SPII
STUDIES IN POVERTY AND INEQUALITY INSTITUTE

Building up knowledge to break down Poverty

Monitoring the right of access to adequate housing in South Africa

An analysis of the policy effort, resource allocation and expenditure and enjoyment of the right to housing

August 2014

By Hannah Dawson and Daniel McLaren

Monitoring the Progressive Realisation of Socio-Economic Rights Project

Working Paper 8

Monitoring the right of access to adequate housing in South Africa

An analysis of the policy effort, resource allocation and expenditure and enjoyment of the right to housing

August 2014

By Hannah Dawson and Daniel McLaren

Monitoring the Progressive Realisation of Socio-Economic Rights Project

Project made possible with funding from the

FORDFOUNDATION

ISBN Number: 978-0-620-62457-2

Preface

The Studies in Poverty and Inequality Institute (SPII) is an independent research think tank that focuses on generating new knowledge, information and analysis in the field of poverty and inequality studies.

This working paper has been undertaken as part of the Monitoring the Progressive Realisation of Socio-Economic Rights Project conducted by SPII with the support of Ford Foundation and the endorsement from the South African Human Rights Commission (SAHRC). Through a combination of policy and budget analysis and statistical indicators, the objective of the project is to provide a comprehensive constitutional and human rights based framework and set of tools to monitor the progressive realisation of socio-economic rights. It is hoped that this project will be a useful tool for policy makers, for those that exercise oversight over the executive, including Parliament and the Chapter Nine institutions (particularly the SAHRC), and civil society.

The authors would like to acknowledge and thank Mark Napier, Adelaide Steedly, Kecia Rust, Kate Tissington, Niel Roux, and Darlington Mushongera for their comments and contributions on earlier drafts of this report.

Please contact Daniel McLaren for any questions, queries or requests, including around the data used for the paper, which we are happy to provide – daniel@spii.org.za.

This work is funded by the Ford Foundation whose funding contribution to this research is gratefully acknowledged.

table of Contents

table of
Contents

ACRONYMS

BEPP	Business Environment Performance Plan
BNG	Breaking New Ground
CPI	Consumer Price Index
CPS	Continuous Population Survey
CRU	Community Residential Units
DHS	Department of Human Settlements
DoRA	Division of Revenue Act
DPME	Department of Performance, Monitoring and Evaluation
EEDBS	Enhanced Extended Discount Benefit Scheme
ePHP	Enhanced People's Housing Process
ESTA	Extension of Security of Tenure Act
FCC	Financial and Fiscal Commission
FLISP	Finance-linked Individual Subsidy Programme
GHS	General Household Survey
HDA	Housing Development Agency
HDF	Housing Development Finance
HSDG	Human Settlements Development Grant
HSPF	Human Settlements Planning Framework
HSS	Housing Subsidy System
ICESCR	The International Covenant on Economic, Social and Cultural Rights
IDP	Integrated Development Plan
IES	Income and Expenditure Survey
IRDP	Integrated Residential Development Programme
ISP	Institutional Subsidies Programme
LCS	Living Conditions Survey
MIG	Municipal Infrastructure Grant
MTSF	Medium Term Strategic Framework
NDP	National Development Plan
NHF	National Housing Forum
NHSDB	National Housing Subsidy Database
NUSP	National Upgrading Support Programme
RDP	Reconstruction and Development Programme
RHIG	Rural Household Infrastructure Grant
SAHRC	South African Human Rights Commission
SER	Socio-Economic Right
SERI	Socio Economic Rights Institute
SHP	Social Housing Programme
SIU	Special Investigation Unit
SPII	Studies in Poverty and Inequality Institute
StatsSA	Statistics South Africa
UISP	Upgrading Informal Settlements Programme
USDG	Urban Settlements Development Grant

TABLES

FIGURES

INDICATORS

INDICATOR 1: Percentage of households living in different dwelling types, 2002 – 2012.

INDICATOR 2: Number of houses/units completed per year, 2003 – 2012.

INDICATOR 3: Number of houses upgraded in well-located informal settlements with access to secure tenure and basic services, 2011/12 – 2012/13.

INDICATOR 4: Number of affordable social and rental accommodation units provided, 2011/12 – 2012/13

INDICATOR 5: Number of municipalities assessed for accreditation, 2011/12 – 2012/13

INDICATOR 6: Number of accredited municipalities supported with implementation of post-accreditation process, 2011/12 – 2012/13

INDICATOR 7: Total residential property sales and new registrations by affordability band, 9 metros, 2007 – 2013

INDICATOR 8: Percent change in total residential property sales by affordability band, 9 metros, 2007 – 2013

INDICATOR 9: Percentage change in total number of residential properties by affordability band, 9 metros, 2007 – 2013

INDICATOR 10: Percentage of properties valued less than R500,000, 9 metros, 2007 –2013

INDICATOR 11: South Africa Housing Price Gap, 9 metros, 2012.

INDICATOR 12: Total number and annual percentage change in the number of bonded transactions for the affordable market, 9 metros, 2007 –2013

INDICATOR 13: Rent/mortgage cost per month for different dwelling types, 2009 - 2012

INDICATOR 14: Percentage of household consumption expenditure spent on housing, water, electricity, gas and other fuels for bottom three income deciles, 2006 –2011.

INDICATOR 15: Percentage of household consumption expenditure spent on housing, water, electricity, gas and other fuels, across income deciles, by province, 2006 – 2011.

INDICATOR 16: Percentage of households who own or rent the dwelling they live in for different dwelling types, 2002 – 2012

INDICATOR 17: Percentage of persons who describe the condition of the walls of their dwelling as weak or very weak for different dwelling types, 2002 – 2012.

INDICATOR 18: Percentage of persons who describe the condition of the roof of their dwelling as weak or very weak for different dwelling types, 2002 – 2012.

INDICATOR 19: Percentage of households whose main source of drinking water is from a piped tap, by province, 2002 – 2012.

INDICATOR 20: Percentage of households who describe their main source of drinking water as not safe to drink, by province, 2005 – 2012.

INDICATOR 21: Percentage of households whose main sanitation facility used is a flush toilet, by province, 2002 – 2012.

INDICATOR 22: Percentage of households connected to a mains electricity supply, 2002 – 2012.

INDICATOR 23: Percentage of annual household consumption expenditure spent on transport for bottom three income deciles, 2006 – 2012.

INDICATOR 24: Average time it takes to get to nearest health facility, 2009 - 2013

INDICATOR 25: Average time it takes a child in household to get to school, 2002 - 2012

Chapter 1

Introduction

The Constitution of the Republic of South Africa guarantees justiciable socio-economic rights (SERs), including the right "to have access to adequate housing" to everyone in South Africa.[1] Few people would disagree that the realisation of this right is key for overcoming South Africa's persistent struggle with poverty and inequality, and in particular the spacial legacy left by apartheid. Although the Constitutional Court can and has been approached on a number of occasions when the state has failed to respect this right, the Court has struggled to produce far-reaching orders around the states obligations to *fulfil* access to adequate housing, due to the internal limitation clause that this and other SERs are subjected to, that is, 'progressive realisation within available resources'.[2] The limitation clause is silent on timeframes, the normative content of these rights, the percentage or coverage of people that must receive access over time or even how the state should finance access to SERs. The challenge for policy makers and oversight bodies alike is how best we are able to evaluate government programmes and budget allocations against this binding obligation on the state if there is no methodology to monitor and address critical issues relating to the progressive realisation of these rights.

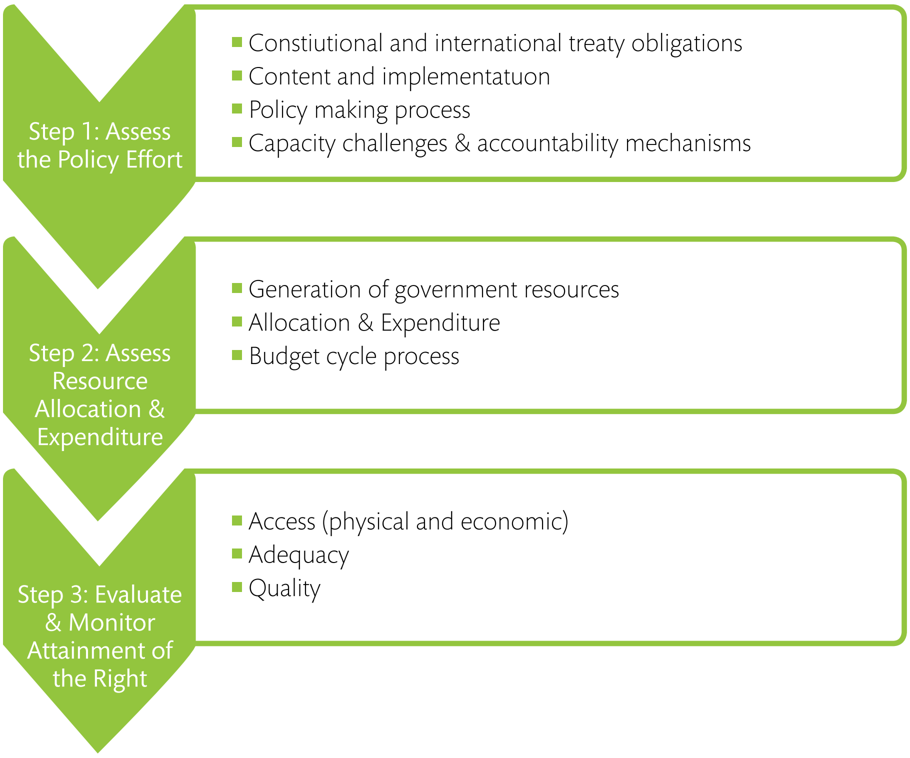
It is for this reason that the Studies in Poverty and Inequality Institute (SPII), with the support of the Ford Foundation and with the endorsement of the South African Human Rights Commission (SAHRC), has developed a methodology based on a combination of policy and budget analysis and statistical indicators to monitor and evaluate the progressive realisation of SERs in South Africa. The methodology developed by SPII builds on international best practice and combines various approaches to monitoring SERs.

For a detailed outline of the objectives of the monitoring tool, three step methodology and anticipated use and users of the tool, please see the 2014 paper entitled 'A Framework for Monitoring and Evaluating the Progressive Realisation of Socio-Economic Rights in South Africa'.[3]

1.1 3-Step methodology

The methodology developed by SPII is based on three distinct steps (see figure below). These steps include an analysis of the *policy effort* (Step 1) and the *allocation and expenditure of resources* for specific rights (Step 2). These two steps assist in monitoring and evaluating the attainment of rights (Step 3) on the ground through specific outcome indicators. A summary of the three steps is provided below.

[1] Constitution of the Republic of South Africa, 1996, section 26(1).
[2] Ibid, section 26(2).
[3] H, Dawson, 2014, 'A Framework for Monitoring and Evaluating the Progressive Realisation of Socio-Economic Rights in South Africa', will be published in August 2014 and is available at: www.spii.org.za.



> "The challenge for policy makers and oversight bodies alike is how best we are able to evaluate government programmes and budget allocations against this binding obligation on the state if there is no methodology to monitor and address critical issues relating to the progressive realisation of these rights"

Step 1: Analyse the policy effort

The first step of the analysis takes a closer look at the underlying policies and legislation guiding the realisation of SERs. This step *firstly* assesses whether the actual content of social and economic policies adequately reflects the **Constitution and international treaty obligations** and international standards that the state has signed or ratified.

Secondly, this step evaluates both the **content and implementation** of existing legislation, policy frameworks and government programmes to assess what gaps (in principle and in practice) exist. This assessment is based on a human rights framework that includes non-discrimination, gender sensitivity, dignity, participation, transparency and progressive realisation.

An important component of evaluating the policy effort is an assessment of the **policy making process** in terms of transparency and public participation in decision-making by relevant civil society organisations and communities specifically affected by the policy under review. Another important dimension is to analyse departmental responsibilities and institutional arrangements to assess the **capacity challenges and accountability mechanisms** currently in place.

Step 2: Assess Resource Allocation & Expenditure

The second step assesses the reasonableness of the budgetary priorities in light of the obligations on the state and human right principles and standards. This requires an analysis of *firstly*, the **generation of government revenue**.

Secondly, an analysis of the **allocation and expenditure of such resources** to reduce disparities, prioritise the most vulnerable and disadvantaged groups, and progressively realise SERs. This step uses various budget analysis techniques to monitor *planned* (i.e. budget allocations) and *actual* resource expenditures at both national and provincial levels and therefore assesses the delivery and implementation of government policy and programmes as they relate to the realisation of rights.

Thirdly, an analysis of the **budget cycle process** from the perspective of human rights principles of participation, non-discrimination, transparency and accountability. An assessment of resource availability cannot be separated from an analysis of institutional arrangements, human resources and local capacity which are necessary for the efficient and effective spending of budgets.

Step 3: Evaluate & Monitor Attainment of SERs

The third step measures the enjoyment of rights by rights holders and therefore monitors and evaluates the state's obligation to fulfil the realisation of SERs. This step evaluates the state's performance via the development of statistical indicators which provide a clearer and more specific illustration of SERs enjoyment on the ground over time. The outcome indicators make reference to the three dimensions of access (physical and economic), quality and adequacy over time. This requires that quantifiable and replicable indicators (proxies for the different dimensions of SERs) be developed along with agreed benchmarks and targets.

The indicators need to be aligned to data that is freely and easily available in annual surveys and data sets, and must be capable of being decomposed (disaggregated) by region, race, gender and age – wherever possible and useful. This allows disparities between, for example, different population groups or geographical regions to be identified, and an assessment of the extent to which progress has been made over time.

Objective of Monitoring tool

The 3-step methodology provides a comprehensive framework from which to monitor and assess progress made to date. The ***purpose*** of the tool, however, goes beyond constitutional compliance and aims to achieve specific objectives:

1. Clarify and unpack the **content of the SERs** and the **obligations on the state** to ensure access to and enjoyment of SERs is continuously broadened.
2. Determine the extent to which organs of the state have respected, protected, promoted and fulfilled their obligations. This involves identifying achievements, deprivations, disparities, and regression to illuminate both **causation and accountability** in terms of policies, resources spent, implementation and institutional capacity.
3. Provide **evidence** for **advocacy initiatives** and **legal interventions,** and make **recommendations** that will ensure the protection, development and universal enjoyment of SERs.

By applying the 3-step methodology, this paper provides a comprehensive analysis of the status of the right to adequate housing twenty years into South Africa's democracy. The paper begins by unpacking the content of the right to adequate housing and then provides both a summary of the key shifts in policy and legislation since 1994 and a critical analysis of their contents, implementation and impact given the overwhelming demand for adequate housing.

Second, the paper assesses the allocations and spending performance of the Department of Human Settlements at all three levels of government in order to interrogate the adequacy, efficiency and effectiveness of government's budgeting and expenditure for the right to adequate housing.

Thirdly, the paper discusses the process of developing performance and impact indicators for the right to housing that can be tracked and monitored over time. This allows for a clearer illustration of the enjoyment or lack thereof of the right to adequate housing and provides evidence to evaluate the state against its constitutional obligation and to make recommendations to broaden access to adequate housing.

By combining the policy and budget analysis with evidence from indicators, the final section of the paper provides an overall analysis of the status of housing which feeds into recommendations and urgent areas for action to guarantee the rectification of gaps and retrogression as well as enhanced protection and accelerated fulfilment of the right of access to adequate housing.

Chapter 2

Defining the content of the right to adequate housing in its context

2.1 The South African Context

Since 1994 there have been numerous policy and legislative developments relating to various aspects of housing in South Africa designed to address the persisting spatial inequalities, including long distances between work opportunities and housing and poor public services, inherited from apartheid. South Africa's housing programme is unparalleled internationally and the state, as discussed in detail below, has made advances in re-evaluating and re-formulating its policies over time to correct poor assumptions, respond to failures and address new challenges with the explicit ambition of providing better housing to more people over time.[4]

Despite significant achievements since 1994, with the official number of subsidised housing units built at 3.38 million (according to one estimate) and expanded access to water, sanitation and electricity, access to adequate housing remains a challenge for many South Africans with the housing backlog estimated to be greater now than it was in 1994.[5] The right to housing is the most adjudicated socio-economic right before the Constitutional Court, which has brought attention to instances when the state or other parties have infringed on the right to housing. The surge in service delivery protests across South Africa have also highlighted serious retrogressive measures related to housing, including evictions, shack demolitions, unaffordable housing units, broken promises, local government incompetence, corruption, and rental exploitation.

This working paper has an urban focus because South Africa has a majority urbanised population and urban areas are the site of most contestation around realising the right to housing.[6] This chapter unpacks the content of the right to adequate housing and provides a critical analysis of the policy and legislation since 1994.

2.2 Legal interpretation of the right to adequate housing

International frameworks & treaty obligations

Article 11 of the International Covenant on Economic, Social and Cultural Rights (ICESCR) recognizes the right of everyone to an adequate standard of living, including adequate housing. The South African government has publically announced on several occasions that it was going to ratify the ICESCR but such ratification has not yet occurred. As a result, the enforcement of the right to housing (as with all SERs) occurs largely within domestic legal and policy frameworks.

Constitution

The Constitution contains justiciable socio-economic rights and enshrines everyone's right to have access to adequate housing. In the Bill of Rights in Chapter 2 of the Constitution, section 26 provides:

[4] K, Tissington, 2010, 'A Review of Housing Policy and Development in South Africa since 1994', p6, http://spii.org.za/wp-content/uploads/2013/12/review-of-the-right-to-housing.pdf.
[5] Department of Performance, Monitoring and Evaluation Development Indicators, 2012, p36, www.thepresidency.gov.za/MediaLib/Downloads/Home/Publications/DPMEIndicators2013/DPME%20Indicators%202013.pdf, These figures are challenged – see discussion in chapter 4 of this paper regarding statistics on housing delivery.
[6] J, Dugard, M. Clark, K. Tissington & S. Wilson, 2014, FHR Housing Position Paper. draft in possession of authors.

26 (1) Everyone has the right to have access to adequate housing.

(2) The state must take reasonable legislative and other measures, within its available resources, to achieve the progressive realisation of this right.

(3) No one may be evicted from their home, or have their home demolished, without an order of court made after considering all the relevant circumstances. No legislation may permit arbitrary evictions.

The meaning of section 26 - and in particular 26(3) - has been clarified in the course of numerous court cases discussed briefly below. In light of section 26(2) and the non-ratification of the ICESCR, the Constitutional Court has taken the view that the South African government is not obliged to pursue a minimum core content approach to socio-economic rights but must rather have a reasonable programme to progressively realise each right within its available resources. The *Grootboom* judgement did indicate that 'access to adequate housing' implies recognition that 'housing entails more than bricks and mortar' and yet the court has largely avoided giving clear normative content to socio-economic rights.[7]

Drawing on the Court's orders, Professor Sandra Liebenberg argues that a reasonable government programme and the provision of a basic level of services need not meet the qualitative standards implied by the full realisation of the relevant right.[8] The state, however, is required to move as expeditiously and effectively as possible towards meeting this goal. 'Progressive realisation' further implies that deliberate retrogressive measures are not allowed. In relation to vulnerable or disadvantaged groups, the government must do more than refrain from negative violation of rights (i.e. evictions or forced removals) but take positive action with specially tailored measures and programmes for the most marginalised groups in society. Furthermore, 'progressive realisation' requires states to take full advantage of their available resources and to continuously strive to provide the widest possible enjoyment of a right on a progressive basis even in the face of resource constraints.

> "Progressive realisation requires states to take full advantage of their available resources and to continuously strive to provide the widest possible enjoyment of a right on a progressive basis, even in the face of resource constraints"

2.3 Constitutional Jurisprudence on the Right to Housing

The right to housing is the most adjudicated socio-economic right before the Constitutional court. The cases which have reached the Constitutional court have all dealt essentially with negative infringements of the right to housing or with evictions (with the exception of Nokotyana), but as argued by Kate Tissington at the Socio Economic Rights Institute (SERI) are revealing in terms of government failures in policy interpretation and implementation.[9]

The *Grootboom* judgement which dealt with the eviction of 900 people from their informal homes situated on private land earmarked for formal low-cost housing by the metropolitan council, has become a landmark judgement. The respondents applied for an order requiring the government to provide them with adequate basic shelter or housing until they obtained permanent accommodation. The court found that the state has no direct obligation to provide a specific set of goods on demand to inadequately housed individuals but had to adopt and implement a 'reasonable policy' within its available resources, which could ensure access to adequate housing over time. The judgement dealt extensively with the requirement of reasonableness in devising medium-long-term plans.[10] The Grootboom judgement also gave rise to the right to emergency housing and a means for its enforcement.

Other housing-rights cases brought before the Constitutional Court, notably *Olivia Road* and *PE Municipality*, dealt primarily with the state's failure to 'meaningfully engage' with those facing eviction to ascertain if they will be rendered homeless by an eviction. However, Kate Tissington

[7] S, Liebenberg, 2010, *Socio-Economic Rights: Adjudication under a transformative constitution.* Juta & Company Ltd, Cape Town, p173, 177.
[8] Ibid, p188.
[9] K, Tissington, 2011, A Resource Guide to Housing in South Africa 1994-2010. Legislation, Policy, Programmes and Practice, http://www.seri-sa.org/images/stories/SERI_Housing_Resource_Guide_Feb11.pdf.
[10] Professor Sandra Liebenberg has argued that standards for assessing whether a policy or programme meet the reasonableness test or criteria are as follows. The programme must be comprehensive, coherent and coordinated; Appropriate financial and human resources must be made available for the programme; It must be balanced and flexible and make appropriate prevention for short, medium and long-term needs; It must be reasonably conceived and implemented; and It must be transparent, and its contents.must be made known effectively to the public. See: Liebenberg, Sandra, Socio-Economic Rights, pp152-153.

argues that the *Olivia Road* case in particular demonstrates the Court's reluctance to pronounce directly on the constitutionality of state housing policy and instead emphasise 'meaningful engagement' to ensure an appropriate solution.[11]

For a detailed description of the housing-rights cases brought before the Constitutional court and a summary of key findings and obligations placed on the state at various levels - see Kate Tissington[12] and Michael Clark[13] for eviction court cases specifically.

2.4 Defining the content of the right to adequate housing

As the Constitutional Court has noted, it is difficult, if not impossible, to define exactly what constitutes 'adequate housing', as it depends on the specific conditions and circumstances of households and individuals, the type of housing, and, importantly, the location. It is obvious, however, that adequate housing is much more than about providing shelter from the elements and is intrinsically bound up with a number of other cross-cutting rights – including the right to public participation, equality, human dignity, and access to information – as well as a range of socio-economic goods and amenities. These include access to land, water, sanitation, electricity, livelihoods, transport, clinics, hospitals, schools, universities and cultural and recreational amenities. This is reflected in the National Development Plan (NDP) chapter on 'transforming human settlements', which acknowledges the importance of affordable and accessible transport networks, affordable basic service provision, vibrant local economies and access to jobs for transformed human settlements.[14]

Warren Smit developed a matrix to assess the adequacy of different housing typologies in terms of some key criteria which are nearly identical to the key aspects ICESCR General Comment 4 on Article 11(1) outlines in regard to housing.[15] These include *inter alia*:

- Adequacy of location
- Adequacy of shelter
- Affordability (upfront and ongoing costs)
- Adequacy of service availability
- Adequacy of space
- Physical security
- Security of tenure
- Accessibility (transport)
- Availability

As the above criteria indicate, it is not easy to apply a single definition to access to adequate housing because of the extreme diversity of accommodation and housing needs and the different housing typologies. This project has refrained from defining exactly what constitutes access to adequate housing and instead emphasized the key components and normative content of this right from a human rights perspective, and developed indicators accordingly which can be monitored and tracked over time. A more extensive discussion in this regard can be found in chapter 4, which discusses the process and choice of indicators according to three dimensions: access, adequacy and quality.

Access focuses on the availability of housing opportunities (both by the state and the housing market) and the affordability of such housing. Adequacy includes looking at access to basic services including water, sanitation and electricity, tenure security, as well as the adequacy of

[11] Tissington, 2011, p47.
[12] Ibid, pp43-56.
[13] M, Clark, 2013, Evictions and Alternative: Accommodation in South Africa: An Analysis of the Jurisprudence and Implications for Local Government, www.seri-sa.org/images/Evictions_Jurisprudence_Nov13.pdf.
[14] National Planning Commission, 2011, National Development Plan: Chapter 8: Transforming Human Settlements, pp 233-259, www.npconline.co.za/medialib/downloads/home/NPC%20National%20Development%20Plan%20Vision%202030%20-lo-res.pdf.
[15] Tissington, 2011, p26

the house itself in terms of meeting basic norms and standards. The Department of Human Settlements (DHS) introduced minimum norms and standards for state-subsidised houses in 1999 and amended these in 2008 to include specifications for the top structure.[16] These include standards for water, sanitation, roads, storm water and street lighting as well as the top structure (from 2008) such as 40m2 gross floor area, two bedrooms, ventilation and natural lighting. Quality, however, is linked directly to location and includes proximity to work opportunities, access and affordability of transport, health and education outcomes and physical security.

2.5 Key Legislation & Policy developments

The numerous policy and legislative developments related to housing are listed below. This paper will focus on the Housing Act (1997), the White Paper on Housing (1994), Breaking New Ground (BNG) (2004) and the National Housing Code (2000) which was revised in 2009, to discuss the key policy shifts and gaps. Given the urban focus of the paper, the largely rurally focused pieces of legislation are not discussed here. They include The Land Reform Act (Labour Tenants) Act 3 of 1996, the Interim Protection of Informal Land Rights Act 31 of 1996, and the Extension of Security of Tenure Act 62 of 1997 (ESTA).

National Legislation

- The Housing Act (1997)
- The PIE Act (1998)
- The Rental Housing Act (1999)
- The National Norms and Standards (2007, revised in 2013)
- The Social Housing Act (2008)

National Policy

- White paper on Housing (1994)
- National Housing Code (2000, revised in 2009)
- Breaking New Ground (BNG) (2004)

Between 1992 and 1994, a multi-party negotiating forum called the National Housing Forum (NHF) was established. The NHF was characterised by debate over who and how housing would be provided in post-apartheid South Africa. It was finally agreed that a once-off capital subsidy scheme would be adopted to benefit households with an income of less than R3,500 per month. The housing options available to households included a house, a flat or a serviced site (with or without a top structure) and depended on the housing subsidy it received and access to private funds. The subsidy was linked to individual ownership (as opposed to rental), and households effectively 'bought' a housing option with their subsidy.[17]

The **White Paper on housing (1994)** emerged from the NHF process and was influenced by the broad principles and targets of the ANC's Reconstruction and Development Programme (RDP) which committed the ANC government to the delivery of one million subsidised houses in five years. Given the scale of the backlog and the urgency of the need, the focus was on delivering housing options to as many previously dispossessed South Africans as quickly as possible. As a result, the policy explicitly adopted an approach of quantity over quality with subsidies kept small and leading to service standards relating to sanitation, water and roads often being dropped.[18]

[16] K, Rust, 2008, 'Investigation into the perceived impact of market distortions ostensibly created within the residential housing market as a result of government subsidies', pp11-12.
[17] Tissington, 2011, pp58-59.
[18] Rust, 2008, pp11-12; Tissington, 2011, p61.

> "The Housing Act obliges all spheres of government to give priority to the needs of the poor in relation to housing development and to consult meaningfully with individuals and communities affected by housing development"

Kecia Rust argues that the original intention of the housing subsidy was to accommodate as many people as possible in the short-term and to stimulate the market so that over time it could respond to the housing needs of the so-called mass market. After some time, however, it became clear that the quality of housing delivered was not in line with expectations – neither those of the beneficiaries, politicians or policy makers. This resulted in the national minimum norms and standards, which were incorporated into the 1997 Housing Act, and designed to increase the quality of houses.[19] This increase in quality came with additional costs, however, which required municipalities to put in additional local funds. This in turn created a trade off with more adequate state housing being accessed by fewer people. This trade off and its unintended consequences, as argued by Kecia Rust, will be discussed in the next section.

The Housing Act (1997) is the primary piece of housing legislation in South Africa. It legally entrenched policy principles outlined in the 1994 White Paper on Housing. The Act provides for a sustainable housing development process, laying down general principles for housing development in all spheres of government. It also defines the functions of national, provincial and local governments in respect of housing development and lays the basis for financing national housing programmes. The Act obliges all spheres of government to give priority to the needs of the poor in relation to housing development and to consult meaningfully with individuals and communities affected by housing development.

From 2002 to 2003, the National Department of Human Settlements (DHS) undertook a comprehensive review of its housing programmes in order to provide a new policy direction, address various problems and establish a research agenda to inform and support policy decision-making within the housing programme. During this period there was a significant shift towards a more local government-centred and state-driven process of housing delivery, away from a private developer driven approach. **The Breaking New Ground (BNG) (2004)** frames housing delivery more explicitly as a catalyst for achieving a set of broad socio-economic goals. BNG intended to shift away from a focus on the quantity of houses delivered to quality and choice through a demand-driven housing approach. BNG therefore emphasised 'sustainable human settlements' instead of housing units. It also underscored housing as an 'asset for wealth creation and empowerment' and as a result, aimed to 'support the functioning of the entire residential property market to reduce duality'. BNG demonstrated influence by international organisations regarding the eradication of informal settlements and argued that 'informal settlements must urgently be integrated into the broader urban fabric to overcome spatial, social and economic exclusion'.[20]

BNG also ushered in a number of shifts regarding the process and approach to housing delivery. These include a more demand-driven process and a greater role for local government including the accreditation of municipalities, particularly the metropolitan municipalities, to manage and take control of the housing process. BNG highlighted the importance of effective inter-governmental relations to ensure the effective and efficient flow of resources. BNG develops a strategy around supporting the entire residential property market which includes the state assisting lower-middle income groups, a shift from product uniformity and enhancing the role of the private sector.[21] Despite these aims, the policy was criticized for not adequately addressing the key weaknesses with the previous policy direction including issues of land ownership, the land market and of rights around property values.[22]

BNG also marked a shift from the delivery of RDP houses to a broader range of housing programmes. The three programmes which have been prioritized for housing delivery include the Integrated Residential Development Programme (IRDP), the Upgrading Informal Settlements Programme (UISP), and the Social/Rental Housing Programme. BNG signalled a new approach to informal settlements – eradication through in situ upgrading with relocation only to occur when development is not possible or desirable. It placed significant emphasis on social housing as the catalyst for urban renewal and inner city regeneration.

[19] Rust, 2008, pp11-12.
[20] Ibid, p19.
[21] Ibid.
[22] Tissington, 2011, p61.

However, the stated aim to increase demand for low-income rental housing has often failed to match the income affordability levels of the majority of individuals and households in inner city areas.[23]

The National Housing Code, first published in 2000 in accordance with the Housing Act, set out the underlying policy principles, guidelines and norms and standards which apply to the National Housing Programmes. In 2009, a revised National Housing Code was published with some programmes updated or removed to contain the BNG-compliant national housing programmes and subsidy mechanisms which are described as the 'building blocks in the provision of sustainable human settlements'. The programmes as can be seen below are split into four sub-categories including financial, incremental housing, social and rental housing and rural housing programmes. For a detailed analysis of these programmes - see Kate Tissington's review of legislation and policy- which identifies the major shortcomings around their implementation.[24]

The Housing Code is binding on provincial and local spheres of government and is administered through the Housing Subsidy System (HSS) whereby all beneficiaries who have applied for or received housing subsidies are recorded in the National Housing Subsidy Database (NHSDB). A recent report by SERI and the Community Law Centre demonstrates that a lack of transparency and access to information and poor monitoring around the HSS and NHSDB has resulted in substantial amounts of maladministration and fraud in housing allocation and delivery.[25]

National housing programmes

Financial Programmes

- Individual Housing Subsidies
  - Access to state assistance to acquire residential properties - contribute to expansion of secondary residential property market (BNG)
  - Credit-linked subsidies & non-credit linked subsidies
- Enhanced Extended Discount Benefit Scheme (EEDBS)
  - Aim to extend home ownership and transform home ownership profiles
  - Made possible transfer of state assets (pre-1994) to individual ownership (qualifying beneficiaries/occupants)
- Social and Economic Facilities
  - Funding for medical care facilities, community halls, taxi ranks, sport facilities etc.
- Accreditation of Municipalities
  - Accreditation of local government to administer National Housing Programmes
- Operational Capital Budget (OPS/CAP)
  - Provides mechanism for provincial DHS to allocate money for appointing external expertise/capacity to assist in implementation
- Housing Chapters of IDPs
  - Overall spatial development & integration
- Rectification of Pre-1994 Housing Stock
  - Improve quality & condition of housing built under apartheid

[23] K, Tissington, 2013, 'Minding the Gap: An Analysis of the Supply of and Demand for Low-Income Rental Accommodation in Inner City Johannesburg', p70, http://www.seri-sa.org/images/Minding_the_Gap.pdf.
[24] Tissington, 2011, pp74-105
[25] K Tissington, N Munshi, G Mirugi-Mukundi and E Durojaye, 2013, '"Jumping the Queue", Waiting Lists and Other Myths: Perceptions and Practice around Housing Demand and Allocation in South Africa', www.seri-sa.org/images/Jumping_the_Queue_MainReport_Jul13.pdf .

National housing programmes (cont.)

Incremental Housing Programmes

- Integrated Residential Development Programme (IRDP)
  - Objective to facilitate housing in well-located areas with access to urban amenities – area wide settlement planning
  - Phased process
- Enhanced People's Housing Process (ePHP)
  - Adopts broader definition of PHP – for greater flexibility & choice - different approaches to community involvement in decision-making process
  - Develops outcomes for housing 'process' – ensure community have central role
- Informal Settlements Upgrading Programme (UISP)
  - Eradicate informal settlements by 2014
  - Phased upgrading – security of tenure, basic services
- Consolidation Subsidies Programme
  - Subsidy to beneficiaries who have already received state assistance to acquire a serviced residential site under pre-1994 state housing schemes
- Emergency Housing Assistance/Programme
  - Grants to municipalities to enable them to respond rapidly to emergencies through the provision of land, engineering services & shelter – including assistance with relocation & temporary settlement, natural disasters & evictions
  - Social and Rental Housing Programmes
- Institutional Subsidies Programme (ISP)
  - Provide rental housing accommodation to lower end of the market
  - Provide grant funding to social housing institutions
- Social Housing Programme (SHP)
  - Applies only to restructuring zones
  - Provide grant funding to establish, capacity and capitalise social housing institutions in order to develop, hold & administer affordable rental units
  - 2 aims: urban regeneration & urban restructuring
- Community Residential Units (CRU)
  - Replaces national hostel re-development programme
  - Provide rental accommodation to variety of settings: previous hostel accommodation, backyard and informal settlement rentals
  - Target lowest income sector (R800-R3500 pm)
  - Funding for development or refurbishment
  - CRU housing stock remains in public ownership – not sold or transferred to individual residents

Rural Housing Programmes

- Rural Subsidy: Informal Land Rights
- Farm Residents Housing Assistance Programme
  - Aims to address wide variety of housing needs of people working on farms: rental & ownership options

2.6 Analysis of policy effort in practice

The state can be commended on the number of houses that it has built over the years given the mammoth challenge it faced in 1994 and for re-evaluating and re-formulating policies over time to correct poor assumptions, respond to failures and address new challenges. This is evident in the shift from subsidised houses to a broader range of housing programmes and subsidies including informal settlement upgrading and social housing.

Kate Tissington, however, argues that while housing policy may have been relatively progressive, it is not sufficiently based on explicit and consistent reference to its constitutional obligations to move progressively towards universal realisation of the right to adequate housing and fails to be guided by a rigorous interrogation of the needs of the poor.[26] Instead she argues, policy shifts since 1994 are often reactions to weaknesses in policy implementation or driven by other pressures such as political pressure to 'speed up delivery' or internal departmental politics.[27] This section analyses both the content and implementation of policy and programmatic shifts and their impact given the overwhelming demand for adequate housing.

"Another major criticism was that despite the state's focus on private title, many beneficiaries of the housing subsidy do not have title deeds or proof of ownership which has eroded the value of these assets transferred by the state"

The delivery of RDP/BNG houses has been plagued by various problems as evidenced in the cases brought before the Constitutional Court and the increase in service delivery protests. These have emphasised the 'systemic problems' which continue to hinder housing implementation including the politicisation of housing at all levels, poor coordination between different spheres of government, rampant evictions and shack demolitions, corruption and /or irregular tender processes in the awarding of housing development contracts.[28] The housing programme has been criticised for being an inappropriate solution given poor people's needs because in many cases (not all) the location of these houses has been poor and in particular, far from work opportunities. Households are therefore unable to realise all the benefits of their asset. This has resulted in some households choosing to sub-let or sell their subsidized homes and move back to informal settlements to be close to economic opportunities. Another major criticism was that despite the state's focus on private title, many beneficiaries of the housing subsidy do not have title deeds or proof of ownership which has eroded the value of these assets transferred by the state.[29]

Given the vast demand for housing, it is evident that the provision of state subsidised houses will not be able to meet the current and future backlog and there are questions related to its financial sustainability.[30] Kecia Rust, in a report for the DHS in 2008, argues that the dramatic increase in the housing subsidy, to accommodate the expanded norms and standards and in 2013, comply with the new National Building Regulations, has had the unintended consequence of distorting the wider housing market.[31] The effect has been to push banks out of the affordable housing range (by competing with a free product) and helping to create a 'GAP' market – those who earn too much to qualify for a free house but not enough to secure a mortgage (even with the FLISP subsidy) to buy the cheapest newly built house available on the market.[32] The 'GAP' market is estimated to consist of 20-25% of South Africans creating a situation of huge demand and limited supply.[33]

Despite a shift in policy from subsidised houses to a broader range of housing programmes, the government has remained pre-occupied with the delivery of these houses almost entirely to the exclusion of more appropriate alternatives. For example, the UISP was designed as the first large-scale programmatic response to incremental upgrading of informal settlements. In recent years, UISP has been prioritised as a key mechanism evident in the Presidency Outcome 8 agreement which commits DHS to upgrade 400 000 households in informal settlements with access to secure tenure and basic services by 2014.

The focus on informal upgrading is also evident in the substantial budget allocation for the

[26] Tissington, 2011, p57.
[27] Ibid.
[28] Ibid, p10.
[29] For a detailed discussion on this, see Rust, 2008, p28.
[30] Dugard et al, 2014, p51.
[31] Rust, 2008, pp23-24.
[32] R, Murray, Informal settlement 'give rural poor a foothold' in urban centres, Business Day, 28 January 2014, www.bdlive.co.za/national/2014/01/28/informal-settlements-give-rural-poor-a-foothold-in-urban-centres.
[33] Ibid.

Urban Settlement Development Grant (USDG) which came into effect in 2011. The USDG has seen major under-expenditure, as discussed in the budget analysis (chapter 3) of this paper, and indicates that despite a number of UISP pilots it has not been pursued at scale. The Housing Development Agency (HDA) is currently assisting the Free State Department of Human Settlements by conducting rapid assessments of informal settlements in thirteen municipalities. This data is used to categorise, assess and prioritise informal settlements and indicate the appropriate type of development.[34] Despite informal upgrading being a key pillar of the BNG policy which came into effect in 2004, it remains a relatively new programme and has had various implementation challenges. This is, in part, explained by a lack of buy-in from local government politicians and officials, the need for new skill sets and tools for implementation, but also because the time horizon for settlement upgrading is much longer and harder to measure.[35]

The housing delivery process has been plagued by serious inter-governmental co-ordination and capacity problems which have not been addressed adequately. Specific challenges relate to unlocking well-located land in urban areas for residential development (hence the creation of the HDA), the connection of bulk infrastructure and services to new housing developments and the lack of decent, affordable rental housing for low-income and poor individuals and households in well-located urban areas.[36] Despite a shift in national policy (BNG) to acknowledge the need to advance access to rental accommodation and various programmes and capital subsidies to facilitate rental housing (ISP, SHP and CRU) - these programmes have either targeted middle-income earners or not been implemented at scale.[37] Despite a shift in policy direction, the state has found it difficult to shift away from a model of subsidised housing and private ownership. Although this can be understood given South Africa's history – it is clear that this approach will never meet the overwhelming demand, in particular, for affordable rental accommodation in urban areas.

The demand for affordable rental housing for low-income and poor individuals in cities has been highlighted by the *Olivia Road* and *Blue Moonlight* cases in the Constitutional Court which deal with the obligation of municipalities, in this case Johannesburg, to provide temporary accommodation for those who are left homeless by state- and private-led evictions.[38] Municipalities have been slow to formulate a coherent, programmatic response to the obligation to provide emergency housing, as established in *Grootboom*. The challenges with providing emergency housing are often put down to intergovernmental relations issues with provinces.

The sheer amount of policy and legislation and the number of institutions and inter-governmental responsibilities has been a significant factor in the challenges facing realising the right to housing.

Intersecting roles and responsibilities for various spheres of government and the creation of multiple institutions to carry out specific housing-related programmes has both complicated and hindered the task of ensuring access to adequate housing.[39] Other challenges include the non-consultative approach the state has taken towards the delivery of houses, which severely limits the say that beneficiaries have in both the forms and location of projects. There is an urgent need for transparent and reliable statistics and a functional monitoring system of housing projects. Currently indicators to measure the actual numbers of subsidised houses built and transferred into names of subsidy beneficiaries are either absent, unavailable and / or not clear or measurable.[40] It is also extremely difficult to monitor the value for money and financial viability of this mode of delivery when land and infrastructure costs are often highly variable and hidden.

[34] 'HDA undertakes rapid assessments of informal settlements in Free State', www.thehda.co.za/news/entry/hda-undertakes-rapid-assessments-of-informal-settlements-in-free-state.
[35] M, Napier and L, Gavera, 2011, 'From Beneficiaries to Citizens: a discussion paper', p 9.
[36] Tissington, 2011, p 8.
[37] Tissington, 2013, p11.
[38] Ibid, p12.
[39] Dugard et al, 2014, p14.
[40] Financial and Fiscal Commission, 2013, Submission to the Portfolio Committee on Human Settlements: Department of Human Settlements 2013 Budget Vote, April 2013. See Rust, 2008, pp26-27 for a lengthy discussion on this.

This is discussed in greater detail in the following chapter. A concern with the Presidency's Outcome 8 Agreement and performance indicators - such as the upgrading of 400,000 households in well located informal settlements with access to basic services and secure tenure by 2014 - is that the pressure to deliver on upgrading targets may come at the expense of community participation and a broader focus on livelihood sustainability.[41]

Outcome 8: Integrated human settlements: sustainable human settlements and improved quality of household life. (2010-2014)

- Output 1: Accelerated delivery of housing opportunities:
  - Upgrading of 400 000 households in informal settlements with access to secure tenure and basic services;
  - Implementation of the National Upgrading Support Programme for informal settlements;
  - Accreditation of municipalities to perform the housing function.
- Output 2: Access to basic services:
  - Provision of universal access to adequate sanitation by 2014.
- Output 3: Land assembly and effective utilisation:
  - Release of 6250 ha of land vested nationally or provincially for human settlements development;
  - Increased urban densities to 60 units/ha;
  - An approved land use management framework.
- Output 4: Improved affordable property market:
  - Provision of 80 000 well-located rental accommodation units by 2014;
  - Establishment and implementation of a Mortgage Insurance Guarantee Scheme to deliver 600 000 housing finance opportunities by 2014;
  - Revised Finance-linked Individual Subsidy Programme (FLISP) to be responsive to the challenges in the affordable (Gap) market.

The growing demand for housing is the result of a complex set of demographic realities and shifts including changes in household structures – in particular a rise in single person households - rapid urbanisation, migration to cities, structural unemployment, and more households falling into the subsidy income band and less access to housing finance.[42] As has been discussed, the focus on ownership of subsidized houses at the expense of others forms of tenure and types of housing has limited the potential to holistically address access to housing deficits in a way that integrates housing into a broader livelihood framework. The Constitutional provision promising everyone access to adequate housing stands in stark contrast to the pervasive realities of housing backlogs, evictions and the substantial unmet demand for low-cost housing.

[41] K. Tissington, 2014, presentation given at DPME roundtable, 21 January 2014, 'Housing Policy (and practice) - Framing of adequate Housing Provision'.
[42] Tissington, 2011, p33

This raises the question of how best the state can intervene given its Constitutional obligations, the economy and social realities. The delivery of subsidized houses has dropped drastically over the last few years, the reasons for which are discussed in chapter 4. Paired with the slow implementation of a shift in policy to a broader set of housing approaches, including social housing and informal settlement upgrading, this has meant that the state has failed to meet the needs of a large segment of the population that require low-cost, well located rental accommodation. In a context of mass unemployment and high levels of poverty and inequality – the government is obligated to focus on the needs of the poor and therefore has a critical role to play in the supply of housing that cannot yet be served by private markets.

The SER monitoring project in embarking on this work decided that the state's commitment to progressively realise the rights of all people to adequate housing necessitated a broadened perspective to look at both the needs of the poorest in relation to housing development but also the needs of the working and lower-middle class. This required us to look beyond government programmes to the provision of housing from a broader housing sector or systems framework. Although government bears the primary responsibility for progressive realisation of the right to adequate housing, one cannot separate the initiatives of the state from the wider housing market context in which those initiatives are undertaken. This is reflected in the choice of indicators (see chapter 4 of this report) which assess both government measures in conjunction with market forces and highlight areas where the state could be more effective in broadening access to the right to adequate housing as enshrined in the Constitution.

As discussed in the introduction to this paper, monitoring the state against its Constitutional obligation requires an assessment of the budget allocations and actual resource expenditures to assess the delivery and implementation of government policy and programmes as they relate to the realisation of the right under review. The following chapter analyses the budgets of the Department of Human Settlements (DHS) at national, provincial and local government.

"In a context of mass unemployment and high levels of poverty and inequality – the government is obligated to focus on the needs of the poor and therefore has a critical role to play in the supply of housing that cannot yet be served by private markets"

Chapter 3

Budget analysis of the Department of Human Settlements (DHS)

3.1 Budget Analysis Motivation and Framework

Government's obligation to fulfil the right of access to adequate housing requires reasonable and appropriate budgeting at a national, provincial and local level. In South Africa, each year a Division of Revenue Act (DoRA) is passed by parliament setting out the division of nationally raised revenue among these three spheres of government. The portion of the budget allocated to housing and human settlements is split into national housing programmes that are implemented at all three levels of government, but mostly by the provinces, local governments and municipalities. This human rights budget analysis will look at the housing allocations and spending performance at all three levels of government in order to interrogate the reasonableness of government's budgeting for the right to adequate housing.

Applying a human rights lens to budget analysis raises several key questions:

- *Adequacy* – Are resource allocations to departments tasked with housing delivery **sufficient** given the **demand for adequate housing** and the **costs of intervention**, and are they **increasing in real terms over time?** Are there any regressive spending patterns?
- *Efficiency* – Are the funds intended to fulfil this right being spent efficiently? I.e. in full and on their intended purpose? Are there any under or over-expenditure patterns?
    - If so, why? Are institutions **capable** and prepared to spend the funds allocated to them and has adequate **planning** taken place to ensure that this is the case?
    - If significant under-spending is occurring, are ineffective allocations being re-directed to better performing programmes? Are audits of spending conducted to ensure accountability and improved performance?
- *Priority* – Are these resources being utilised to prioritise the needs of the **most vulnerable** and to **reduce disparities** in access to adequate housing? Is the spending **equitable** and **reasonable** given the greatly varying needs of different sections of the South African population?
- *Equity* – are resources being distributed fairly across provinces and municipalities considering their respective social, economic and demographic conditions?
- *Effectiveness* – Is the spending effective? I.e. is it bringing about **tangible improvements in access to adequate housing?** Are **targets** being met? Does rigorous **monitoring** occur? This fifth set of questions are also at the centre of our penultimate chapter "The status of the right to housing: what indicators tell us".

These and other related questions are fundamental to the realisation of the right to housing. In seeking answers, our analysis finds that, at the level of budget allocations and expenditure, problems with the translation of the policies looked at in the previous chapter into an efficient delivery of quality goods and services is often a result of poor planning, a lack of capacity, and little or dysfunctional monitoring – as well as a lack of political will to implement some programmes, particularly the in situ upgrading of informal settlements. Often, however, by uncovering and interrogating these challenges, more questions are raised than answered. Ultimately, government must be accountable for its performance. It is hoped that shining a light on some of the budgeting challenges it faces can spur further reflection aimed at improving the performance of this vital function. This is important because, 'getting it right' in terms of successful budgeting can be the difference between a well-implemented housing programme that improves the lives of millions, and an inefficient, under-performing programme that fails to live up to the hopes – and constitutional rights – of those people.

3.2 Overview of the budget analysis

The chapter will begin by looking at the allocation and expenditure patterns of the Department for Human Settlements (DHS), the government department tasked with housing delivery. DHS has five programmes that it finances from its budget, the fourth of which – Housing Development Finance (HDF) – receives around 95% of the total budget. The budget performance of this programme will therefore be looked at in more detail, before two of its sub-programmes – the Human Settlements Development Grant (HSDG) and the Urban Settlements Development Grant (USDG) – which in turn make up over 90% of the HDF budget, will be evaluated in even greater detail. As these key programmes are implemented by provinces and local governments, their allocations and spending performance will be scrutinised at a provincial and metropolitan level. Reflecting the urban focus of this paper, the performance of the Rural Household Infrastructure Grant (RHIG), which currently receives 1.4% of the total DHS budget, will not be considered. The chapter will conclude with a discussion of the key findings of the analysis and preliminary answers to the questions above and what these mean for outcomes on the ground – which will be evaluated in the penultimate chapter of the paper.

> "When conducting an analysis of government budgets over time, it is important to take the effects of inflation into account … all amounts in this chapter have been adjusted to 2012 prices"

3.3 Inflation and nominal vs real figures

Inflation is the term used to describe general increases in the prices of goods and services in the economy. Inflation erodes the value of money because rising prices mean that R1 today buys you slightly more than R1 tomorrow. Departmental Annual Reports and Treasury documents tend to only provide the **nominal** amounts allocated in the budget each year, unadjusted for the effect of inflation. This makes comparing spending patterns over time difficult as the value of the amounts allocated in previous years (i.e. what they can buy) has changed. Therefore, when conducting an analysis of government budgets over time, it is important to take the effects of inflation into account. Converting nominal amounts to **real** amounts equalizes the value of money over time, which allows us to compare much more accurately the allocations and expenditures for different years.

Crucially, using real amounts tells us whether government budgets have increased in **real terms** each year, or in other words, if budgets have increased at a rate below, in line with, or above inflation. This is important because, if budgets increase at a slower rate than inflation, they really aren't increasing at all. For example, if the total cost of a state subsidised house was R100,000 in 2010, and government was spending R1,000,000 on its subsidised housing programme, it would be able to build 10 houses. However, if the annualised inflation rate for that year was 10%, by the end of the year, the cost of a state-subsidised house would be R110,000. The cost of building 10 houses in 2011 would therefore have risen to R1,100,000. If government failed to increase its programme budget by 10% or more, it would no longer be able to afford to build 10 houses. That would mean less houses built per year, which could be seen as regression rather than progress on improving access to housing for the poor.

In South Africa, the most widely used measurement of general inflation is the Consumer Price Index (CPI), which is tracked by Statistics South Africa (StatsSA). Adjusting the nominal amounts provided in DHS reports to real amounts requires us to make a calculation using 'inflators' which are based on the annual CPI inflation rate provided by StatsSA. The CPI inflation rate and inflators used in this budget analysis to convert nominal amounts to real amounts are shown in table 1 below. 2012 was used as the base year, hence **all amounts in this chapter have been adjusted to 2012 prices.**[43]

[43] Inflators were calculated using 2012 as the base year and official CPI headline year-on-year inflation rates published by StatsSA in 'CPI History', available at: beta2.statssa.gov.za/publications/P0141/CPIHistory.pdf. These inflators are applicable to all sections of this paper where nominal amounts have been converted to real terms.

Table 1: CPI inflation annualised percentage change and inflators used to convert nominal amounts to real amounts, 2008/09 – 2012/13

	2008/09	2009/10	2010/11	2011/12	2012/13
CPI inflation	11.5%	7.1%	4.3%	5.0%	5.6%
Inflator	0.76	0.85	0.91	0.95	1.00

In order to highlight real allocation and expenditure trends, the following key has been used in all tables and figures:

Bright green numbers indicate an annual allocation % change equal to or above CPI inflation OR perfect spending performance (zero under or over-expenditure)

Bright red numbers indicate an annual allocation % change below CPI inflation

Dark red numbers indicate under-expenditure

Pale red numbers indicate under-expenditure of less than 2% of total budget

Dark orange numbers indicate over-expenditure

Unless otherwise stated, the data source for all figures and tables is Department of Human Settlements Annual Reports (2009/10 – 2012/13) and our own calculations. As a means of checking the department's figures, and where the department's reports do not cover an area in which we are interested, we have used data provided by the Financial and Fiscal Commission (FCC), which oversees and advises government on financial and fiscal matters, and the reports submitted to and researched by the Parliamentary Portfolio Committee on Human Settlements.

One final thing to be aware of is that under-expenditure of less than 2% of a budget is considered acceptable by normal accounting standards. Where under-expenditure of less than 2% occurs, these figures are highlighted in **pale red**. However, even 2% under-expenditure on government programmes can equate to millions of Rands. In such cases, even this small level of under-expenditure may have an impact on programme delivery and may therefore be considered in this light.

3.4 National housing programme allocations and expenditure patterns

This section looks at the allocation and expenditure trends of the Department of Human Settlements (DHS) over a five year period (2008/09 – 2012/13). DHS has five core programmes that it finances from its budget. These are listed below along with their strategic objectives as articulated in the 2011/12 DHS Annual Report:[44]

Programme 1: Administration

Strategic objective: Provide strategic leadership and administrative and management support services to the Department.

Programme 2: Housing Policy Research and Monitoring

Strategic objectives: Develop and promote human settlement and housing policies supported by a responsive research agenda. Monitor and assess the implementation, performance and impact of national housing policies and programmes.

[44] DHS 2011/12 Annual report, p18.

Programme 3: Housing Delivery Support

Strategic objectives: Support implementation and delivery, build capacity, and liaise and communicate with stakeholders towards achieving effective housing and human settlement programmes. Coordinate and monitor the implementation of priority projects.

Programme 4: Housing Development Finance

Strategic objectives: Fund housing and human settlement development programmes. Provide financial and grant management services. Promote investment in housing finance. Mobilise and promote financial probity within housing institutions. Manage all matters provided for by the Home Loan and Mortgage Disclosure Act (2000).

Programme 5: Strategic Relations and Governance

Strategic objectives: Coordinate the Department's mandate within the intergovernmental relations framework. Manage international relations and promote good governance practices in the Department and its public entities. Provide timely and integrated business information to the Department

Figure 1 displays the total budget allocated to DHS through the Division of Revenue Act (DoRA) over the five year period under review, the real annual percentage change, and total departmental under-expenditure. Table 2 then shows the same data broken down by the five programmes which share the DHS budget. This data is then visualised at a programme level in figures 2-6.

Figure 1: Total DHS budget: real allocations (adjusted for roll-overs, funds withheld and other adjustments), annual % change and under-expenditure, 2008/09 – 2012/13

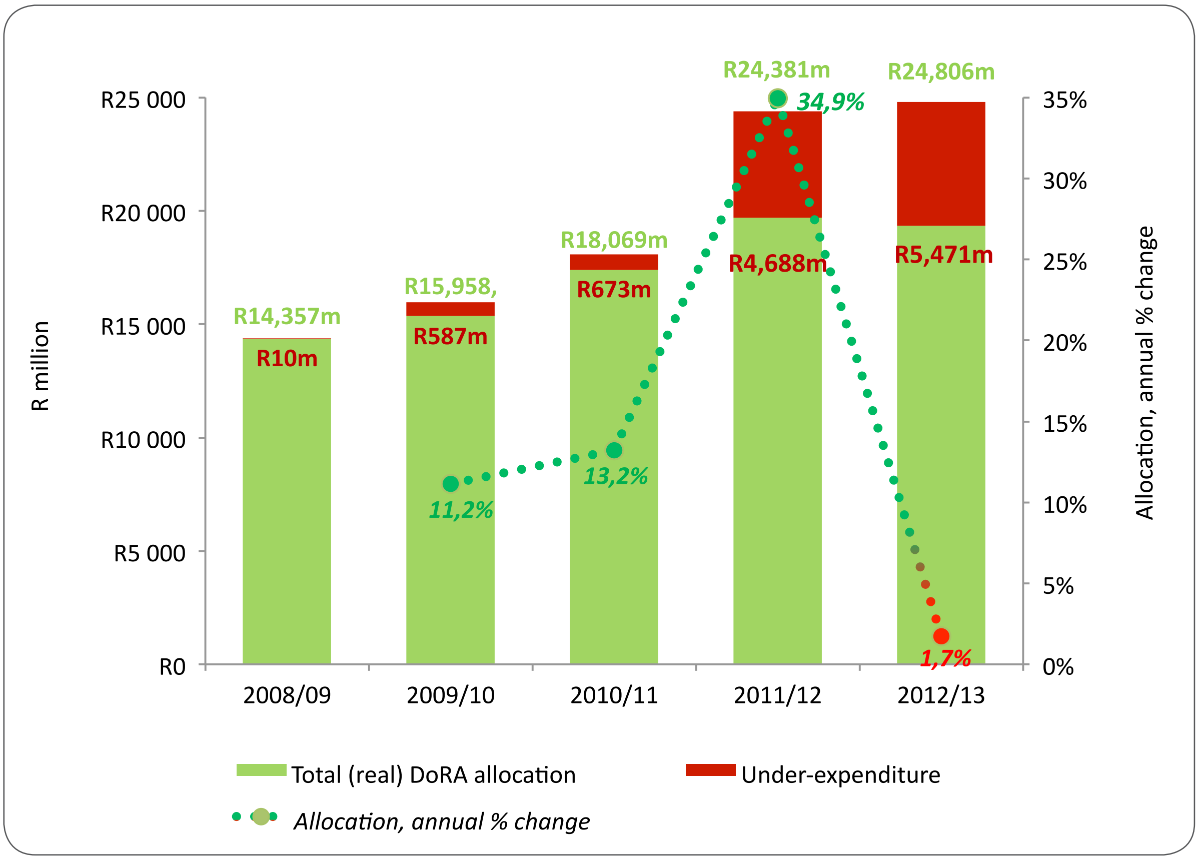


Table 2: DHS budget: real allocations and expenditures, annual % change, and under-expenditure as % of total budget, five programmes, 2008/09 – 2012/13.

Programme	(Real) DoRA adjusted allocations, annual % change and under-expenditure as % of total budget	Allocations and Expenditure R million				
		2008/09	2009/10	2010/11	2011/12	2012/13
1. Administration	Programme allocation	170	197	242	233	236
	Programme allocation, annual % change		16.0%	22.8%	-3.7%	1.2%
	Amount spent	168	134	207	174	174
	Under-expenditure	2	63	35	59	62
	Under-expenditure as % of total budget	1.0%	32.1%	14.5%	25.2%	26.3%
2. Housing Policy, Research and Monitoring	Programme allocation	38	79	48	41	47
	Programme allocation, annual % change		109.5%	-38.7%	-15.0%	14.8%
	Amount spent	34	53	36	35	32
	Under-expenditure	3	26	12	6	15
	Under-expenditure as % of total budget	8.6%	32.8%	25.0%	15.4%	31.9%
3. Housing Planning and Delivery Support	Programme allocation	89	199	227	210	224
	Programme allocation, annual % change		123.1%	13.7%	-7.4%	6.7%
	Amount spent	88	116	171	196	144
	Under-expenditure	1	83	56	14	80
	Under-expenditure as % of total budget	1.5%	41.8%	24.6%	6.5%	35.7%
4. Housing Development Finance	Programme allocation (adjusted)	13,726	15,287	17,393	23,723	24,440
	Programme allocation, annual % change		11.4%	13.8%	36.4%	4.9%
	Amount spent (national, provincial, local)	13,725	14,919	16,887	19,178	24,109
	Under-expenditure	1	368	506	4,545	5,278
	Under-expenditure as % of total budget	0.0%	2.4%	2.9%	19.2%	21.9%
5. Strategic Relations and Governance	Programme allocation	335	196	159	174	190
	Programme allocation, annual % change		-41.5%	-18.9%	9.8%	9.0%
	Amount spent	331	149	95	110	154
	Under-expenditure	3	47	64	64	36
	Under-expenditure as % of total budget	1.0%	24.0%	40.0%	36.7%	18.9%
Total DHS allocations and expenditure	**Total departmental allocation**	**14,357**	**15,958**	**18,069**	**24,381**	**24,806**
	Total allocation, annual % change		**11.2%**	**13.2%**	**34.9%**	**1.7%**
	Total amount spent	**14,347**	**15,371**	**17,396**	**19,693**	**19,335**
	Under-expenditure	**10**	**587**	**673**	**4,688**	**5,471**
	Under-expenditure as % of total budget	**0.1%**	**3.7%**	**3.7%**	**19.2%**	**22.1%**
	CPI inflation	**11.5%**	**7.1%**	**4.3%**	**5.0%**	**5.6%**

Table 2 and figure 1 show that total DHS allocations rose considerably in real terms between 2008/09 and 2011/12, before experiencing a real terms decrease in 2012/13. Under-expenditure has, however, increased dramatically during this period, from 3.7% of the total DHS budget by in 2009/10 and 2010/11 to 19.2% and 22.1% in 2011/12 and 2012/13. The vast majority of this under-expenditure is within programme 4, which consumes 97% of the total DHS budget and funds grants provides directly to provinces and local governments, which is where much of the under-expenditure occurs.

A glance at table 2 illustrates that administrative spending has been curtailed since 2011/12, while the amounts spent on Housing Policy Research and Planning and Housing Delivery Support have fluctuated greatly during this period – at times doubling and at other times halving depending on the financial year under review. Importantly, programmes 1 – 4 were allocated more in real terms on their mandates in 2012/13 than in 2008/09. In fact, allocations to programme 3 have almost trebled and to programme 4 almost doubled. Spending on Strategic Relations and Governance has, however, halved during this period. The rationale for these decisions , as well as the programme level spending trends, can be understood by looking more closely at the allocations and expenditures of each programme in turn. Before that, figure 2 visualises the division of the DHS budget between the five programmes.

Figure 2: Real programme allocations as % of total DHS budget (logarithmic scale) 2008/09 – 2012/13

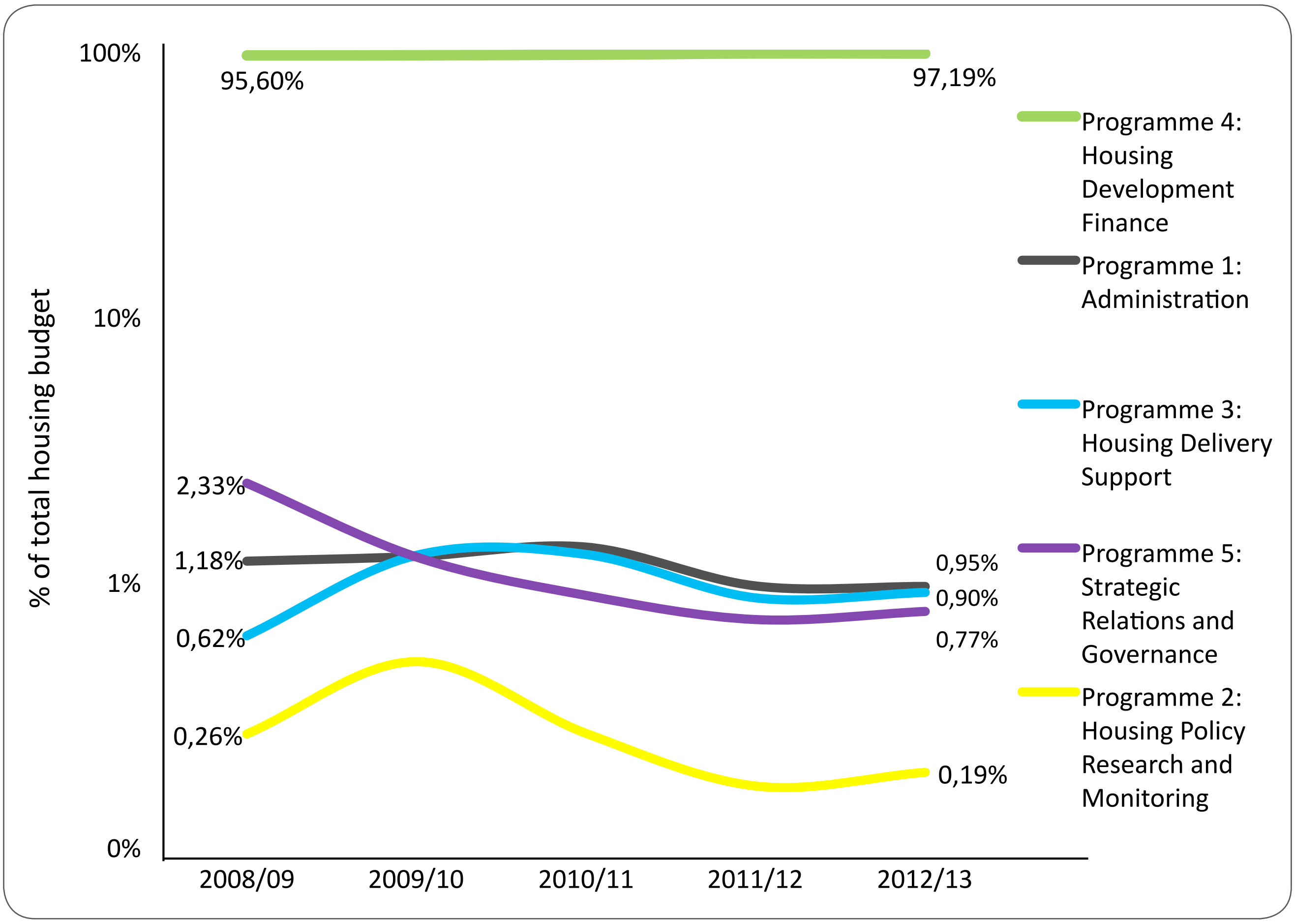
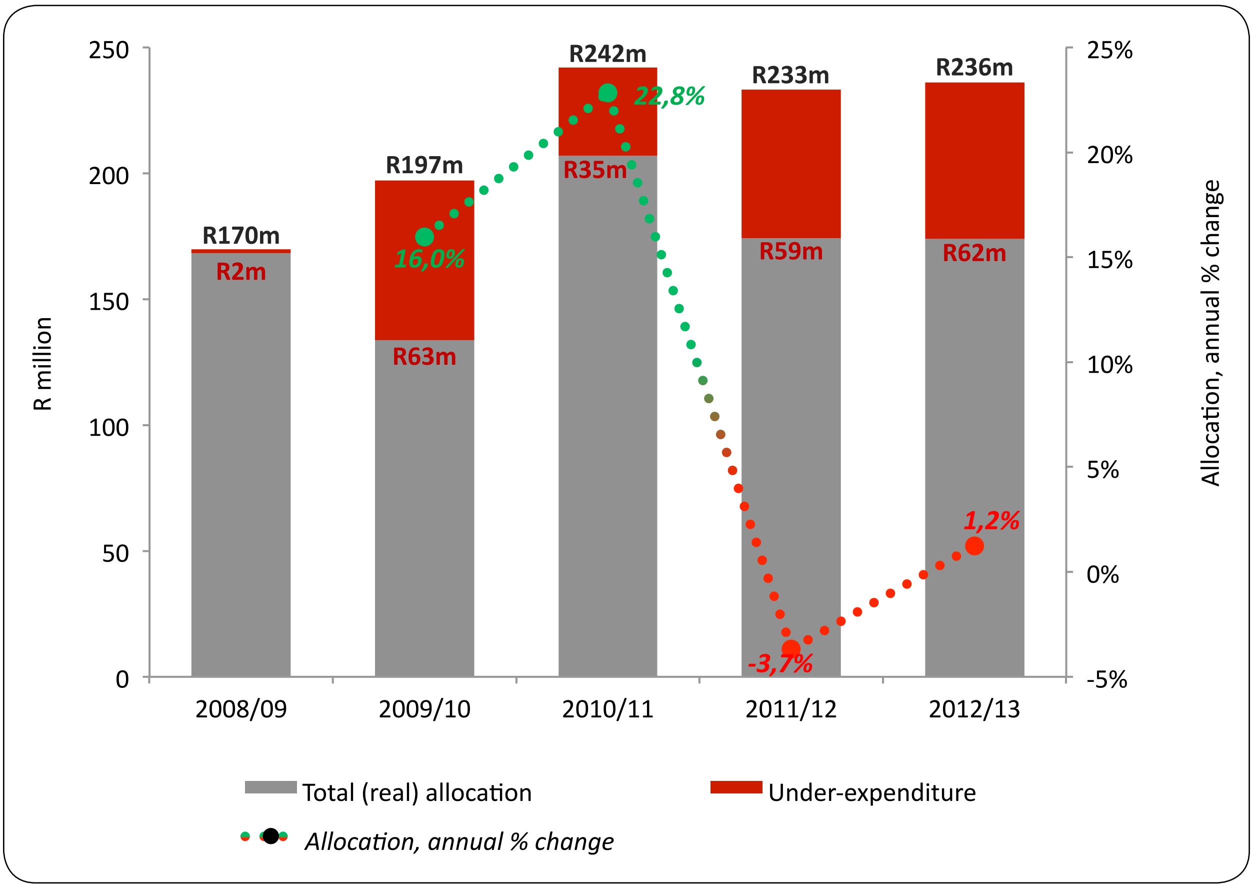


Figure 2 shows that programme 4 has consistently received by far the largest proportion of the housing budget since 2008/09, rising to 97.2% by 2012. This programme will be looked at in detail in the following sections. The department's other four programmes share the remaining 2.8% of the budget between them, down from 4.4% in 2008/09. The smallest share of the DHS budget (0.19% in 2012/13) is allocated to Housing Policy, Research and Planning, the strategic objective of which is to undertake innovative research in order to promote the development of sustainable human settlements, and to monitor the implementation and impact of housing policies and programmes. In real terms, an average of only R50 million has been allocated to this programme per year since 2008/09, and its share of the total budget has been mostly declining since 2009/10.

The effect of allocating so little to departmental research and monitoring becomes more evident as the spending performance of each of these programmes is broken down. The following summary of the spending performance of programme's 1, 2, 3 and 5 will be followed by a more detailed assessment of programme 4.

Figure 3: Programme 1: Administration – real allocations, annual % change and under-expenditure, 2008/09 – 2012/13

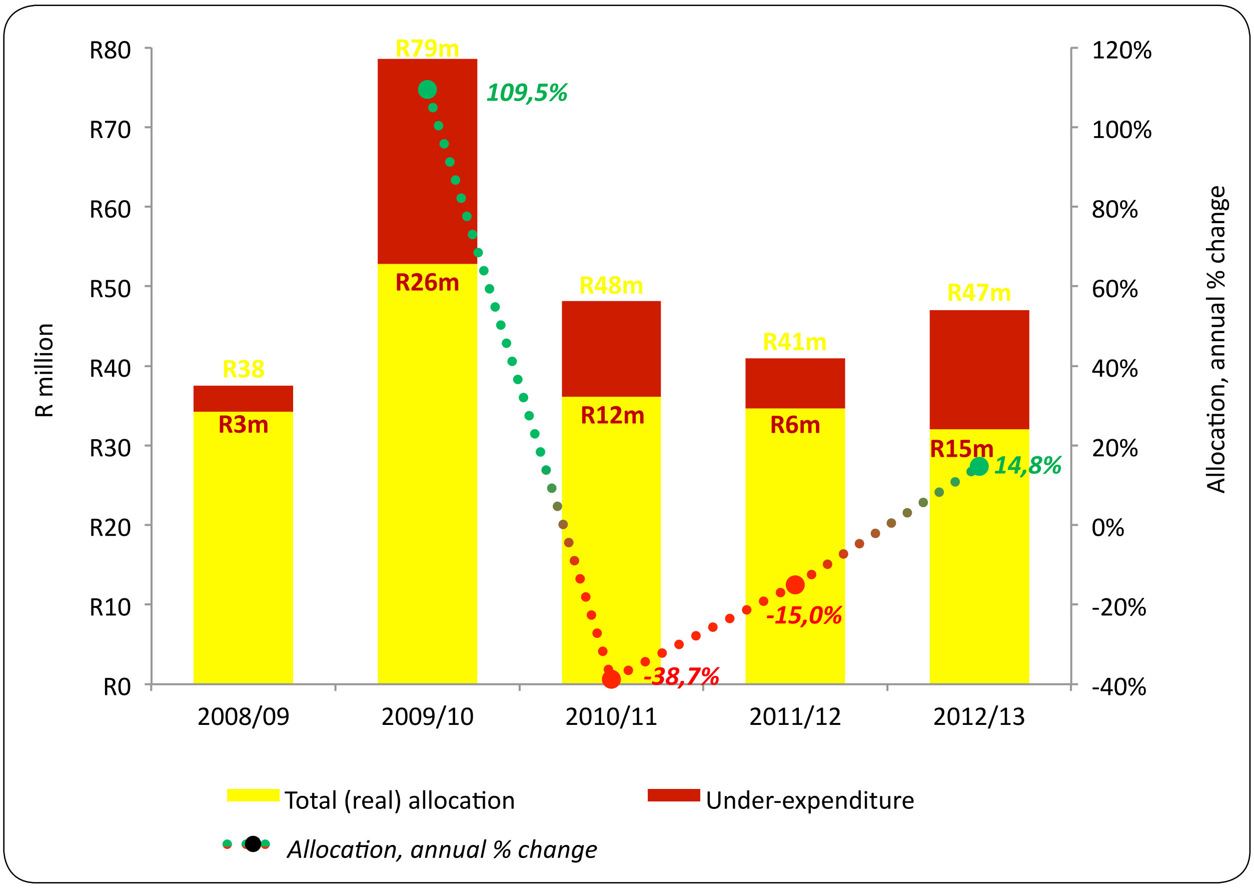


After large real terms increases in 2009/10 and 2010/11, the administration budget was then reduced in 2011/12 and 2012/13. These decreases combined with significant under-expenditure mean that overall DHS administration costs have decreased in real terms since 2008/09. The main reason for the reduction in the administration budget is the high levels of under-expenditure on the programme, which ranged from 32.1% of the total budget in 2009/10 to over 25% in 2011/12 and 2012/13.

According to DHS Annual Reports, this under-expenditure has been due to a combination of factors, of which the following have been consistent problems during the period under review:[45]

- Delayed invoicing by the Special Investigation Unit (SIU) has been blamed for under-spending by the unit in every year under review;
- Funds allocated to increasing office space have consistently not been spent for a variety of reasons, including delays with actual building and refurbishing of offices as well as tenancy arrangements not being made in time;
- Following from this, large numbers of vacancies that have been budgeted for have not been filled due to the continued lack of office space.

Figure 4: Programme 2: Housing Policy, Research and Monitoring – real allocations, annual % change and under-expenditure, 2008/09 – 2012/13



Programme 2, which is responsible for the development of housing policy and promoting the creation of sustainable human settlements through effective research, as well as the crucial function of monitoring and evaluating the implementation of national housing policies and programmes, saw a large rise in its budget in 2009/10. However, 33% of the total new budget for this year was not spent, which contributed to a large decrease the following year, a further decrease in 2011/12, before the budget was increased again in 2012/13. The large rise in expenditure on this programme in 2009/10 was due to the research effort required to produce the revised National Housing Code, which was published in late 2009. As with programme 1, programme 2 has also seen a consistent trend of under-spending, due to factors including:

- Ongoing high staff turnover and delays in filling vacancies;
- Non-completion of research projects;

[45] DHS Annual Reports, 2009-2013.

- Other planned projects being put on hold 'pending further consultation with stakeholders'.[46]

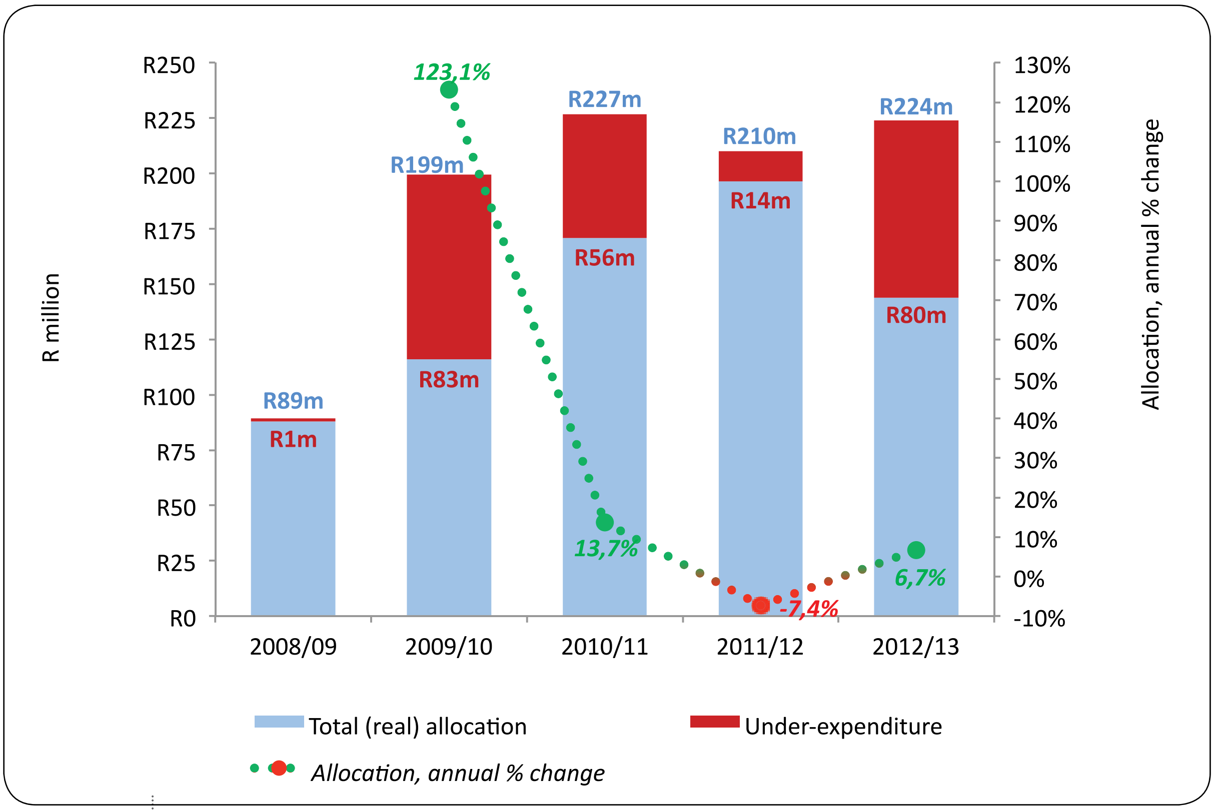
In 2012/13, these delayed projects included:

- An evaluation of provincial and municipal response to the Urban Settlements Development Grant (USDG);

A project to conduct household surveys to profile informal settlements targeted for upgrading in the nine provinces.

Section 3.7 of this chapter will show that the provincial and municipal response to the USDG has been extremely poor, with more than half of USDG funds not spent, relations between provinces and local government heavily strained, and municipalities lacking the political will to institute in situ upgrading of informal settlements. It is therefore regrettable that the profiling of informal settlements and the urgently required evaluation of the USDG planned under programme 2 are still to be completed.

Figure 5: Programme 3: Housing Planning and Delivery Support – real allocations, annual % change and under-expenditure, 2008/09 – 2012/13



While programme 2 is responsible for research, monitoring and assessment of housing policies and programmes, the main functions of programme 3 are to support implementation and delivery, build capacity, as well as coordinate and monitor the implementation of priority projects. Figure 5 shows that increases in the budget for programme 3 have consistently not been spent. On average, in the three years when the budget for programme 3 was increased in real terms, (2009/10, 2010/11 and 2012/13), around a third of the new total budget remained unspent. Indeed, when the budget was more than doubled in 2009/10 due to the establishment of the National Upgrading Support Programme (NUSP) within programme 3 - 75% of the new funds were not spent.

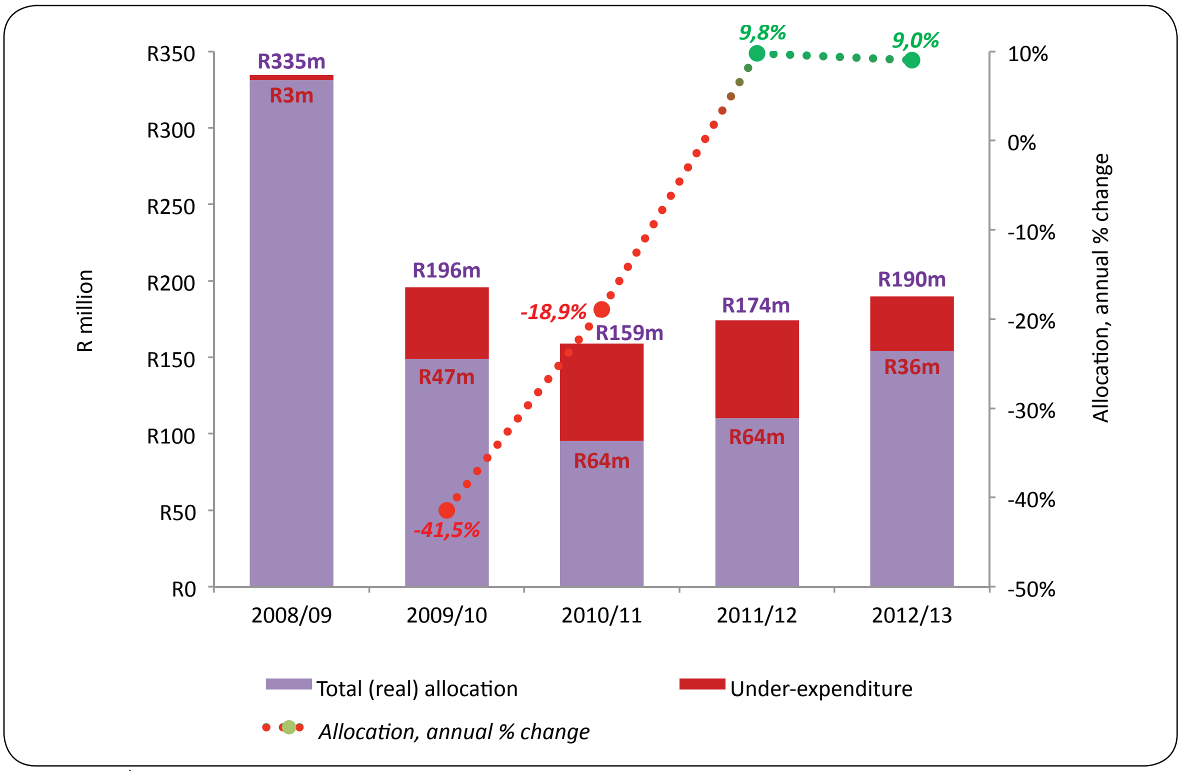
These trends point toward consistent poor planning and lack of capacity within programme 3 to carry out the mandate and spend the funds allocated to it. DHS, in their Annual Reports, also cite:[47]

[46] DHS 2012/13 Annual Report, p143.
[47] DHS Annual Reports, 2009/10 – 2012/13.

- Planned projects delayed or not being undertaken, such as a Community Outreach Programme in 2009/10, the Accelerated Community Infrastructure Programme in 2010/11, and the National Upgrading Support Programme (NUSP) in 2012/13;
- Delays in procurement processes with newly accredited municipalities due to compliance issues; and
- As with the previous two programmes, consistent delays in the filling of vacant posts.

While delays and non-implementation of community outreach and infrastructure programmes are likely to stall rural development, the continued failure to spend and implement the National Upgrading Support Programme (NUSP), which made up over 30% of programme 3's budget in 2012/13, is also critical issue, as NUSP holds key responsibility for supporting and assisting municipalities with the in situ upgrading of informal settlements financed by the struggling USDG. DHS estimated in 2009/10 that 'some 60% to 70% of informal settlements in the country will benefit from this programme [NUSP] in due course'.[48] However, the under-spending on NUSP identified here, and on the USDG identified in section 3.7, is severely delaying this goal. As the policy analysis at the beginning of this paper showed, informal settlement upgrading is a key programme deliverable under the department's Outcome 8 Delivery Agreement and a priority for government which is likely to continue to suffer if not adequately supported by NUSP.

Figure 6: Programme 5: Strategic Relations and Governance – real allocations, annual % change and under-expenditure, 2008/09 – 2012/13



Programme 5 has seen its budget almost half in real terms since 2008/09. Despite these decreases, the programme has also under-spent between 19% and 40% of its budget since 2009/10. DHS attributes the decreases in spending on this programme largely to cut backs in the international relations dimension of the programme. In doing so, it has acknowledged that this has caused 'a reduction in exposure to international best practice and to emerging approaches to human settlement development.'[49] Nevertheless, the department hoped that the programmes re-focussing on domestic affairs would increase its effectiveness in developing strategic relations for human settlements delivery within the country.

[48] DHS Annual Report, 2009/10, Part A, p63.
[49] DHS 2009/10 Annual Report, Part A, p99.

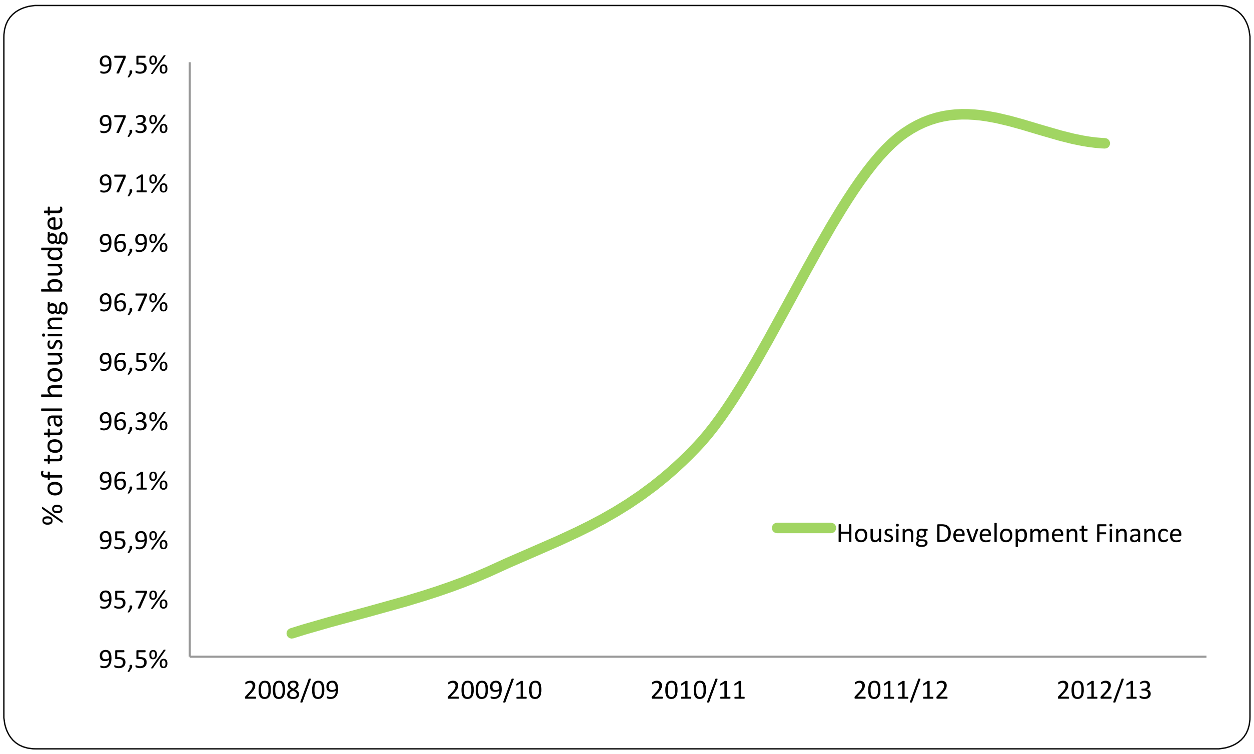
With the provinces and municipalities seemingly at odds over housing funds and the accreditation process (as will be seen in Chapter 4) however, one effective way of spending the funds still available to programme 5 would be on efforts to improve the strategic relations between these two spheres of government, which together carry the greatest responsibility for housing delivery in the country.

The main and most consistent reason for the under-expenditure that has occurred in programme 5 has been put down to delays in appointing service providers tasked with providing support to provinces on the Housing Subsidy System (HSS).[50] In 2011/12, the R64 million of under-expenditure was largely the result of late payments for support services for the HSS, including infrastructure and architectural enhancement.[51] Although the problems around the HSS still persisted in 2012/13, the rate of under-spent funds in that year declined to 19%, from 40% in 2010/11 and 37% in 2011/12.

In its Annual Reports, DHS also often cites cost savings as being a general factor contributing towards under-spending across programmes. While efficiencies and cost savings are often to be welcomed, the department should, however, have the flexibility to re-direct these savings to programmes that require support, such as the many planned projects that the department has received voted funds for, but not undertaken.

3.5 Programme 4: Housing Development Finance (HDF) and two sub-programmes

Figure 7: Housing Development Finance budget as % of total real DHS budget



Programme 4 is responsible for facilitating and accelerating the department's key human settlements programmes and projects. A large part of this function involves managing and providing grant services to provinces and municipalities for the delivery of sustainable housing and human settlements. Additionally, two further responsibilities of the programme are to:

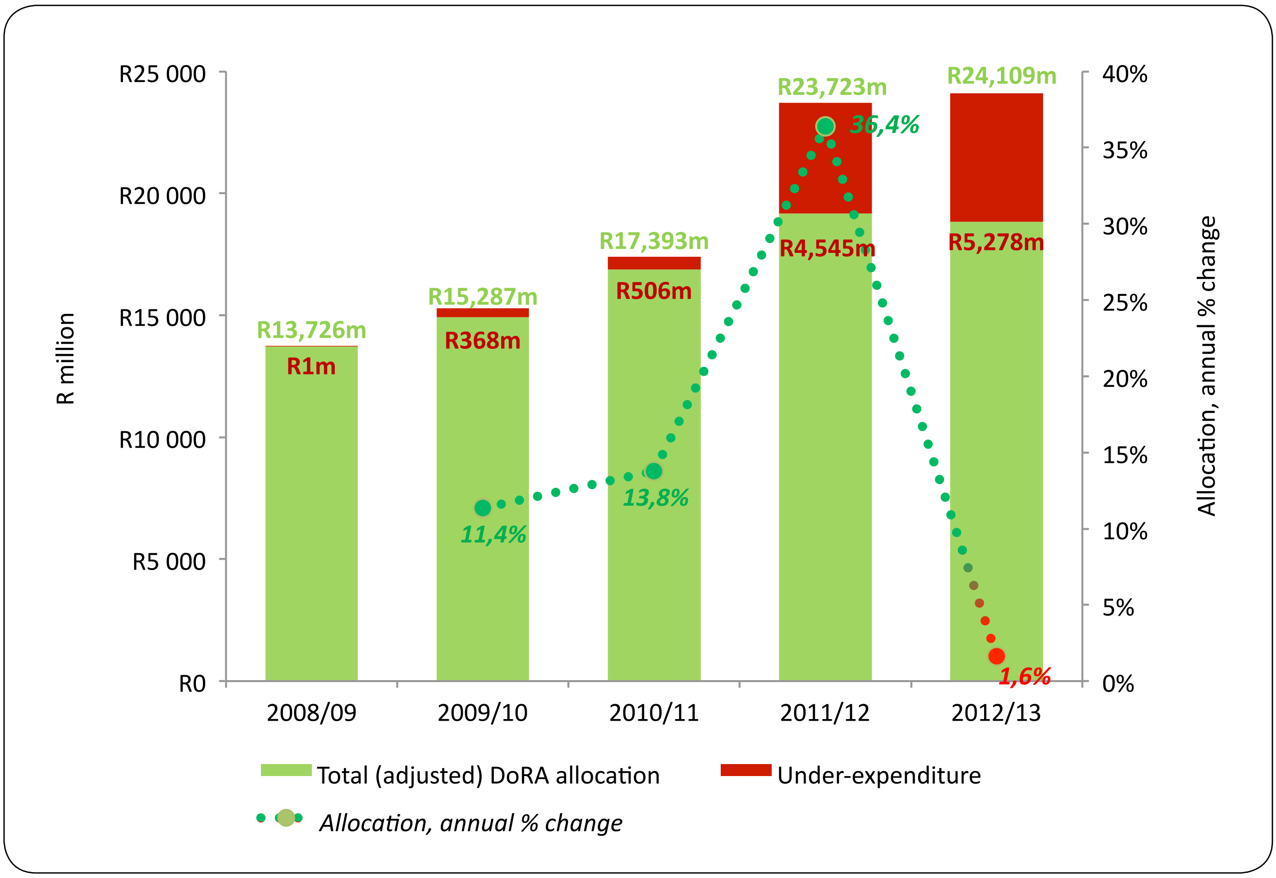
- Manage public entities reporting to DHS, provinces and municipalities, regarding housing related issues; and

[50] DHS 2010/11 Annual report, p168.
[51] DHS 2011/12 Annual report, p25.

- Strengthen collaboration with private sector agents in ensuring access to private housing finance, and monitoring their lending processes.

As figure 7 (above) illustrates, HDF currently receives over 97% of the total DHS budget. The performance of this programme, and its sub-programmes, is thus critical to the progressive realisation of the right to housing in South Africa.

Figure 8: Programme 4: Housing Development Finance – adjusted allocations, annual % change and under-expenditure, 2008/09 – 2012/13



After strong real-terms increases from 2009/10 – 2011/12, the budget for HDF was reduced in real terms in 2012/13. Considerable real increases of over 10% in 2009/10 and 2010/11 should be commended, and under-expenditure was also very low (less than 3%) during these years. The large 36.4% increase in the budget for HDF in 2011/12 is mainly a result of the addition of the Urban Settlements Development Grant (USDG) to the DHS portfolio, which took up 28% of the total HDF budget during this year. However, as section 3.7 will show, the USDG has underspent over 50% of its budget since it came into operation, which accounts for a large part of the under-expenditure on programme 4 during these years. With under-expenditure occurring on all of the main three grants administered by HDF in 2011/12 (as the following table shows in bold), programme 4's total budget was cut by 4% in real-terms in 2012/13. The other areas of under-expenditure can be found by looking more closely at the performance of the eight sub-programmes financed under HDF.

Table 3: Programme 4: Housing Development Finance – real allocations, annual percentage change and expenditures for 8 sub-programmes, 2008/09 – 2012/13. *DHS has not provided under-expenditure data for HDF or its sub-programmes for 2008/09.

Programme	Total (real) allocations, annual % change, actual expenditure and under-expenditure as % of total budget	Allocations and Expenditure R'000				
		2008/09*	2009/10	2010/11	2011/12	2012/13
1. Programme Management	Real allocation	3,084	3,003	1,000	2,957	3,013
	Real allocation, annual % change		-2.6%	-66.7%	195.7%	1.9%
	Actual expenditure	3,005	2,802	666	1,237	1,678
	Under-expenditure as % of total budget	2.5%	6.7%	33.4%	58.2%	44.3%
2. Financial and Funds Management	Real allocation	34,765	216,835	38,927	53,945	54,833
	Real allocation, annual % change		523.7%	-82.0%	38.6%	1.6%
	Actual expenditure	34,183	210,342	37,824	40,297	43,723
	Under-expenditure as % of total budget	1.7%	3.0%	2.8%	25.3%	20.3%
3. Housing Equity	Real allocation	14,145	17,493	9,397	10,704	10,632
	Real allocation, annual % change		23.7%	-46.3%	13.9%	-0.7%
	Actual expenditure	13,944	11,361	7,081	6,429	7,795
	Under-expenditure as % of total budget	1.4%	35.1%	24.6%	39.9%	26.7%
4. Human Settlements Development Grant (HSDG)	Real allocation transferred to 9 provinces	13,310,605	14,593,616	16,700,422	16,104,122	15,395,146
	Real allocation, annual % change		9.6%	14.4%	-3.6%	-4.4%%
	Actual expenditure by 9 provinces	13,310,605	14,281,273	16,248,270	15,370,725	15,267,254
	Under-expenditure as % of total budget	0.0%	2.1%	2.7%	4.6%	0.8%
5. Contribution	Real allocation	363,224	456,348	387,456	511,446	912,806
	Real allocation, annual % change		25.6%	-15.1%	32.0%	78.5%
	Actual expenditure	363,223	413,582	379,132	508,278	912,806
	Under-expenditure as % of total budget	0.0%	9.4%	2.1%	0.6%	0.0%
6. Rural Households Infrastructure Development (RHIG)	Real allocation			109,515	270,383	340,625
	Real allocation, annual % change				146.9%	26.0%
	Actual expenditure			67,477	196,721	205,566
	Under-expenditure as % of total budget			38.4%	27.2%	39.7%
7. Housing Disaster Relief Grant	Real allocation			146,531	189,000	
	Real allocation, annual % change				29.0%	
	Actual expenditure			146,531	189,000	
	Under-expenditure as % of total budget			0.0%	0.0%	
8. Urban Settlements Development Grant (USDG)	Real allocation transferred to 8 metros				6,580,348	7,392,206
	Real allocation, annual % change					12.3%
	Actual expenditure by 8 metros				2,864,845	2,392,565
	Under-expenditure as % of total budget				56.5%	67.6%
Total HDF allocation, annual % change, under-expenditure	Real allocation	13,725,823	15,287,295	17,393,248	23,722,905	24,109,261
	Real allocation, annual % change		11.4%	13.8%	36.4%	1.6%
	Actual expenditure	13,724,960	14,919,360	16,886,981	19,177,532	18,831,387
	Under-expenditure as % of total budget	0.0%	2.4%	2.9%	19.2%	21.9%
	CPI inflation	**11.5%**	**7.1%**	**4.3%**	**5.0%**	**5.6%**

Together, the Human Settlements Development Grant (HSDG) and the Urban Settlements Development Grant (USDG) receive 95% of the total DHS budget

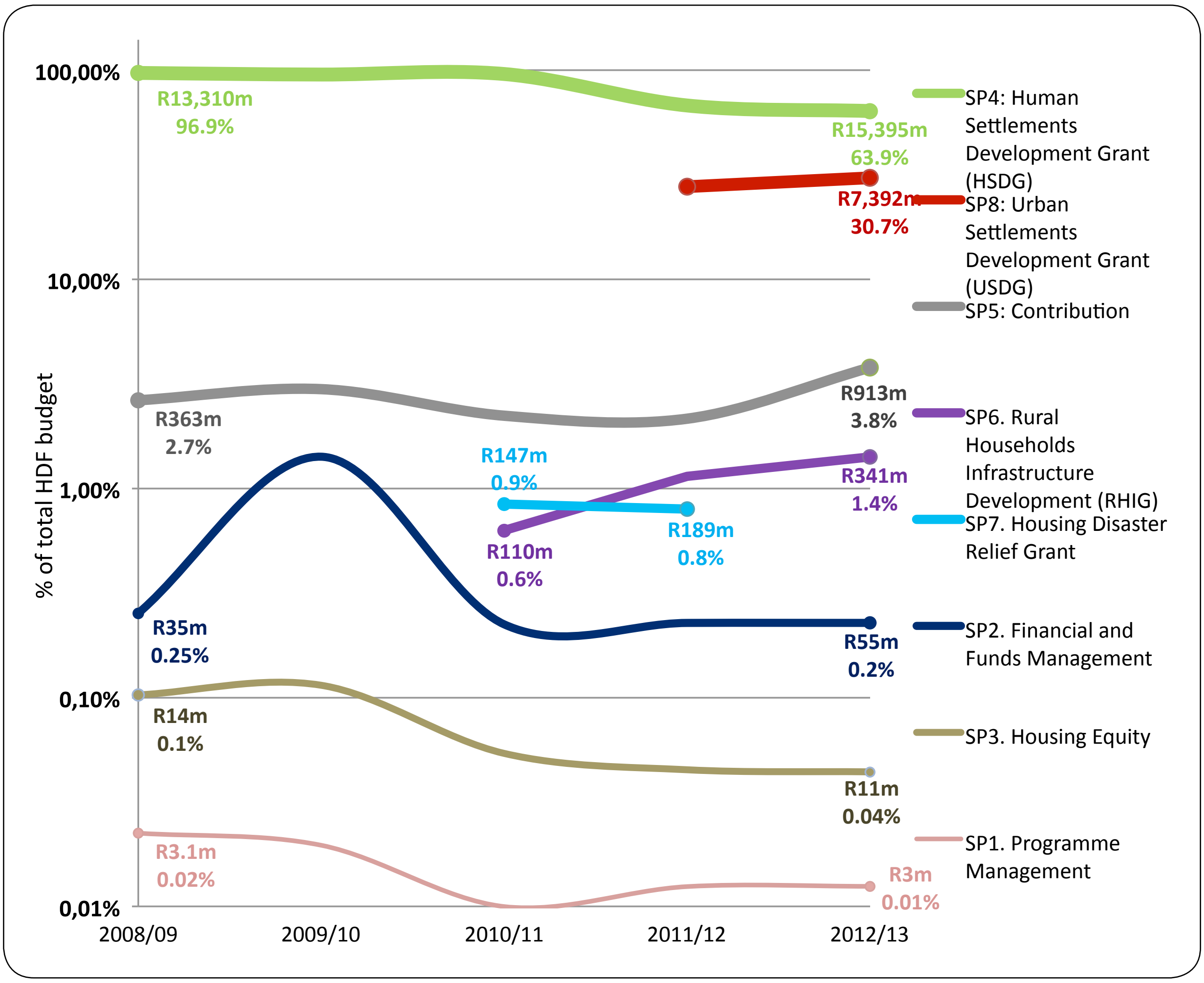
Table 3 (above) shows the allocation and expenditure patterns of the 8 sub-programmes funded by programme 4. Three of these (in bold) are grants allocated to provinces and municipalities to fund the development and creation of sustainable human settlements. Sub-programme 6, the **Rural Households Infrastructure Grant (RHIG)**, was introduced in 2010 to address water and sanitation backlogs in rural areas. Reflecting the urban focus of this paper, this grant is not looked at in detail in this analysis. However, it should be noted that the RHIG has experienced considerable problems during its first three years of operation. In each of these years it has under-spent by between 27% and 40% of its budget. Among a range of issues self-reported by DHS, the RHIG has under-spent and under-delivered due to delays in the appointment of service providers for water and sanitation projects.[52] In 2011/12, a large portion of this under-spending occurred as a result of delays in the building of toilets during that year, due to, inter alia, issues with contractors.[53] Failure to implement such basic functions of this grant has led the Portfolio Committee on Human Settlements to conclude that 'municipalities were not ready to receive this grant', largely due to poor planning and capacity constraints.[54]

The **Human Settlements Development Grant (HSDG** - previously the Integrated Housing and Human Settlements Grant) is given to provinces and metropolitan municipalities and is primarily responsible for providing funding for the construction of housing and human settlements. This is the largest grant value allocated under programme 4 in the review period. From 2011/12, the portion of the HSDG intended for infrastructure development in cities began to be transferred to the **Urban Settlements Development Grant (USDG)**, which was introduced to the DHS portfolio in 2011/12. As well as the HSDG city infrastructure funds, the USDG was created with funds previously transferred to metros through the Municipal Infrastructure Grant (MIG). The USDG is presently transferred to 8 accredited metropolitan municipalities to supplement their capital income in support of national human settlements development programs, in particular, the upgrading of informal settlements.

Read together, table 3 (above) and figure 9 (overleaf) show that the transferring of the HSDG's city infrastructure funds to the USDG from 2011/12 onwards has resulted in real-terms decreases in the HSDG budget, and its share of the total programme 4 budget reducing from around 97% to 64%. However, the introduction of the USDG in 2011/12, which also draws on funds previously transferred to municipalities through the MIG, has meant that programme 4's total budget considerably increased in 2011/12, before being slightly reduced in 2012/13.

[52] DHS 2010/11 Annual report, p167.
[53] DHS 2011/12 Annual report, p25.
[54] The Budgetary Review and Recommendation Report of the Portfolio Committee on Human Settlements, 16 October 2013.

Figure 9: Programme 4: Housing Development Finance – 8 sub-programmes (SP), real allocations as % of total HDF budget, 2008/09 – 2012/13



Together, the HSDG and USDG made up almost 95% of the HDF budget in 2012/13. Because funds for these programmes are transferred directly from the HDF allocation to the provinces and municipalities tasked with their implementation, the performance of these two key sub-programmes, which implement the majority of human settlements delivery, must be given special attention.

3.6 Spending performance of the Human Settlements Development Grant (HSDG), sub-programme 4.4

The HSDG is a conditional grant allocated to DHS through the Division of Revenue Act (DoRA) and then transferred to provinces according to a set formula that takes into account the housing needs and resources of the respective provinces.[55] This has been by far the largest grant value allocated under programme 4 during the period under review, receiving R15.4 billion, or 63.9% of the total HDF budget in 2012/13. The HSDG is also a vital source of revenue for municipalities not receiving the USDG, which continue to rely heavily on these funds for the delivery of sustainable human settlements.

[55] Financial and Fiscal Commission submission to the portfolio committee on human settlements: Department of Human Settlements 2013 Budget Vote, p11.

Table 4: Sub-programme 4.4: Human Settlements Development Grant (HSDG) – real allocations, adjustments, annual % change, and under-expenditure as % of total budget, 2008/10 – 2012/13

	Total real allocations, actual expenditure, and under-expenditure as % of total allocation	Allocations and Expenditure R million				
		2008/09*	2009/10	2010/11	2011/12	2012/13
Human Settlements Development Grant (HSDG)	HSDG allocation (DoRA)	13,311	14,594	16,457	15,689	15,726
	HSDG allocation, annual % change	-	9.6%	12.8%	-4.7%	0.2%
	Re-allocations / adjustments	-	0	729	416	0
	Funds withheld	-	0	485	0	331
	Actual amount transferred to HSDG, received by provinces	13,311	14,594	16,700	16,104	15,395
	Actual amount transferred to HSDG, annual % change		9.6%	14.4%	-3.6%	-4.4%
	Expenditure by provincial Human Settlements	13,311	14,281	16,248	15,371	15,267
	Under/over-expenditure by provincial Human Settlements	0	312	452	733	128
	Under/over-expenditure by provinces as % of total prov budget	0.0%	2.1%	2.7%	4.6%	0.8%
	CPI inflation	**11.5%**	**7.1%**	**4.3%**	**5.0%**	**5.6%**

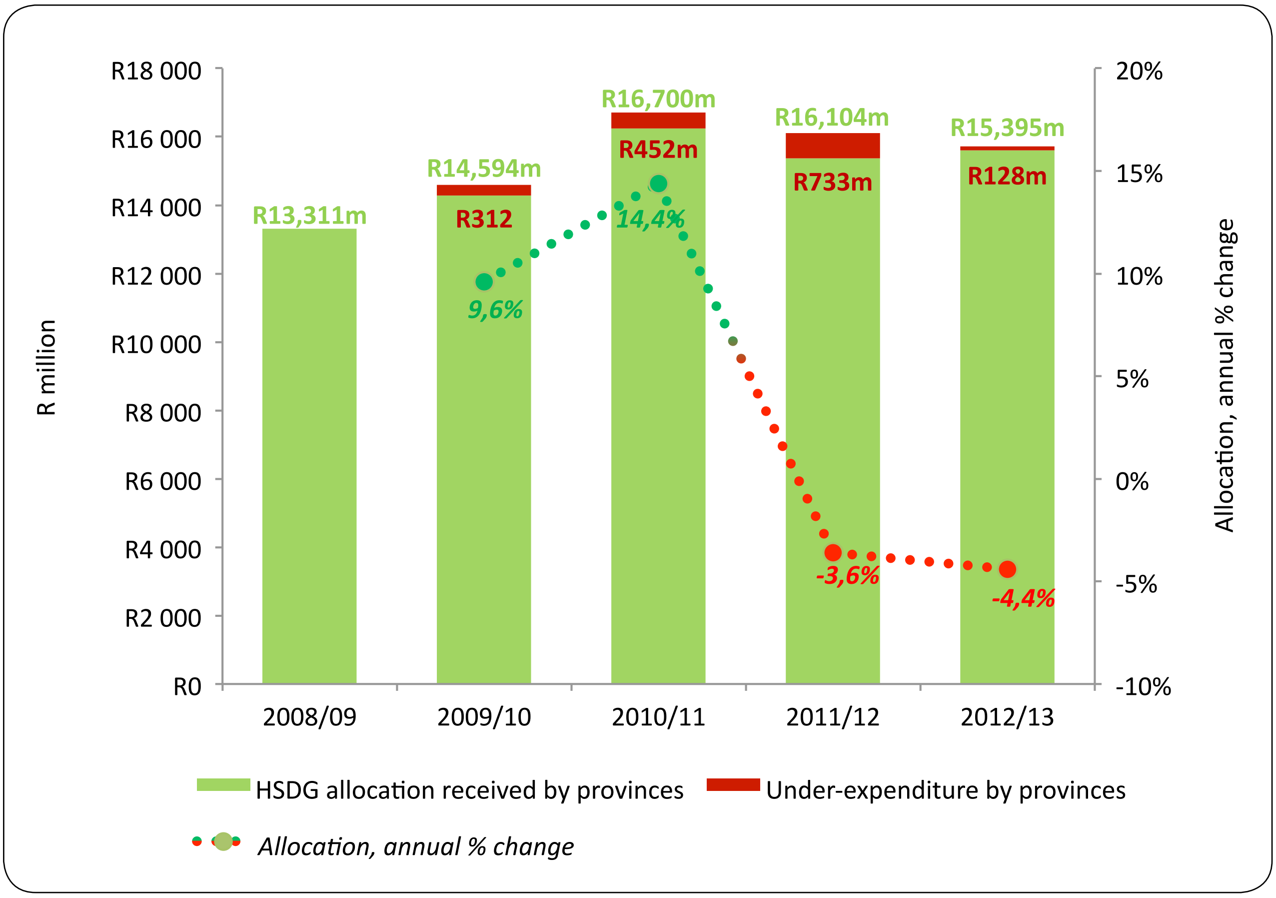
**DHS has not provided data about the expenditure performance of the HSDG in 2008/09.*

Under-expenditure on the HSDG happens at a provincial and metropolitan level and can result either in funds being withdrawn from a province or allowed to roll-over. If funds are withdrawn, they may be re-allocated to better performing provinces. This allows for a degree of flexibility and accountability in the allocation of funds that should reward good and punish poor performance, both in relation to spending and targets. As the following tables will show, R285 million was withheld from the Eastern Cape and R46 million from Limpopo in 2012/13 due to under-performance.[56] While in 2010/11, Free State, KwaZulu-Natal and North-West had funds withheld which were re-allocated to the Northern Cape, Limpopo, Eastern Cape, Western Cape, Gauteng and Mpumalanga.

After re-allocations, adjustments and funds withheld, provinces themselves may then under or over-spend in any given year. The above table summarises these trends for the whole of the HSDG grant, showing the amounts received by provinces after funds withheld, re-allocations, and adjustments, and actual expenditure. Figure 10 visualises the total HSDG allocation received by provinces after all adjustments, the annual percentage change and under-expenditure.

[56] DHS Annual Report, 2012/13, Part E, p190.

Figure 10: HSDG allocation received by provinces, annual % change and under-expenditure by provinces, 2008/09 – 2012/13



The HSDG allocation received by the provinces (after adjustments) increased by 9.6% in real terms in 2009/10 and then by 14.4% in real terms in 2010/11, bringing the total HSDG budget available to provinces to R16.7 billion in that year. However, this budget has since decreased in real terms by R1.3 billion over the following two years, due mainly to the introduction of the USDG. Moreover, there was a total of R861 million of under-expenditure in 2011/12 and 2012/13, despite the shrinking budget.

This total figure, however, though high, hides some of the major under-expenditure that has occurred in some of the provinces during the period under review. The following figures and tables look at the real amounts received by provinces (after all adjustments) from 2008/09 – 2012/13 and shows whether they have under or over-spent on the amounts allocated to them for the implementation of the HSDG.

Figure 11 and Table 5: Eastern Cape HSDG allocations and under-expenditure, 2008/09 – 2012/13

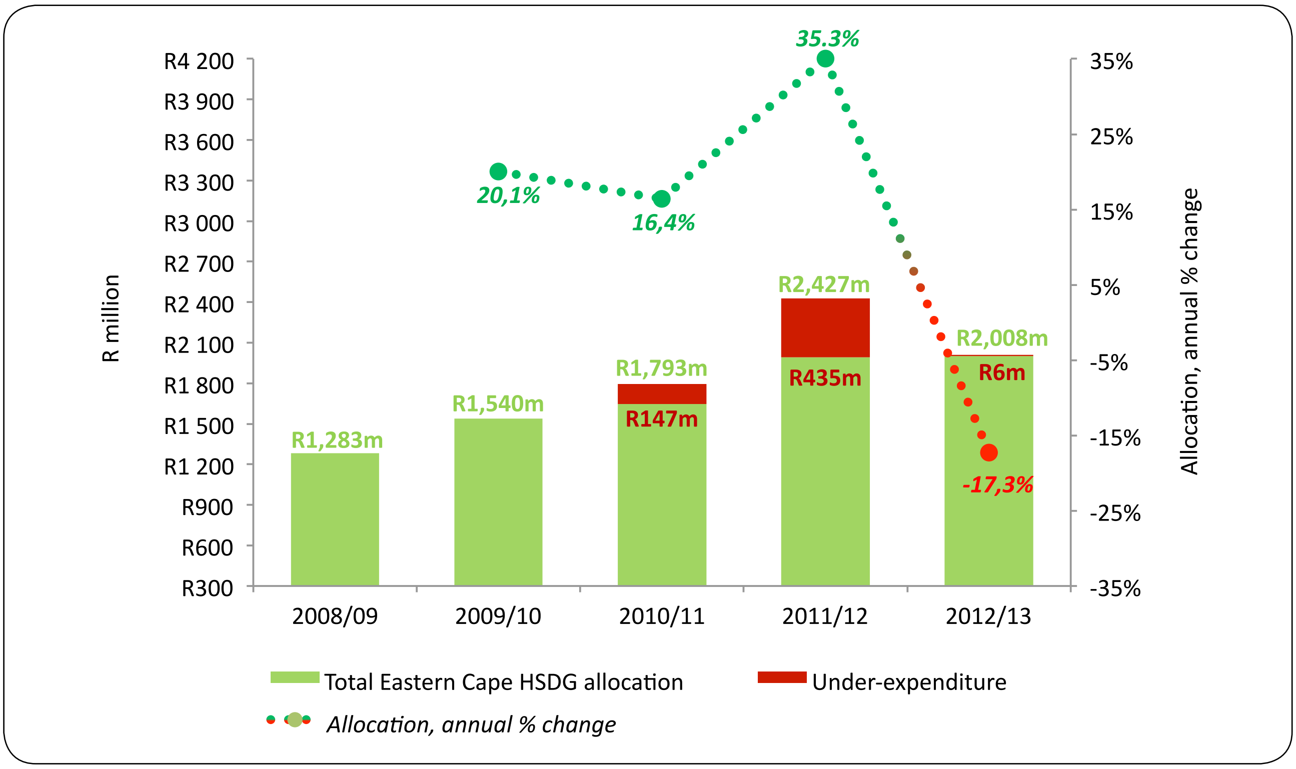


	Table 5 Nominal and real allocations, actual expenditure, and under-expenditure as % of total allocation	Allocations and Expenditure R million				
		2008/09	2009/10	2010/11	2011/12	2012/13
Eastern Cape (EC)	Total nominal HSDG allocation (DoRA)	981	1,313	1,599	2,178	2,293
	Re-allocation / adjustment	0	0	39	134	0
	Funds withheld	0	0	0	0	285
	Actual amount transferred to HSDG, received by EC Human Settlements	981	1,313	1,638	2,178	2,008
	Actual expenditure by EC Human Settlements	981	1,313	1,504	1,897	2,002
	Real amount received by EC Human Settlements	1,283	1,540	1,793	2,427	2,008
	Real amount received, annual % change		20.1%	16.4%	35.3%	-17.3%
	Real expenditure by EC Human Settlements	1,283	1,540	1,647	1,992	2,002
	Real under/over-expenditure by EC Human Settlements	0	0	147	435	6
	Real under/over-expenditure as % of total budget	0.0%	0.0%	8.2%	17.9%	0.3%
	CPI inflation	**11.5%**	**7.1%**	**4.3%**	**5.0%**	**5.6%**

Between 2010/11 and 2011/12, Eastern Cape (EC) Human Settlements under-spent by a total of R582 million, or between 8-18% of its total budget. This meant that the considerable real terms budget increases enjoyed by the department up to 2011/12 were not capitalised upon. As a result, R285 million of unspent funds were withheld from the EC budget in 2012/13, reducing it by 17.3% in real terms. Reasons given for this poor spending performance include capacity and cash flow problems, delayed payment of contractors, lack of availability of bulk infrastructure, and delays at the deeds office in the registration of transfer documents.[57] There may be signs of some of these issues beginning to be addressed, however, as in 2012/13 the province managed to spend over 99% of its reduced HSDG budget.

[57] FFC submission to the portfolio committee on human settlements: DHS 2013 Budget Vote, p11.

Figure 12 and Table 6: Free State HSDG allocations and under-expenditure, 2008/09 – 2012/13

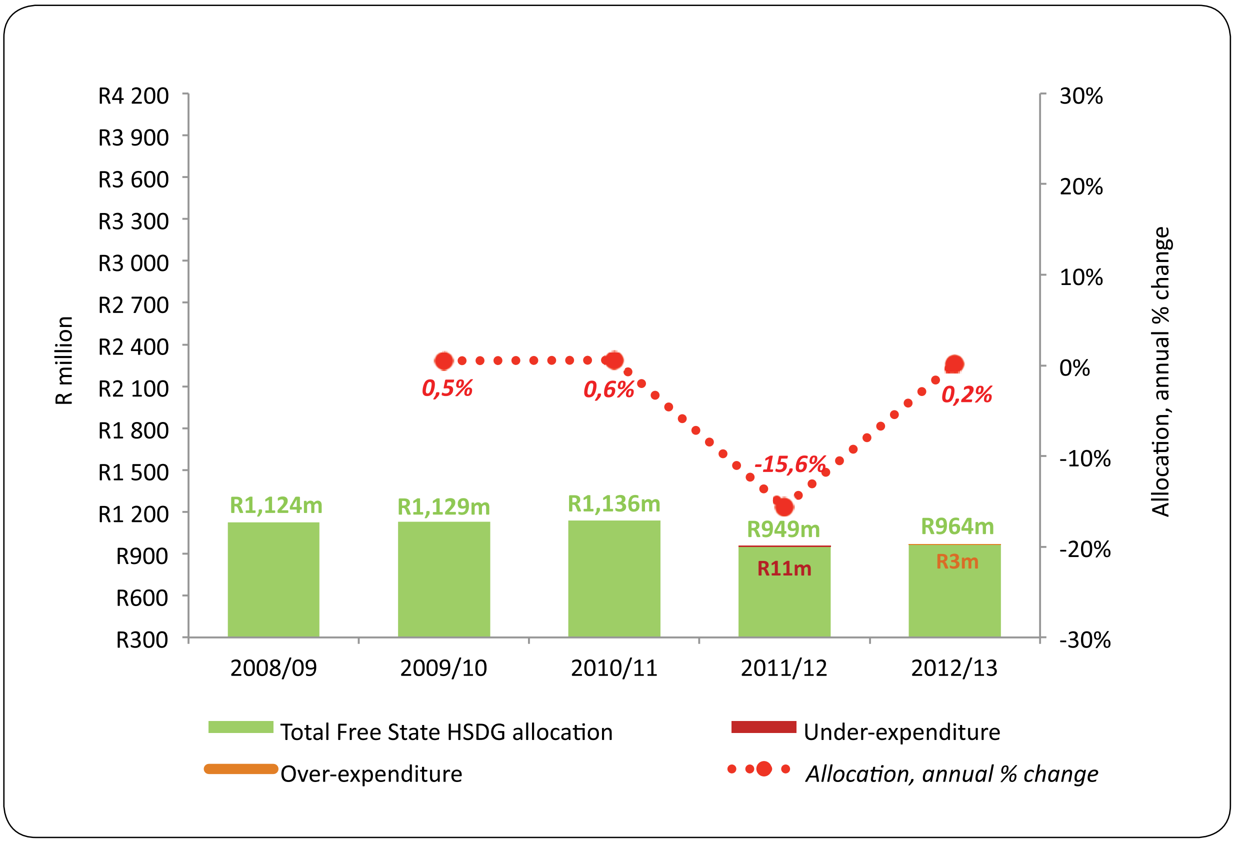


	Table 6 Nominal and real allocations, actual expenditure and under-expenditure as % of total allocation	Allocations and Expenditure R million				
		2008/09	2009/10	2010/11	2011/12	2012/13
Free State (FS)	Total nominal HSDG allocation (DoRA)	859	963	1,301	914	962
	Re-allocation / adjustment	0	0	0	0	0
	Funds withheld	0	0	263	0	0
	Actual amount transferred to HSDG, received by FS Human Settlements	859	963	1,038	914	962
	Actual expenditure by FS Human Settlements	859	963	1,038	903	964
	Real amount received by FS Human Settlements	1,124	1,129	1,136	960	962
	Real amount received, annual % change		0.5%	0.6%	-15.6%	0.2%
	Real expenditure by FS Human Settlements	1,124	1,129	1,136	949	964
	Real under/over-expenditure by FS Human Settlements	0	0	0	11	-3
	Real under/over-expenditure as % of total budget	0.0%	0.0%	0.0%	1.1%	-0.3%
	CPI inflation	**11.5%**	**7.1%**	**4.3%**	**5.0%**	**5.6%**

Free State Human Settlements has consistently spent 99% of more of its HSDG budget during the period under review, though it under-spent by R11 million in 2011/12 and over-spent by R3m in 2012/13. However, despite consistently meeting its spending targets, the department saw its HSDG budget decrease in real terms in all the years under review. As a result, the Free State had R162 million fewer HSDG funds to spend in 2012/13 than it did in 2008/09.

Figure 13 and Table 7: Gauteng HSDG allocations and under-expenditure, 2008/09 – 2012/13

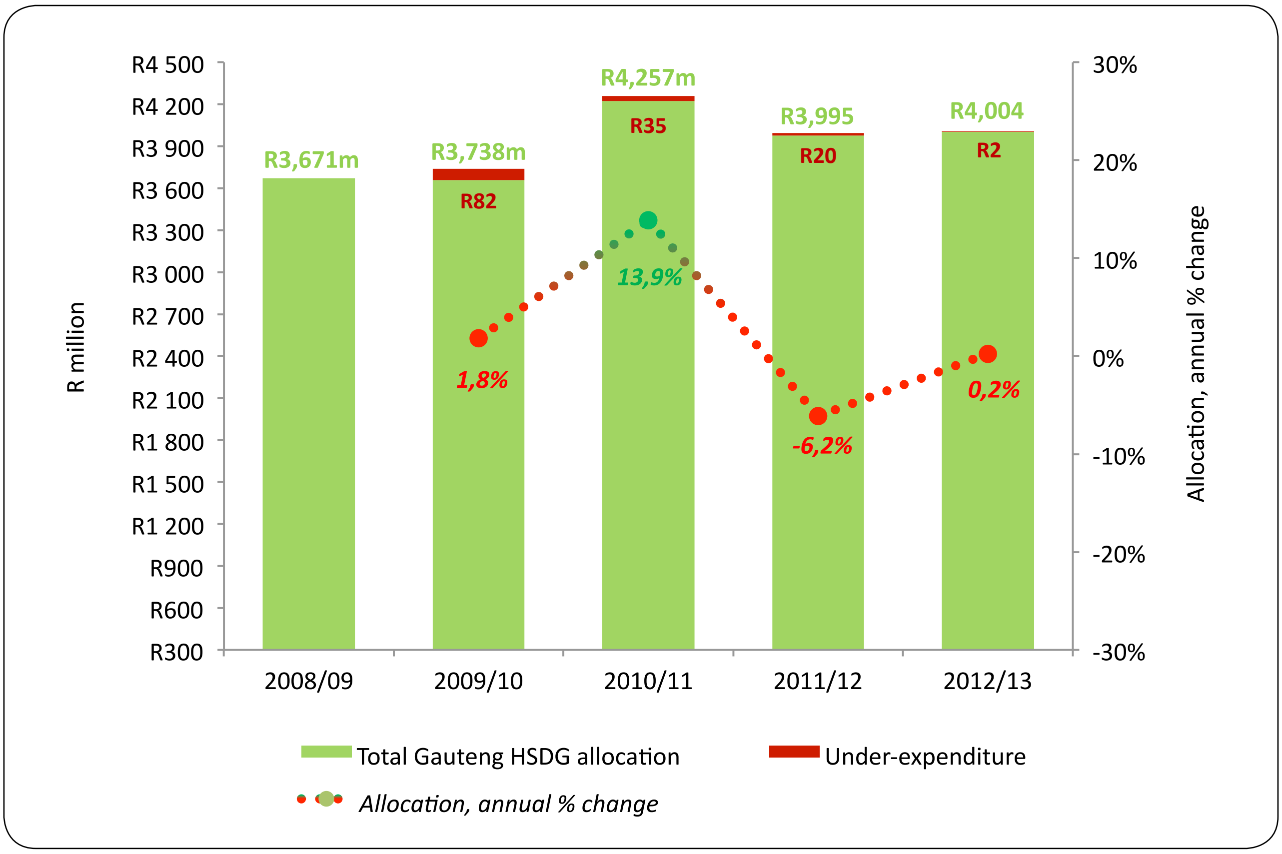


	Table 7 Nominal and real allocations actual expenditure, and under-expenditure as % of total allocation	Allocations and Expenditure R million				
		2008/09	2009/10	2010/11	2011/12	2012/13
Gauteng (GP)	Total nominal HSDG allocation (DoRA)	2,807	3,187	3,772	3,805	4,004
	Re-allocation / adjustment	0	0	115	0	0
	Funds withheld	0	0	0	0	0
	Actual amount transferred to HSDG, received by GP Human Settlements	2,807	3,187	3,887	3,805	4,004
	Actual expenditure by GP Human Settlements	2,807	3,117	3,855	3,786	4,002
	Real amount received by GP Human Settlements	3,671	3,738	4,257	3,995	4,004
	Real amount received, annual % change		1.8%	13.9%	-6.2%	0.2%
	Real expenditure by GP Human Settlements	3,671	3,656	4,222	3,975	4,002
	Real under/over-expenditure by GP Human Settlements	0	82	35	20	2
	Real under/over-expenditure as % of total budget	0.0%	2.2%	0.8%	0.5%	0.1%
	CPI inflation	**11.5%**	**7.1%**	**4.3%**	**5.0%**	**5.6%**

Gauteng has received the largest share of the total HSDG budget in all years under review. However, after a large real terms increase of 13.9% in 2010/11, its HSDG budget shrunk by a total R253 million by 2012/13. After under-expenditure by the province of R82 million in 2009/10, it has managed to reduce its under-expenditure in subsequent years, keeping it down to R2 million by 2012/13.

Figure 14 and Table 8: KwaZulu-Natal HSDG allocations and under-expenditure, 2008/09 – 2012/13

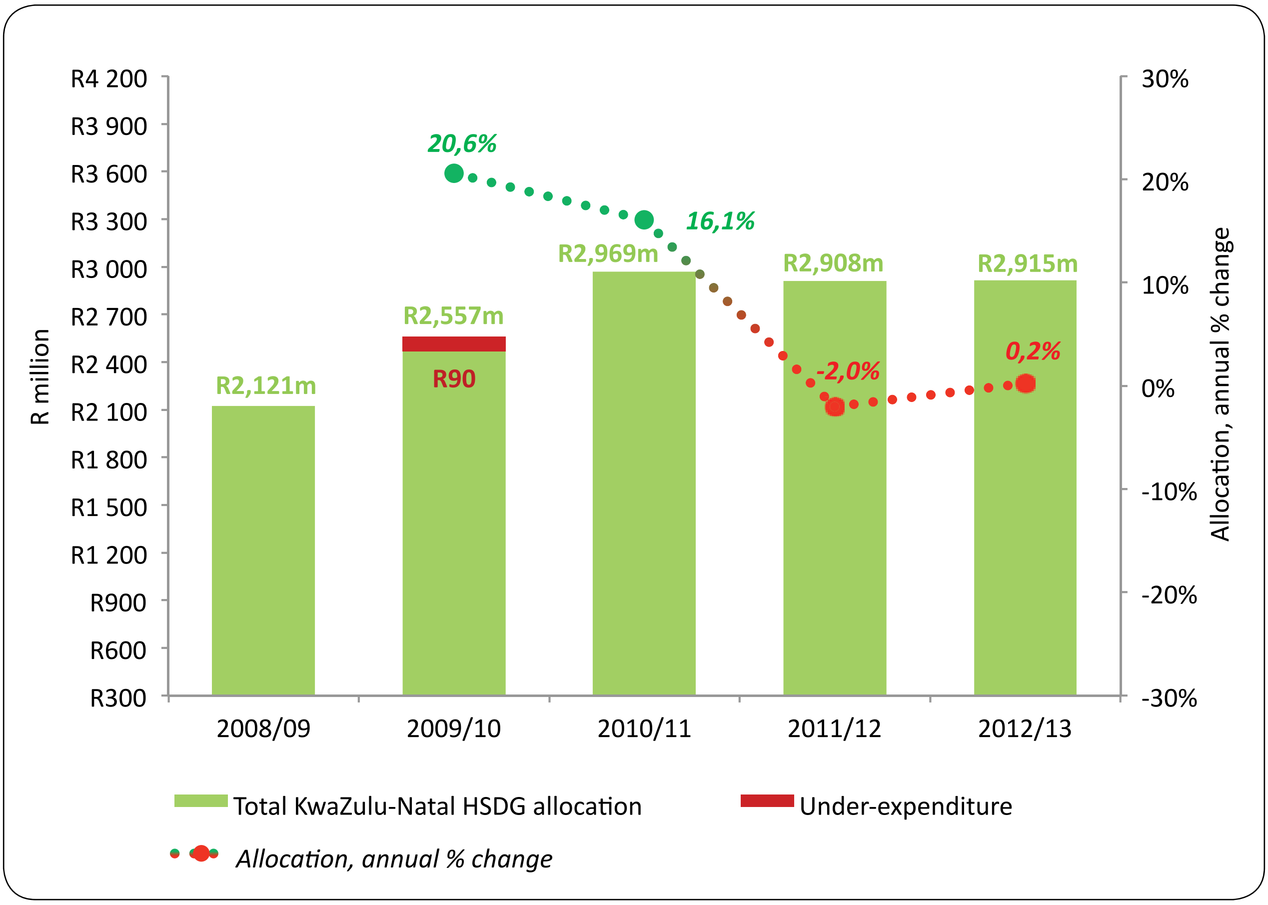


	Table 8 Nominal and real allocations, actual expenditure and under-expenditure as % of total allocation	Allocations and Expenditure R million				
		2008/09	2009/10	2010/11	2011/12	2012/13
KwaZulu-Natal (KZN)	Total nominal HSDG allocation (DoRA)	1,622	2,180	2,714	2,770	2,915
	Re-allocation / adjustment	0	0	77	0	0
	Funds withheld	0	0	80	0	0
	Actual amount transferred to HSDG, received by KZN Human Settlements	1,622	2,180	2,634	2,770	2,915
	Actual expenditure by KZN Human Settlements	1,622	2,103	2,711	2,770	2,915
	Real amount received by KZN Human Settlements	2,121	2,557	2,969	2,908	2,915
	Real amount received, annual % change		20.6%	16.1%	-2.0%	0.2%
	Real expenditure by KZN Human Settlements	2,121	2,467	2,969	2,908	2,915
	Real under/over-expenditure by KZN Human Settlements	0	90	0	0	0
	Real under/over-expenditure as % of total budget	0.0%	3.5%	0.0%	0.0%	0.0%
	CPI inflation	**11.5%**	**7.1%**	**4.3%**	**5.0%**	**5.6%**

Continuing the trend in Gauteng that is also seen in three of the remaining five provinces, KwaZulu-Natal received a considerable increase in its HSDG budget in 2010/11, only to see that budget cut in real terms in 2011/12 and 2012/13. After under-spending by R90 million in 2009/10, KZN has spent all of its budget in the previous three years.

Figure 15 and Table 09: Limpopo HSDG allocations and under-expenditure, 2008/09 – 2012/13

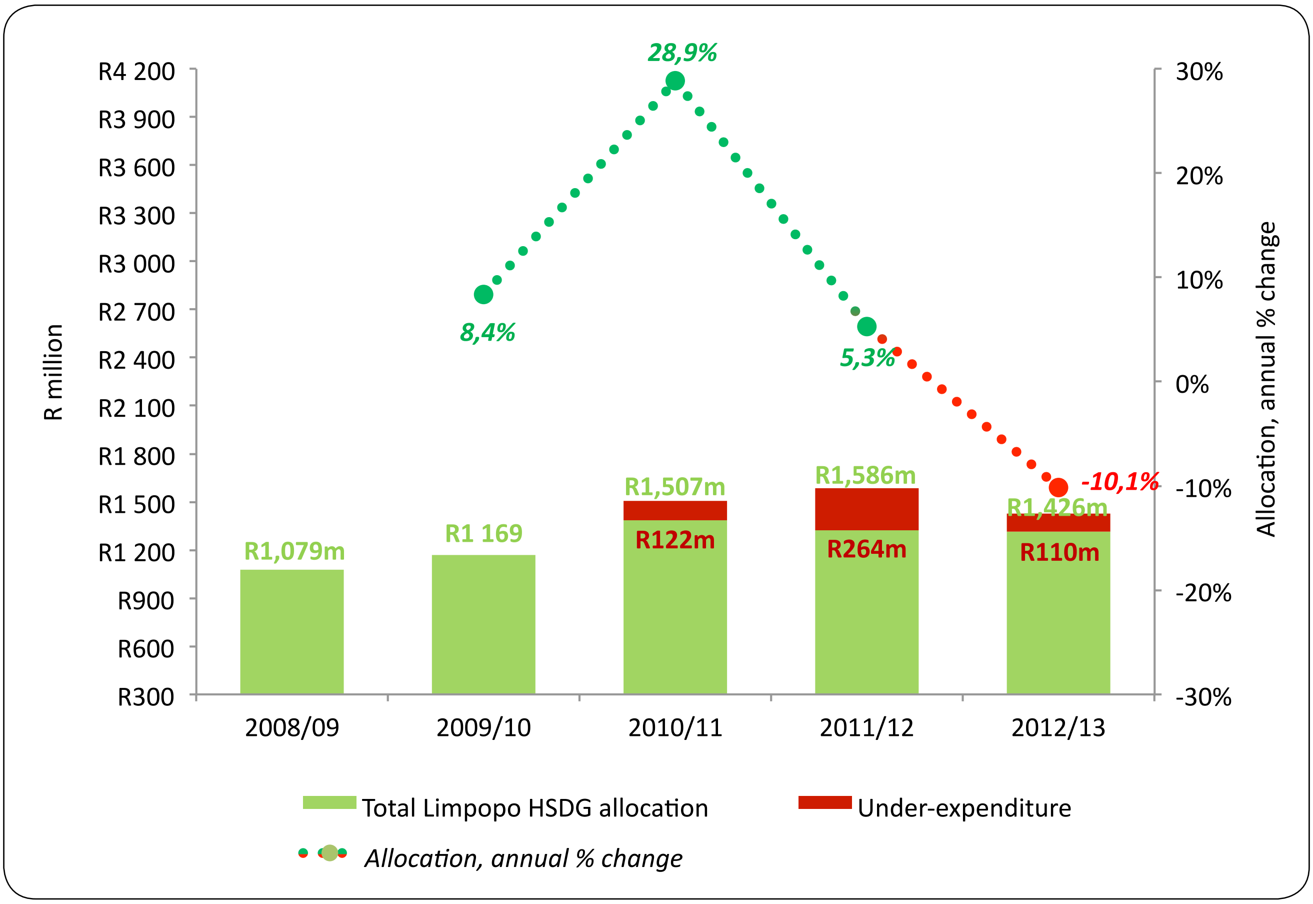


	Table 09 Nominal and real allocations actual expenditure, and under-expenditure as % of total allocation	Allocations and Expenditure R million				
		2008/09	2009/10	2010/11	2011/12	2012/13
Limpopo (LP)	Total nominal HSDG allocation (DoRA)	825	997	1,235	1,399	1,472
	Re-allocation / adjustment	0	0	141	112	0
	Funds withheld	0	0	0	0	46
	Actual amount transferred to HSDG, received by LP Human Settlements	825	997	1,376	1,511	1,426
	Actual expenditure by LP Human Settlements	825	997	1,265	1,259	1,316
	Real amount received by LP Human Settlements	1,079	1,169	1,507	1,586	1,426
	Real amount received, annual % change		8.4%	28.9%	5.3%	-10.1%
	Real expenditure by LP Human Settlements	1,079	1,169	1,385	1,322	1,316
	Real under/over-expenditure by LP Human Settlements	0	0	122	264	110
	Real under/over-expenditure as % of total budget	0.0%	0.0%	8.1%	16.6%	7.7%
	CPI inflation	**11.5%**	**7.1%**	**4.3%**	**5.0%**	**5.6%**

Limpopo's HSDG budget increased by over a third to R1.5 billion from 2008/09 – 2010/11. The impact of these increases was diminished, however, by a total of R496 million of unspent funds between 2010/11 and 2012/13. As a result of this under-expenditure, Limpopo's budget was significantly cut in in 2012/13. Reasons given for this consistent under-expenditure include:

- Unavailability of bulk infrastructure and serviced sites;
- Delayed payment of contractors due to infrequent payments by Provincial Treasury; and
- Contractors sharing sub-contractors.

Figure 16 and Table 10: Mpumalanga HSDG allocations and under-expenditure, 2008/09 – 2012/13

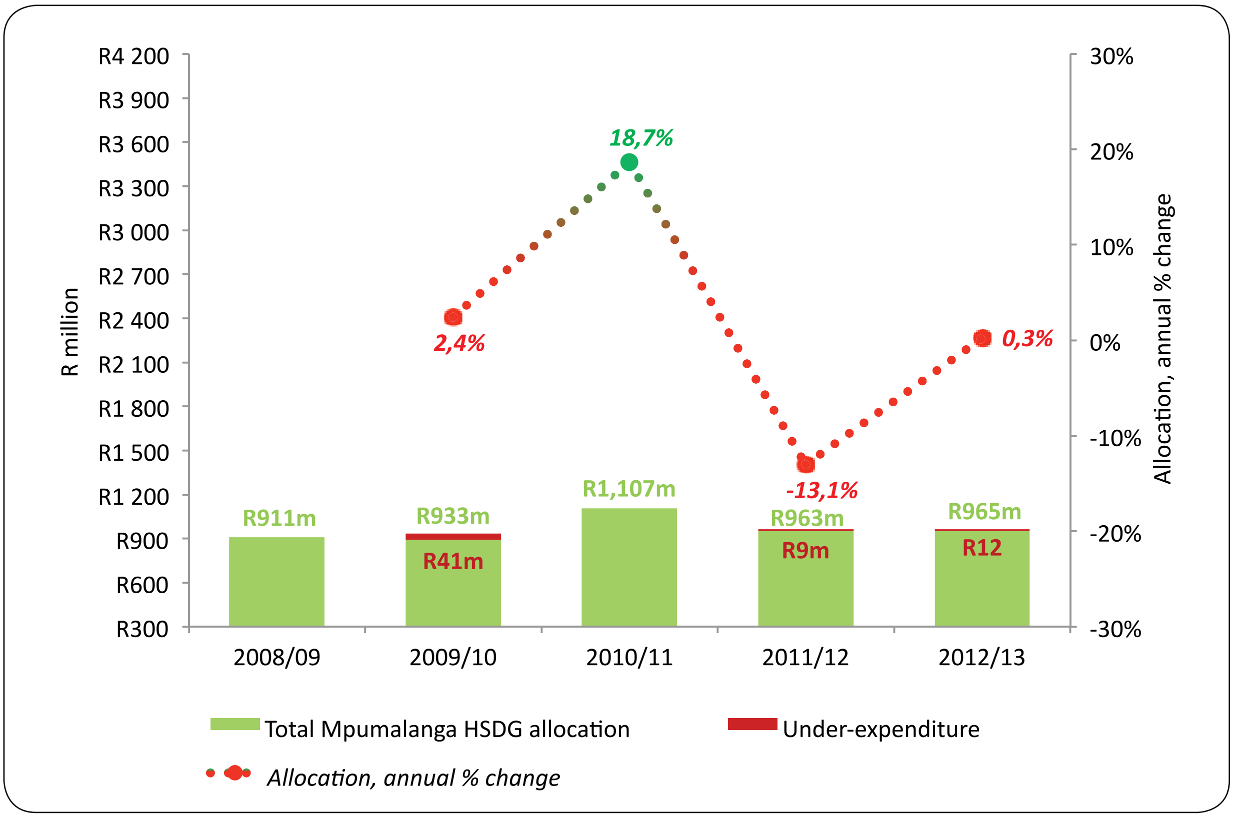


	Table 10 Nominal and real allocations, actual expenditure and under-expenditure as % of total allocation	Allocations and Expenditure R million				
		2008/09	2009/10	2010/11	2011/12	2012/13
Mpumalanga (MP)	Total nominal HSDG allocation (DoRA)	697	795	976	917	965
	Re-allocation / adjustment	0	0	35	0	0
	Funds withheld	0	0	0	0	0
	Actual amount transferred to HSDG, received by MP Human Settlements'	697	795	1,011	917	965
	Actual expenditure by MP Human Settlements	697	760	1,011	917	953
	Real amount received by MP Human Settlements	911	933	1,107	963	965
	Real amount received, annual % change		2.4%	18.7%	-13.1%	0.3%
	Real expenditure by MP Human Settlements	911	892	1,107	953	953
	Real under/over-expenditure by MP Human Settlements	0	41	0	9	12
	Real under/over-expenditure as % of total budget	0.0%	4.4%	0.0%	1.0%	1.3%
	CPI inflation	**11.5%**	**7.1%**	**4.3%**	**5.0%**	**5.6%**

In the period under review, Mpumalanga has never under or over-spent by more than 4.4% of its HSDG budget. After a considerable increase in its budget of 18.7% in 2010/11, Mpumalanga Human Settlements HSDG budget has decreased thereafter. Despite this reduced availability of funds, the province did underspend a total of R21 million in the previous two years.

Figure 17 and Table 11: Northern Cape HSDG allocations and over-expenditure, 2008/09 – 2012/13

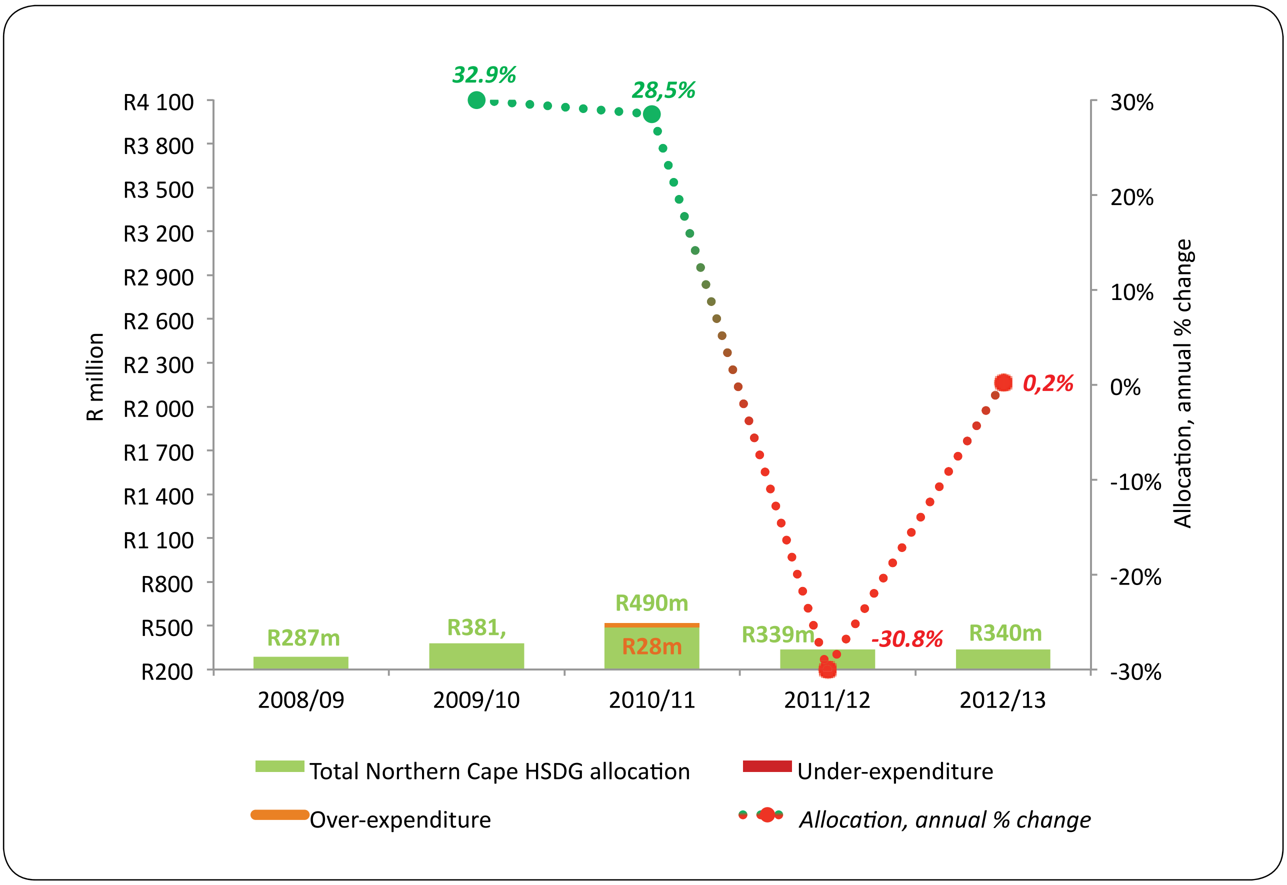


	Table 11 Nominal and real allocations, actual expenditure and under-expenditure as % of total allocation	Allocations and Expenditure R million				
		2008/09	2009/10	2010/11	2011/12	2012/13
Northern Cape (NC)	Total nominal HSDG allocation (DoRA)	219	325	273	323	340
	Re-allocation / adjustment	0	0	174	0	0
	Funds withheld	0	0	0	0	0
	Actual amount transferred to HSDG, received by NC Human Settlements	219	325	447	323	340
	Actual expenditure by NC Human Settlements	219	325	473	323	340
	Real amount received by NC Human Settlements	**287**	**381**	**490**	**339**	**340**
	Real amount received, annual % change		**32.9%**	**28.5%**	**-30.8%**	**0.2%**
	Real expenditure by NC Human Settlements	**287**	**381**	**518**	**339**	**340**
	Real under/over-expenditure by NC Human Settlements	**0**	**0**	**-28**	**0**	**0**
	Real under/over-expenditure as % of total budget	**0.0%**	**0.0%**	**-5.7%**	**0.0%**	**0.0%**
	CPI inflation	**11.5%**	**7.1%**	**4.3%**	**5.0%**	**5.6%**

The Northern Cape has received by far the smallest share of the HSDG of any province – only 2.2% of the total HSDG budget received by provinces in 2012/13. It has also seen the greatest variance in its budget, which increased by almost a third in both 2009/10 and 2010/11 only to drop by 30.8% the following year. With fewer HSDG funds to spend than any other province, the Northern Cape has consistently spent all of the funds available to it, including over-shooting its budget by R28 million in 2010/11.

Figure 18 and Table 12: North West HSDG allocations and under-expenditure, 2008/09 – 2012/13

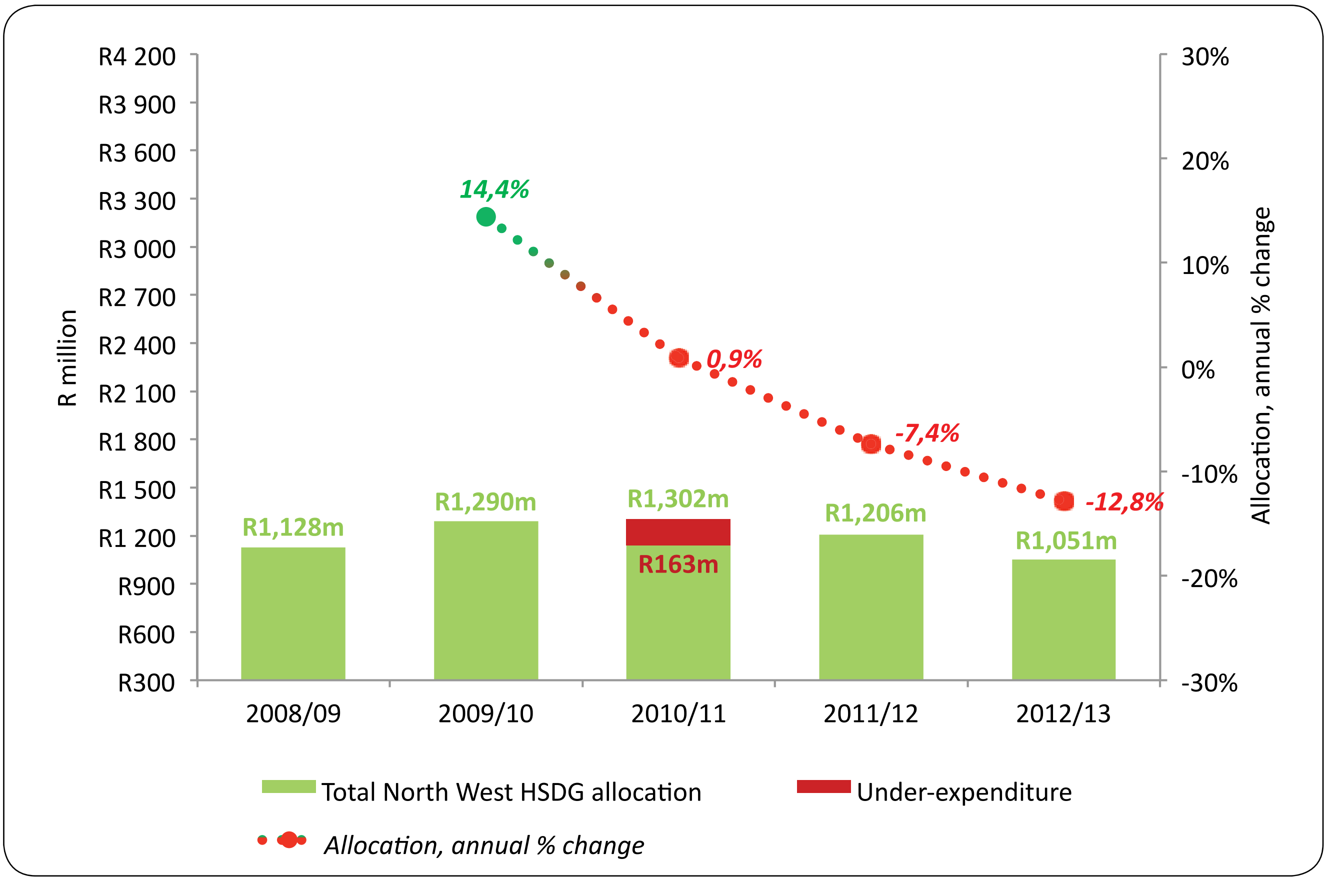


	Table 12 Nominal and real allocations, actual expenditure and under-expenditure as % of total allocation	Allocations and Expenditure R million				
		2008/09	2009/10	2010/11	2011/12	2012/13
North West (NW)	Total nominal HSDG allocation (DoRA)	862	1,100	1,289	998	1,051
	Re-allocation / adjustment	0	0		0	0
	Funds withheld	0	0	100	0	0
	Actual amount transferred to HSDG, received by NW Human Settlements	862	1,100	1,189	998	1,051
	Actual expenditure by NW Human Settlements	862	1,100	1,040	1,149	1,051
	Real amount received by NW Human Settlements	**1,128**	**1,290**	**1,302**	**1,048**	**1,051**
	Real amount received, annual % change		**14.4%**	**0.9%**	**-7.4%**	**-12.8%**
	Real expenditure by NW Human Settlements	**1,128**	**1,290**	**1,139**	**1,206**	**1,051**
	Real under/over-expenditure by NW Human Settlements	**0**	**0**	**163**	**0**	**0**
	Real under/over-expenditure as % of total budget	**0.0%**	**0.0%**	**12.5%**	**0.0%**	**0.0%**
	CPI inflation	**11.5%**	**7.1%**	**4.3%**	**5.0%**	**5.6%**

After a large real increase in its budget of 14.4% in 2009/10, North West Human Settlements has seen its HSDG budget shrink in real terms in each subsequent year under review, from R1.3 billion in 2009/10 to R1.1 billion by 2012/13. After considerable under-expenditure of R163 million in 2010/11, the province has spent all of its diminishing budget in the previous two years.

Figure 19 and Table 13: Western Cape HSDG allocations and under-expenditure, 2008/09 –2012/13

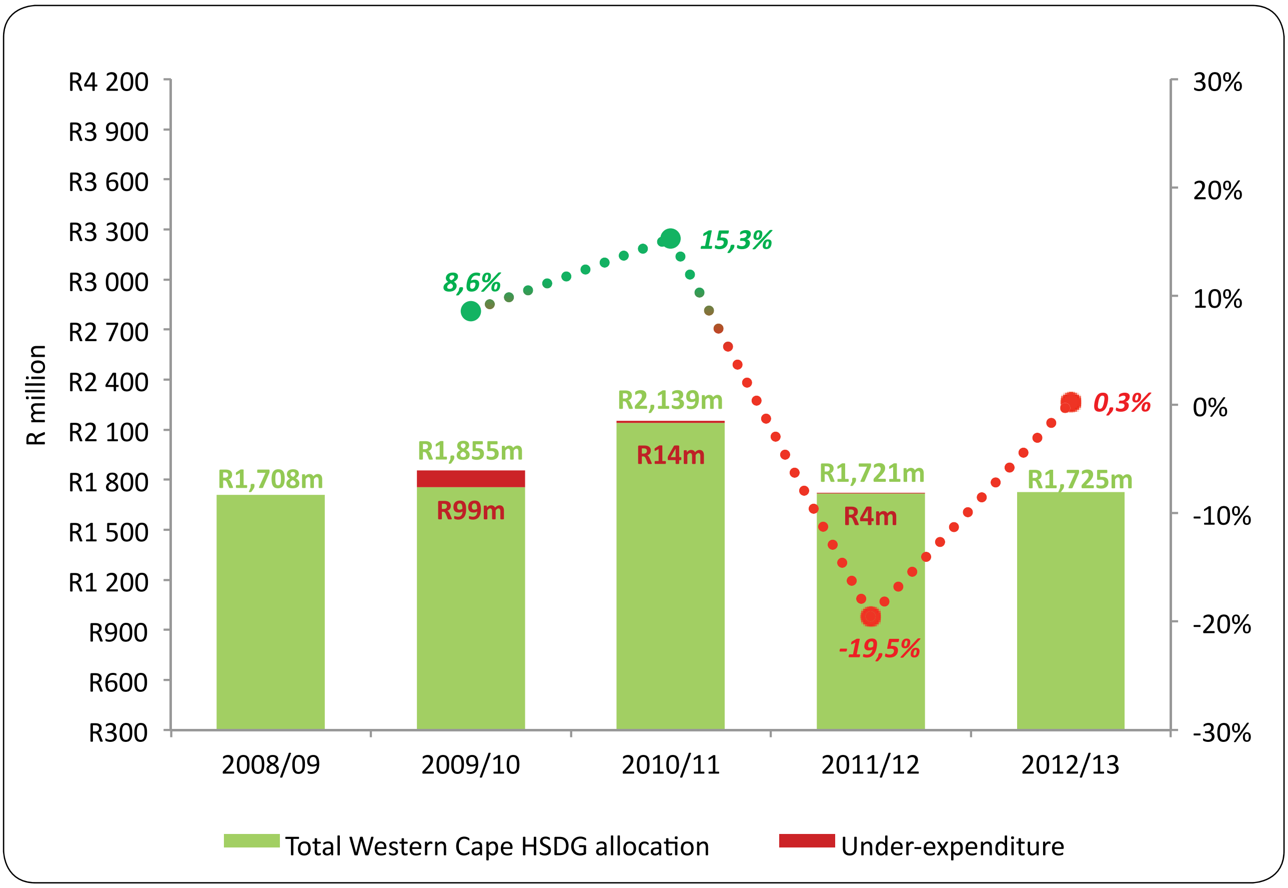


	Table 13 Nominal and real allocations, actual expenditure and under-expenditure as % of total allocation	Allocations and Expenditure R million				
		2008/09	2009/10	2010/11	2011/12	2012/13
Western Cape (WC)	Total nominal HSDG allocation (DoRA)	1,306	1,581	1,869	1,639	1,725
	Re-allocation / adjustment	0	0	84	0	0
	Funds withheld	0	0	0	0	0
	Actual amount transferred to HSDG, received by WC Human Settlements	1,306	1,581	1,953	1,639	1,725
	Actual expenditure by WC Human Settlements	1,306	1,497	1,940	1,635	1,725
	Real amount received by WC Human Settlements	**1,708**	**1,855**	**2,047**	**1,721**	**1,725**
	Real amount received, annual % change		**8.6%**	**15.3%**	**-19.5%**	**0.3%**
	Real expenditure by WC Human Settlements	**1,708**	**1,756**	**2,125**	**1,717**	**1,725**
	Real under/over-expenditure by WC Human Settlements	**0**	**99**	**14**	**4**	**0**
	Real under/over-expenditure as % of total budget	**0.0%**	**5.3%**	**0.7%**	**0.2%**	**0.0%**
	CPI inflation	**11.5%**	**7.1%**	**4.3%**	**5.0%**	**5.6%**

After Gauteng and KwaZulu-Natal, the Western Cape receives the third largest share of HSDG funds. Despite under-expenditure of R99 million in 2009/10, the Western Cape was given a large increase in its HSDG budget in 2010/11 – a year in which it then under-spent by R14 million. However, since 2010/11, the Western Cape has had its HSDG budget severely reduced. This has produced an overall real-terms decrease in its HSDG budget of R322 million since 2010/11.

Human Settlements Development Grant: preliminary assessment

Overall, expenditure performance on this grant has been mixed. A total of R1.6 billion of HSDG funds were not spent by the provinces between 2009/10 and 2012/13, although some provinces have performed considerably better than others. Northern Cape and Free State have the overall best spending records, with only R11 million of unspent funds and R31 million of over-spent funds between them over the five year review period. Eastern Cape and Limpopo have the worst records, under-spending by R588 million and R496 million respectively during this time. Gauteng under-spent in each year under review, though never by more than 2.2% of its total budget. Likewise, the Western Cape under-spent in three years, though on average by only 2% of its total budget. Mpumalanga under-spent in two out of the five years. North West only under-spent once, though by a considerable portion in 2010/11 – 12.5% or R163 million of its total budget. KwaZulu-Natal also under-spent only once, by R90 million in 2009/10.

“The fact that near optimal spending on the HSDG is not producing the number of houses government had planned raises many questions, particularly around rising costs and whether these funds are being spent efficiently”

In Chapter 4 of this paper, Housing Indicator 2 looks at the number of houses planned and constructed by DHS, mostly using HSDG funds, from 2003 – 2012. The variation across provinces notwithstanding, there has been close to optimal spending on the HSDG during the period under review – around 97% of funds spent each year. However, despite this, key housing delivery targets have not been met. Table 14 below provides a sample of this trend in under-delivery.

Table 14: Housing units planned and completed by DHS, 2009/10 – 2012/13.

	2009/10	2010/11	2011/12	2012/13
Housing units planned	250 000	220 000	220 000	130 000 (projected)
Number of houses completed and constructed	161 854	121 879	120 610	72 223 (current)
Shortfall – housing units	**88 146**	**98 121**	**99 390**	

Source: FFC submission on human settlements vote, 2013.

The fact that near optimal spending on the HSDG is not producing the number of houses government had planned raises many questions, particularly around whether the HSDG funds are being spent efficiently and whether the costs associated with housing construction are increasing at a faster rate than the budgets allocated to build them. These and other, related questions are explored through the outcome indicators in Chapter 4 of this paper.

Despite around 97% expenditure on the HSDG, with the notable exception of the Eastern Cape, all provinces have experienced real-terms decreases in their HSDG budget from 2011/12 onwards. Unlike the other provinces, the Eastern Cape received a large increase in its budget in 2011/12, but this turned out to be badly planned, as R435 million of the R634 million in extra funds were not spent, with the result that R285 million of funds were withdrawn from the province the following year. In total, R1.3 billion has been cut in real-terms from the HSDG budget received by provinces since 2010/11. The main explanation for this real-terms reduction in the HSDG budget is the transferring of the HSDG city infrastructure funds to the Urban Settlements Development Grant. If progress on housing is to be maintained or accelerated, however, it is imperative that the HSDG funds re-directed to the USDG are effectively spent. The next section explores whether this is the case.

3.7 Spending performance of the Urban Settlements Development Grant (USDG), sub-programme 4.8

The Urban Settlements Development Grant (USDG) is transferred to 8 accredited metropolitan municipalities and cities to fund human settlement related infrastructure development, and is intended particularly for the upgrading of informal settlements and increased provision of housing opportunities for the poor in urban areas. The devolution of the housing function through the accreditation of municipalities funded by the USDG has been a priority for DHS. To secure accreditation, municipalities are required to demonstrate that they have sufficient capacity to plan, implement and maintain housing projects and programs that are integrated within municipality integrated development plans (IDPs) and Human Settlements Planning Frameworks (HSPFs). From 2012/13, planning for expenditure on the USDG is also undertaken by municipalities through the completion of a Business Environment Performance Plan (BEPP). Upon introduction of the USDG in 2010/11, DHS wrote of the key ideas behind the accreditation process, which are to:

> *allow for better and more localised needs analysis, improved land identification, zoning and procurement, the introduction of integrated and inclusionary residential development, planning and delivery of public facilities, private investment, and the supply of bulk infrastructure and internal services. This will also lead to greater accountability at local level and broaden opportunities for cross-subsidisation and creative funding.*[58]

Specifically, the grant would assist metropolitan municipalities to improve urban land usage and availability to the benefit of poor households. This would be achieved by supplementing the capital revenue of metropolitan municipalities to:[59]

Reduce the real average cost of urban land;

- Increase the supply of well-located land;
- Enhance tenure security and quality of life in informal settlements;
- Subsidise the capital costs of acquiring land; and
- Provide basic services for poor households.

Unfortunately, since its introduction in 2010/11, the USDG has been plagued by poor spending. It has failed to spend over 50% of its budget in each of the two years it has operated, as figure 20 and table 15 illustrate.

[58] DHS Annual Report, 2010/11, Part A, p22.
[59] DHS Annual Report, 2011/12, p29.

Figure 20: USDG, nominal and real allocations and expenditure, 2011/12 – 2012/13*

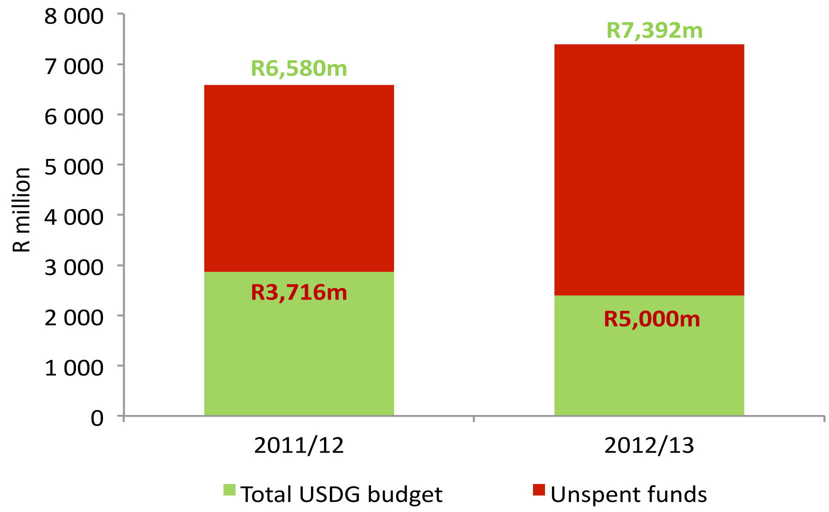


Table 15: USDG, nominal and real allocations and expenditure, 2011/12 – 2012/13

	Nominal and real USDG allocations, annual % change and under-expenditure as % of total budget	Appropriations and Expenditure R million	
		2011/12	2012/13
Urban Settlements Development Grant (USDG)	Nominal allocation (DoRA)	6,267	7,392
	Actual expenditure	2,728	2,393
	Real allocation (DoRA)	6,580	7,392
	Real allocation, annual % change		12.3%
	Real expenditure	2,865	2,393
	Real under-expenditure	3,716	5,000*
	Real under-expenditure as % of total budget	56.5%	67.6%
	CPI inflation	**5.0%**	**5.6%**

*Source: FFC submission to the portfolio committee on human settlements: DHS 2013 Budget Vote, own calculations, p15. *Up to 31/01/2013.*

Figure 21 and table 16 break the USDG spending performance down by the municipalities that currently receive the grant.

Figure 21: USDG, real allocations and expenditures, by municipality, 2011/12 – 2012/13

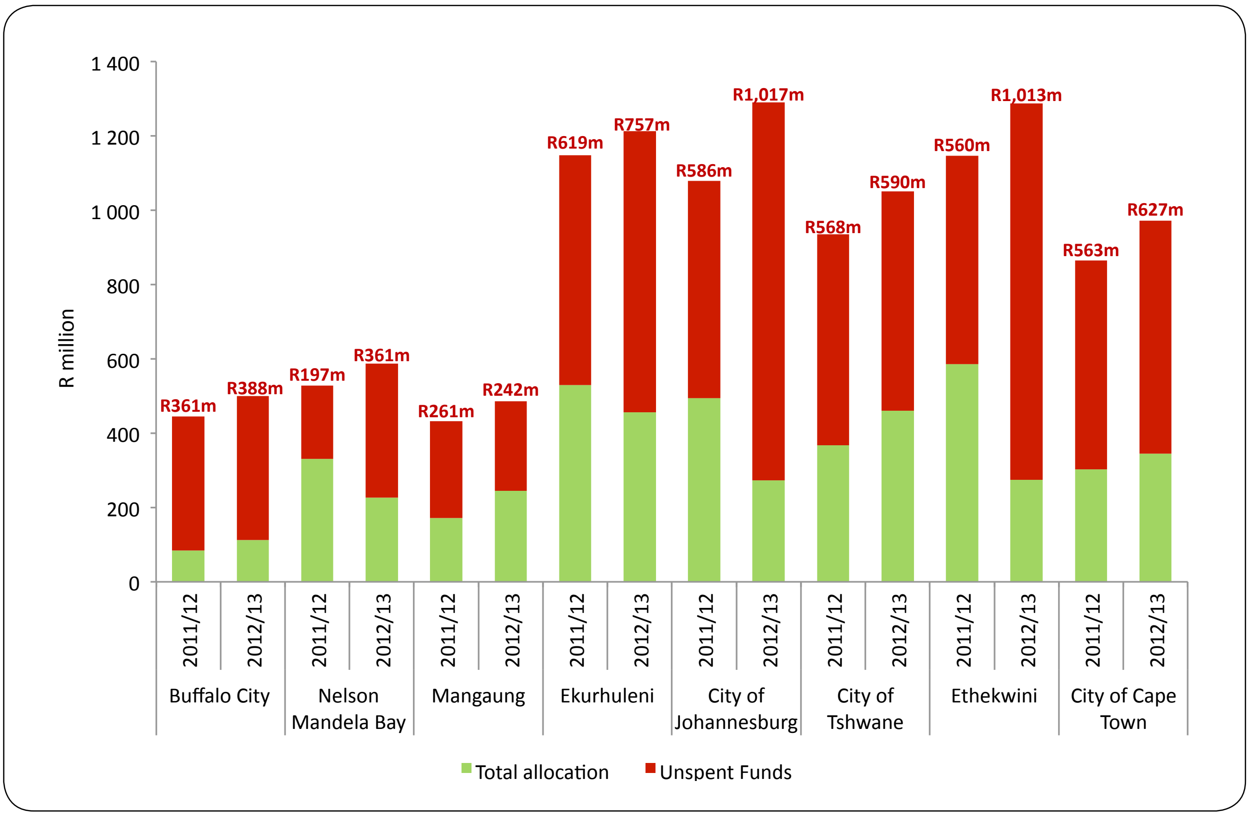


Table 16: USDG, real allocations and expenditures, by municipality, 2011/12 – 2012/13

	Nominal and real allocations and expenditure, annual % change, under-expenditure as % of total budget	Allocations and Expenditure R million	
		2011/12	2012/13*
Buffalo City	Total allocation (DoRA)	445	499
	Annual % change		12.3%
	Actual expenditure	84	112
	Under-expenditure as % of total budget	81.2%	77.6%
Nelson Mandela Bay	Total allocation (DoRA)	528	593
	Annual % change		12.3%
	Actual expenditure	331	226
	Under-expenditure as % of total budget	37.3%	61.9%
Mangaung	Total allocation (DoRA)	433	486
	Annual % change		12.3%
	Actual expenditure	171	244
	Under-expenditure as % of total budget	60.4%	49.7%
Ekurhuleni	Total allocation (DoRA)	1,149	1,213
	Annual % change		5.5%
	Actual expenditure	530	456
	Under-expenditure as % of total budget	53.9%	62.4%
City of Johannesburg	Total allocation (DoRA)	1,079	1,291
	Annual % change		19.6%
	Actual expenditure	494	274
	Under-expenditure as % of total budget	54.3%	78.8%
City of Tshwane	Total allocation (DoRA)	936	1,051
	Annual % change		12.3%
	Actual expenditure	367	461
	Under-expenditure as % of total budget	60.7%	56.1%
EThekwini	Total allocation (DoRA)	1,146	1,288
	Annual % change		12.3%
	Actual expenditure	586	275
	Under-expenditure as % of total budget	48.9%	78.7%
City of Cape Town	Total allocation (DoRA)	865	972
	Annual % change		12.3%
	Actual expenditure	302	345
	Under-expenditure as % of total budget	65.1%	64.5%
Totals	**Total allocation (DoRA)**	**6,580**	**7,392**
	Annual % change		**12.3%**
	Under-expenditure as % of total budget	**56.5%**	**67.6%**

*Source: FFC submission on human settlements vote, 2013. * Up to 31/01/2013.*

Table 16 and figure 21 show that in 2011/12, only R2.9 billion was spent by municipalities out of a total USDG allocation of R6.5 billion, representing an extremely high under-expenditure of 56.5% of total budget. Only Nelson Mandela Bay and eThekwini spent more than 50% of their allocations during this year. This poor spending performance continued during 2012/13, with only Mangaung managing to spent 50% of allocated funds, while eThekwini and City of Johannesburg have spent only around one fifth of their allocations.

As well as under-spending on planned projects, in its 2013 review of the DHS's spending performance, the Portfolio Committee on Human Settlements also found that users of the USDG were confused about its purpose, and as a result it was 'being spent on issues such as cemeteries, parks and sports facilities and these facilities fall outside of the scope of the USDG.'[60] The Committee's analysis also found that the 'current scheduling (DORA) of the USDG limitation (only to Metropolitan Municipalities) did not sufficiently address the human settlements bulk infrastructure challenges' and that '[t]here was a need to extend the grant to secondary cities and growing mining towns.'[61] It follows that many cities could benefit from the funds currently not being spent by the 8 accredited municipalities. This criticism links to the delays in the accreditation process that will be considered in our analysis of housing indicators 3 – 6, and of the long way to go before the 230 local governments that are not accredited can access the funds necessary to successfully implement human settlements programmes, including informal settlement upgrading.

> “Only Nelson Mandela Bay and eThekwini spent more than 50% of their allocations during this year. This poor spending performance continued during 2012/13”

Two further challenges with the USDG have been acknowledged by DHS:[62]

- Procurement and project management inefficiencies that result in slow progress in implementing capital projects and poor planning processes; and
- Monitoring difficulties due to non-breakdown by projects and project description including amounts.

The diplomatic language of the department should not conceal the importance of these findings. 'Procurement inefficiencies' suggests that goods and services are being improperly procured, tender and sub-contracting processes not being executed correctly, and that public money is being wasted. 'Poor planning processes' would indicate that funds are being disbursed to municipalities without proper consideration being given to the quality of the metros plans (IDP, BEPP) to spend those funds. These criticisms are, of course, closely linked to the third challenge identified by DHS: 'monitoring difficulties'. In section 3.4 we looked at the poor spending performance of DHS programme 2, which led to a planned evaluation of the provincial and municipal response to the USDG not being carried out. We also saw that there has been large under-expenditure and non-implementation of NUSP, which is responsible for supporting and assisting municipalities with the upgrading of informal settlements financed by the USDG. Though the Portfolio Committee's call for DHS to put in place 'credible systems and mechanisms for early detection of under-expenditure patterns on USDG ... to ensure that the USDG is spent ' 63 – is well founded, some of the monitoring difficulties experienced by DHS in relation to the USDG could be tackled simply by implementing the programmes it already has in place that are designed for this purpose.

At the time of writing, the USGD is in its third year of existence, and its funding set to continue to increase. Yet failure to address the issues highlighted above, and to spend the grant effectively, will continue to diminish its impact. There are major issues around the USDG that need to be resolved. Better planning, monitoring and coordination of the grant – and the HSDG – is essential if they are to have the positive impact on human settlements in our crowded and run-down informal areas that was intended.

[60] The Budgetary Review and Recommendation Report of the Portfolio Committee on Human Settlements, p16, October 2013.
[61] Ibid.
[62] FFC submission to the portfolio committee on human settlements: DHS 2013 Budget Vote, p15.
[63] Report of the Portfolio Committee on Human Settlements, October 2013.

3.8 Budget Analysis – key findings

This budget analysis has uncovered a thoroughly mixed and uneven spending performance by DHS since 2008/09. While there has been close to optimal spending on some grants (such as the HSDG), spending by provinces and other programmes has varied considerably. We have seen that dysfunctional monitoring systems are causing difficulties in the translation of policy shifts (such as devolution of housing delivery to municipalities), and yet programmes do exist to carry out this function, yet the funds for these programmes are not being spent. The USDG is experiencing the greatest problems. If government is serious about improving the living conditions of the shack-lands and townships where the majority of South Africa's poor continue to live, due consideration and political will must be given to turning this grant around. This analysis has found a number of trends each in their own way limiting the adequacy, efficiency and effectiveness of resources allocated to realise the right of access to adequate housing. These are listed below.

Adequacy of resource allocation

Overall, government has been significantly increasing the housing budget in real terms during the period under review, from R14.3 billion in 2008/09 to R25.1 billion in 2012/13. These increases reflect the ongoing demand for better access to adequate housing in South Africa, where 1 in 5 households still do not have access to formal housing (see Housing Indicator 1). However, the DHS budget was cut slightly in real-terms in 2012/13. Part of the reason for this cut could be the massive under-expenditure seen on the USDG. If progressive realisation of the right to housing is to be accelerated, overall DHS allocations will have to resume their above inflation increases, and spending performance on key grants such as the USDG will have to be drastically improved. However, indicators 3 – 6 also lead us to question whether the nature of government interventions in housing are still appropriate given the surging demand for and rising costs of housing construction.

Efficiency of housing expenditure

As of 2012/13, only R47 million, or 0.19% of the total DHS budget was allocated to Housing Policy, Research and Monitoring, and only R224 million to Housing Planning and Delivery Support, of which 35.7% was not spent. Yet this analysis has found that poor coordination between programmes and with monitoring and delivery functions, a lack of capacity and planning to translate policy shifts into effective programmes, and absent or dysfunctional monitoring have been at the heart of many of the challenges faced, particularly around under-expenditure patterns, which have been seen in all programmes.

Difficulties in recruiting staff have contributed to the skills shortage that seems to be evident within DHS. Fortunately, at least in relation to the HSDG, government has been willing to be flexible in its disbursement of funds, rewarding provinces that perform well and punishing those that have not spent efficiently. Such initiatives are welcomed but must also be accompanied by the provision of adequate support to provinces and metros struggling to spend funds and to implement effective housing programmes.

Effectiveness of housing expenditure

The question of the effectiveness of housing expenditure brings us to the fourth chapter of this paper in which we look at indicators developed to track progressive realisation of the right to access to adequate housing.

Chapter 4

The status of the right to housing: what indicators tell us

SPII's monitoring of socio-economic rights combines analysis of the content and implementation of government policies and budgets with an assessment of their outcomes on the ground. This requires the development of performance and impact indicators relevant to the right to housing that can be tracked and monitored over time.

4.1 Developing and populating indicators for the right of access to adequate housing

The process of developing indicators was initiated with a comprehensive review of international and local perspectives and jurisprudence on the content of the right to adequate housing. This included looking at current efforts to monitor and define the right to adequate housing both in South Africa and abroad through engagement with key stakeholders in this area.

Meetings with housing experts and civil society organisations were undertaken as part of the second stage of indicator development. These consultations confirmed the view that governments commitment to progressively realise the rights of all households to adequate housing meant that the indicators must not only focus on the needs of the poorest in relation to housing development but also the needs of the working and lower-middle class. This broadened focus reflects the complexity of the challenge to overcome centuries of unequal and distorted access to housing by requiring us to look beyond government programmes to the provision of housing from a broader housing sector or systems framework. In doing so we find that, while some groups have excellent access to adequate housing and others have little or none, access to housing tends to follow a continuum, along which many groups outside of the lowest income deciles can also get stuck. As a result, the indicators cover a multiplicity of housing needs for different groups of people across a variety of localities: from the availability of home loans to lower-middle income groups in the major metropolitan municipalities and the 'GAP market', to the upgrading of informal settlements and the provision of fully subsidised housing to the poorest members of society. Although government bears the primary responsibility for progressive realisation of the right to adequate housing, one cannot separate the initiatives of the state from the wider housing market context in which those initiatives are undertaken. The indicators therefore assess government measures in conjunction with market forces.

After desk-top research and meetings with experts and stakeholders involved in housing, a set of conceptual indicators was adopted. These were approved by the South African Human Rights Commission (SAHRC), whom SPII work closely with in developing appropriate socio-economic rights monitoring methodologies. Reflecting the multi-dimensionality of progressive realisation of socio-economic rights, the indicators chosen represent aspects of the three key dimensions of the right to housing: access, adequacy and quality.

Access

Monitoring the right to adequate housing requires an analysis of both physical and economic access to housing. This includes, first, monitoring the implementation of government housing programmes and subsidies and assessing their performance in relation to relevant targets and demand. Second, we look at the accessibility and affordability of housing from the perspective of the lowest income deciles and the low-middle income housing market. This includes looking at the affordable housing market, access to finance, and household costs. Considering the needs of low-middle -income groups is important given the concern of a 'GAP market' – those who earn too much to qualify for a housing subsidy but not enough to secure a mortgage.

Adequacy

Although vital, adequate housing requires more than simply bricks and mortar. Monitoring progress on the adequacy of housing includes looking at access to basic services including water, sanitation and electricity, tenure security, as well as the adequacy of the house itself in terms of meeting basic norms and standards.

Quality

Quality indicators measure the impact of housing on one's quality of life and can be described as broader well-being indicators. Monitoring the quality of people's housing arrangements is very much linked to location. This is important given the spatial legacy of apartheid which, far from being overcome, is in fact continually enforced, through apartheid era by-laws, and by the economic inequalities that prohibit people from moving out of townships and into more developed areas. The persistence of low-cost, poorly serviced housing units built on the periphery of large cities, far from work opportunities, schools and health facilities, are factors considered under the quality dimension of housing.

> "The indivisibility and inter-dependence of all rights means that fulfilment of the right to adequate housing cannot be disassociated from progress or regression in access to other human rights, such as sanitation, water and access to education and healthcare"

Data sources and analysing information

Once a list of conceptual indicators was decided upon, a thorough scoping of data sources was undertaken. The final set of indicators would have to use data that is **freely available** from a **reliable source** which is **available at least annually** and **possible to decompose** by geographic area, income group, race and gender (wherever possible and useful); be of interest and **easy to understand** by the general public; and meet internationally recognised **SMART** criteria: Specific, Measurable, Attainable, Relevant and Time-Framed.

There are inherent challenges involved in the bold exercise of developing and assessing indicators for any right. People tend to disagree about exactly what constitutes adequate housing and therefore also what constitutes progress in access to adequate housing. The final set of indicators would likely include measurements that some see as relevant, but which others do not. We are also aware that people from different backgrounds and perspectives would read indicators in different ways, that information is always open to interpretation and therefore that objective analysis is not always possible, or desirable. These difficulties are exacerbated in relation to housing due to the various housing typologies (informal settlements, traditional dwellings, modern-furnished and serviced houses), the differences between urban, peri-urban and rural areas, as well as the vast unevenness of access and need across the country. Moreover, the indivisibility and inter-dependence of all rights means that fulfilment of the right to adequate housing cannot be disassociated from progress or regression in access to other human rights, such as sanitation, water and access to education and healthcare. Furthermore, fulfilment of housing does not happen in a vacuum, but is also inextricably linked to broader developments in the economy, labour markets, migration, demographic and other trends which affect access to housing and therefore must be kept in mind at all times when assessing particular indicators. Finally, when measuring progress one must also have an appreciation for the choices and trade-offs that people make in relation to their housing needs. For example, in the search for a decent income, many people choose to live closer to economic activity in order to save time and money on transport and to increase their access to economic opportunities, but in doing so sacrifice their access to adequate sanitation and other services by moving into shacks and slum-like conditions.

As far as possible, our analysis of indicators attempts to include the perspectives of different stakeholders and experts, and are presented in a way which invites comment and deliberation. Our analysis should therefore not be seen as prescriptive or the 'final word' on the status of housing. We present a range of rigorously sourced, complex data in an accessible format which we hope will be used to deepen understanding of the status of housing and lead to fresh thinking and deliberation about how to move access to housing forward.

Aside from disputes around what and how to measure, the second major challenge in developing indicators is in sourcing reliable data with which to populate the indicators. A roundtable was jointly hosted by SPII and the Department of Performance, Monitoring and Evaluation (DPME) at the Presidency in early 2014 at which issues around the availability and accuracy of data were deliberated and the requirements for an appropriate performance monitoring framework were discussed in relation to an evolving housing context. Particular challenges around the quality of data for certain indicators will be discussed in the analysis of that indicator. However, there are some general challenges that apply almost universally across indicators. In relation to administrative data (i.e. data provided for in official documents), it is not uncommon to find discrepancies between the figures provided for in different government reports. Departments are rarely available to comment on or check these inaccuracies which makes sourcing the cause of any discrepancy a challenge. Moreover, the categories used for classifying data often change (sometimes each year) which makes tracking changes in data over time difficult. Likewise, when targets or priorities shift, what government measures also tends to change. For example, solid research may be done into the quality of government subsidised housing one year, but not followed up the next.

As well as using administrative data – the main strength of which is the authority it derives from having government as its source (particularly for advocacy strategies) – the indicators also use household level data from various nationally representative surveys conducted by StatsSA. Surveys provide essential data that gives us an idea of what is happening at a household level. This allows us to measure things like the length of time it takes a child to get to school, or the adequacy of the structure of one's home. The major household surveys conducted by StatsSA (General Household Survey, Income and Expenditure Survey, Living Conditions Survey) are also large enough to cover a reasonably representative sample of the population. Census data, which provides the largest sample size, is not used because the census is only conducted once a decade, and therefore cannot be tracked on an annual basis. Household survey data does have limitations, however, including: the sample size and the under-sampling of some groups, which can make population estimates for those groups difficult;[64] sampling frames (which can become outdated if based on census data); changes in the questions asked of households (even if subtle, this alters what is being measured); self-reported answers to questions around income and living standards can also be subjective and faulty for a variety of reasons, and open to interpretation. Fortunately, the General Household Survey (GHS) data, which has been used for several indicators, was re-weighted in 2012 based on updated population estimates, making data for the 2002 – 2012 GHS very comparable.

A further source of data for the lower-middle housing market was gratefully obtained from City Mark, part of the Centre for Affordable Housing Finance in Africa, a division of FinMark Trust.[65] City Mark itself draws upon a variety of data sources, including the deeds registry and building plans approved.

Data 'wish-list'

There were some indicators which we were interested in but could not measure due to unreliable, incomplete, or simply a total lack of data. This wish-list includes, for the access dimension: indicators on the total housing stock of the country and the number of hectares of land released for housing development per year; for the *adequacy* dimension: the number of evictions and re-locations carried out per year and the percentage of these that were forced, the number of re-possessions per year, and the number of state-subsidised houses on the deeds list; for the *quality* dimension: proximity to work opportunities and levels of security and safety. We continue to work with StatsSA and other organisations with the aim of increasing the availability and quality of data in these areas in the hope that these indicators can be used in future reports on the status of the right to housing.

[64] Wealthy households are usually the hardest group to survey. Field workers therefore have to spend a disproportionate amount of time seeking responses from this group. Household surveys also under-sample other parts of the population, most obviously homeless people, as well as institutionalised individuals (such as those in prison or hospital) and those in other collective living arrangements such as old-age homes or shelters.

[65] City Mark have developed a web-based dynamic dashboard which provides data on the local housing market across South Africa, see: www.housingfinanceafrica.org.

In particular, it hoped that the Continuous Population Survey to be launched by StatsSA in 2015 will include more questions targeted at assessing fulfilment of constitutionally guaranteed socio-economic rights at a local or ward level.

The final set of indicators developed to track progressive realisation of the right of access to adequate housing can be found in the following table.

Table 17: Indicators for the right of access to adequate housing

ACCESS INDCATORS (physical and economic)	**ADEQUACY INDICATORS (to meet basic needs, norms and standards)**	**QUALITY INDICATORS (location and impact on quality of life)**
Housing general overview 1. Percentage of households living in different dwelling types **Government programmes and subsidies** 2. Number of houses/units completed per year 3. Number of houses upgraded in well-located informal settlements with access to secure tenure and basic services 4. Number of affordable social and rental accommodation units provided 5. Number of municipalities assessed for accreditation 6. Number of accredited municipalities supported with implementation of post-accreditation process **Affordable housing market, 9 metros** 7. Total residential property sales and registrations by affordability band 8. Percent change in total residential property sales by affordability band 9. Percent change in total number of residential properties by affordability band 10. Percentage of properties valued less than R500,000 11. South Africa Housing Price Gap 12. Total number and annual percentage change in the number of bonded transactions for the affordable market **Affordability, household costs** 13. Rent/mortgage cost per month for different dwelling types 14. Percentage of household consumption expenditure spent on housing, water, electricity, gas and other fuels for bottom three income deciles 15. Percentage of household consumption expenditure spent on housing, water, electricity, gas and other fuels, across income deciles, by province	**Tenure Status** 16. Percentage of households who own or rent the dwelling they live in for different dwelling types **Adequacy of shelter** 17. Percentage of households who describe the condition of the walls of their dwelling as weak or very weak for different dwelling types 18. Percentage of households who describe the condition of the roof of their dwelling as weak or very weak for different dwelling types **Adequacy of service availability** 19. Percentage of households whose main source of drinking water is from a piped tap, by province 20. Percentage of households who describe their main source of drinking water as not safe to drink, by province 21. Percentage of households whose main sanitation facility is a flush toilet 22. Percentage of households connected to a mains electricity supply	**Transport** 23. Percentage of annual household consumption expenditure spent on transport for bottom three income deciles **Health outcomes** 24. Average time it takes to get to nearest health facility **Education outcomes** 25. Average time it takes child in household to get to school

The remainder of this chapter presents our 25 indicators developed to monitor the progressive realisation of the right of access to adequate housing in South Africa. They have been populated with data from 2002 – 2013 wherever possible, though some indicators have smaller date ranges. The indicators present trends, both in the past, and presently emerging, which can help us identify success, failures, and causes for concern in the process of increasing access to adequate housing. This evidence of present and past levels of respect, protection, promotion and fulfilment of the right to adequate housing will be useful to officials and members in government who want to accelerate the pace of change in the country, as well as those outside government involved in advocacy initiatives, community interventions and legal assistance that seek to promote the advancement of this right. Combined with the findings of the budget analysis, this evidence feeds into recommendations at the end of the paper which aim to ensure the rectification of gaps and retrogression as well as enhanced protection and accelerated fulfilment of the right of access to adequate housing.

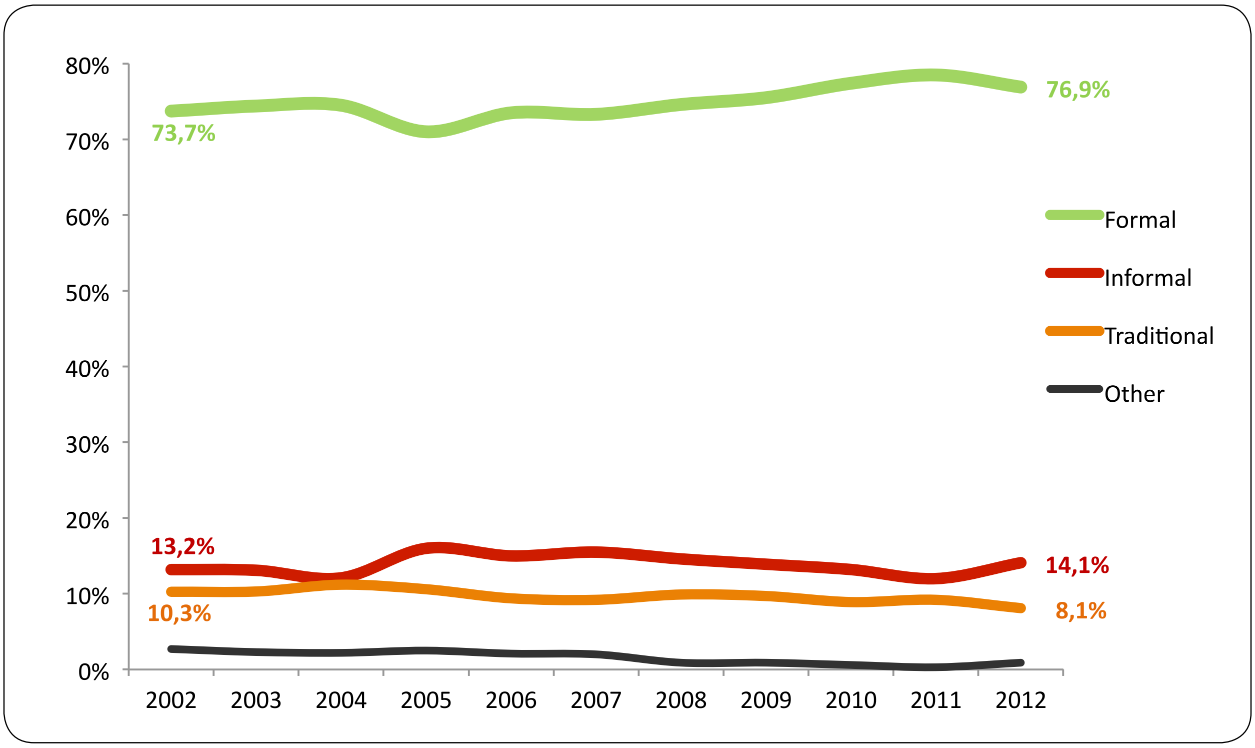
4.2 ACCESS INDICATORS

ACCESS - Housing general overview

INDICATOR 1: Percentage of households living in different dwelling types, 2002 – 2012.

DATA SOURCE: General Household Survey (StatsSA), 2002 – 2012.[66]

DESCRIPTION: This indictor looks at the kind of dwelling types that South African's live in.



Though the proportion of households living in formal dwellings – a key government policy goal – has risen slightly by 3.2% since 2002, the percentage of households living in informal dwellings has also increased during this period. In 2012, 1 in 7 households still lived in informal housing, a similar number to a decade before.

[66] According to GHS, a formal dwelling includes any structure built according to approved plans, i.e. a house, flat or apartment, or a room within a formal dwelling. An informal dwelling is classified as any makeshift structure not erected according to approved architectural plans, such as shacks or shanties in informal settlements, serviced stands or proclaimed townships, as well as in the backyards of other dwelling types. Traditional structures include all dwellings made of clay, mud, reeds or other locally available materials, such as huts or rondavels. Constructions using blocks or stone walls are not considered traditional.

The provinces where the percentage of households living in informal dwellings has increased are North West, Mpumalanga, Northern Cape, Western Cape, Gauteng and Free State. The decline in the proportion of households living in traditional structures is likely a combination of improvements in building plans and materials causing a decline in the number of structures being classified as 'traditional', as well as a result of the continuation of the historical trend in South Africa that sees working age people from rural, traditional households moving to urban centres, often to take up occupancy in informal settlements.

It is important to note that the Housing Development Agency (HDA) has found evidence that these figures may under-represent the real growth in informal settlements, due to issues arising from outdated survey sampling frames.[67] Niel Roux from StatsSA has also noted that many social surveys are prone to under-estimating or under-capturing informal dwellings situated in backyards or adjoined to other formal structures, for a variety of reasons.

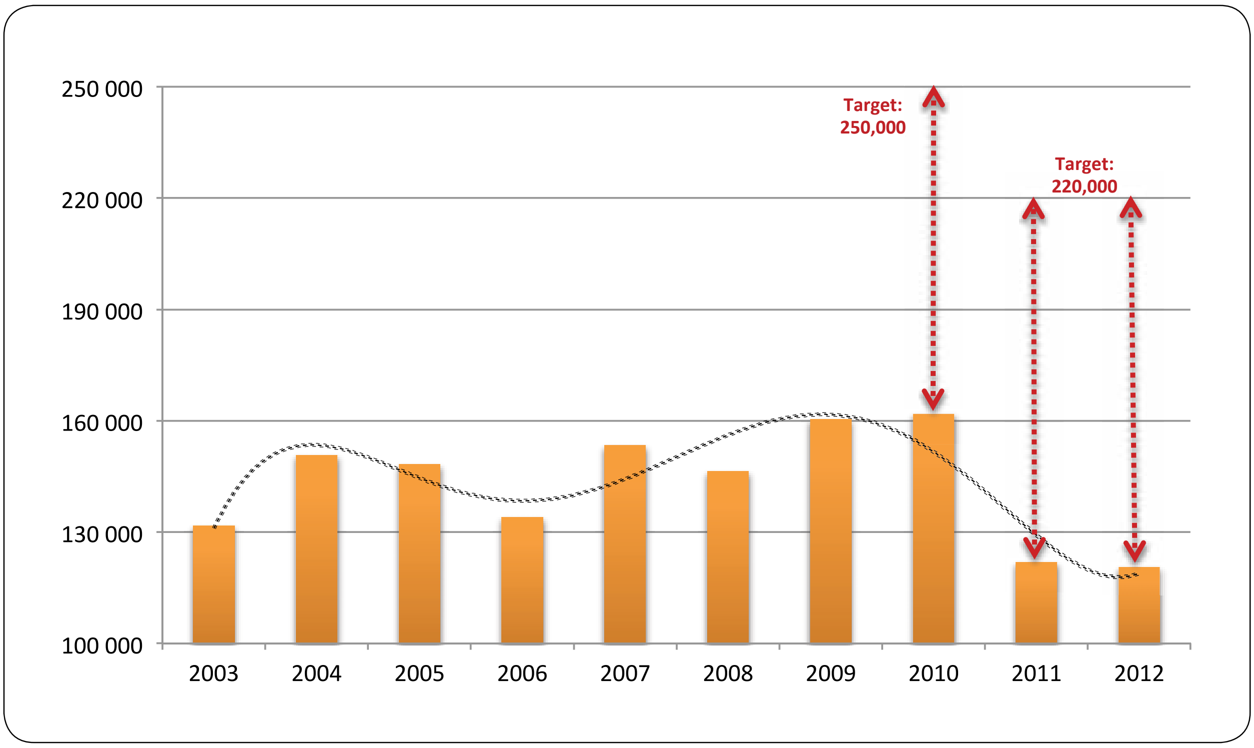
South Africa's first democratic government embarked on a housing construction programme in 1994 that is almost unrivalled in the modern era, mainly financed by grants allocated to provinces through the HSDG and its former equivalents. However, with 1 in 7 households still living in informal dwellings, the constitutional goal of ensuring access to adequate housing for all remains far from being met. The next indicator tracks the number of formal houses and residential units completed by government from 2003 – 2012.

ACCESS – Government programmes and subsidies

INDICATOR 2: Number of houses/units completed per year, 2003 – 2012.

DATA SOURCE: Department for Performance, Monitoring and Evaluation (DPME), 2013.

DESCRIPTION: This key indicator looks at the total number of separate houses and residential units developed across all of the governments housing programmes, including affordable rental and Community Residential Units (CRU). This excludes units re-built in the Rectification Programme, and unfinished or serviced sites.



With an urban housing backlog conservatively estimated at 1.2 million homes, and growing each year, the 1994 housing white paper described increasing the supply of adequate housing as one of the greatest challenges facing government.[68] Government should be commended for the large number of formal homes it has built since 1994, which the DPME estimates to be as high as 3.38 million[69] – although other government documents estimate this number at 2.6 million.[70] Discrepancies around the actual figure have arisen for several reasons. One is simply because the housing developments can take place over several years. Linked to this, 'serviced sites', 'housing opportunities' or houses under-construction are often conflated in government documents with *completed* houses, which can lead to confusion about what has actually been achieved. The third reason stems from persistent delays, first in transferring newly built houses to beneficiaries, and secondly in having these homes registered with the deeds office.[71] In fact, it has been estimated that 51% of the houses built by DHS between 1994 and 2009 have not been registered with the Deeds Registry, thus leaving beneficiaries without formal title to their home and undermining the BNG's goal of government housing programmes being a driver of asset creation for the poor.[72] The exact number of housing subsidies approved by government since 1994 is also contested.[73]

An additional problem is that these numbers tell us little about where houses have been built, who has benefited, what rationale has been used for housing allocation, or what the adequacy of the houses constructed has been. Our adequacy indicators will shed some light on the later question. Regarding the former, research by the Community Law Centre SERI has found that a lack of transparency and access to information around the Housing Subsidy System (HSS) and the National Housing Subsidy Database (NHSDB) has contributed to pervasive maladministration and fraud in housing allocation and delivery.[74] It also found evidence in Gauteng and the Western Cape that housing allocation has not necessarily followed rational processes, such as ensuring that those who applied for state subsidised housing earliest received houses first, or that women headed households or people with disabilities and other vulnerabilities are prioritised, despite this being the goal of the 2008 National Housing Allocation Strategy.[75]

With these difficulties in mind, for indicator 2 we have decided to focus as far as possible on a definite number of houses/units completed per year. This figure is not immune to the above concerns, but attempts to demonstrate definite additions by government to the supply of national housing stock.

Indicator 2 shows that 1.43 million houses/units were completed between 2003-2012. It also shows, however, that there were fewer houses built in 2012 than at any time since 2003. In fact, 40,000 less houses were completed in 2011 and 2012 as compared to 2009 and 2010. Even in 2009, however, government was not hitting its housing construction targets. After some initial denial about this trend from DHS, Housing Minister Lindiwe Sisulu in her July 2014 Budget Vote speech acknowledged that the 'delivery of houses has dropped drastically across all provinces, [with] some reaching lows of a 30% drop in delivery'.[76] The Minister also estimated there was now a 'housing backlog for 2.3 million families', still growing each year.[77]

In light of these findings, it is evident that despite close to optimal spending on the HSDG, as our budget analysis showed, there is massive under-delivery on planned houses. This raises important questions around costs and how this money is being spent if targets are not being met.

> "The FCC has found that there have often been delays in transferring housing funds from provinces to municipalities, which has distorted municipal planning and expenditure processes, disrupted payments to contractors, and thereby caused major delays in implementation"

There are at least four main reasons for the drop in housing delivery since 2010. First, the revision of the National Housing Code in 2009 included updated National Norms and Standards for the construction of permanent residential structures. The increased the size and quality of state-subsidised houses required additional and more costly materials and longer building times, all of which has increased costs.

A second reason for the lower housing delivery in recent years, also relating to costs, follows from the 2007 decision by the Housing Minister to apply the full housing subsidy amount only to the top structure, with land and services to be funded henceforth from new sources by municipalities. With the costs of land and services no longer included in the basic subsidy amount, the total cost to the state of housing construction almost doubled, as extra funds had to be provided – such as through the USDG – to municipalities to cover their acquisition of land and the provision of basic services for newly constructed houses.[78] Moreover, the FCC has noted that there have often been delays in the transferring of portions of the HSDG intended for municipal housing construction from provinces to municipalities, which has also distorted municipal planning processes on expenditure, disrupting payments to contractors and thereby causing delays in implementation.[79] As a result of this, many municipalities have been forced to resort to using other measures to finance housing construction, including bridging finance (at an added cost) in order to minimise disruption on the delivery of houses.[80] Furthermore, along with the HSDG and USDG, there are other different sectoral infrastructure grants that are allocated to help in the delivery of sustainable human settlements. However, these grants are often not efficiently aligned with each other, which has also hindered progress on the delivery of houses.[81]

A third reason for less new houses being constructed is the emphasis placed by DHS on fixing already built RDP houses through the Rectification Programme, which is estimated to have taken up R400 million of the DHS construction budget since 2010.[82]

The marginal rises in houses completed in 2009 and 2010 (compared with previous years) and the subsequent drop in 2011 and 2012, do track expenditure patterns on the HSDG, which was increased by 9.6% in 2009/10 and 12.8% in 2010/11, before being cut in real terms by -3.6% in 2011/12 and -4.4% in 2012/13. From this we can deduce that the rise in the HSDG allocation from 2009 – 2011 helped the provinces to increase the number of houses completed, but were far from enough to increase production to a level expected by the targets that were set. Housing Minister Sisulu has estimated that the cost to the government of the top structure for a basic social housing unit almost tripled between 2008/09 and 2013/14 – from R58,000 to R154,000.[83] HSDG allocation increases did not keep up with this increase. And when the HSDG allocation to provinces was cut in 2011/12 and 2012/13, and the major metros failed to spend their USDG funds, the number of houses completed dropped significantly. With rising allocations for the HSDG in 2009 – 2011 failing to spur housing construction to expected levels, it is clear that to meet targets, and accelerate access to formal housing, government will have to significantly increase its housing construction budget. However, rising costs may also suggest that this kind of intervention may not be the most efficient course of action to take. Such calculations have informed the government's move to a broader range of housing programmes, which are considered in indicators 3 – 6.

Therefore, a forth reason for the downward trend in state subsidised housing construction illustrated by indicator 2 may reflect a late implementation of the shift in housing policy from the construction of subsidised houses to other housing developments as envisaged in Breaking New Ground (2004).

---

[78] K, Rust, 2008, pp.11-12.
[79] Financial and Fiscal Commission submission to the portfolio committee on human settlements: Department of Human Settlements 2013 Budget Vote, p12.
[80] Ibid.
[81] Ibid.
[82] K Tissington et al, p22 p62.
[83] R, Cokayne, *'Housing subsidy too high – Sisulu'* Independent Newspapers, 13 August 2014, www.iol.co.za/business/news/housing-subsidy-too-high-sisulu-1.1734455#.U-zEYvnoSCo.

As discussed in chapter 2, BNG signalled a shift from a government housing policy focused mainly on the construction of new homes to improving the quality and choice of homes already on the market. This would include upgrading informal settlements as well as providing subsidised rental housing for low-income groups (below R3,500 income per month). Part of the plan was also to give local government more power to develop housing policies suitable to the requirements of local conditions through the accreditation process. These policy shifts included the Informal Settlements Upgrading Programme (UISP), the Social/Rental Housing Programme, and the ongoing accreditation of municipalities. UISP sought to upgrade existing informal settlements wherever possible, as these tend to be closest to employment opportunities for their inhabitants. It stressed that relocation would only occur where development was not possible or desirable. Together, these new programmes would include different forms of tenure and methods of housing delivery, and are reflected in the DPME Outcome 8 Agreement with DHS, on which indicators 3-6 are based.

ACCESS – Government programmes and subsidies

INDICATOR 3: Number of houses upgraded in well-located informal settlements with access to secure tenure and basic services, 2011/12 – 2012/13.

INDICATOR 4: Number of affordable social and rental accommodation units provided, 2011/12 – 2012/13

INDICATOR 5: Number of municipalities assessed for accreditation, 2011/12 – 2012/13

INDICATOR 6: Number of accredited municipalities supported with implementation of post-accreditation process, 2011/12 – 2012/13

DATA SOURCE: DHS Annual Report, 2012/13.

	2011/2012 actual delivery	2012/2013 planned target	2012/2013 actual delivery	***Target achieved / not achieved***
INDICATOR 3: Number of households upgraded in well-located informal settlements with access to secure tenure and basic services	100,000	140,000	141,973	***Achieved***
INDICATOR 4: Number of affordable social and rental accommodation units provided	15,816	25,693	31,299	***Achieved***
INDICATOR 5: Number of municipalities assessed for accreditation	8	10	10	***Achieved***
INDICATOR 6: Number of accredited municipalities supported with implementation of post-accreditation process	0	8	8	***Achieved***

Government has met or exceeded its targets in these areas since 2011. However, for indicator 3, the number of households upgraded in informal settlements per year is quite low when compared with the total number of households living in these areas: currently estimated to be between 1.1 and 1.4 million in 2011, or 2.9 – 3.6 million people.[84] Likewise, though this indicator demonstrates that DHS is likely to meet its DPME Outcome 8 Output 1.1 target of upgrading 400,000 households between 2010 and 2014, this would still represent less than a third of all households living in informal areas. It is hoped that if the DHS can improve its spending performance on the NUSP and USDG, which our budget analysis showed is being spent at only around 50% of total capacity, and the accreditation process can be speeded up so that more municipalities have access to the grant, the number of informal settlement upgrades can increase in future years.

However, it is also unclear exactly what has been achieved through 'upgrading', which can include anything from a connection to mains electricity to the provision of improved sanitation or roads. Though indicator 1 certainly shows some progress, the limitation of these numbers is that they do not tell us about the extent or nature of the improvements made.

Similarly, although the DHS targets for indicator 4 have also been met, and signal that DHS will also fulfil its DPME Outcome 8 Output 4.1 target of providing 80,000 well located rental accommodation units by 2014, this number is

[84] M, Napier, 2011, 'Government Policies and Programmes to Enhance Access to Housing: Experience from South Africa', Paper delivered at Bank of Namibia Annual Symposium, 29 September 2011, Windhoek. And own calculations based on the average household size for informal dwellings in 2011 of 2.59, GHS 2013.

also very small when compared with the demand for low-cost rental housing in the country, which indicators 7-11 dramatically illustrate. Moreover, research by Tissington et al (2013) has found that the social and rental housing provided thus far has failed to match the income affordability levels of the majority of individuals and households in inner city areas. [85] As a result, the units provided are not actually reaching the target group for which they were intended (people earning less than R3,500 per month).

An additional challenge with indicators 5 and 6 is that, although DHS has hit its accreditation targets, the accreditation of municipalities has in fact been severely delayed, with the major metropolitan municipalities with the greatest capacity being prioritised. As a result, this welcome policy has yet to be implemented at anything like close to the scale required for a significant country-wide impact. Moreover, with spending on the USDG so low by the current crop of accredited municipalities, there is much room for sharing this grant with other local governments. The challenge for government here is at least three-fold: first, to ensure that the currently accredited municipalities are improving their planning and monitoring processes as well as their capacity to implement the USDG and UISP; second, to fast-track the accreditation of the many other municipalities that could benefit from the grant, while at the same time improving the rigour of the accreditation process; and third, to develop appropriate models for the implementation of UISP. There are currently 238 local government municipalities in the country, only 10 of which have been assessed for accreditation, of which 8 have been supported with the implementation of post-accreditation processes and provided with funds through the USDG. In its 2010/11 Annual Report, DHS cites as among the reasons for the delays:

> The briefing of the outstanding municipalities is being delayed in view of the challenges experienced to confirm suitable dates with them.[86]

With little else to say, this response to a key issue is both insubstantive as well as indicative of the general challenge we have seen across DHS programmes, namely a lack of the successful intra-departmental and intra-governmental coordination required to achieve government's vision for human settlements. It has also been clear that provincial governments need to do much more to support the accreditation process if further (and successful) devolution of the housing function is to take place. The final, perhaps most crucial factor required to expand and improve the quality of the accreditation process and the implementation of informal settlement upgrading, is the political will and vision to make it happen.

With the construction of state-subsidised houses slowing down while government struggles to implement its diversified range of housing initiatives successfully and at scale, assessment of the role of the market (and governments impact on that role) in providing housing options to the poor and lower-middle class has never been more vital. Moreover, the decentralisation of the government housing function combined with growing urbanisation has ensured that metropolitan municipalities will be even more central to the realization of the right to adequate housing in the future. It is for this reason that the paper has included a number of indicators from City Mark on the accessibility of the local lower-middle housing market in the nine major metros.

[85] K Tissington et al, 2013, p22.
[86] DHS Annual Report, 2010/11, Part A, p22.

ACCESS – Affordable housing market, 9 metros

The following five indicators track the performance of the housing market in the 9 major metropolitan municipalities in providing access to affordable housing for low-middle income groups. Together these metros comprise 21 million people, or around 40% of the South African population (see annexure 1 for maps and populations of the 9 metros). This provides us with a good estimation of the performance of the urban housing market across the country, as well as providing particular insights into certain areas.

Residential properties valued under R500,000 are considered within the 'affordable market'. In the indicators, properties valued under R250,000 are considered the most-affordable range, properties values R250,000 – R500,000 the upper-affordable range, and properties over R500,000 the least-affordable range. The designation 'affordable' is most relevant to lower-middle income groups. However, indicator 10 will demonstrate that such a classification may actually be some way off the mark, particularly for poorer metros, the lowest income groups, and when South Africa's massive income inequality is taken into account. Nevertheless, as this categorisation is widely used in the literature on the housing market, it does have some value as a point of analysis, especially for the 'GAP market' – those who earn too much to qualify for state-subsidised housing, but too little to access a bond.

ACCESS – Affordable housing market, 9 metros

INDICATOR 7: Total residential property sales and new registrations by affordability band, 9 metros, 2007 – 2013

DATA SOURCE: City Mark, 2014

DESCRIPTION: This indicator uses property registration data from the deeds registry to track residential property sales and new registrations in the 9 metros, and shows the proportion of total sales and registrations within each affordability band. Total residential property sales and new registrations includes:

- sales of existing private properties (already registered on the deeds registry);
- sales of new, privately built properties (newly added to the deeds registry); and
- new registrations of government built properties by beneficiaries on the deeds registry.

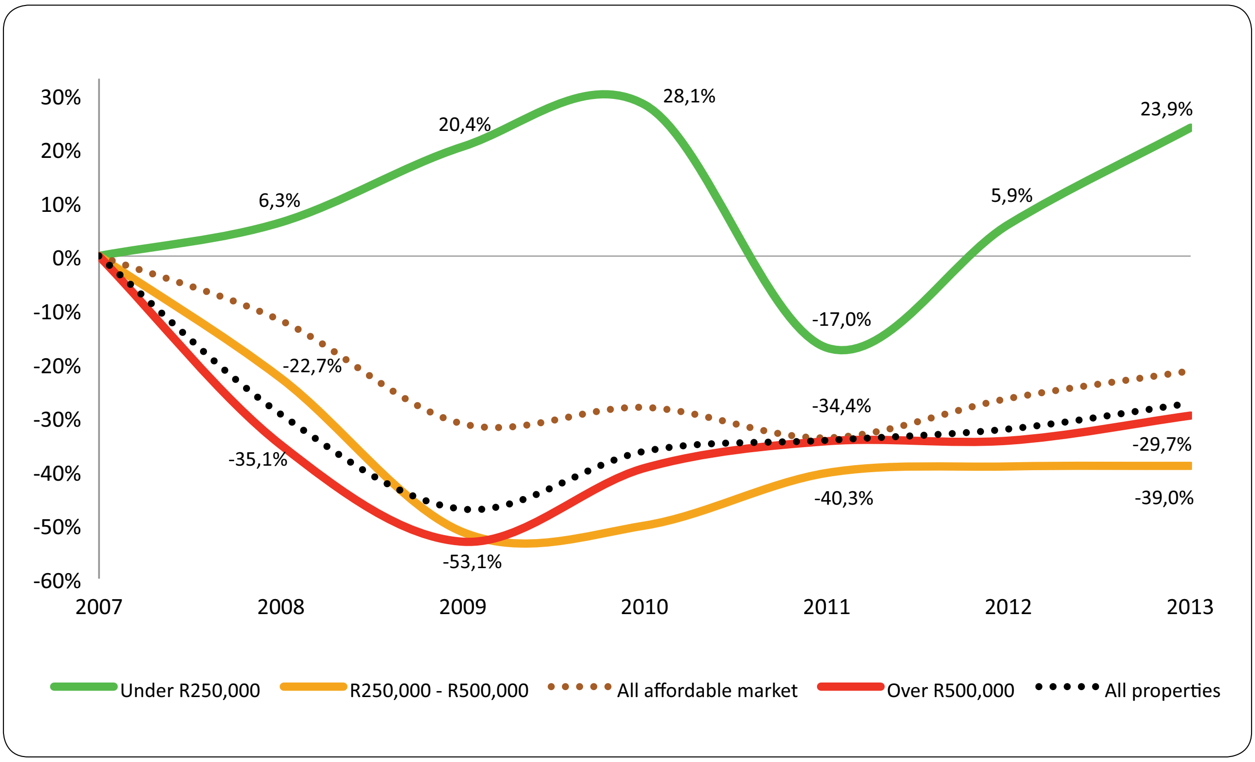
If sales and new registrations of properties within the affordable range (**under R250,000** and **R250,000 – R500,000**) are growing as a proportion of total sales, this would indicate that the housing market is increasingly serving lower-income groups. On the other hand, if a growing proportion of total sales and registrations are for properties **over R500,000**, this would indicate that the market is increasingly geared towards those on higher incomes.

Indicator 7 shows that the housing market in the 9 metros as a whole has been in trouble since the recession of 2008. Total residential property sales and new registrations almost halved from 204,000 in 2007 to 108,000 in 2009. Eventually the market bounced back, growing by 20.4% in 2010, 3.2% in 2011 and 2012, and 7.1% in 2013. However, as the market as a whole collapsed, the proportion of total sales and new registrations in the most-affordable range increased, from 8% in 2007 to 18% by 2009. Indicator 8 shows the extent to which the most-affordable range has helped to keep the entire market afloat during this difficult period.

INDICATOR 8: Percent change in total residential property sales by affordability band, 9 metros, 2007 – 2013

DATA SOURCE: City Mark, 2014

DESCRIPTION: This indicator shows growth in the number of sales and new registrations for each affordability band from 2007 to 2013. Positive percentages indicate that annual sales have increased, negative percentages indicate that annual sales have decreased.



Indicator 8 shows that the most-affordable market has vastly outperformed both the upper-affordable market and the over R500,000 market in terms of sales growth since 2007. When the upper two affordability bands were seeing sales and new registrations drop by -50% between 2007 and 2009, sales in the most affordable band grew by over 20%. Sales growth in the most affordable band did not continue exponentially, experiencing a large drop of -35% in 2011, before growing again by 27.7% in 2012 and 17% in 2013. As a result, by the end of 2013, annual sales and registrations in the most-affordable band were 23.9% higher compared with 2007, while annual sales and registrations in the upper-affordable market were -39.0% lower, and sales over R500,000 were -29.7% lower.

These figures help to explain why sales in most affordable range rose to 13% of total sales in 2013, compared with 8% in 2007, as shown in indicator 7. During the same period, sales in the upper-affordable range dropped from 20% of total sales in 2007 to 17% in 2013, and sales over R500,000 dropped from 72% of total sales in 2007 to 70% in 2013.

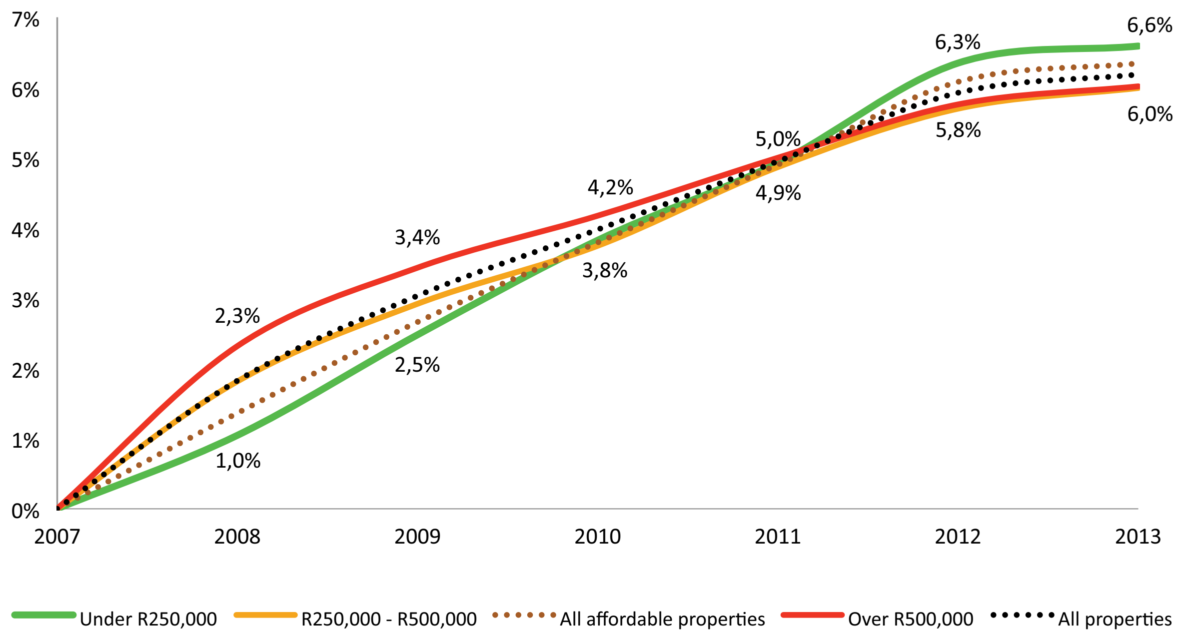
The remarkable growth at the most affordable end of the market, made in the face of an overall market slump, is good news for people on lower incomes that aspire to own property, and may suggest that the 'gap' in access to formal housing may be beginning to close a little. Moreover, these sales and new registrations represent significant asset growth for those owners and an increasing ability to buy property by those on lower-incomes. Indeed, between 60% - 80% of the sales registered in the most-affordable range between 2008 and 2012 were sales or registrations of new properties. Indicator 9 looks at the growth in the number of properties for each affordability band between 2007 and 2013.

ACCESS – Affordable housing market, 9 metros

INDICATOR 9: Percentage change in total number of residential properties by affordability band, 9 metros, 2007 – 2013

DATA SOURCE: City Mark, 2014

DESCRIPTION: This indicator tracks the growth of the housing market for each affordability band. It shows growth in the total number of residential properties in the 9 metros as a percentage change from 2007 to 2013. This allows us to compare growth in the supply of housing for each affordability band. New additions comprise both sales of new, privately built properties and registrations of government built properties by beneficiaries.



As well as being the only market to see sales growth, the size of the most-affordable market grew more than the two other affordability bands between 2007 and 2013. Of all the new properties added to the total market between 2008 and 2013, between 17% and 44% were within the most affordable range. These new properties represent definite increases to the supply of housing stock under R250,000 in the 9 metros, which is crucial for increasing access to housing. What the data do not show, however, is the proportion of these properties which were privately built and sold or government built and registered with beneficiaries. Both will have contributed to the growth in the total number of properties in the most affordable range.

In total, there were 64,000 new properties added to the most affordable range between 2008 and 2013, an average of 10,600 per year. Despite strong growth, both absolute and relative to other affordability bands, this number is actually quite low, however, if one considers the potential demand for adequate housing in the 9 metros. In 2013, the metros had a total stock of 3.4 million formal residential houses and a population of 21 million. This equates to 6 people per house. Moreover, despite its relative growth compared with other affordability bands, the most affordable market still made up 30% of the total market in 2013, the same percentage as in 2007. In other words, though increasing at a slower rate, there continue to be far more properties valued over R500,000 added to the market each year than properties valued under R250,000. In total, there were 93,000 new properties valued over R500,000 built between 2008 – 2013, or 15,500 per year. This brought the number of properties over R500,000 to 1.64 million, or almost 50% of the total market, the same as in 2007. Therefore, the positive developments at the lower end of the market are not leading to higher market share.

While government produced around 140,000 new properties per year across the country from 2008 – 2013 for those with no or very low incomes, the private sector was still geared to providing housing for the much better off. The average of 10,600 new properties valued under R250,000 added to the market in the metros per year between 2008 – 2013 is very small compared with the governments total effort. This highlights the continued importance of government provision of housing for the least well off in the country. However, with rising costs limiting governments ability to continue producing housing at this scale, the private sector needs to play a much greater role in providing access to adequate housing if South Africa's vast unmet demand is to be addressed.

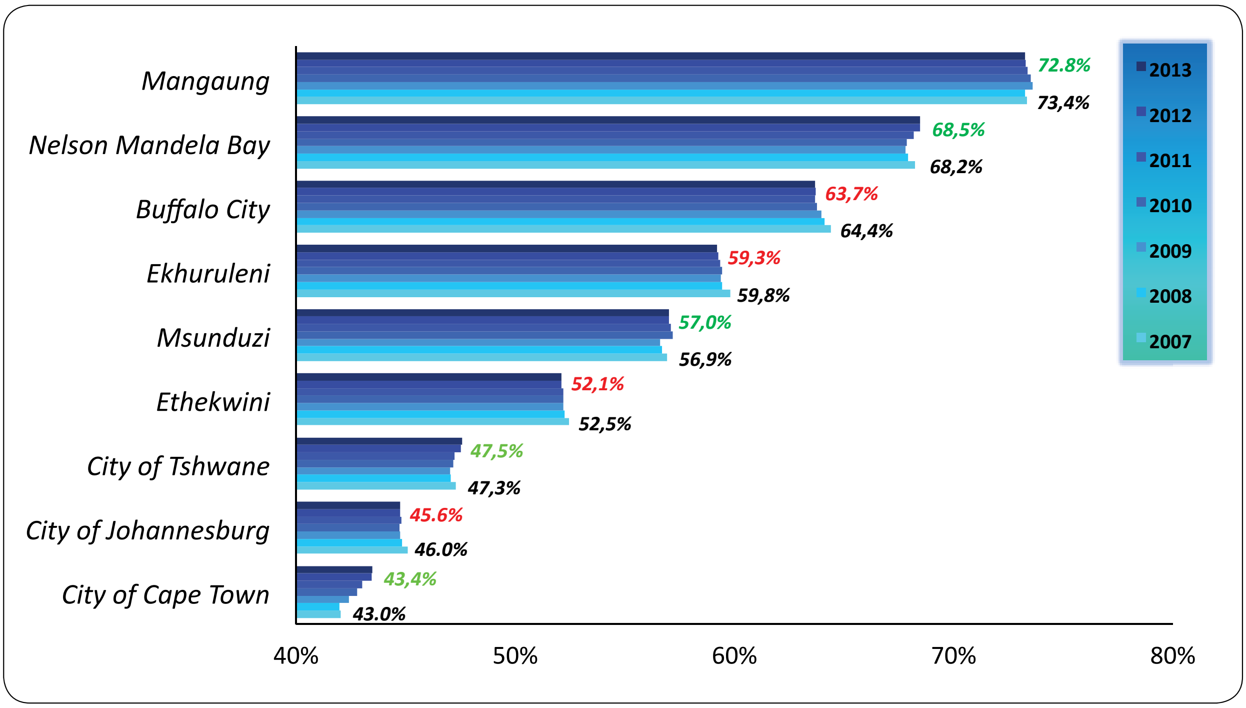
Overall, the majority of occupants with access to formal housing live in properties in the least-affordable range. The fact that relatively stronger growth at the lower end of the market is not translating to a higher share of the total market is further illustrated by indicator 10, which looks at whether the proportion of affordable properties is increasing or decreasing within each metro.

ACCESS – Affordable housing market, 9 metros

INDICATOR 10: Percentage of properties valued less than R500,000, 9 metros, 2007 –2013

DATA SOURCE: City Mark, 2014

DESCRIPTION: This indicator looks at the number of affordable properties in the 9 metros as a proportion of total properties, and shows whether this percentage has changed from 2007 – 2013. **Black** figures indicate no percentage change, **green** figures indicate an increase in the percentage of affordable properties, and **red** figures indicate a decrease.



Only City of Cape Town, City of Tshwane and Msunduzi have increased the proportion of affordable properties within their jurisdiction between 2007-2013, though not by significant amounts. However, with less than half of all properties considered affordable, Cape Town, Tshwane and Johannesburg still have the lowest proportion of affordable properties out of the 9 metros. Disappointingly, Buffalo City, Ekurhuleni, eThekwini and Johannesburg have all seen the proportion of affordable properties in their jurisdictions drop between 2007 and 2013, though not by more than 1%. The two metros with the highest proportion of affordable properties in 2013, Mangaung (72.8%) and Nelson Mandela Bay (69.5%) have grown slightly during this period.

As the two economic hubs of the country, it is perhaps unsurprising that the City of Cape Town and City of Johannesburg have the lowest proportion of affordable properties. However, having a higher proportion of affordable properties does not necessarily mean that there is greater access to affordable housing in those metros. Levels of wealth and resources (and their distribution) also affect access. Thus the lower average incomes of Mangaung and Nelson Mandela Bay mean that, on average, people have less buying power, which explains why there is more affordable housing stock in these metros. The next indicator looks at average per capita incomes and the average sales price of properties to calculate an 'affordability ratio' for each metro in 2012.

ACCESS – Affordable housing market, 9 metros

INDICATOR 11: South Africa Housing Price Gap, 9 metros, 2012.

DATA SOURCE: City Mark, 2014.

DESCRIPTION: This indicator looks at the affordability of housing for lower-middle income groups by way of an 'Affordability Ratio'. The average monthly income (which is similar to that of lower-middle income groups) for each metro is determined using census data on the number of members in income bands at the suburb level, divided by the midpoint value of the range, divided by 12. The Target Affordable House Price is the sales price affordable for those on the average monthly income, and is calculated using average underwriting terms (5% deposit, 11% interest and repayments spread over 20 years) using 25% of income. The Average Sales Price is determined by the total value of sales divided by the number of sales transactions in 2012. The Housing Gap is the difference between the average sales price and the target affordable house price. These amounts then feed into an Affordability Ratio which represents the bond value for the average sales price divided by the average monthly income.

Municipality	Average Monthly Income	Target Affordable House Price	Average Sales Price	Housing Gap	Affordability Ratio
City of Tshwane	R 15,566	R 396,853	R 687,623	R 290,770	1.73
Ekurhuleni	R 10,694	R 272,638	R 726,681	R 454,043	2.67
Nelson Mandela Bay	R 8,482	R 216,239	R 577,616	R 361,377	2.67
City of Johannesburg	R 14,777	R 376,754	R 1,017,327	R 640,573	2.70
Msunduzi	R 9,582	R 244,287	R 684,673	R 440,386	2.80
City of Cape Town	R 13,164	R 335,628	R 1,046,333	R 710,705	3.12
Buffalo City	R 8,714	R 222,174	R 744,750	R 522,575	3.35
Mangaung	R 8,368	R 213,336	R 783,584	R 570,248	3.67
eThekwini	R 9,759	R 248,805	R 916,451	R 667,646	3.68
Average	***R 11,012***	***R 280,746***	***R 798,338***	***R 517,591***	***2.93***

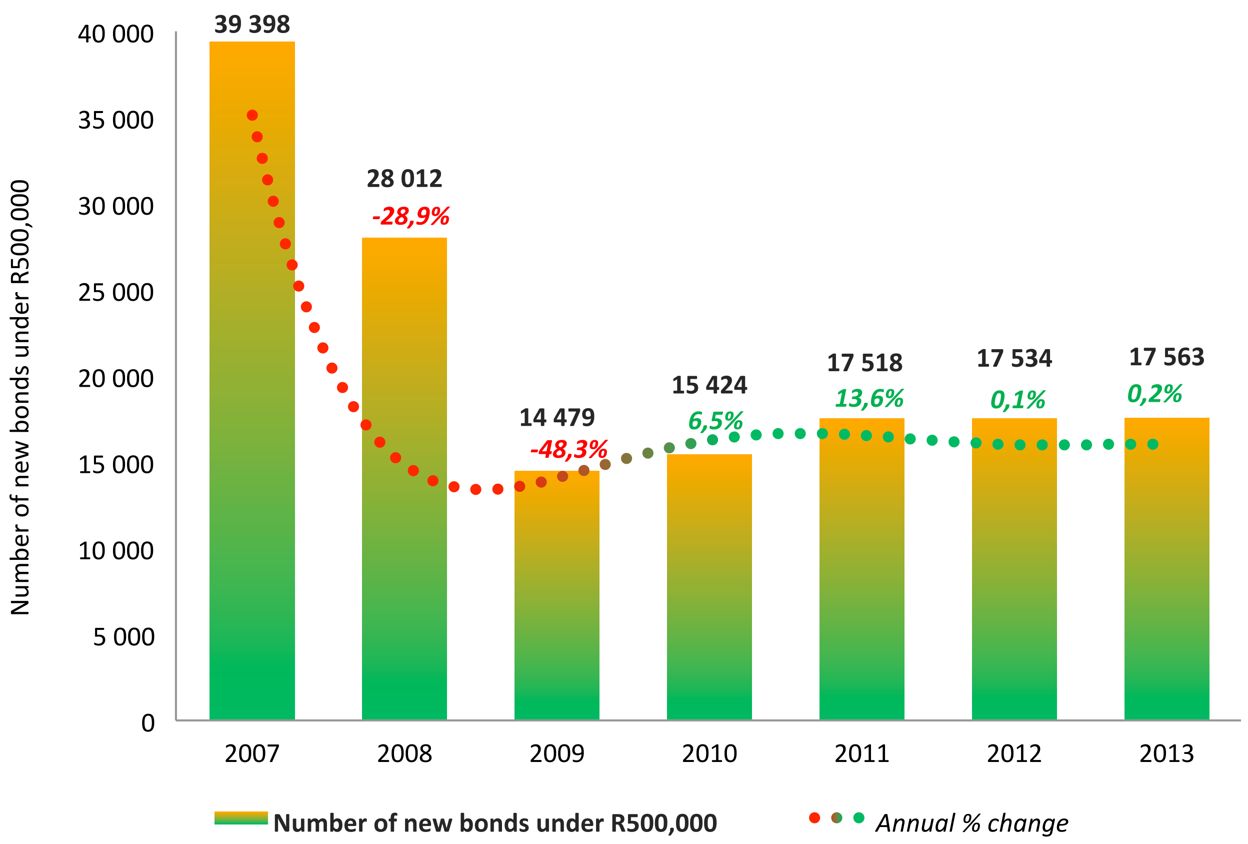
Though at different ends of the previous indicator, eThekwini and Mangaung both have the worst affordability ratios of the 9 metros. This is despite Mangaung having the highest proportion of affordable properties of any metro (72.8%), as indicator 9 showed. City of Tshwane has the best affordability ratio despite having the third lowest proportion of affordable properties (47.5%). This can be explained by the much lower average incomes of eThekwini and Mangaung, which are 30% below those of Tshwane. The City of Cape Town, despite increasing the proportion of affordable properties in recent years and having the third highest average income, remains in the bottom four least affordable metros on the chart. Nelson Mandela Bay, despite having the second lowest average income, performs well on this and the previous indicator, with the third best affordability ratio and the highest proportion of affordable properties.

Overall, the housing gap for those on average incomes is extremely large, ranging from R290,770 to R710,705, highlighting once again the huge gaps in access to affordable housing. Moreover, it must be noted that averaging monthly income doesn't account for South Africa's vast inequality. With over 50% of South African households earning less than R3,030 per month in 2011[87], the affordability gap for these households would be even higher. This indicator demonstrates the extent to which access to housing on the formal market is beyond the reach of most South Africans. The final indicator on the housing market focuses on access to finance for the most affordable properties.

INDICATOR 12: Total number and annual percentage change in the number of bonded transactions for the affordable market, 9 metros, 2007 –2013

DATA SOURCE: City Mark, 2014

DESCRIPTION: This indicator measures access to finance for low-middle income groups by displaying the total number and annual percentage change in bonds issued for affordable market transactions. **Green** percentages indicate an increase in the number of affordable market bonds transacted compared with the previous year, **red** figures indicate a decrease.



The number of new bonds transacted for the affordable market dropped dramatically in 2008 and 2009 due to the economic recession and credit crunch among the banks. Strong growth the following two years then failed to continue through 2012 and 2013. As a result, there were less than half as many bonds issued for the affordable market in 2013 as there were in 2007. This indicates that banks have not been willing to progressively increase access to affordable market bonds, despite the huge demand for housing finance by lower-middle income groups. Indicator 4 showed that government provided access to 31,000 affordable social and rental accommodation units in 2012/13. In the same year, the banks issued only 17,534 bonds for affordable properties. This highlights once again the urgent need for the private sector to engage seriously with the need for transformation in the country.

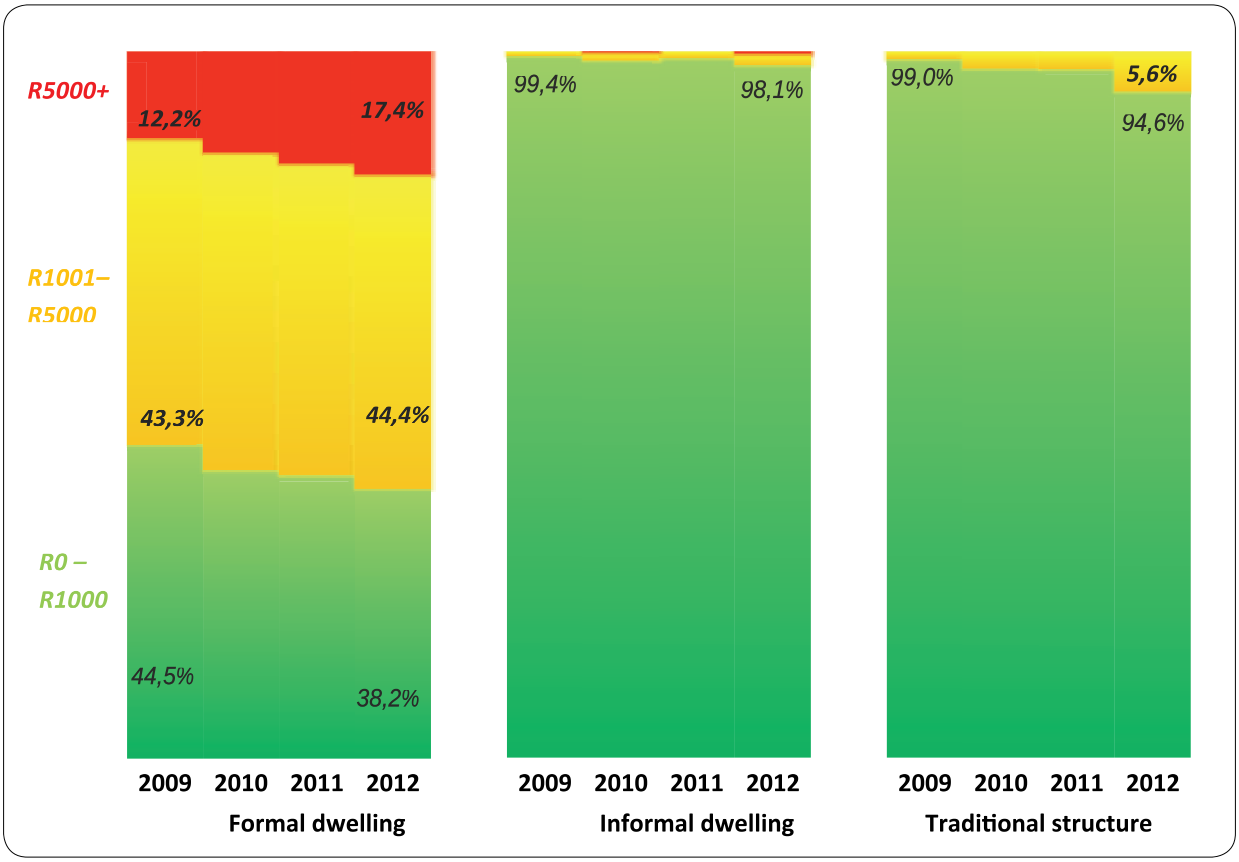
The indicators have thus far looked at the impact of government programmes and the housing market on access to affordable housing. A range of other affordability measures linked to the costs of running a household will now be considered.

ACCESS – Affordability, household costs

INDICATOR 13: Rent/mortgage cost per month for different dwelling types, 2009 - 2012

DATA SOURCE: General Household Survey (StatsSA), 2009 – 2012.

DESCRIPTION: After considering trends around the size, affordability and growth of the housing market, the following four indicators look at affordability of household costs. This indicator looks at monthly rent/mortgage costs for households living in formal dwellings, informal dwellings and traditional structures, from 2009 – 2012.



The percentage of South African's paying more than R1,000 per month in rent or mortgage costs has increased across dwelling types, with the greatest increase occurring for those living in formal dwellings. In 2009, 44.5% of formal households we paying under R1,000 in rent/mortgage costs per month, while 12.2% were paying over R5,000. By 2012, the proportion paying more than R5,000 had increased to 17.4%, while only 38.2% of formal households were still paying R1,000 or less. Rent/mortgage costs for informal and traditional dwellings have also increased, though the vast majority (over 90%) of these households still spend R1,000 or less in rent/mortgage costs per month. This is indicative of the broader socio-economic context in which 50% of South Africa's work force were earning less than R3,030 per month in 2011[88], and of the continued high demand for low-cost rental housing. During this period of rising rent/mortgage costs, both the broad and narrow unemployment rates have increased (the latter from 32.4% to 35.6% of the working age population) while median monthly earnings increased by only 3.3% between 2010 – 2012, a nominal increase far below that of inflation.[89]

Indicator 4 showed that government has made progress towards increasing access to low-cost rental housing, but at a level far below what is required. As will be shown in the next indicator – about 25% of South Africans now rent their accommodation and this percentage has steadily increased over time.[90] The issue of growing rental costs is partially explained by this growing demand but raises other issues around the continued inability of low income groups to afford housing on the formal rental market. These people are hence forced to rent in townships and informal settlements on the outskirts of cities or in hijacked buildings in the inner city, where they are often subjected to forced evictions and other forms of violence.[91]

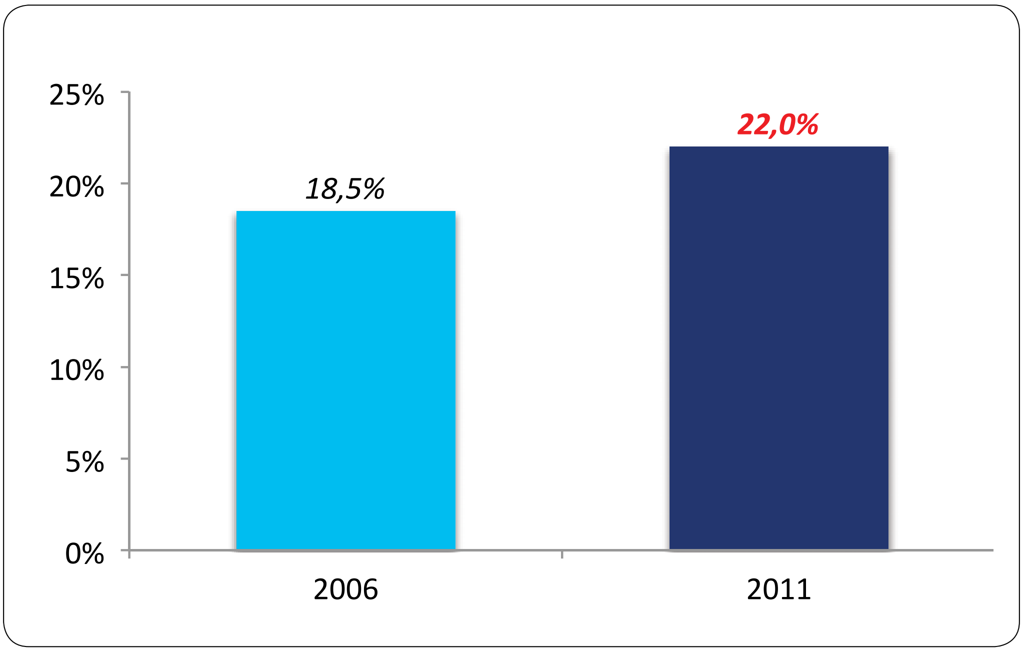
[88] StatsSA, 'Labour Market Dynamics 2013', table 4.15.
[89] Ibid, tables 3.1, 3.8 and 4.15.
[90] K, Tissington, 2013, p11.
[91] Ibid, p14

ACCESS – Affordability, household costs

INDICATOR 14: **Percentage of household consumption expenditure spent on housing, water, electricity, gas and other fuels for bottom three income deciles, 2006 –2011.**

DATA SOURCE: Income and Expenditure Survey (StatsSA), 2006 – 2011.

DESCRIPTION: Following the examination of rent/mortgage costs in indicator 11, this indicator looks at a broader range of household costs by combining the costs of water, electricity, gas and other fuels and looking at this as a percentage of total household consumption expenditure. We have decided to restrict this indicator to the bottom three income deciles (total income less than R22,007 per year) as these people are most vulnerable to rises in the cost of basic household goods and services.



Households earning less than R22,007 per year were spending a higher proportion of that income on essential household goods and services in 2011 than in 2006. This in fact reflects a general trend across income deciles. In broad terms, this change reflects rising costs for housing, water, electricity, gas and other fuels, but is also linked to the stagnant wage trends lower-income groups have seen during this period, while inflation has ranged from 4% - 11.5%.

A closer look at the commodities bundled in the above indicator shows that, between 2007 and 2011, the average price of wholesale paraffin – the household fuel most commonly used by poorer households – increased by over third, from R4.78 to R6.56 per litre. Electricity prices have also risen during this period. In 2007 South African's were paying on average 9.95 US$ cents per kWh but by 2010 this had increased by a quarter to 12.81 US$ cents/kWh.[92] South Africa also has among the costliest household gas prices in the world, which have also increased during this period.[93] Water prices have also been increasing in real terms[94] and it has been forecasted that trend is set to continue.[95]

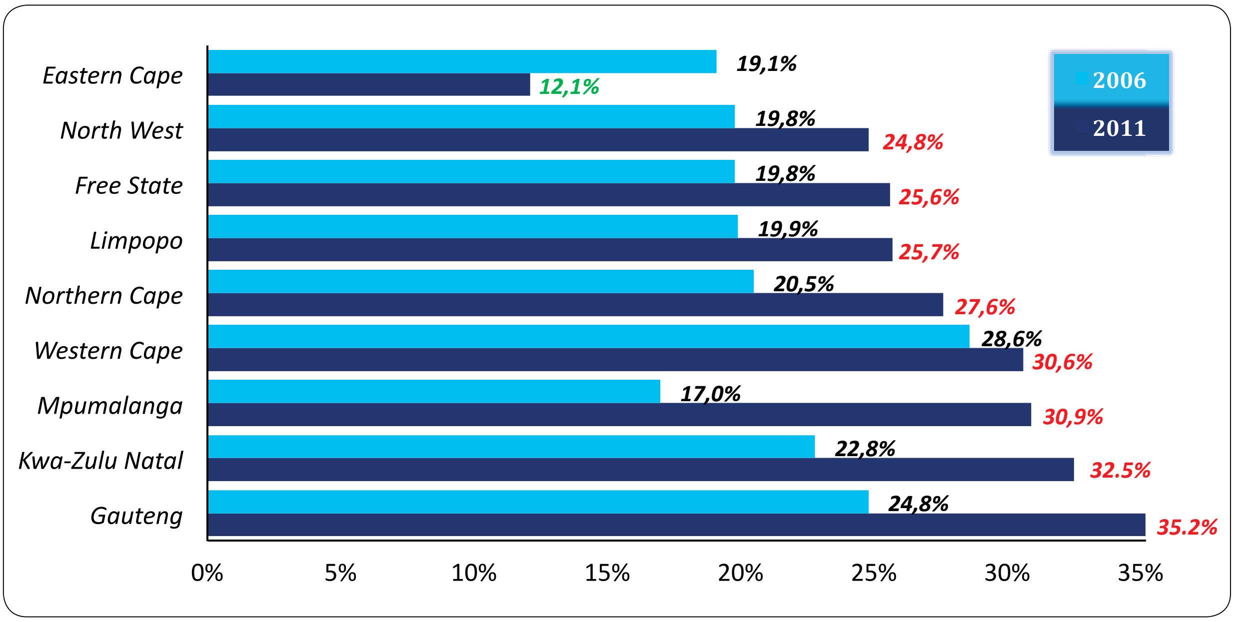
[92] Thopil GA, Pouris A. International positioning of South African electricity prices and commodity differentiated pricing. S Afr J Sci. 2013;109(7/8), http://dx.doi.org/10.1590/sajs.2013/20120075 (prices adjusted for PP) See also: http://businesstech.co.za/news/general/41218/south-africas-electricity-price-shock/.
[93] See www.moneyweb.co.za/moneyweb-industrials/sa-gas-the-most-uncompetitive-prices-globally.
[94] See www.ib-net.org/production/?action=country and www.globalwaterintel.com/archive/10/8/general/price-free-water-south-africa.html.
[95] See www.timeslive.co.za/local/2011/03/21/water-prices-set-to-soar.

ACCESS – Affordability, household costs

NDICATOR 15: Percentage of household consumption expenditure spent on housing, water, electricity, gas and other fuels, across income deciles, by province, 2006 – 2011.

DATA SOURCE: Income and Expenditure Survey (StatsSA), 2006 – 2011.

DESCRIPTION: This indicator broadens the previous indicator to all income deciles and breaks it down by province.



Eastern Cape is the only province where the proportion of household consumption expenditure spent on these essential living costs has decreased between 2006 and 2011. All other provinces have seen the proportion of household expenditure spent on housing, water, electricity, gas and other fuels increase substantially during this period: nearly doubling in Mpumalanga; near 50% increases in Kwa-Zulu Natal; and, in Gauteng, which has replaced the Western Cape as the province with the highest proportion of household income spent on these goods, on average, one in every three Rands of household consumption expenditure is spent on housing, water, electricity, gas and other fuels.

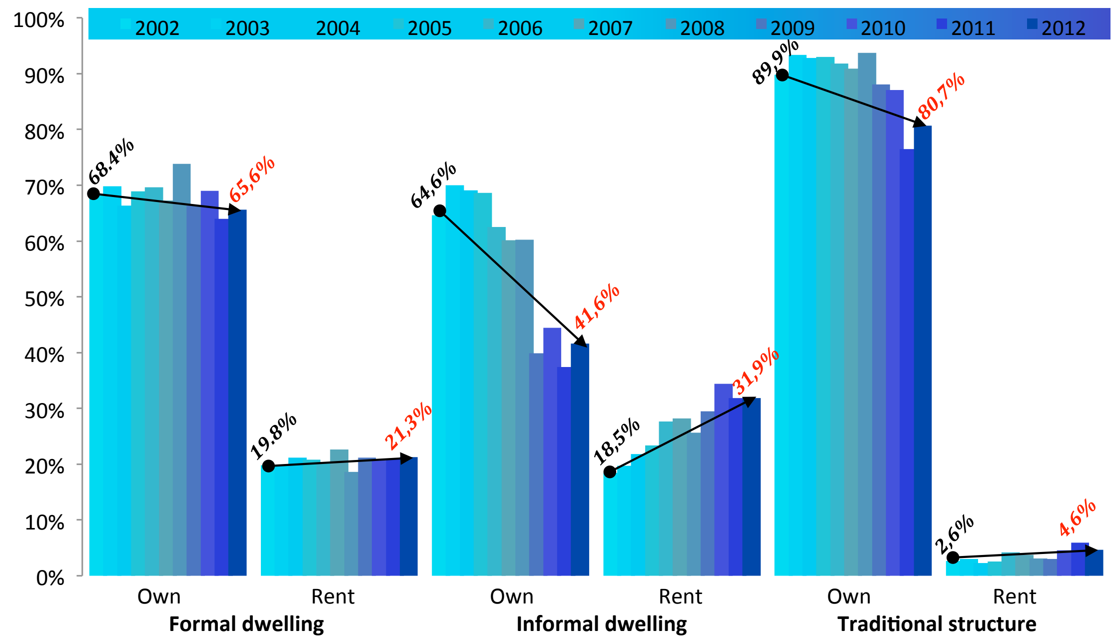
4.3 ADEQUACY INDICATORS

ADEQUACY – Tenure status

INDICATOR 16: Percentage of households who own or rent the dwelling they live in for different dwelling types, 2002 - 2012

DATA SOURCE: General Household Survey (StatsSA), 2002 – 2012.

DESCRIPTION: This indicator tracks the tenure status of users of different dwelling types over time by looking at the ratio of ownership to renting. Ownership includes houses which are fully owned and paid off and owned but not yet fully paid off.



There has been a general and large increase in rental tenure arrangements across the board between 2002 and 2012, with the greatest increase occurring in the informal sector. Nearly a third of informal settlement dwellers now rent their homes, compared to less than one fifth in 2002. This trend could reflect a diversification of the housing market to meet the needs of insecure and informal workers who can't get a bond for a house, but who need to be located near to economic opportunities.

On the other hand, it has become less likely for South African's to own the property they live in, even in traditional settings. This is worsened by the reality that 51% of the houses built by DHS between 1994 and 2009 have not been registered with the Deeds Registry and therefore, beneficiaries remain without secure, formal title.[96]

There is a need for further research to understand the expansion in rental arrangements in informal settlements where very few people have tenure security and yet renting shacks has become a lucrative business opportunity for some.

One reason for the increase in both formal and informal renting may be explained by the tendency for people to sell or lease their poorly located RDP house in order to allow them to move closer to employment and other economic opportunities, where they will rent shacks or enter into other informal arrangements.

The combination of rising rents with increasing rental occupations could also suggest that the pressure is being put on, rather than taken off, low-or-no-income rental groups. This could be one of the factors causing so many people to continue living in informal accommodation. The indicator illustrates once more the pent-up demand for formal affordable rental stock, especially in urban areas, where space, services and location are at a premium.

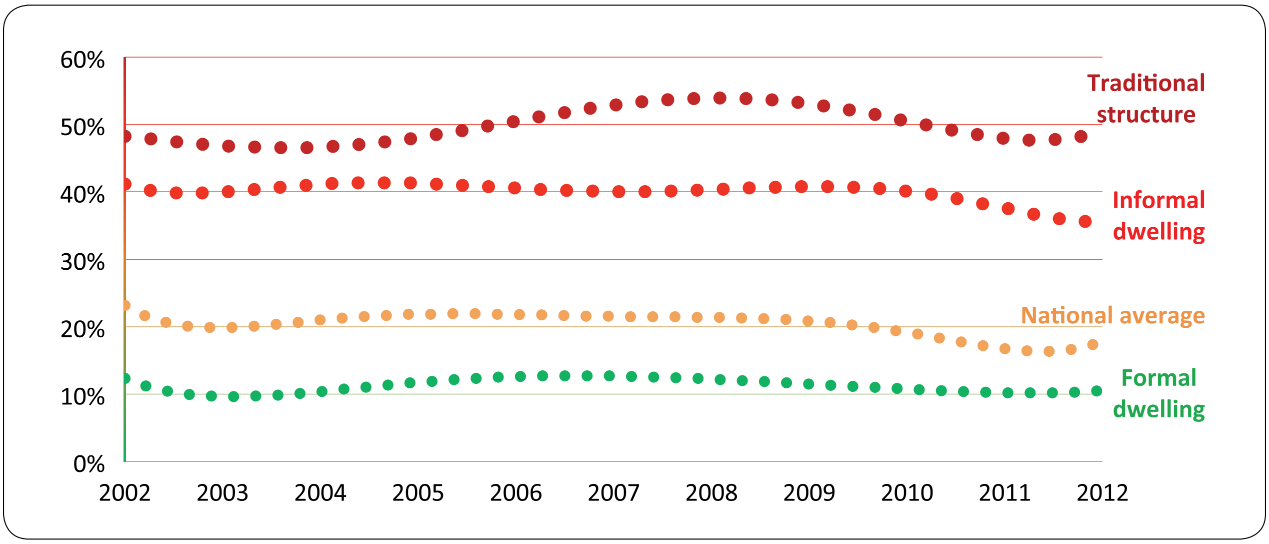
[96] K Tissington et al, 2013, p23.

ADEQUACY – Adequacy of shelter

INDICATOR 17: Percentage of persons who describe the condition of the walls of their dwelling as weak or very weak for different dwelling types, 2002 – 2012.

DATA SOURCE: General Household Survey (StatsSA), 2002 – 2012.

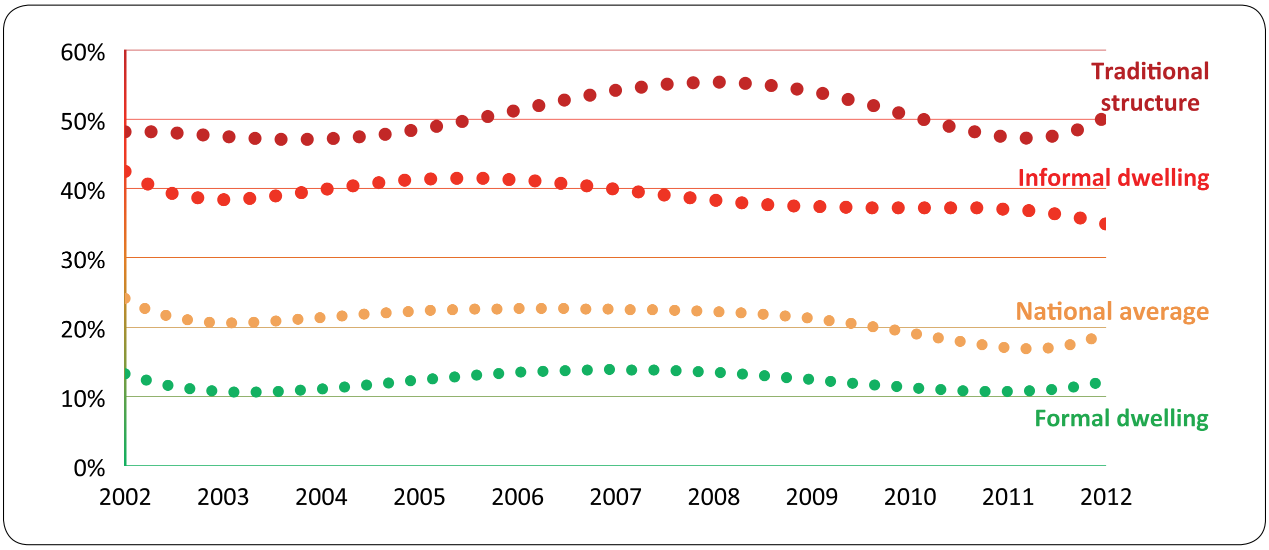
DESCRIPTION: This indicator measures the adequacy of houses in South Africa, focusing on walls.



INDICATOR 18: Percentage of persons who describe the condition of the roof of their dwelling as weak or very weak for different dwelling types, 2002 – 2012.

DATA SOURCE: General Household Survey (StatsSA), 2002 – 2012.

DESCRIPTION: This indicator measures the adequacy of houses in South Africa, focusing on roofs.



Indicator's 16 and 17 assess the adequacy of the structures of different dwelling types throughout the country. Weak or very weak walls and roofs are clear signs of a structure that is dangerous and not fit for human habitation.

The indicators show similar trends for different dwelling types. Over a third of households living in informal dwellings described the condition of their walls and roof as weak or very weak. This represents a slight decrease from 42% in 2002 to 35% in 2012. Around half of households living in traditional structures described their walls and roofs as weak or very weak in 2012, the same percentage as in 2002. These figures re-affirm the scale of the task to improve the adequacy of South Africa's current housing stock, particularly in informal settlements, and the urgency with which DHS must tackle the problems associated with the USDG so that informal settlement upgrading can be accelerated.

Unsurprisingly, households living in formal dwellings were four times less likely to describe their walls or roof as weak or very weak, compared with informal households.

Concerns have also been raised about the quality of RDP or subsidised houses built by the government and since 2009, millions of Rands have been spent fixing houses where walls had begun to crack and roofs fall apart through the national department's rectification programme.[97]

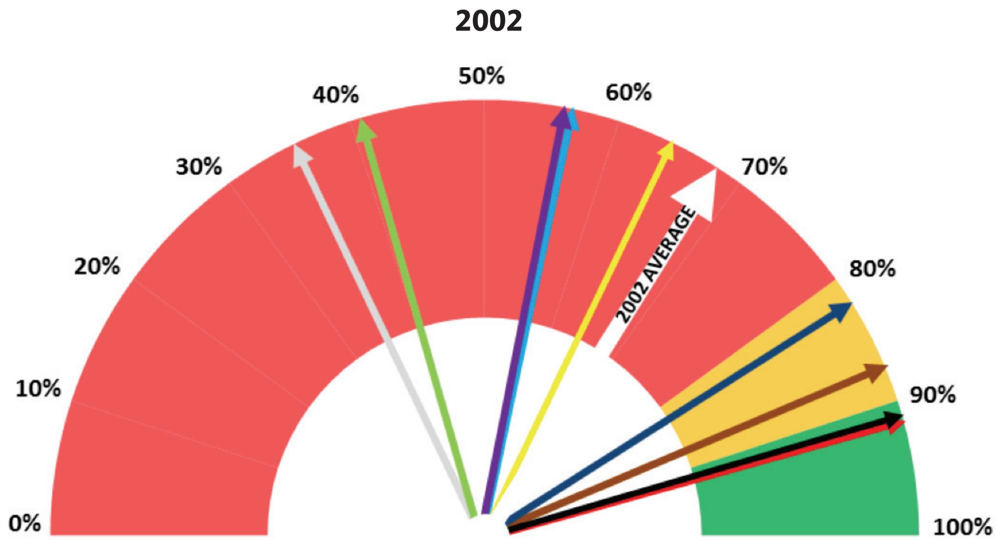
The forced removals of non-white's from South Africa's towns and cities in previous centuries has left a spatial legacy that sees many of these same families continuing to live in inadequate housing in townships and shack-lands on the periphery of mainstream economic activity. During apartheid these areas were not provided with basic services and so a major task of the democratic era has been to increase access to services such as clean drinking water, sanitation and energy. Progressive realisation of the right to adequate housing inter-sects with these rights, which are looked at in indicators 18 – 22.

ADEQUACY – Adequacy of service availability: drinking water

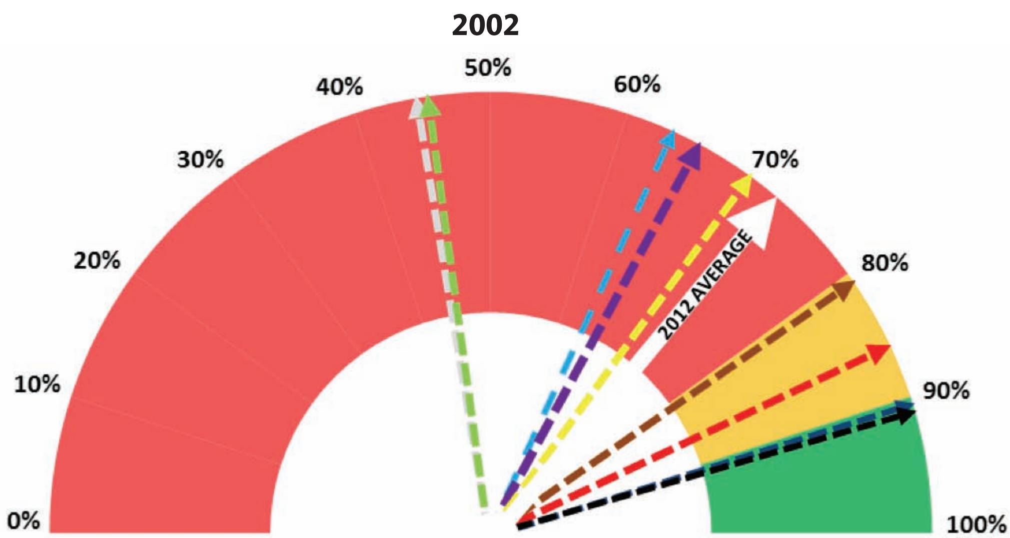
INDICATOR 19: Percentage of households whose main source of drinking water is from a piped tap, by province, 2002 – 2012.

DATA SOURCE: General Household Survey (StatsSA), 2002 and 2012.

DESCRIPTION: This indicator asks what proportion of households have access to piped tap water and use it as their main source for drinking water at a national and provincial level.



	2002	2012	% Change
Eastern Cape	36.4%	45.2%	+8.8%
Limpopo	40.6%	46.2%	+5.6%
KwaZulu-Natal	57.4%	63.2%	+5.8%
North West	57.1%	65.3%	+8.2%
Mpumalanga	63.3%	70.0%	+6.7%
Northern Cape	88.3%	80.5%	-7.8%
Gauteng	91.8%	87.9%	-3.9%
Free State	82.2%	90.2%	+8.0%
Western Cape	91.1%	91.1%	0.0%
National average	68.6%	72.2%	+3.6%



Across the country, 71.1% of household's main source of drinking water was from a piped tap in 2012, up from 67.6% in 2002. However, there have been marked differences in performance for this indicator at a provincial level. The Eastern Cape has seen the biggest increase in the availability of piped water for use as drinking water, from 36.4% in 2002 to 45.2% in 2012. North West and Free State have also seen increases of over 8% or over. Limpopo, KwaZulu-Natal and Limpopo have seen increases of between 5% and 7%, while there has been no change in the Western Cape. Worryingly, Gauteng (-3.9%) and Northern Cape (-7.8%) have seen substantial decreases in the percentage of households whose main source of drinking water is from a piped tap.

In 2012, two provinces (Eastern Cape and Limpopo) were lagging far behind the national average on this indicator, while Gauteng (despite experiencing a decrease), Western Cape and Free State were well above national average, highlighting the unevenness of service delivery in the country.

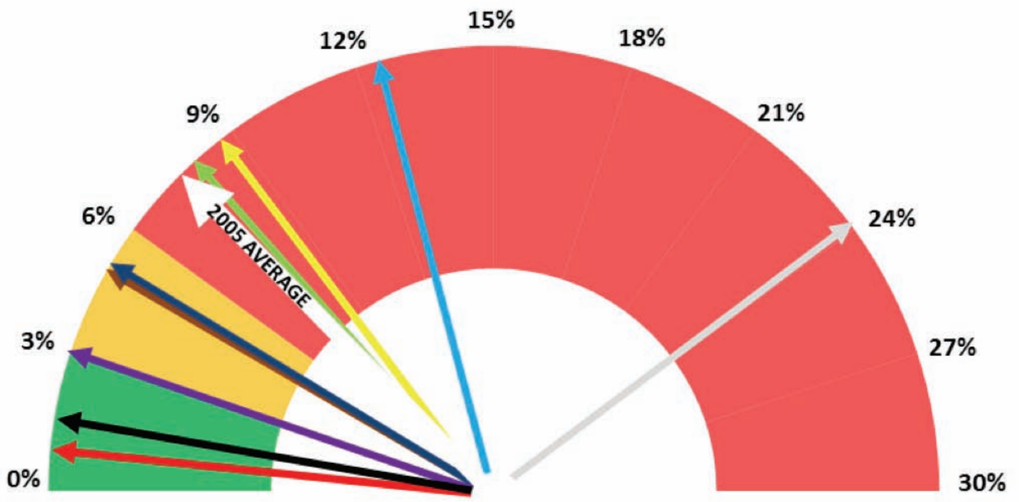
ADEQUACY – Adequacy of service availability: drinking water

INDICATOR 20: Percentage of households who describe their main source of drinking water as not safe to drink, by province, 2005 – 2012.

DATA SOURCE: General Household Survey (StatsSA), 2005 – 2012.

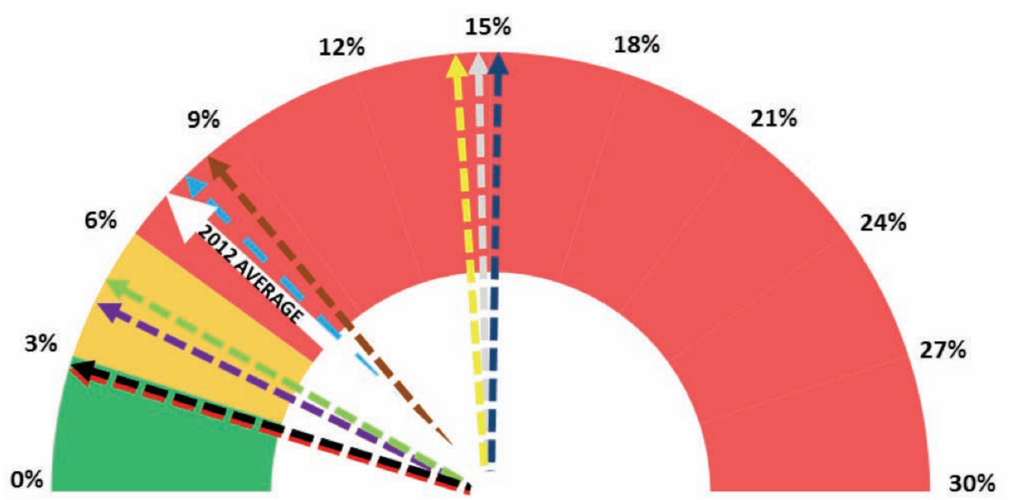
DESCRIPTION: This indicator looks at the adequacy of the drinking water consumed by households, at a national and provincial level.

2005



	2005	2012	% Change
Free State	5.4%	15.1%	+9.7%
Eastern Cape	23.9%	14.7%	-9.2%
Mpumalanga	8.6%	14.4%	+5.8%
Northern Cape	5.3%	8.2%	+2.9%
KwaZulu-Natal	12.9%	7.7%	-5.2%
Limpopo	8.0%	5.2%	-2.8%
North West	3.0%	4.6%	+1.6%
Western Cape	1.8%	2.9%	+1.1%
Gauteng	0.9%	2.8%	+1.9%
National average	*7.7%*	*7.0%*	*-0.7%*

2012



The NDP states that, 'Before 2030, all South Africans will have affordable access to sufficient safe drinking water'.[98] This indicator suggest that the slow pace of change in access safe drinking water from 2005 – 2012 will have to be speeded up if this goal is to be achieved.

Nationally, there has been a small 0.7% decrease in households who describe their main source of drinking water as not safe to drink, from 7.7% in 2005 to 7.0% in 2012. There has also been great variance across provinces on this indicator, however. As with the previous indicator, the Eastern Cape has seen the most positive change in the percentage of households who describe their main source of drinking water as not safe to drink, which has decreased from 23.9% in 2005 to 14.7% in 2012. KwaZulu-Natal and Limpopo are the only other provinces that have seen positive change on this indicator since 2005. All other provinces have seen the percentage of households who describe their main source of drinking water as not safe to drink increase between 2005 and 2012. In the Western Cape, twice as many households made this description, and in Gauteng and Free State, three times more households made this description in 2012 as in 2005. Despite improvements since 2005, in the Eastern Cape, as well as Mpumalanga and Free State (which have regressed on this indicator) around one in seven households described their main source of drinking water as unsafe to drink in 2012.

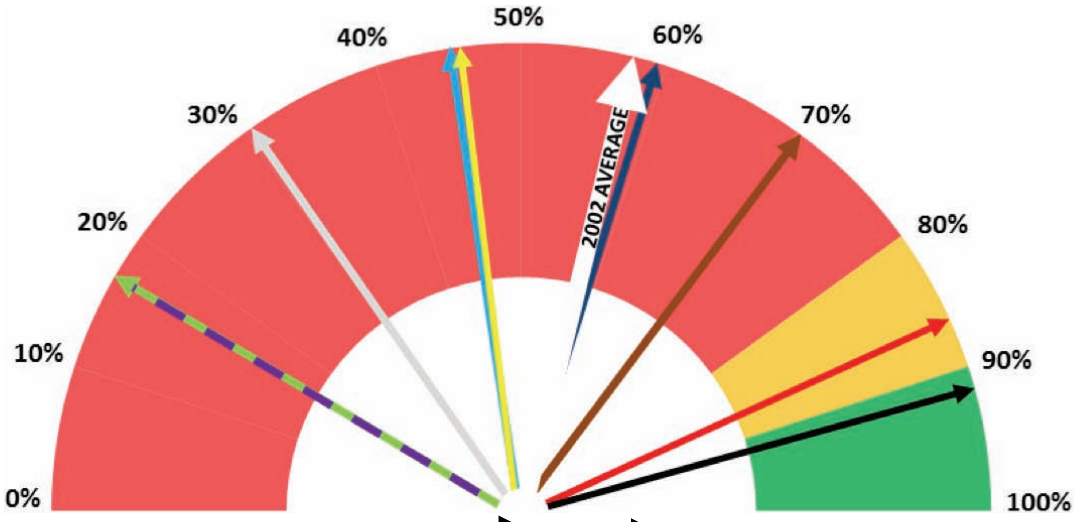
ADEQUACY – Adequacy of service availability: basic sanitation

INDICATOR 21: Percentage of households whose main sanitation facility used is a flush toilet, by province, 2002 – 2012.

DATA SOURCE: General Household Survey (StatsSA), 2002 – 2012.

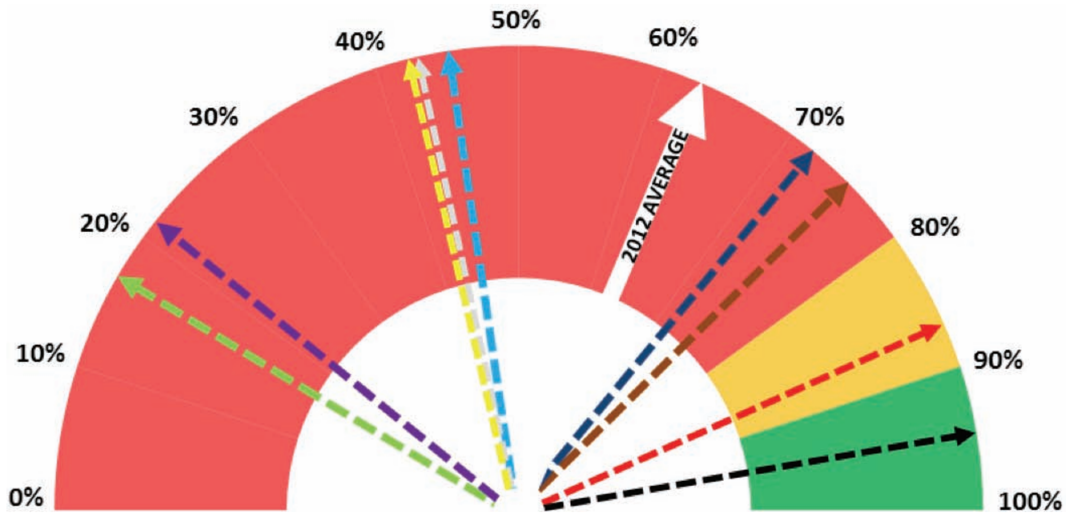
DESCRIPTION: This indicator looks at the adequacy of the sanitation facilities used by households at a national and provincial level. Flush toilet includes flush toilets connected to a public sewerage system, and flush toilets connected to a septic tank.

2002



	2002	2012	% Change
Limpopo	16.4%	16.6%	+0.2%
North West	16.4%	21.6%	+5.2%
Mpumalanga	46.6%	42.7%	-3.9%
Eastern Cape	30.5%	43.4%	+12.9%
KwaZulu-Natal	46.3%	46.4%	+0.1%
Free State	59.5%	72.8%	+13.3%
Northern Cape	70.2%	75.8%	+5.6%
Gauteng	87.4%	87.8%	+0.4%
Western Cape	91.5%	94.4%	+2.9%
National average	*58.0%*	*62.7%*	***+4.7%***

2012



Indicator 21 dramatically illustrates the unevenness of the adequacy of basic household services in South Africa. Overall, the percentage of households who use a flush toilet as their main sanitation facility increased by 4.7% from 2002 to 2012. This rather slow pace of change means that more than one in three households still don't have access to the kind of basic sanitation that the remaining two thirds take for granted. Moreover, lack of adequate basic sanitation is much more prevalent in some provinces than others. In Limpopo, only 1 in 6 households used a flush toilet as their main sanitation facility, and in North West the percentage is 1 in 5. In Gauteng and Western Cape, around 9 out every 10 households uses a flush toilet as their main sanitation facility. The only province to regress on this indicator since 2002 is Mpumalanga, while Limpopo, KwaZulu-Natal and Gauteng have made very little progress in the 10 year period under review.

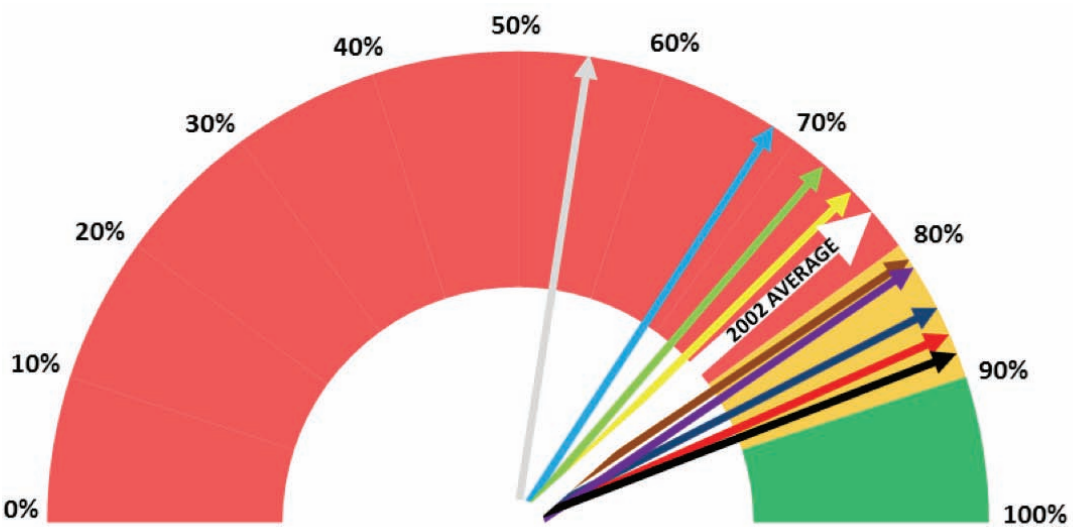
ADEQUACY – Adequacy of service availability: energy

INDICATOR 22: Percentage of households connected to a mains electricity supply, 2002 – 2012.

DATA SOURCE: General Household Survey (StatsSA), 2002 – 2012.

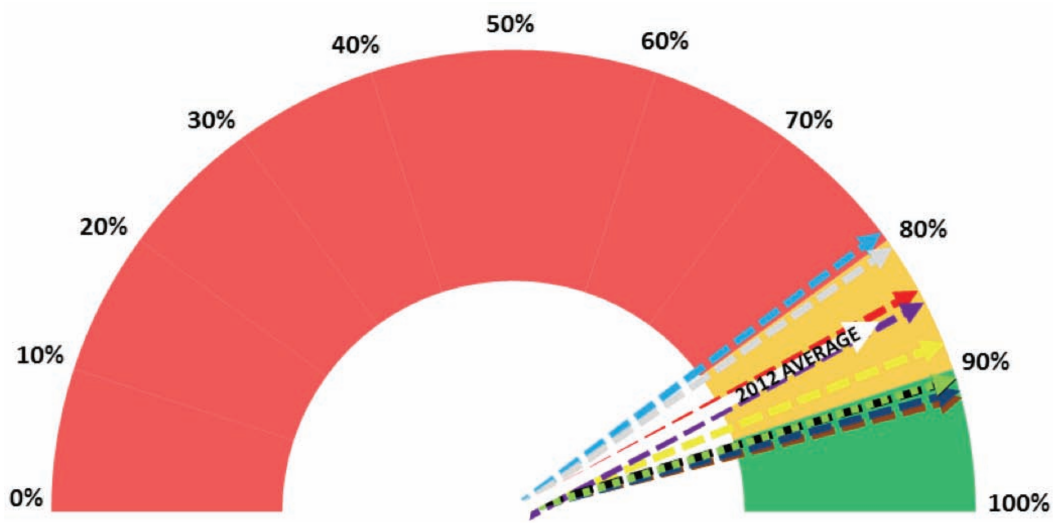
DESCRIPTION: This indicator looks at the adequacy of household energy sources.

2002



	2002	2012	% Change
KwaZulu-Natal	68.9%	79.3%	+10.4%
Eastern Cape	55.3%	80.4%	+25.1%
Gauteng	87.1%	84.6%	-2.5%
North West	81.9%	85.3%	+3.4%
Mpumalanga	75.9%	88.4%	+12.5%
Limpopo	72.5%	90.5%	+18.0%
Western Cape	88.5%	90.5%	+2.0%
Free State	85.1%	91.5%	+6.4%
Northern Cape	81.8%	91.9%	+10.1%
National average	*77.1%*	*85.3%*	**+8.2%**

2012



Having access to mains electricity is important for many reasons, including heating in winter, the charging of increasingly essential electronic devices such as mobile phones, to allow children to read at night, is a sign that street lighting is also available, which is vital for street safety, as well as a safe and clean cooking fuel that allows households to cease using flammable and odorous paraffin or wood. Indicator 22 has seen the most significant and consistent progress of the four adequacy of service availability indicators. In 2012, 85.3% of households were connected to a mains electricity supply, up from 77.1%i n 2002. Importantly, there has been convergence on this indicator across provinces thanks to impressive increases of between 10% - 25% in Eastern Cape, KwaZulu-Natal, Limpopo and Mpumalanga. As with indicator 19, Gauteng has regressed on this indicator, being over taken by no less than 6 provinces on this indicator. All service delivery indicators are dependent upon numerous variables, from local government performance and accountability, to the quality of local infrastructure, to demographic trends. Population growth in Gauteng is the most likely cause for regression on this indicator and indicator 19, and for the slow progress on indicators 20 and 21. Keeping up with demographic shifts requires adequate planning and forward thinking to avoid the kind of regression seen here.

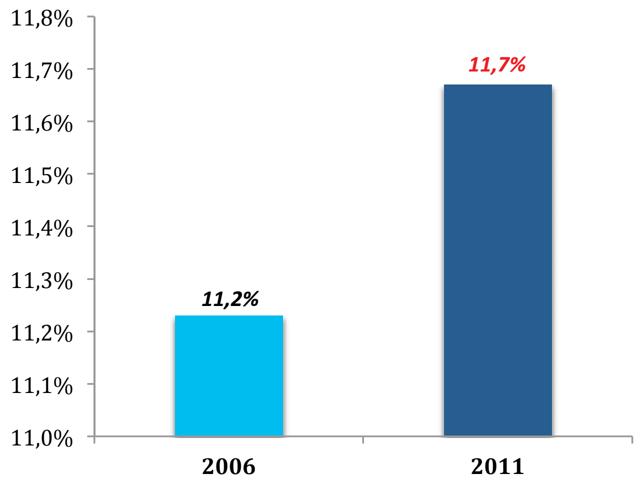
4.4 QUALITY INDICATORS

QUALITY - Transport costs

INDICATOR 23: Percentage of annual household consumption expenditure spent on transport for bottom three income deciles, 2006 – 2012.

DATA SOURCE: Income and Expenditure Survey (StatsSA), 2002 – 2012.

DESCRIPTION: The spatial legacy of apartheid left many poorer households having to spend a considerable portion of their income on transport costs simply to get to work in the towns and cities. This indicator looks at the transport costs of households in the bottom three income deciles (household annual income less than R22,007) to look at whether household transport costs have been increasing or decreasing for the poor.



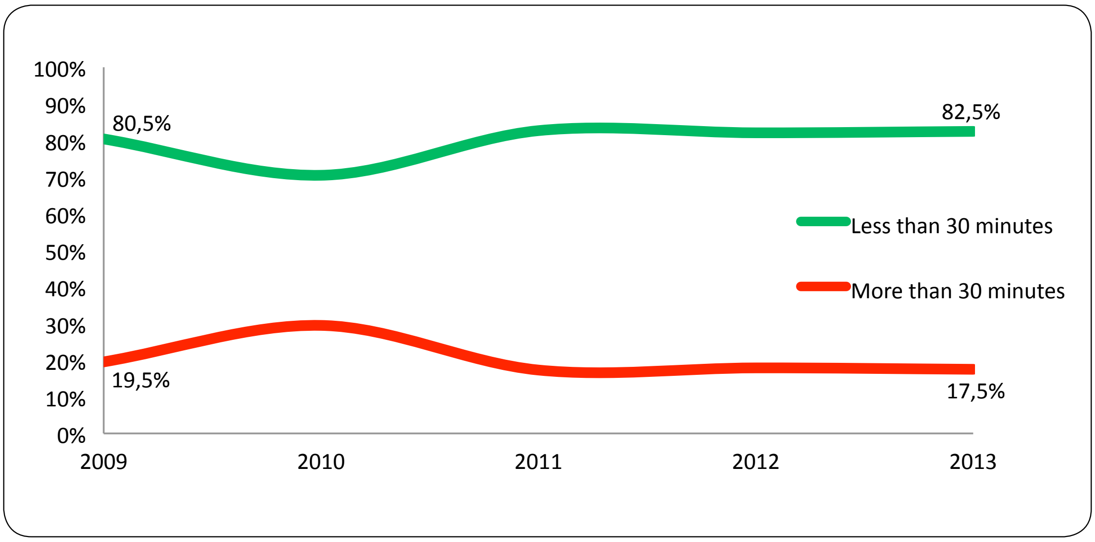
As with other household costs, the cost of transport has increased as a percentage of household consumption expenditure, although not by a large amount. There was a 0.5% increase for the bottom three income deciles from 11.2% in 2006 to 11.7% in 2011. This may be linked to rising petrol costs, which rose from an average price per litre R6.52 per litre in 2007, to R9.58 in 2011.[99] When added to the higher rent/mortgage costs seen in indicator 12, and the 4.5% higher household costs found in indicator 13, taken together, these affordability indicators point to a rising cost of living for the poor in relation to housing.

UALITY – Quality of health outcomes

INDICATOR 24: Average time it takes to get to nearest health facility, 2009 - 2013

DATA SOURCE: General Household Survey (StatsSA), 2009 – 2013.

DESCRIPTION: This indicator looks at the quality of health outcomes in relation to housing by looking at the length of time it takes people to reach their nearest health facility.



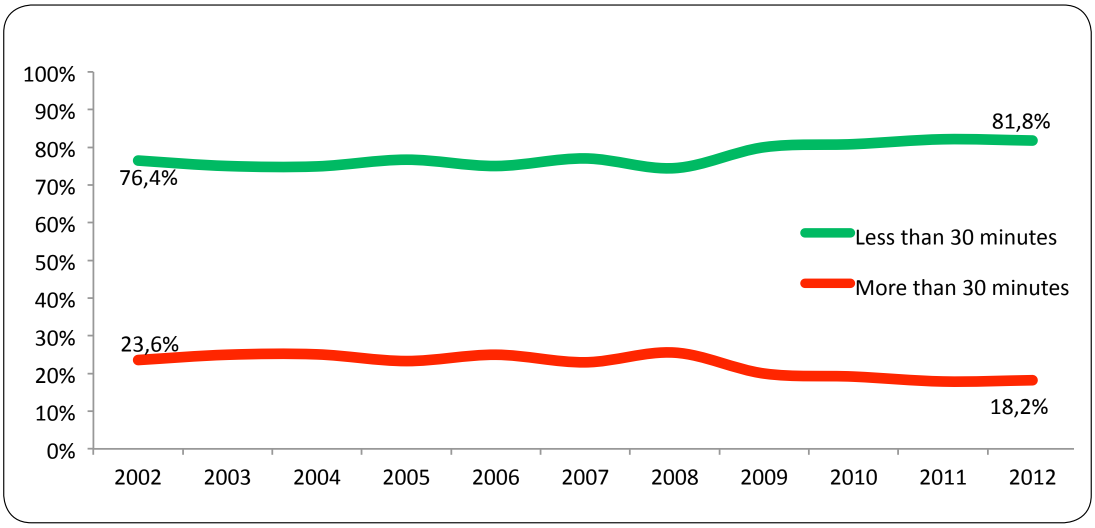
Slightly more South African's lived within 30 minutes of a health facility in 2013 compared to 2009.

QUALITY – Quality of education outcomes

INDICATOR 25: Average time it takes a child in household to get to school, 2002 - 2012

DATA SOURCE: General Household Survey (StatsSA), 2002 – 2012.

DESCRIPTION: This indicator looks at the quality of education outcomes in relation to housing by looking at the length of time it takes children to get to school.



There has been a gradual increase in percentage of children who take less than 30 minutes to get to school, from 76.4% in 2002 to 81.8% in 2012.

Chapter 5

The status of the right to adequate housing

South Africa's state-housing programme is almost unparalleled internationally and has expanded access to adequate housing to many poor households. Major challenges regarding broadening access to adequate housing remain, however, with a fragmented property market, settlement locations far from economic opportunities and a complex set of affordability needs.[100] Indeed, the Constitutional provision promising everyone access to adequate housing stands in stark contrast to the pervasive realities of housing backlogs, evictions and the substantial unmet demand for well located, low-cost housing in urban centres. Applying careful scrutiny to government policies in a complex housing context, assessing *real* resource allocations and expenditures on the programmes designed to implement these policies, and presenting outcome and performance indicators covering key components of access to adequate housing, has allowed us to draw together 5 key findings which illuminate tensions and challenges around causation and accountability as well as make 12 recommendations to broaden access to adequate housing.

5.1 Key Findings

Across the board, the implementation of progressive policy shifts has suffered from **poor planning, coordination, capacity,** and **monitoring,** as well as in many instances, a lack of political will. These challenges apply to all areas where improvements in the state's programme for housing need to be made.

5.11 End of the RDP era?

The **delivery of subsidised houses has dropped drastically** over the last few years, despite the overall budget allocation increasing considerably between 2008/09 and 2011/12. Indeed, while there has been close to optimal spending on the Human Settlement Development Grant (HSDG) since 2008/09, some **critical DHS housing targets have not been met** in recent years. This is the result of various factors including the expansion of basic norms and standards for houses to ensure improved quality leading to additional costs and **creating a trade off** with more adequate state housing being accessed by fewer people. This trade-off has also had **unintended consequences**, including distorting the wider housing market and creating a 'GAP market' – those who earn too much to qualify for a government subsidy but too little to access a bond on the market. This raises concerns around whether the HSDG funds are being spent efficiently and the financial viability of this mode of intervention given rising costs and the variety of housing needs across the country.

5.12 A broader set of housing programmes

Spending exponentially rising amounts on providing new housing for smaller and smaller numbers of people, in the context of overwhelming demand, suggests this kind of intervention does not represent optimal use of the state's resources. Such calculations have informed the government's gradual shift to a broader range of housing programmes, beginning with Breaking New Ground in 2004, and a part-devolution of the housing provision function from provinces to municipalities. The social and rental housing and informal settlement upgrading programmes being the most significant in terms of ambition and allocations. For example, the Upgrading of Informal Settlements Programme led to an increase in the budget for Housing Development Finance (HDF) of 35.8% in 2011/12 as billions of Rands were allocated to the **Urban Settlements Development Grant (USDG)**.

[100] Medium Term Strategic Framework (MTSF) Outcome 8 Human Settlements, 2014, p3 http://www.thepresidency-dpme.gov.za/Pages/default.aspx.

Currently, 8 metropolitan municipalities have been accredited to receive and spend these funds. However, our research has found major issues around the USDG. Chief among these has been **extremely poor spending** with **over 50%** of its budget in each of the two years since it has operated not being spent.

5.13 Local government not delivering but provinces also part of the problem

The massive under expenditure of the USDG has highlighted a persistent challenge regarding the **lack of clarity of roles** and responsibilities and **poor coordination**, in particular, between municipalities and provinces. There are now a range of housing delivery responsibilities deriving from a complex array of programmes, some of which are suffering because of difficulties in implementing other, inter-related programmes. For example, the failure to spend and implement informal upgrading at sufficient scale can be partially explained by the continued failure to spend and implement the National Upgrading Support Programme (NUSP), which is responsible for supporting and assisting municipalities who through the 'accreditation' instrument are taking over responsibility for administering and implementing housing projects from provinces. Getting informal settlement upgrading right has the potential to impact on millions of lives, but the coordination and planning it requires also depends on a certain level of political will, which we find lacking in this area. Despite the financial focus on informal settlement upgrading, the NDP acknowledges that there remains a 'high level of ambivalence towards informal settlements across spheres of government, and the capacity and implementation mechanisms to achieve the national objectives are still poorly developed locally'.[101] It is evident that the lack of buy-in from local government politicians and officials for informal upgrading cannot be divorced from the insufficient support and monitoring municipalities have received from the national and provincial spheres.

5.14 Though some targets are being met, there is a general failure to progressively realise access to adequate housing at scale or within a reasonable time period, programmes do not always reach their *intended* target groups, and progress is uneven across the country

Following from poor expenditure and a lack of political support and coordination on the USDG and other programmes, key initiatives are not being implemented adequately or at a scale sufficient to significantly alter the vast imbalances in access to adequate housing. For example, despite DHS looking likely to meet its DPME Outcome 8 Output 1.1 target of upgrading 400,000 households between 2010 and 2014, this represents less than a third of all households living in informal areas, and would cover less than a fifth of the 2 million persons who described the walls and roofs of their informal dwelling as weak or very weak in 2012 (see indicators 17 and 18). Moreover, the current target of upgrading households in informal settlements doesn't actually include a large number of these people, many of whom occupy informal dwellings situated in the backyards of formal areas.

Similarly, the indicators showed that the DHS will fulfil its Outcome 8 Output 4.1 target of providing 80,000 well located rental accommodation units by 2014. But this number is very small when compared with the demand for low-cost rental housing in the country, especially in urban areas. Furthermore, research by Tissington et al has found that the social and rental housing provided thus far has failed to match the reality of what people can actually afford and as a result the units provided are not actually reaching the target group for which they were intended.[102]

Another concern is the lack of clarity of what informal upgrading entails, which can include anything from a connection to mains electricity to the provision of improved sanitation or roads. The extent or nature of improvements made is therefore unclear, making monitoring and measuring the success of these programmes is difficult. Our indicators (19 – 22) designed to monitor the adequacy of service delivery present a mixed picture in this regard, especially across provinces. Indicator 19 found that 28% of households main source of drinking water is not from a piped tap, with this percentage reaching over 50% in the Eastern Cape and Limpopo. The national average for this indicator has improved by 3.6% from 2002 to 2012, but there has been

[101] National Planning Commission, 2011, p244.
[102] K Tissington et al, 2013, p22.

regression in Gauteng and no progress made in the Western Cape. Likewise, the percentage of households who describe their main source of drinking water as not safe to drink (indicator 20) declined from 7.7% in 2005 to 7.0% in 2012, with the Eastern Cape making the most significant gains. However, 6 of the provinces have gone backwards on this indicator, most notably Free State and Mpumalanga, which joined Eastern Cape with 1 in 7 households describing their main source of drinking water as not safe to drink in 2012. Households whose main sanitation facility (indicator 21) used is a flush toilet increased in 8 provinces, with only Mpumalanga going backwards. Still, around only 1 in 5 households in Limpopo and Eastern Cape use a flush toilet as their main sanitation facility and less than half of households in Mpumalanga, Eastern Cape and KwaZulu-Natal. Percentages in the region of 90% for this indicator in Gauteng and Western Cape highlight the unevenness in access to basic household amenities and services across the country. The biggest improvement in household upgrading was found in relation to energy, with an overall 8% increase in the percentage of households connected to a mains electricity from 2002 – 2012.

5.15 Private sector not getting involved

With the construction of state-subsidised houses declining and the delayed implementation of a diversified range of housing initiatives successfully and at scale, there is a vast unmet demand for low-cost housing in South Africa. Our housing market indicators show that the failure of the private sector to move away from servicing the same middle-class market it always has means that the banks and other housing participants (construction firms, developers etc) are not only failing to take on the potentially massive role they could play in transforming access to private housing in South Africa, but also missing a huge opportunity. Indicators 7 – 12 analysed the performance of the affordable housing market in the 9 major metropolitan municipalities and showed that demand for affordable housing helped to keep the entire housing market afloat during and after the recession of 2008. Almost constant annual growth in sales at the most affordable end of the market from 2007 – 2013 was not, however, matched by significant additions to under R250,000 housing stock. In the 9 metros, only 10,600 most-affordable properties were being added to the housing market per year during this period. It is unclear what proportion of these were government or privately built but either way the number pales in comparison with the number of houses the government is building nationwide (120,000 in 2013). The number of new most-affordable properties is also only a third of the number of new properties over R500,000 added to the market during this period, which averaged at 15,500 per year, all of which were built and sold by the private sector. As a result, over 50% of the properties in the 9 metros are valued over R500,000, with 20% between R250,000 – R500,000, and 30% valued under R250,000 – exactly the same percentages as in 2007.

Looking at the number of bonds issued to lower-middle income groups by the major banks also showed that the 'GAP market' is not only a result of inadequate housing stock but limited access to finance. The number of bonds for the affordable market dropped by 63% between 2007 and 2009 and only modest growth in subsequent years means that even by 2013, the banks were transacting less than half the number of bonds for the affordable market compared with 2007.

"The number of bonds for the affordable market dropped by 63% between 2007 and 2009 and only modest growth in subsequent years means that even by 2013, the banks were transacting less than half the number of bonds for the affordable market compared with 2007"

5.2 Recommendations and urgent areas for action

In its 2014 **Medium-Term Strategic Framework (MTSF)**, government concisely captures a number of these challenges:

> *the housing market is fractured with inequitable access to its workings and benefits and there is still an on-going property affordability problem across various sub-markets ... Limited middle-income housing stock and credit constraints contribute to the so-called "gap market" – households with incomes that are above the thresholds for subsidised housing but insufficient to be able to access commercial bank home loans.*[103]

Though government bears the primary responsibility for progressive realisation of the right to adequate housing, one cannot separate the initiatives of the state from the wider housing

[103] MTSF, 2014, p 3 and MTSF Outcome 8 Human Settlements, 2014, p3.

market context in which those initiatives are undertaken. This raises the question of how best the state can intervene given its Constitutional obligations, the economy and social realities. The NDP suggests that government should increasingly take on an 'enabling role in relation to housing' which would still include some form of subsidy, as the vast majority of the population is unable to access private financing.[104] The NDP, therefore, acknowledges that if the housing market is efficient, accessible and responsive to a diverse set of housing and affordability needs, the government can focus on being more effective in managing its end of the market which should focus on the poor (through informal upgrading and low-income rental) while creating an enabling environment to bring the private sector on-board to invest in the lower-middle market.

The **NDP vision** for human settlements proposes that:

> *by 2050 visible results from effectively coordinated spatial planning systems shall have transformed human settlements in South Africa into equitable and efficient spaces with citizens living in close proximity to work with access to social facilities and necessary infrastructure. By 2030 we strive to achieve measurable progress towards breaking apartheid spatial patterns with significant advances made towards retrofitting existing settlements offering the majority of South Africans access to adequate housing, affordable services in better living environments, within a more equitable and functional residential property market.*[105]

The **Outcome 8 Human Settlements Medium Term Strategic Framework** (MTSF) for 2014-19, which aims to operationalise the NDP vision, has committed to focussing on reforms aimed at achieving the following:[106]

- Ensuring that poor households have adequate housing in better living environments;
- Supporting the development of a functionally and equitable residential property market; and
- Improving institutional capacity and coordination for better spatial targeting.

The Outcome 8 MTSF for the Department of Human Settlements positions the actions and priorities to fulfil these objectives within the context of fulfilling its mandate expressed in the Constitution to 'progressively realise the right to have access to adequate housing within available resources'.[107] Some of the specific actions and priorities outlined in the agreement include reviewing and evaluating the existing housing subsidy instruments to improve targeting; the **transfer of all title deeds** for all new subsidy units and backlog; a **commitment to scale up the informal settlement upgrading programme;** and to develop a more '**coherent multi-segmented social rental housing programme** which includes backyard rentals'.[108] The Outcome 8 agreement also commits to '**tackling the affordable market** in a more determined fashion with a particular emphasis on **constructive engagement with the private sector** to improve delivery'.[109]

These documents (the latter in particular) outline a number of the key challenges this report has drawn attention to, notably poor planning, a lack of capacity and co-ordination between government spheres, and little or dysfunctional monitoring. The agreement commits to establishing '**institutional reforms to improve the coordination** of housing and human settlement development' including strengthening the major metropolitan municipalities capabilities to integrate the housing grants and the human settlement-making grants more robustly.[110]

These policy commitments cover many of the areas of concern identified throughout this report and are to be welcomed and progress on them will be closely monitored going forward. We also recommend that the government and other stakeholders give the following recommendations and urgent action areas critical consideration if progressive realisation of the right to adequate housing is to be accelerated and fulfilled

[104] National Planning Commission, 2011, p243.
[105] MTSF Outcome 8 Human Settlements, p.
[106] Ibid, p3.
[107] Ibid, p.
[108] Ibid, p4.
[109] Ibid, p4.
[110] Ibid, p4.

Recommendations

5.2(a) Ensure overall housing allocations increase above inflation and improve spending performance on current allocations

Transformation of the apartheid legacy on housing will continue to require significant redistribution and investment in housing. At a minimum, housing allocations must therefore resume above inflation increases. However, there is also a need for more effective and efficient spending on housing, as well as to ensure that the funds already allocated are actually spent. Spending performance of grants like the USDG must be improved. With one in five households still without access to formal housing, and the percentage of households living in informal dwellings actually increasing between 2002 and 2012 (as indicator 1 showed), there is still a clear need for the state to take comprehensive legislative and other measures backed up with appropriate resources to ensure access to adequate housing for all.

5.2(b) Set clearer and more ambitious targets to be implemented at scale

Clearer targets based on evidence of the demand identified here are vital for the formulation of programmes that ensure this demand begins to be met. Strongly prioritised targets and benchmarks are also good politically as they give local and provincial government officials incentives to improve performance and allow them to link their initiatives to high-level government commitments. The message that widespread state-housing construction is no longer the only or even the most significant intervention the state is making around housing needs to be re-enforced and re-stated at the highest levels.

5.2(c) Strengthen leadership and political commitment to implement housing programmes

Despite a shift in policy direction from subsidised houses to a broader range of housing programmes, including rental housing and informal upgrading, the state has failed to implement these at scale and found it difficult to shift away from a model of subsidised housing and private ownership. This has failed to meet the needs of a large segment of the population that require low-cost, well located rental accommodation. Given the social realities of mass unemployment, high levels of poverty and inequality – all levels of government are obligated to focus on the needs of the poor and therefore have a critical role to play in the supply of adequate and quality housing that cannot yet be left to private markets.

5.2(d) Improve coordination between and clarify inter-governmental roles and responsibilities:

Poor coordination between different spheres of government is a cross cutting challenge given the complex division of powers and functions between national, provincial and increasingly, local government. The challenges regarding the USDG have highlighted the need for the roles and responsibilities of accredited municipalities and provincial departments around housing delivery to be clarified. The clarification of roles and improved co-ordination between provinces and municipalities is particularly crucial to ensure further (and successful) devolution of the housing function to municipalities.

5.2(e) Improve monitoring and accountability:

There is an urgent need for a functional monitoring system of housing projects and transparent and reliable data which is easily accessible through the DHS website. This is essential for evidence based policy formulation as well as for improved implementation of existing policies. Lack of openness, data and dysfunctional monitoring are also barriers to accountability, as well as prohibiting the identification of success stories which can be learned from and shared within and between government programmes at all levels.

Urgent areas for action

5.2(f) Housing allocation and waiting list

The problems with the housing subsidy system and housing waiting list system combined with a drastic reduction in the number of houses built by the state in a context of mass unemployment, poverty and inequality is the creation of a 'crisis of expectation on the ground' evident in the levels of social protests across the country.[111] The Minister of Human Settlements has acknowledged that there is no 'credible data list against which a municipality can verify the waiting list and make appropriate [housing] allocations'.[112] There is an urgent need for the state to be honest, upfront and transparent to the general public about how housing is currently being allocated in South Africa.[113] SERI argues that this may require the Department to abandon the discourse of the "waiting list" or "queue" if necessary.[114] The lack of transparency in housing allocation processes needs to be urgently investigated and steps taken to ensure greater accountability, monitoring and transparency.

5.2(g) Title deeds

Many beneficiaries of the housing subsidy do not have title deeds or proof of ownership which has eroded the value of these assets transferred by the state. The authors of this report support the commitment in the MTSF Outcome 8 agreement (2014-19) to transfer title deeds for all 563,000 new subsidy units as well the backlog of 900,000 over the next five years.

5.2(h) Get the private sector involved

Closing the 'gap' and increasing access to housing for the poorest member of society cannot be separated from the wider housing market and we recommend that government, supported by the NDP, become an enabler, including through appropriate legislation if necessary, of more diverse production in the housing sector. The realities of poverty and unemployment in South Africa mandate the state to focus specifically on the needs of the poor through prioritising informal upgrading and low-income rental. The government, however, needs to enable the private sector to play a much greater role in providing access to adequate housing, particularly in the affordable market. This requires the role of the private sector to be clearly defined and a serious, collaborate strategy developed to increase the supply of affordable housing. A functional housing market cannot be achieved without broadening access to finance options for the affordable market in particular. The MTSF Outcome 8 agreement (2014-19) commits to reviewing the current finance products for the affordable housing market and sets out various targets for supporting and ensuring increased volumes of home loans from the private sector for this segment of the market. This must be monitored closely.

5.2(i) Scale up and properly target low income rental accommodation

The lack of national policy and subsidy instruments that cater for the demand of low-income rental accommodation needs to be addressed by targeting those that earn below R3,200

per month (not targeted by social housing). Lauren Royston and Stuart Wilson have argued that what poor inner city residents can afford is no more than R450 per month and yet, accommodation at this price still does not exist outside state-owned housing stock.[115] Changing this will require capital spending as well as the development of some kind of operating subsidy to cover management and maintenance which currently does not exist. SERI has recommended a national public rental programme which operates at municipal level.

---

[111] M, Napier, 2014, 'Understanding and addressing the dimensions of the housing 'crisis' in South Africa'.
[112] L, Sisulu, 'Speech by L N Sisulu, Minister of Human Settlements on the occasion of the Budget Vote of the Ministry of Human Settlements, National Assembly Chamber, Parliament', 15 July 2014.
[113] L, Roysten, 2014, 'Submission on the Budget Vote Speech of the Minister of Human Settlements', p5, www.seri-sa.org/images/SERI_Submission_Budget_Vote_2014_FINAL.pdf.
[114] Ibid, p5.
[115] L, Roysten and S, Wilson, 'Housing: The need for more realistic debate', Daily Maverick 21 July, 2014, www.dailymaverick.co.za/opinionista/2014-07-21-housing-the-need-for-more-realistic-debate.

They argue that 'Community Residential Units (CRU) in a refashioned and maximised form, provides the most hope for use in a public rental housing programme'.[116] To date it has largely been applied to hostel redevelopment but could be applicable for public rental housing and provide affordable rental units to meet the overwhelming demand for low cost rental accommodation in the urban centres.

5.2(j) Expand and improve the municipal accreditation process

The accreditation of municipalities to take over the housing function has been extremely slow (with only 8 out of 238 local government municipalities accredited) and beset with various implementation challenges, namely a lack of the successful intra-departmental and intra-governmental coordination. The currently accredited municipalities need to improve their planning and monitoring processes as well as their capacity to implement housing programmes. The accreditation process also needs to be fast-tracked to include many more municipalities while at the same time improving the rigour of the accreditation process. DHS needs to ensure the accreditation process is properly monitored and the necessary support is put in place.

5.2(k) Informal Settlement Upgrading and the USDG

Renewed effort is needed to ensure that all spheres of government and different departments work together to ensure that this crucial programme receives the necessary financial, technical and human capacity and support. There are major issues around the USDG that need to be resolved. Better planning, monitoring and coordination of the grant is essential to realise the positive impact intended. The government needs to clarify what upgrading involves and create an easily-accessible road map of what form and over what period of time upgrading will take.

5.2(l) Involve communities at all stages of housing programmes

This final recommendation cannot be stated strongly enough. Being meaningfully consulted and involved in the planning, formulation, implementation, and post-implementation monitoring and evaluation of housing programmes is not only a constitutional right of the people, it is deeply in governments interest. With service delivery protests arising out of persistent poverty and marginalisation, service delivery failure and a crisis of expectation, government urgently needs to transform the interface between the state and its poorest citizens, as well as to improve services themselves. Yet these processes go hand in hand. Communities have knowledge of local conditions and needs that government is often alienated from. Likewise, government is under resource, capacity and other constraints that communities are also able to understand. 'Working together' needs to be much more than a political slogan and adopted in reality if upgrading of informal settlements is to be successfully achieved.

[116] Roysten, Submission on the Budget Vote, p7.

5.3 Conclusion

Advocacy efforts to ensure effective implementation of the constitutional obligation to move progressively towards universal realisation of the right of access to adequate housing are undermined if there is no clarity on the content of the right and a methodology to monitor and address critical issues. This paper, in its application of SPII's 3-step methodology, provides a comprehensive analysis of the status of the right of access to adequate housing twenty years into South Africa's democracy.

The report builds up empirical information, which can be monitored and tracked overtime, to allow the SAHRC, other Chapter 9 Institutions, civil society and other actors to assess progress made to date. The report also provides government with information on the effectiveness of their policy programmes. This also provides the basis for public debate on the critical choices that policy makers are faced with regarding trade-offs and priorities in the realisation of socio-economic rights (SERs).

The recommendations outlined in this paper need to be given urgent attention for the rectification of gaps and regression as well as enhanced protection and accelerated fulfilment of the right of access to adequate housing.

This ambitious and important task of monitoring and evaluating the progressive realisation of SERs in South Africa requires ongoing input from both government and civil society to ensure broader ownership and coordinated advocacy for comprehensive road maps, spelling out how each right will be realised.

Bibliography

Constitution of the Republic of South Africa, 1996,

Department of Human Settlements, Annual Reports 2009/10 – 2012/13. Available at: hwww.dhs.gov.za/content/annual-reports.

Department of Performance, Monitoring and Evaluation Development Indicators, 2012, Available at: www.thepresidency.gov.za/MediaLib/Downloads/Home/Publications/DPMEIndicators2013/DPME%20Indicators%202013.pdf.

Financial and Fiscal Commission, 2013, Submission to the Portfolio Committee on Human Settlements: Department of Human Settlements 2013 Budget Vote, April 2013, Available at: www.ffc.co.za/index.php/component/docman/doc_download/477-submission-to-the-portfolio-committee-on-human-settlements-2013-budget-vote?Itemid.

HDA, 'HDA undertakes rapid assessments of informal settlements in Free State', www.thehda.co.za/news/entry/hda-undertakes-rapid-assessments-of-informal-settlements-in-free-state.

H, Dawson, 2014, 'A Framework for Monitoring and Evaluating the Progressive Realisation of Socio-Economic Rights in South Africa', will be published in August 2014. Available at www.spii.org.za.

J, Dugard, M. Clark, K. Tissington & S. Wilson, 2014, FHR Housing Position Paper. Draft in possession of authors.

K, Rust, 2008, 'Investigation into the perceived impact of market distortions ostensibly created within the residential housing market as a result of government subsidies', Report prepared for Department of Housing.

K, Tissington, 2010, 'A Review of Housing Policy and Development in South Africa since 1994', Available at: http://spii.org.za/wp-content/uploads/2013/12/review-of-the-right-to-housing.pdf

K, Tissington, 2011, 'A Resource Guide to Housing in South Africa 1994-2010. Legislation, Policy, Programmes and Practice', Available at: www.seri-sa.org/images/stories/SERI_Housing_Resource_Guide_Feb11.pdf

K, Tissington, 2013, 'Minding the Gap: An Analysis of the Supply of and Demand for Low-Income Rental Accommodation in Inner City Johannesburg', Available at: www.seri-sa.org/images/Minding_the_Gap.pdf

K Tissington, N Munshi, G Mirugi-Mukundi and E Durojaye, 2013, '"Jumping the Queue", Waiting Lists and Other Myths: Perceptions and Practice around Housing Demand and Allocation in South Africa', Available at: www.seri-sa.org/images/Jumping_the_Queue_MainReport_Jul13.pdf

K. Tissington, 2014, presentation given at DPME roundtable, 21 January 2014, 'Housing Policy (and practice) - Framing of adequate Housing Provision.'

L, Roysten and S, Wilson, 'Housing: The need for more realistic debate', Daily Maverick 21 July, 2014, Available at: www.dailymaverick.co.za/opinionista/2014-07-21-housing-the-need-for-more-realistic-debate

L, Roysten, 2014, 'Submission on the Budget Vote Speech of the Minister of Human Settlements', Available at: www.seri-sa.org/images/SERI_Submission_Budget_Vote_2014_FINAL.pdf

L, Sisulu, 'Speech by L N Sisulu, Minister of Human Settlements on the occasion of the Budget Vote of the Ministry of Human Settlements, National Assembly Chamber, Parliament', 15 July 2014, Available at: www.gov.za/speeches/view.php?sid=46729 .

M, Clark, 2013, 'Evictions and Alternative: Accommodation in South Africa: An Analysis of the Jurisprudence and Implications for Local Government', Available at: www.seri-sa.org/images/Evictions_Jurisprudence_Nov13.pdf

M, Napier and L, Gavera, 2011, 'From Beneficiaries to Citizens: a discussion paper', draft in possession of authors.

M, Napier, 2011, 'Government Policies and Programmes to Enhance Access to Housing: Experience from South Africa', Paper delivered at Bank of Namibia Annual Symposium, September 2011, Windhoek.

M, Napier, 2014, 'Understanding and addressing the dimensions of the housing 'crisis' in South Africa'.

Medium Term Strategic Framework (MTSF) Outcome 8 Human Settlements, 2014, Available at: hwww.thepresidency-dpme.gov.za/Pages/default.aspx

National Planning Commission, 2011, National Development Plan: Chapter 8: Transforming Human Settlements, Available at: www.npconline.co.za/medialib/downloads/home/NPC%20 National%20Development%20Plan%20Vision%202030%20-lo-res.pdf.

R, Cokayne, 'Housing subsidy too high – Sisulu', Independent Newspapers, 13 August 2014, Available at: www.iol.co.za/business/news/housing-subsidy-too-high-sisulu-1.1734455#.U-zEYvnoSCo.

R, Murray, Informal settlement 'give rural poor a foothold' in urban centres, Business Day, 28 January 2014, Available at: www.bdlive.co.za/national/2014/01/28/informal-settlements-give-rural-poor-a-foothold-in-urban-centres.

Statistics South Africa (StatsSA), 'CPI History', 2013, Available at: beta2.statssa.gov.za/publications/P0141/CPIHistory.pdf.

Statistics South Africa (StatsSA), General Household Survey (GHS), 2002 – 2012, Available at: www.statssa.gov.za/publications2/statsabout.asp?PPN=P0318&SCH=.

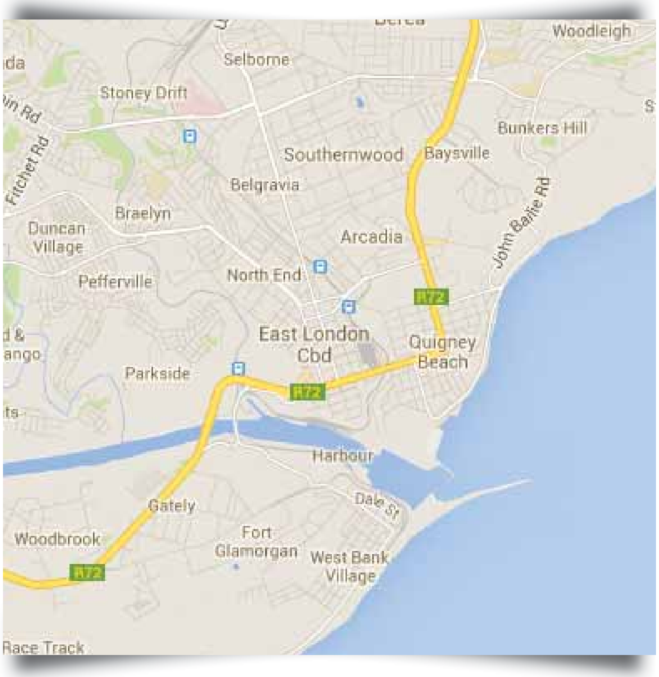
Statistics South Africa (StatsSA), Income and Expenditure Survey (IES), 2005 – 2011, Available at: www.statssa.gov.za/ies/publications.asp.

Statistics South Africa (StatsSA), 'Labour Market Dynamics 2013', Available at: http://beta2.statssa.gov.za/publications/Report-02-11-02/Report-02-11-022013.pdf.

The Budgetary Review and Recommendation Report of the Portfolio Committee on Human Settlements, October 2013, Available at: www.pmg.org.za/atc131105-budgetary-review-and-recommendation-report-portfolio-committee-human-settlements.

ANNEXURE 1: 9 major metropolitan municipalities[117]

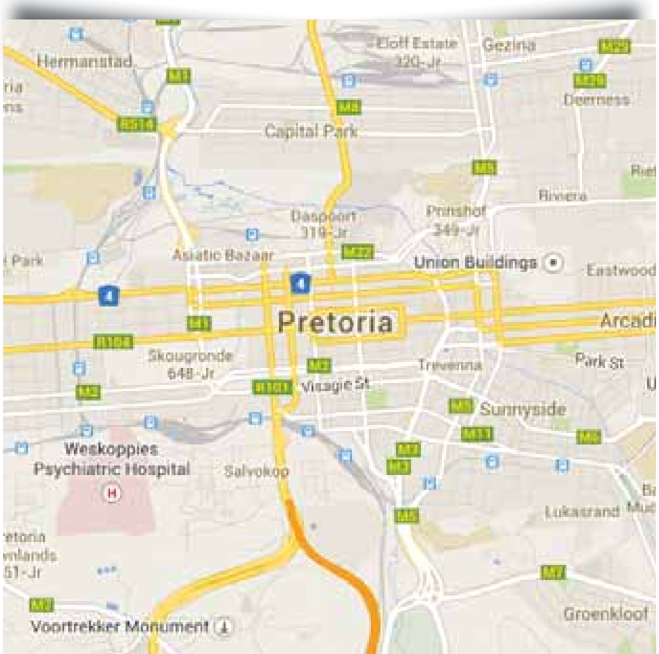
Buffalo City – Eastern Cape. Population: 755,000.



City of Cape Town – Western Cape. Population: 3.8 million.

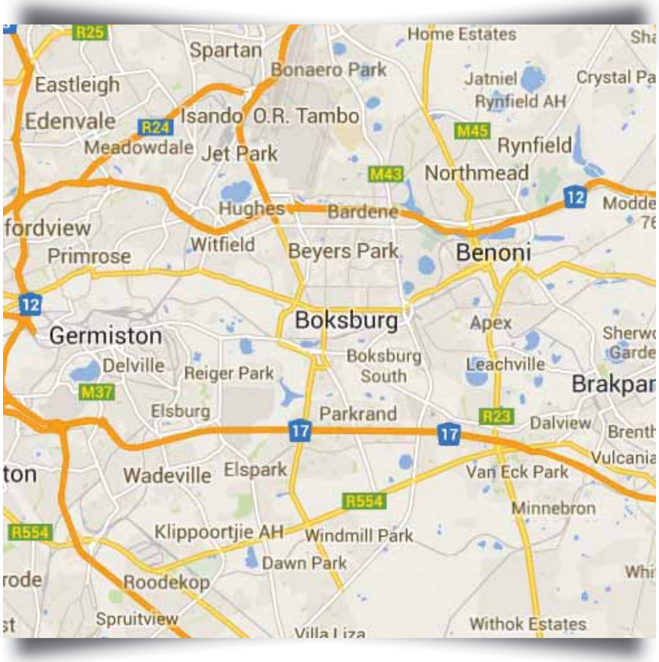
City of Johannesburg – Gauteng. Population: 4.4m

City of Tshwane – Northern Gauteng. Population: 2.9 million.



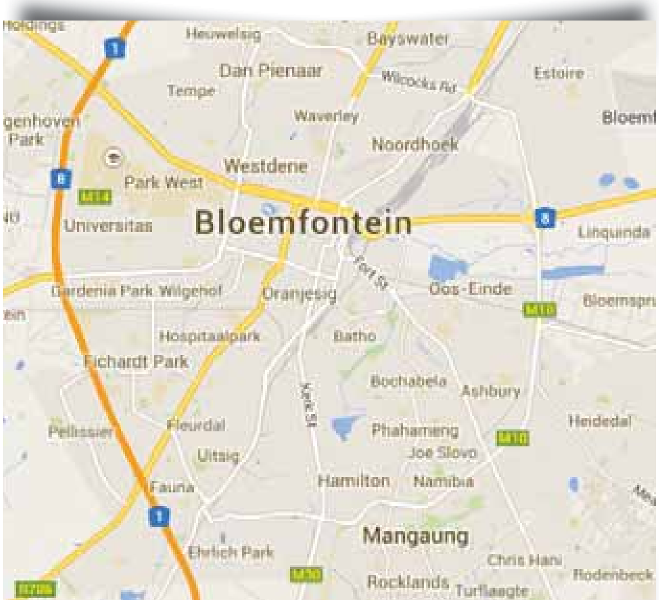
117 Images courtesy of Google MapsTM.

Ekurhuleni – Western Gauteng. Population: 3.2 million.

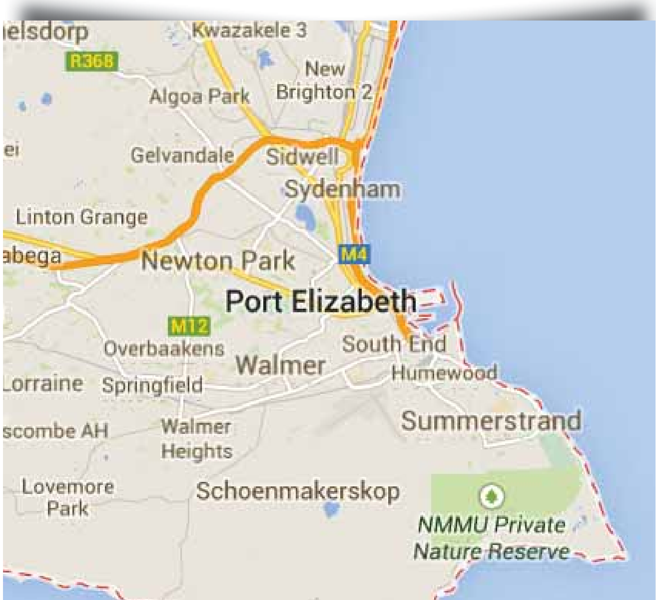


eThekwini – KwaZulu-Natal. Population: 3.4 million.

Mangaung – Free State. Population: 747,000



Nelson Mandela Bay – Eastern Cape. Population: 1.2 million.



Msunduzi – KwaZulu-Natal. Population: 618,500.

For more information on South Africa's 278 municipalities visit www.municipaliq.co.za

ANNEXURE 2: Indicators

ACCESS INDCATORS (physical and economic)	ADEQUACY INDICATORS (to meet basic needs, norms and standards)	QUALITY INDICATORS (location and impact on quality of life)
Housing general overview 1. Percentage of households living in different dwelling types **Government programmes and subsidies** 2. Number of houses/units completed per year 3. Number of houses upgraded in well-located informal settlements with access to secure tenure and basic services 4. Number of affordable social and rental accommodation units provided 5. Number of municipalities assessed for accreditation 6. Number of accredited municipalities supported with implementation of post-accreditation process **Affordable housing market, 9 metros** 7. Total residential property sales and registrations by affordability band 8. Percent change in total residential property sales by affordability band 9. Percent change in total number of residential properties by affordability band 10. Percentage of properties valued less than R500,000 11. South Africa Housing Price Gap 12. Total number and annual percentage change in the number of bonded transactions for the affordable market **Affordability, household costs** 13. Rent/mortgage cost per month for different dwelling types 14. Percentage of household consumption expenditure spent on housing, water, electricity, gas and other fuels for bottom three income deciles 15. Percentage of household consumption expenditure spent on housing, water, electricity, gas and other fuels, across income deciles, by province	**Tenure Status** 16. Percentage of households who own or rent the dwelling they live in for different dwelling types **Adequacy of shelter** 17. Percentage of households who describe the condition of the walls of their dwelling as weak or very weak for different dwelling types 18. Percentage of households who describe the condition of the roof of their dwelling as weak or very weak for different dwelling types **Adequacy of service availability** 19. Percentage of households whose main source of drinking water is from a piped tap, by province 20. Percentage of households who describe their main source of drinking water as not safe to drink, by province 21. Percentage of households whose main sanitation facility is a flush toilet 22. Percentage of households connected to a mains electricity supply	**Transport** 23. Percentage of annual household consumption expenditure spent on transport for bottom three income deciles **Health outcomes** 24. Average time it takes to get to nearest health facility **Education outcomes** 25. Average time it takes child in household to get to school

SPII
STUDIES IN POVERTY AND INEQUALITY INSTITUTE

Building up knowledge to break down Poverty

Studies in Poverty and Inequality Institute (SPII)
31 Quinn Street, Newtown
Johannesburg
South Africa
2000
Phone: + 27 11 833 0161
Fax: + 27 11 832 3085
www.spii.org.za

For a complete list of SPII's partners, please visit www.spii.org.za

Design & layout by Lebotle // www.lebotle.co.za