⁹ National Treasury. Division of Revenue Amendment Bill. Pg 38 Online [http://www.treasury.gov.za/legislation/bills/2020/%5bB09-2020%5d%20\(Division%20of%20Revenue%20Amendment%20Bill\).pdf](http://www.treasury.gov.za/legislation/bills/2020/%5bB09-2020%5d%20(Division%20of%20Revenue%20Amendment%20Bill).pdf)

³⁰ National Treasury. Annexure A: Explanatory Memorandum to the Division of Revenue Amendment Bill Pg 45 Online <http://www.treasury.gov.za/documents/national%20budget/2020S/review/Annexure%20A.pdf>

³¹ Financial and Fiscal Commission (FFC). Online <https://www.polity.org.za/article/direct-or-indirect-grants-a-case-study-of-selected-grants-may-2016-2016-05-13>

³² FFC Submission for the Division of Revenue, 2016/17. Online https://ffc.co.za/images/testfolder/FFC_Submission_2016-2017.pdf.

³³ FFC. 2015 A review of direct and indirect conditional grants in South Africa: case study of selected conditional grants.

³⁴ Department of Water and Sanitation. Online http://pmg-assets.s3-website-eu-west-1.amazonaws.com/200421COVID_19_V7_20_April_2020.pdf

³⁵ Mail and Guardian, 23 April 2020. Sisulu's plan threatens water future. Online: <https://mg.co.za/article/2020-04-23-sisulus-plan-threatens-water-future/> See Presentation by the

national budget for Water and Sanitation increased by an annual average rate of 2.9 % from R16.5 billion in 2019/20 to R17.9 billion in 2022/23.³⁶ In real terms the increase over the medium term is a decrease of 1% between 2019/20 and 2020/21 in real terms. The table above shows the increased funds for COVID-19 response per province for specific projects. The provinces with the highest amount of additional funds include the Eastern Cape, Mpumalanga and the Free State. The tabling of the supplementary budget on the 24th of June 2020 however, saw a downward revision from the original budget to fund COVID-19 related costs.

Table 2: Summary of budget adjustment by vote.³⁷

R million	2020/21 Main Budget	Downward Revisions		Reallocations		2020/21 Total net change proposed	2020/21 Total allocation proposed
		Suspension of funds (COVID-19 purposes)	Virements from	Allocated to (COVID- 19 purposes)	Virements to		
Human Settlements	31 325	-5 496	-5	3 235	5	-2 261	29 064
Water and sanitation	17 216	-1 756	-80	1 499	80	-257	16 959

The bulk of the funds (R5.48 billion) were suspended from the Integrated Human Settlements Planning and Development to fund COVID-19 initiatives. Noticeable reductions were also implemented on the Urban Settlements Development Grant (R3.35 billion) causing delay in planned projects to support unplanned interventions like the upgrading of informal settlements and provision of basic services.³⁸ A major reduction/suspension of funds (R1.5 billion) was made on Water Infrastructure Development Programme to fund COVID-19 response initiatives through transfers and subsidies to provinces and municipalities.³⁹

The critical programme for ensuring adequate water supply in the country is **Programme 3: Water Infrastructure Development**, which seeks to develop, rehabilitate and refurbish raw water resources and water services infrastructure to meet the socio-economic and environmental needs of South Africa.⁴⁰ Within its sub-programmes, there is a Water Services

Department of Water and sanitation. Online: http://pmg-assets.s3-website-eu-west-1.amazonaws.com/200421COVID_19_V7_20_April_2020.pdf

³⁶ 2020 Budget Estimates of National Expenditure, National Treasury.

³⁷ National Treasury. Online <http://www.treasury.gov.za/documents/national%20budget/2020S/review/Annexure%20B.pdf>

³⁸ National Treasury. Online <http://www.treasury.gov.za/documents/national%20budget/2020S/review/Annexure%20B.pdf>

³⁹ National Treasury. Online <http://www.treasury.gov.za/documents/national%20budget/2020S/review/Annexure%20B.pdf>

⁴⁰ 2020 Budget Estimates of National Expenditure, National Treasury

Infrastructure Grant that transfers funds to municipalities to provide for the construction of new and rehabilitation of existing water and sanitation infrastructure. This sub-programme also implements water services infrastructure schemes on behalf of municipalities and transfers infrastructure to water service infrastructure schemes on behalf of municipalities and transfers infrastructure to water service institutions once construction is completed. The grant prioritises the poorest district municipalities.⁴¹ The Departments should therefore have a clear picture of what has been foregone now to respond to COVID-19 initiatives and how this has impacted on long term standing projects under Programme 3.

Maladministration of Public Funds: Water and Sanitation

However, there is need for the Department of Water and Sanitation to be more accountable in managing funds. This is important in order to ensure resources are used efficiently and effectively to address water needs in communities. A report was issued to the Minister alleging that about R16 billion worth of projects have been issued irregularly, fraudulently and in a corrupt manner.⁴² The investigation found out 48 cases of serious misconduct within the department with six cases being priority case which consisted of two Deputy Director Generals (DDGs) and two Chief Directors. In one case, a senior official was allegedly involved in awarding irregular contracts to the value of R7 billion. In total, R16.5 billion in irregular expenditure was involved. The department lost R1.7 billion rand on fruitless and wasteful expenditure.⁴³ Corruption and maladministration create resource leakages and mis use of funds that could be used to improve delivery of water. The Minister must ensure that consequence management systems are put to effect and every attempt is made to recoup the lost funds through corruption and mal-administration.

As a result of the ongoing investigations in the Department of Water and Sanitation, the Amatola Water Board, in the Eastern Cape has been disbanded and an interim board was created awaiting the establishment of a permanent board in the future. The Amatola Water Board is alleged to have abused R230 million drought relief funds through irregular spending by awarding tenders on inflated prices. According to the Amatola water report, the CEO for Amatola, awarded R60 million worth of drought relief contracts to 18 service providers at inflated rates. She approved a rate of R4310 per trip while municipalities like Buffalo City paid R3200 for the same service.⁴⁴ The Minister should ensure that investigations made by the Special Investigation Unit (SIU) and put forward to the Standing Committee on Public Account (SCOPA) yield positive results leading to prosecution and dismissal of those implicated. Cooperation between the SCOPA, SIU, the National Prosecuting Unit and the Anti-Corruption Task Team is useful in order to curtail the ongoing corruption in the Department.⁴⁵

⁴¹ 2020 Budget Estimates of National Expenditure, National Treasury

⁴² National Department of Human Settlements Water and Sanitation

⁴³ Department of Human Settlements Water and Sanitation, Press Release, 04 May 2020.

⁴⁴ IOL Online: <https://www.iol.co.za/sundayindependent/news/forensic-reports-into-alleged-abuse-of-r230m-drought-funds-damn-amatola-water-ceo-47775940>

⁴⁵ PMG. Department of Water and Sanitation investigations: SIU status report. Online: <https://pmg.org.za/committee-meeting/30494/>

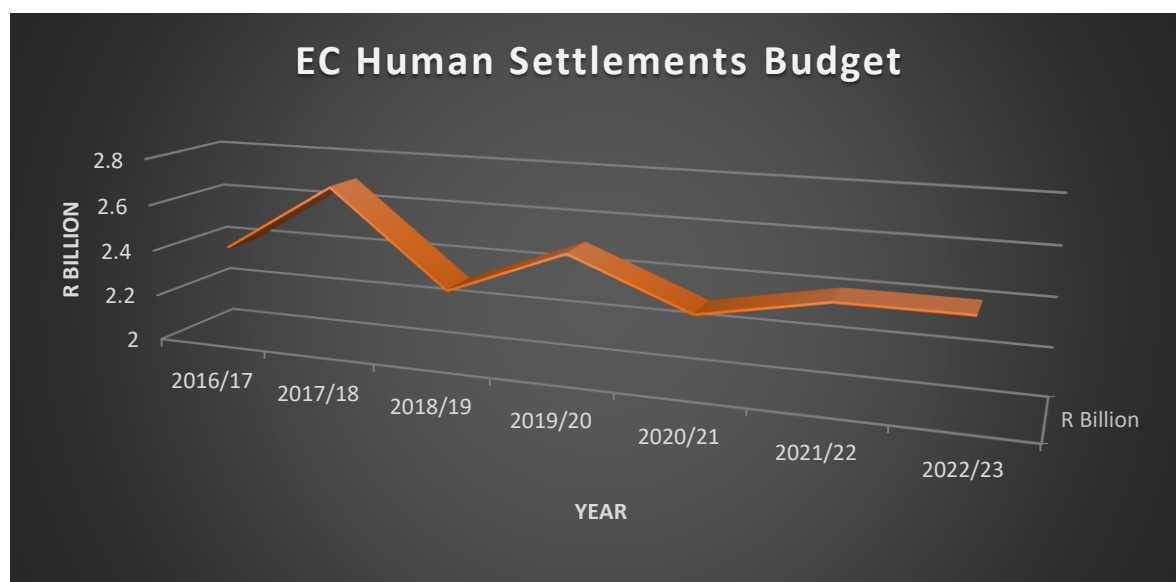
Figure 2: Human Settlements National Budget

Programmes (million)	Outcome			Main Appropriation	Adjusted appropriation	Revised estimate	Nominal Medium-term estimates			Nominal Change over MTEF	Nominal change between 2019 and 2020	Real Medium-term estimates			Real Change over MTEF (%)	Real change between 2019/20 and 2020/21 (%)
	2016/17	2017/18	2018/19		2019/20		2020/21	2021/22	2022/23			2020/21	2021/22	2022/23		
Administration		423	423	414		469	506	537	559	3%	8%	481	509	530	3%	2%
Integrated Human Settlements Planning		29,398	31,688	30,453		31,785	28,912	21,275	21,702	-9%	-9%	27,457	20,175	20,571	-9%	-14%
Informal settlements		80	87	318		533	567	8,431	8,925	151%	6%	538	7,995	8,460	150%	1%
Rental and Social Housing		508	940	851		851	891	941	971	3%	5%	846	892	920	3%	-1%
Affordable Housing		177	233	160		234	448	603	633	12%	91%	425	572	600	12%	82%
TOTAL BUDGET		30,586	33,371	32,196	0	33,872	31,324	31,787	32,790	2%	-8%	29,747	30,144	31,081	1%	-12%
CPI										IMF Projections						
2014	2015	2016	2017	2018	2019	2020	2021	2022	2023							
88	92	100.4	105.2	110.724	116.592	122.95	129.709	136.843	144.369							

The national budget for Human Settlements has been reduced by 12 % in real terms between 2019/20 and 2020/21, a reduction that is also reflected at the provincial level. The budget for informal settlements however has shown a huge change of 150% over the medium term as the Department increases its commitment to upgrading of informal settlements nationally.

Eastern Cape Human Settlements Budget 2020.

Figure 2: The Eastern Cape Human Settlements Budget and Expenditure 2016/17-2022/23



In 2019/20, the Eastern Cape Department of Human Settlement was allocated R2.4 billion. This was reduced by 9% in nominal terms to R2.3 billion in 2020/21. The budget continues to shrink annually and is expected to do so in the medium term by 2% as Figure 3 shows. The national budget has been reduced by 7% in nominal terms and 12% in real terms between 2019/20 and 2020/21 financial years. The ECDoHS states that it has in response to budget limitations, “taken a bold approach to prioritise beneficiaries who need services....to provide services to the poorest of the poor, that is destitute beneficiaries, elderly, disabled, disaster affected, child headed households and military beneficiaries”.⁴⁶ This means the general poor who have been waiting to benefit from free housing, will not benefit as state housing provision would be limited to the most vulnerable people. Those who have been on the waiting list for decades waiting will be frustrated. It is clear that the department is reducing the number of housing units it will produce in the medium term in response to the reduced budget. Additionally, the Department states that, the shrinking fiscus will result in inadequate monitoring of construction of houses,⁴⁷ which further compromises the standard of the houses being produced, which over the years resulted in construction of substandard houses that require fixing (rectification).

Programme 3 - Housing Development Programme - which advances human settlements delivery, has seen a reduction in the production of housing units as Table 3 below shows:

Table 3: Selected service delivery measures for Programme 3: Housing Development. Quarter 4 performance accessed from unaudited Annual Report 2019/20.

⁴⁶ Eastern Cape Estimates of Provincial Revenue and Expenditure 2020/21 pg 581

⁴⁷ Eastern Cape Estimates of Provincial Revenue and Expenditure 2020/21 pg 583

Programme Performance measures	Planned delivery /performance	Actual delivery/performance (or estimated as per 4 th Quarter2020)	Medium Term estimates		
	2019/20	2019/20	2020/21 2022/23	2021/22	2021/22
Housing units completed	9 210	2 079	7 758	5 632	5 832
Sites serviced	4 699	1 290	5 381	4 478	4 750
Post-94 rectification	747	174	880	750	750
Informal settlements upgrades (Households)	708	40	5 300	6 000	7 000
Historical projects closed	30	0	50	30	30
Social housing	250	87	300	300	300
Destitute beneficiaries assessed and verified	1 000	221	1 372	1372	1 372

Table 4: Housing Development Sub programme: Incremental Interventions.

Programme Performance measures	Estimated budget R'000	Medium Term budget estimates		
	2019/20	2020/21	2021/22	2022/23
Incremental Interventions	831 304	349 934	477 932	546 236

Sub-programme, Incremental Interventions under Housing Development programme facilitates access to housing opportunities through a levelled process.⁴⁸ The housing units completed, sites serviced, rectification, informal settlements upgrades and other programmes stated in Table 3 are budgeted under the Incremental Interventions programme. The budget

⁴⁸ Estimates of provincial revenue and Expenditure, 2020/21

has been drastically reduced in 2020/21 from R831 billion to R349 billion. This will negatively impact progress on human settlements delivery for the current financial year. The medium-term increase remains far below 2019/20 budget and may not be adequate given the increased commitment on upgrading of informal settlements.

Table 3 above shows a reduction on the number of housing units being completed going forward, a reduction of 3 378 less units in 2022/23 from 9 210 in 2019/20. We see an increase in the number of households benefiting from the upgrading of informal settlements which reflects the shift from building houses to the general poor populace to upgrading the informal settlements where the majority of the poor live. The upgrading of informal settlements is therefore central to improving the living conditions of the poor and therefore as a matter of priority must have an allocated budget that enables its implementation effectively and speedily to deal with the existing backlog on upgrading. The Buffalo City, has the most (23%) of the households living in informal settlements with the least (6.1%) number of households living in informal settlements in Nelson Mandela Bay.⁴⁹ In order to reduce the backlog the provincial department will need to channel most of its resources for upgrading informal settlements towards the Buffalo City. Table 3 however shows very low performance on housing units production and upgrading of informal settlements, despite that the latter is the main focus for the Department.

Upgrading Informal Settlements in the Eastern Cape

The Department of Human Settlements has been characterised by a lot of shifts, in alignment with global shifts on informal settlements policy. This has included shifts from eradication towards *in situ* upgrading. Upgrading of informal settlements has seen limited success as the informal settlements continue to grow as the households expand and family members are forced to migrate in search of economic opportunities.⁵⁰ The current policy shows more commitment to upgrading of informal settlements with an increase in national budget from R567.4 million in 2020/21 to R8,4 billion in 2021/22.⁵¹ R2.3 billion has been reprioritised within the Urban Settlements Development Grant to fund the provision of water and sanitation to communities or provide temporary shelter for relocation. R4.4 billion has been reprioritised (cut) within the Municipal Infrastructure Grant and R190 million within the Integrated Urban Development Grant.⁵² The funds are used for repairing infrastructure.

In February 2020, the National Treasury announced a budget of R22.6 billion to be spent on upgrading of informal settlements nationally of which R2.3 billion will be spent through a component in the Urban Settlements Development Grant in 2020/21; R2.4 billion in provinces spent through a component in the Human Settlements Development Grant in 2020/21 and R16.1 billion in cities and provinces through the new Informal Settlements Development Grant

⁴⁹Household Survey 2018, Statistics South Africa. Pg 33 Online <http://www.statssa.gov.za/publications/P0318/P03182018.pdf>

⁵⁰ Ziblin, A, 2013. The dynamics of informal settlements in South Africa. Online: <http://globalhousingindicators.org/sites/globalhousingindicators.org/files/The%20Dynamics%20of%20Informal%20Settlements%20Upgrading%20in%20South%20Africa.pdf>

⁵¹National Treasury. Estimates of National Expenditure, 2020. Pg 521

⁵² National Treasury. Division of Revenue Amendment Bill, 2020. Pg 37

in 2021/22 and 2022/23.⁵³ In the Eastern Cape province the Department has the Human Settlements Grant for 2020/21, the Informal Settlements Upgrading Partnership Grant is introduced in 2021/22 and continue to 2022/23.⁵⁴ Without the support of the Urban Settlements Development Grant in the current financial year which is often used for the provision of bulk infrastructure, water, electricity and sanitation, and transferred to municipalities, the Department will have little progress in upgrading of informal settlements within the Eastern Cape in the current financial year.

The HSDG funds the upgrading of informal settlements under the Housing Development Programme in 2020/21. The Housing Development Programme budget allocation has been reduced between 2019/20 and 2020/21 financial years. A reduction of 15% in real terms. Housing Development Programme provides for various housing subsidies which include amongst others: Beneficiary Management, Consumer Education and Social Facilitation, Subsidy Programmes, Informal Settlements Upgrading and Projects enhancement and destitute people and other vulnerable groups.⁵⁵ Upgrading of informal settlements has key related delivery areas including provision of water and sanitation, electricity and the bulk infrastructure like roads and sewage systems. These programmes are funded through the Human Settlements Development Grant which decreased by 1.2% in 2019/20 and a further reduction of 3.5% in 2020/21.⁵⁶ The reduction has caused reduction in transfers and subsidies to households by 5.4% from 2019/20. The HSDG is located under the transfers and subsidies economic classification and transfers and subsidies to households curter among other things for the upgrading of informal settlements. Budget constrains will reduce the extent of upgrading of informal settlements in the province in 2020.

The growth of informal settlements across the country has gone unabated and poses health challenges to people. It is also characterised by social ills such as crime and violence.⁵⁷ The problem of informal settlements is therefore not only a housing problem but a societal issue embedded in deep socio-economic factors of poverty and inequality. Improving the health and well-being of the people living in informal settlements is crucial at this moment. However, long-term sustainable and holistic solutions are needed to address the socio-economic challenges of people living in informal settlements. This requires budgets that are directed at addressing informal settlements at a greater scale and not only in emergency contexts. Although, the budget for informal settlements is set to increase in the coming financial year, this is not useful for current progress in upgrading informal settlements. Without sufficient funding currently, provinces will not be able to respond effectively to COVID-19 challenges, let alone to effectively deliver on upgrading of informal settlements. In 2019/20 the Department of Human Settlements amalgamated with the Department of water and Sanitation, a significant move to show that water is an integral part of human settlements and therefore central to enhancing the wellbeing of people in informal settlements. The Eastern Cape, 2019/20 has been

⁵³ National Treasury. 2020 Budget Estimates of National Expenditure. Pg 523.

⁵⁴ Eastern Cape Estimates of provincial Revenue and Expenditure, 2020/21 Pg 588

⁵⁵ Eastern Cape Department of Human Settlements. Online <https://www.ecdhs.gov.za/index.php/programmes/>

⁵⁶ Eastern Cape Estimates of Revenue and Expenditure, 2020/21 Pg 588

⁵⁷ Meth, P. (2017). Informal housing, crime gender and violence: The role of design in urban South Africa. British Journal of Criminology. Vol 57 Pg. 402-421

characterised by severe drought, creating severe water shortage in most parts of the Province. Persistent drought exacerbates the water challenges for the province and therefore requires bulk water infrastructure solutions.

The Department has five conditional grants to advance human settlements delivery programmes, HSDG, Housing Disaster Relief Grant (HDRG), Informal Settlements Upgrading Partnership Grant (ISPG), Expanded Public Works Programme Incentive Grant and Title Deeds Restoration Grant. ISPG will be introduced in 2021/22 with a budget of R432 428 000.⁵⁸ Without a specific grant currently focusing on informal settlements, all interventions will be made through the HSDG, which is inadequate.

Access to basic services (water, electricity and sanitation) in the Eastern Cape

The Eastern Cape has experienced severe drought in 2019/20 and the province continue to face threat of water shortage due to limited rains. The province has been the most affected by drought and the Minister of Human Settlements, Water and Sanitation, Lindiwe Sisulu called for urgent intervention from national government to address the water situation in the Eastern Cape.⁵⁹ In 2019, the Minister announced R460 million drought relief for the Eastern Cape from the Department of Water and Sanitation.⁶⁰ In order to create informal settlements that improve the living conditions of those who live there, the Department must ensure there is adequate supply of water and therefore improving the water infrastructure that supports adequate water supply is of primary importance. The Eastern Cape experiences critical water shortages. A good water supply becomes of critical importance now, during the COVID-19 (Corona) virus global pandemic. Overcrowding in informal settlements presents huge challenges to tackle COVID-19, a virus transmitted through droplets from infected persons. Minister Sisulu announced that communal water storage will be made available to supply water in informal settlements.⁶¹

The Department must heighten its response to the pandemic in informal settlements where basic services are not adequate. This is particularly so given the budget cuts implemented by National Treasury in February that can affect the realisation of the right to health for the people living in informal settlements. The adjusted budget announced by the minister on the 24th June 2020 increased the equitable share allocation for local government by 14.7%. The increase in equitable share to local government is meant for the provision of water and sanitation in informal settlements and rural areas.⁶² The increase is welcome as the local government play a more a direct role in curbing the spread of COVID-19.

In conclusion, it is very crucial for the Department of Human Settlements in the Eastern Cape to have targeted budget allocation for in situ upgrading of informal settlements in the current financial year in order to implement the programme effectively. Additionally, it is crucial for the

⁵⁸ Eastern Cape Estimates of provincial revenue and expenditure Pg 586.

⁵⁹ Eyewitness News, 2020. Online <https://ewn.co.za/2020/01/06/sisulu-calls-for-urgent-government-intervention-after-ec-drought-visit>

⁶⁰ SABC News, 2019. <https://www.sabcnews.com/sabcnews/water-and-sanitation-department-sets-aside-r460mln-for-drought-stricken-e-cape/>

⁶¹ Daily Maverick, 2020. Online <https://www.dailymaverick.co.za/article/2020-03-27-de-densifying-and-decanting-how-the-government-hopes-to-contain-covid-19-in-informal-settlements/>

⁶² National Treasury. Revisions to in year spending plans and the Division of Revenue. Online: <http://www.treasury.gov.za/documents/national%20budget/2020S/review/Chapter%202.pdf>

Department of Human Settlements to work closely with the Department of Water and Sanitation for the effective delivery of basic services. In this regard, the three levels of government must ensure collaboration in order to support local municipalities. The emergency responses to drought and COVID-19 have been important but the shortcoming therein provide critical lessons for future and long-term solutions to the challenges in informal settlements.

OUR ORGANISATION

The PSAM was founded in 1999 as a research project in the Rhodes University Department of Sociology. Its initial aim was to monitor incidents of corruption within the Eastern Cape government. From 2005, recognising the systemic nature of poor governance and corruption in the province, the PSAM began a concerted advocacy effort to systematically strengthen public resource management by key Eastern Cape government departments.

In 2007, PSAM introduced a training and academic component. The training component has developed to be what is known as the Regional Learning Programme and the academic component has changed to become what is known as the Advocacy Impact Programme. The various activities and interventions by PSAM over the years have emphasised the on-going need for greater and improved accountability interventions by civil society organisations across the region. Through our work we seek to achieve improved networking and advocacy to leverage impact and enhanced learning so that achievements are shared, evaluated and used to bolster social accountability interventions in sub-Saharan Africa.

Visit psam.org.za or follow us on [@PSAM_AFRICA](https://twitter.com/PSAM_AFRICA)

Acknowledgements

The PSAM acknowledges with gratitude the financial support of the Open Society Foundations (OSF), the Open Society Foundation for South Africa (OSF-SA), the Open Society Initiative for Southern Africa (OSISA) the Hewlett Foundation, the Beit Trust, and the European Union.

