

# 6

## Human settlements

### ■ Introduction

Between 1994 and 2016, the South African state provided about 4.3 million housing opportunities. These included houses built, sites serviced, individual subsidies disbursed and loans from human settlements development finance institutions approved. However, despite the huge strides made in housing delivery, the lack of adequate and affordable housing continues to be one of the main problems facing the country. The 2017 General Household Survey showed that 13.6 per cent of all dwellings are informal. This is lower than the 14.1 per cent of 2012 but, as will be shown later in this chapter, at the current rate of delivery the eradication of informal settlements is unlikely to be achieved by 2030.

In addition, the human settlements space has been plagued by weak spatial planning and intergovernmental coordination, poor governance capabilities and the high cost of well-located land for human settlements development which has driven development to the periphery and perpetuated apartheid-era planning.

These are long standing issues which government intends to resolve through the NDP. The objectives for human settlements include a strong and efficient spatial system that is well integrated across all spheres of government; upgrading all informal settlements on suitable, well located land by 2030; and more people living closer to their places of work. Chapter

*Despite huge strides in housing delivery, the lack of adequate and affordable housing continues to be one of the main problems facing the country.*

8 of the NDP, “Transforming Human Settlements”, identifies many action points with the objective of developing sustainable human settlements in identified regions that support spatial restructuring.

Since 2004, government’s comprehensive plan for the development of sustainable human settlements, Breaking New Ground (BNG), has shifted the state’s focus from delivering standardised housing to supporting the entire property market and ensuring that housing is delivered in sustainable and habitable settlements.

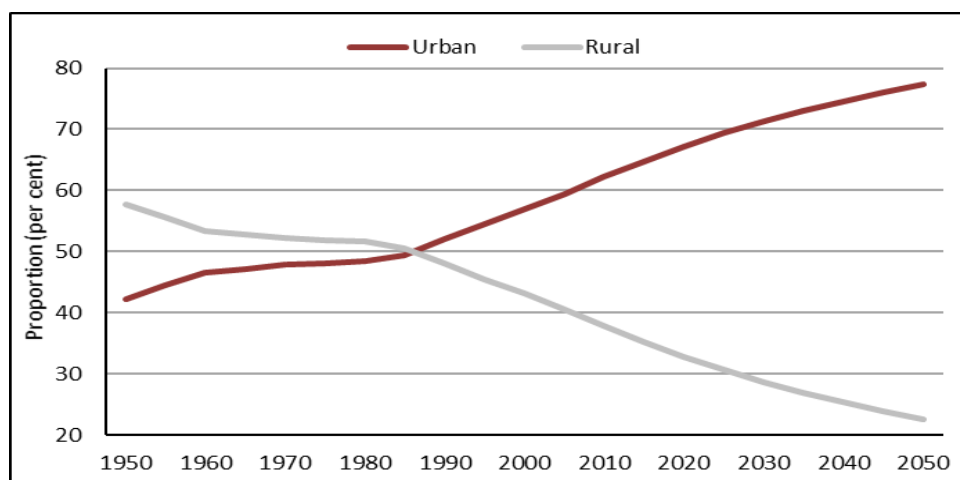
This chapter assesses the state of low-income human settlements delivery, reviews expenditure and delivery performance and describes the medium-term focus.

## ■ Current landscape

South Africa’s settlement patterns are consistent with global urbanisation trends. Figure 6.1 shows how the country’s rural/urban patterns have changed since 1950 and how it expected that they will evolve by 2050.

*South African settlement patterns are consistent with global urbanisation trends.*

**Figure 6.1 Proportion of urban and rural settlement patterns in South Africa, 1950 – 2050**

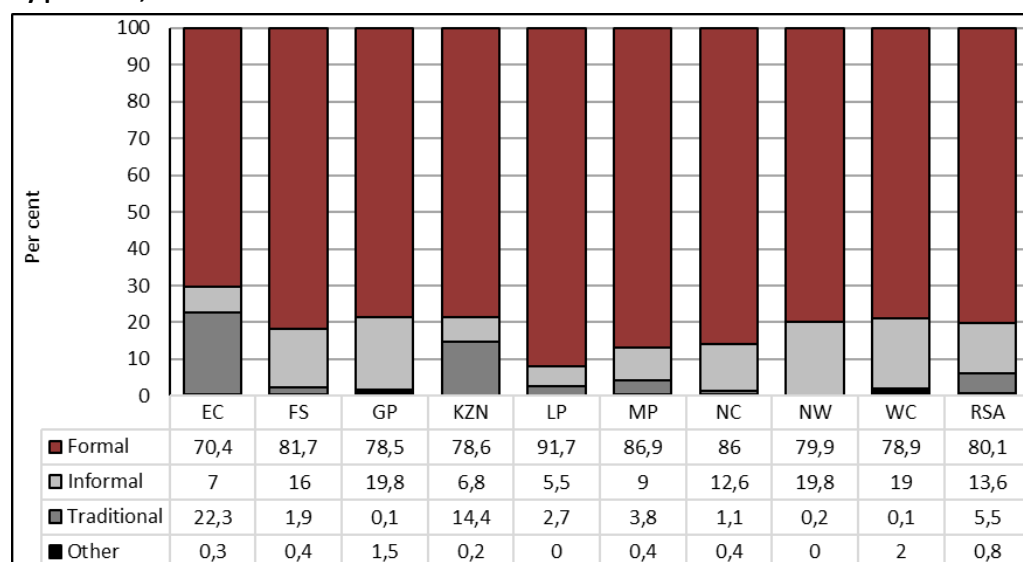


Source: United Nations, *World Urbanization Prospects*, 2014

In line with the United Nations estimate that 80 per cent of the world’s population will be urban by 2050, the estimate for South Africa is 77.4 per cent. As soon as 2030, this percentage is expected to reach approximately 70 per cent of the country’s population and will, most likely, be concentrated in the country’s eight metros and secondary cities as people move closer to economic opportunities. However, while they are expected to move to urban areas in increasing numbers, they will struggle to find housing and will either take up informal accommodation or settle on the urban periphery. As settlements on the periphery are generally located far

from economic opportunities, people have to spend a significant portion of their wages on transport. Time spent in transit, often in more than one mode, affects passengers' health, safety and family life.

**Figure 6.2 Proportion of households living in formal, informal and traditional dwellings by province, 2017**



Source: Statistics South Africa

Figure 6.2 shows that, although the country has taken huge strides towards providing formal dwellings, in 2017 13.6 per cent of dwellings were informal. This was a slight improvement on 2015 when the percentage was 14 per cent. One of the main reasons for this is the proliferation of informal settlements brought about by people migrating to provinces such as Gauteng and the Western Cape to look for work and for other socio-economic benefits. When demand for subsidised or other affordable housing outstrips the number of available government or private sector housing units, it increases provinces' difficulty in providing adequate housing and reducing the backlog.

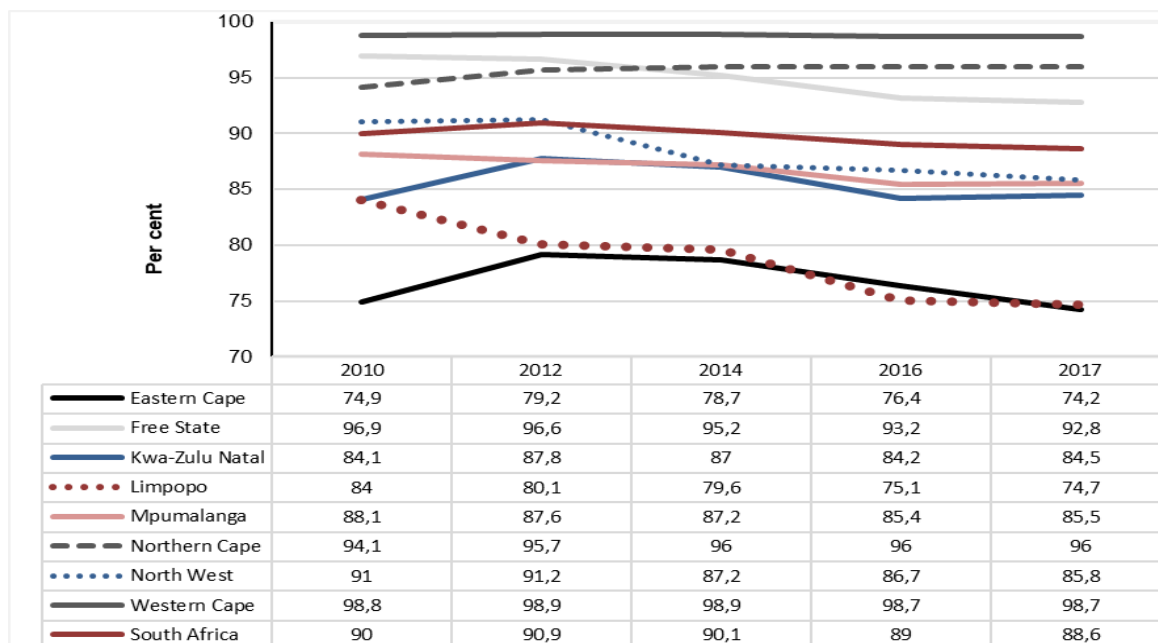
However, according to Stat SA data, as a percentage of the total, between 2015 and 2017 formal dwellings increased from 78.1 per cent to 80.1 per cent. The Eastern Cape and KwaZulu-Natal contributed the most to the overall increase, with Gauteng's and the Western Cape's percentages decreasing. It can be assumed that the reason for the decreases is the increase in informal dwellings over this period as a result of migration from other provinces, with these dwellings making up a growing percentage of the totals.

As Figure 6.2 shows, traditional dwellings make up a larger percentage of the totals in more rural provinces such as the Eastern Cape, KwaZulu-Natal (primarily under traditional authorities) and Mpumalanga. In 2015, however, according to Stat SA data, they made up 6.9 per cent of all dwellings in the country. This had dropped by 1.4 percentage points to 5.5

*Traditional dwellings are more prominent in provinces that are more rural in nature.*

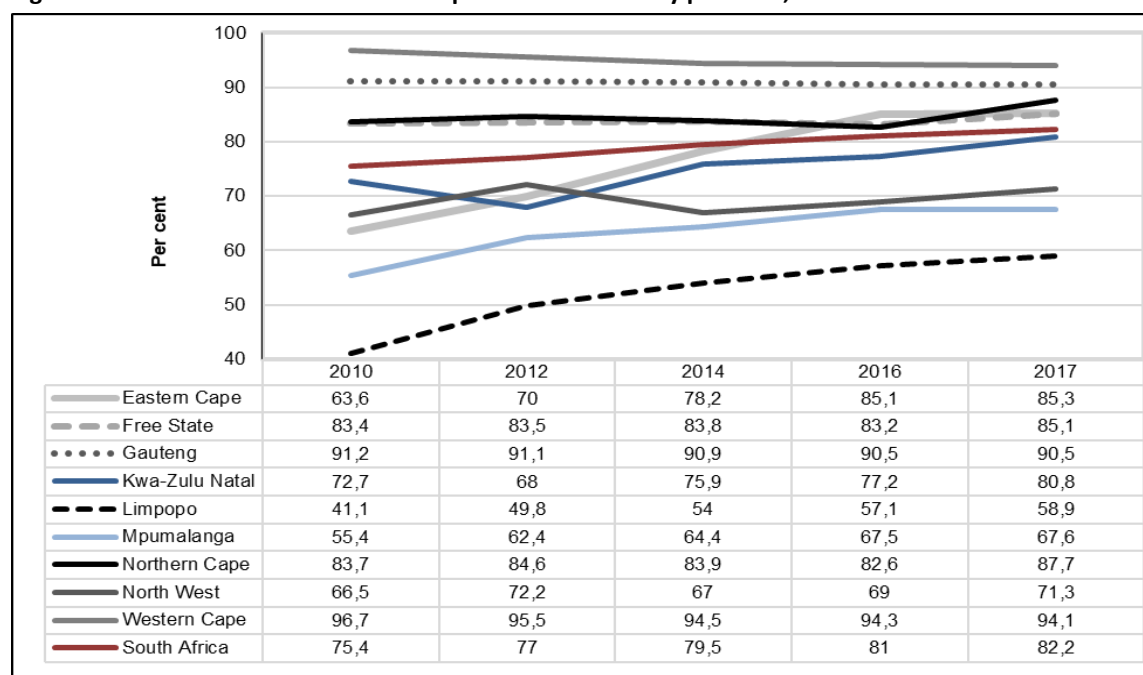
per cent by 2017, a decrease that could be explained by an increase in informal and formal dwellings over the period. Limpopo is an exception; considered rural, in 2017 it had the highest percentage of formal dwellings (91.7 per cent) with informal dwellings at 5.5 per cent.

**Figure 6.3 Households with access to piped or tap water in their dwellings by province, 2010 - 2017**



Source: Statistics South Africa

Provision of housing includes basic services such as water, electricity and sanitation. Figure 6.3 shows the percentage of households, by province, with access to piped or tap water in their dwellings. Between 2010 and 2017, six of the nine provinces maintained or increased the percentage of households with such access. Nationally, however, the percentage decreased from 90 percent to 88.6 per cent; this was largely because of the percentage decreases in Limpopo, Mpumalanga and the Eastern Cape. The reasons for the decline are not clear and need to be investigated and understood.

**Figure 6.4 Households with access to improved sanitation by province, 2010 – 2017**

Source: Statistics South Africa

Figure 6.4 shows the percentages of households per province with access to improved sanitation for the years 2010 to 2017. This is defined as flush toilets connected to a public sewerage system, a septic tank or a pit toilet with a ventilation pipe. Overall, there was an encouraging positive trend, from 75.4 per cent to 82.2 per cent, with only Gauteng and the Western Cape registering slight declines. Migration into these two provinces is the likely cause for this as the more people move into a province the more the percentage declines, even if there has been an increase in the absolute numbers. On the other hand, provinces that experience out-migration have fewer people; hence the increase in access in percentage terms.

*Overall, there has been an encouragingly positive trend in household access to sanitation.*

## ■ Expenditure trends and delivery performance

Table 6.1 shows key expenditure trends for the years 2015/16 to 2019/20, with medium-term projections to 2022/23.

**Table 6.1: Provincial expenditure on human settlements by programme, 2015/16 – 2022/23**

	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
	<b>Outcome</b>				<b>Preliminary outcome</b>	<b>Medium-term estimates</b>		
<b>R million</b>								
Administration	1 404	1 487	1 505	1 692	2 003	1 876	1 976	2 113
Housing Needs, Research and Planning	362	255	302	460	370	427	529	561
Housing	19 041	19 602	20 745	19 032	19 923	18 021	18 061	18 746
Housing Asset Management, Property	431	473	608	705	639	705	463	468
<b>Total</b>	<b>21 237</b>	<b>21 817</b>	<b>23 160</b>	<b>21 888</b>	<b>22 934</b>	<b>21 029</b>	<b>21 029</b>	<b>21 888</b>
<b>Economic classification</b>								
Current payments	2 566	2 690	2 992	3 127	3 454	3 568	3 604	3 811
<i>of which:</i>								
<i>Compensation of employees</i>	1 799	1 885	2 046	2 207	2 366	2 536	2 682	2 822
<i>Goods and services</i>	767	805	946	920	1 088	1 032	922	988
Transfers and	18 618	19 044	19 943	18 700	19 411	17 378	17 380	18 030
Payments for capital a	50	46	205	45	68	83	45	47
Payments for financial	4	37	20	16	2	0,3	0,3	0,3
<b>Total</b>	<b>21 237</b>	<b>21 817</b>	<b>23 160</b>	<b>21 888</b>	<b>22 934</b>	<b>21 029</b>	<b>21 029</b>	<b>21 888</b>
<b>Percentage growth (average annual)</b>	<b>2015/16–2019/20</b>				<b>2019/20–2020/21</b>		<b>2019/20–2022/23</b>	
Administration	9,3%				-6,3%		1,8%	
Housing Needs, Research and Planning	0,5%				15,5%		14,9%	
Housing	1,1%				-9,5%		-2,0%	
Housing Asset Management, Property	10,3%				10,3%		-9,8%	
<b>Total</b>	<b>1,9%</b>				<b>-8,3%</b>		<b>-1,5%</b>	
<b>Economic classification</b>								
Current payments	7,7%				3,3%		3,3%	
<i>of which:</i>								
<i>Compensation of employees</i>	7,1%				7,2%		6,1%	
<i>Goods and services</i>	9,1%				-5,1%		-3,1%	
Transfers and	1,0%				-10,5%		-2,4%	
Payments for capital assets	8,0%				22,2%		-11,3%	
Payments for financial assets	-9,6%				-87,9%		-50,6%	
<b>Total</b>	<b>1,9%</b>				<b>-8,3%</b>		<b>-1,5%</b>	

Source: National Treasury provincial database

Provincial expenditure on human settlements increased from R21.2 billion in 2015/16 to R22.9 billion in 2019/20 at an average annual growth rate of 1.9 per cent. After a number of years of muted growth, allocations decline over the MTEF with conditional grants to provinces reduced because of the fiscal consolidation measures.

In terms of programmes, the bulk of the budget allocations and expenditure reside in housing development, the purpose of which is to provide individual subsidies and housing opportunities to beneficiaries. Over the MTEF, allocations to this programme are slightly decreased, by 2 per cent.

Expenditure on transfers and subsidies remained relatively flat between 2015/16 and 2018/19 while allocations decrease over the MTEF. Compensation of employees increased appreciably over the first four years under review but, as a percentage of the total, moderates slightly in the last years of the MTEF.

**Table 6.2: human settlements development grant per province, 2015/16 - 2022/23**

	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
	Outcome				Preliminary outcome	Medium-term estimates		
<b>R million</b>								
Eastern Cape	2 458	1 996	2 339	1 908	1 853	1 803	1 491	1 542
Free State	1 059	1 099	1 193	1 064	975	951	786	813
Gauteng	4 048	4 979	5 303	4 988	4 857	4 625	3 825	3 955
KwaZulu-Natal	3 544	3 123	3 679	3 202	3 634	3 379	2 464	2 547
Limpopo	1 128	1 518	1 254	1 223	1 363	1 061	877	907
Mpumalanga	1 335	1 303	1 508	1 278	1 395	1 081	894	924
Northern Cape	477	366	481	500	422	320	265	274
North West	2 163	1 951	2 051	1 953	1 874	1 493	1 235	1 277
Western Cape	1 975	2 001	2 327	2 019	2 176	1 908	1 577	1 631
<b>Total</b>	<b>18 188</b>	<b>18 336</b>	<b>20 134</b>	<b>18 136</b>	<b>18 548</b>	<b>16 621</b>	<b>13 414</b>	<b>13 871</b>
<b>Percentage growth (average annual)</b>	<b>2015/16–2019/20</b>				<b>2019/20–2020/21</b>	<b>2019/20–2022/23</b>		
Eastern Cape	-6,8%				-2,7%	-5,9%		
Free State	-2,1%				-2,5%	-5,9%		
Gauteng	4,7%				-4,8%	-6,6%		
KwaZulu-Natal	0,6%				-7,0%	-11,2%		
Limpopo	4,8%				-22,2%	-12,7%		
Mpumalanga	1,1%				-22,5%	-12,8%		
Northern Cape	-3,0%				-24,1%	-13,4%		
North West	-3,5%				-20,3%	-12,0%		
Western Cape	2,4%				-12,3%	-9,2%		
<b>Total</b>	<b>0,5%</b>				<b>-10,4%</b>	<b>-9,2%</b>		

Source: National Treasury provincial database

The budget make-up in the human settlements sector is quite different from other sectors in that the largest source is not the provincial equitable share but conditional grant funding. When comparing table 6.2 to table 6.1, this makes up approximately 78 per cent of the total provincial budget for human settlements over the review period. The *human settlements development grant* (HSDG), a conditional grant allocated to provinces based on allocation criteria determined by the Department of Human Settlements (DHS), provides funding to create sustainable and integrated human settlements.

As a result of weak economic growth and its negative effect on South Africa's fiscal position, government embarked on fiscal consolidation measures that

*As a result of weak economic growth, government's fiscal consolidation measures included reducing conditional grant allocations to*

include reducing conditional grant allocations to provinces. This was the main reason for the low percentage growth between 2015/16 and 2018/19. Allocations after 2018/19 continue to decrease over the MTEF as fiscal consolidation measures remain in place.

Spending across provinces has been varied, with some performing well. In others, challenges have hampered performance. During 2015/16, for example, Gauteng experienced serious difficulties which resulted in under-performance and under-expenditure. Anticipating this, the DHS reallocated around R900 million from Gauteng to four other provinces that had shown their ability to perform. The effect of this shift can be seen in the positive growth rate for Gauteng between 2015/16 and 2018/19 (because the province was then working off a lower base) and negative growth in the Eastern Cape and KwaZulu-Natal (because they were then working off a higher base).

### *Capacity and personnel*

Personnel expenditure as a percentage of total spending on human settlements is small. However, it provides insights into how provinces implement national programmes and deliver sites and housing units.

**Table 6.3: Human settlements expenditure on compensation of employees per province, 2015/16 – 2022/23**

	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
<b>R million</b>	<b>Outcome</b>				<b>Preliminary outcome</b>	<b>Medium-term estimates</b>		
Eastern Cape	282	303	328	349	357	399	421	441
Free State	135	149	160	180	190	196	203	202
Gauteng	356	382	421	440	451	504	545	586
KwaZulu-Natal	266	280	299	321	374	389	399	414
Limpopo	164	189	214	240	259	244	259	285
Mpumalanga	162	172	192	220	232	249	266	277
Northern Cape	95	105	108	109	117	124	131	136
North West	163	109	115	123	141	163	171	179
Western Cape	177	196	209	225	243	267	287	301
<b>Total</b>	<b>1 799</b>	<b>1 885</b>	<b>2 046</b>	<b>2 207</b>	<b>2 366</b>	<b>2 536</b>	<b>2 682</b>	<b>2 822</b>
<b>Percentage growth (average annual)</b>	<b>2015/16–2019/20</b>				<b>2019/20–2020/21</b>	<b>2019/20–2022/23</b>		
Eastern Cape	6,1%				11,7%	7,3%		
Free State	9,0%				2,9%	2,1%		
Gauteng	6,1%				11,6%	9,1%		
KwaZulu-Natal	8,9%				3,9%	3,4%		
Limpopo	12,2%				-5,7%	3,2%		
Mpumalanga	9,5%				7,5%	6,1%		
Northern Cape	5,4%				5,9%	5,2%		
North West	-3,6%				15,7%	8,3%		
Western Cape	8,3%				9,9%	7,4%		
<b>Total</b>	<b>7,1%</b>				<b>7,2%</b>	<b>6,1%</b>		

Source: National Treasury provincial database



Between 2015/16 and 2019/20, personnel expenditure by provincial human settlements departments increased from R1.8 billion to R2.3 billion, an average annual growth rate of 7.1 per cent. Expenditure on personnel is expected to increase to R2.8 billion in 2022/23, at a slightly lower average annual rate of 6.1 per cent. Assuming no increase in headcount, the increase exceeds the budget guidelines for compensation of employees. However, the averages conceal some significant differences. Table 6.3 shows that the average annual growth rate in North West will increase but will decrease in the Free State and KwaZulu-Natal. In this context, it is important to note that a number of human settlements departments have historically been combined with other departments (most notably local government and traditional affairs). This makes trend analysis difficult, particularly in years where a departmental change is proclaimed by the Premier, requiring the movement of staff from one department to another.

The Western Cape to a large extent uses municipalities as developers; project and contract management risks therefore reside with the municipalities. Consequently, the province does not need to continually build capacity to manage these risks and provincial budgets are therefore not significantly affected. In contrast, Gauteng, the Eastern Cape and the Free State act as developers and carry the associated risks. These provinces must continue to build capacity to manage projects and programmes.

**Table 6.4: Administration expenditure per province, 2015/16 – 2022/23**

	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
	Outcome				Preliminary outcome	Medium-term estimates		
<b>R million</b>								
Eastern Cape	135	134	151	154	163	163	164	171
Free State	80	98	123	126	140	139	146	157
Gauteng	365	462	414	475	594	537	570	619
KwaZulu-Natal	198	205	218	227	232	255	268	280
Limpopo	127	151	182	235	265	257	276	291
Mpumalanga	125	137	141	162	167	161	170	180
Northern Cape	98	101	85	100	121	126	130	142
North West	186	109	91	105	199	123	129	141
Western Cape	88	91	99	107	122	116	123	132
<b>Total</b>	<b>1 404</b>	<b>1 487</b>	<b>1 505</b>	<b>1 692</b>	<b>2 003</b>	<b>1 876</b>	<b>1 976</b>	<b>2 113</b>
<b>Percentage growth (average annual)</b>	<b>2015/16–2019/20</b>				<b>2019/20–2020/21</b>	<b>2019/20–2022/23</b>		
Eastern Cape	4,8%				-0,3%	1,6%		
Free State	15,0%				-0,7%	3,7%		
Gauteng	12,9%				-9,5%	1,4%		
KwaZulu-Natal	4,0%				10,0%	6,5%		
Limpopo	20,1%				-3,0%	3,2%		
Mpumalanga	7,6%				-4,0%	2,5%		
Northern Cape	5,3%				4,1%	5,5%		
North West	1,7%				-38,5%	-10,8%		
Western Cape	8,4%				-4,6%	2,7%		
<b>Total</b>	<b>9,3%</b>				<b>-6,3%</b>	<b>1,8%</b>		

Source: National Treasury provincial database

The administration programme in the human settlements sector provides the departments with support services and overall management in accordance with all applicable acts and policies.

At 9.3 per cent, overall growth in the administration budget between 2015/16 and 2019/20 was quite substantial, driven mainly by the Free State, Gauteng and Limpopo. The increase in Gauteng was due to the shift of a portion of the compensation of employees budget from the housing development programme. Limpopo's increase was caused by the reconfiguration of provincial departments. The growth rate does, however, stabilise over the MTEF.

Between 2015/16 and 2019/20, provinces spent an average of 8.3 per cent of their budgets on administration. This increases to around 9.4 per cent over the MTEF. While the rate of growth in administration budgets appears to be tapering off, provinces are planning to allocate a larger portion of their budgets to administration when compared to table 6.1. Ideally, the bulk of resources should be allocated to core service delivery programmes, such as housing development, rather than administration. Compared to housing development, housing needs, research and planning and housing asset management, administration budgets grow at a higher rate. This, coupled with administration receiving a larger share of the total budget, is not desirable as it diverts resources from core service delivery areas.

**Table 6.5: Housing needs, research and planning expenditure per province, 2015/16 – 2022/23**

	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
	Outcome				Preliminary outcome	Medium-term estimates		
<b>R million</b>								
Eastern Cape	18	16	16	20	19	23	24	25
Free State	17	22	18	17	19	21	22	24
Gauteng	22	18	45	17	15	22	22	24
KwaZulu-Natal	16	16	17	17	17	20	21	22
Limpopo	172	64	65	57	57	58	277	294
Mpumalanga	35	39	45	257	171	193	68	72
Northern Cape	37	32	37	13	11	14	15	15
North West	23	26	35	35	33	49	50	53
Western Cape	21	21	25	25	27	28	29	33
<b>Total</b>	<b>362</b>	<b>255</b>	<b>302</b>	<b>460</b>	<b>370</b>	<b>427</b>	<b>529</b>	<b>561</b>
<b>Percentage growth (average annual)</b>	<b>2015/16–2019/20</b>				<b>2019/20–2020/21</b>	<b>2019/20–2022/23</b>		
Eastern Cape	1,7%				19,0%	9,5%		
Free State	3,1%				6,0%	7,6%		
Gauteng	-9,4%				43,0%	16,2%		
KwaZulu-Natal	1,0%				18,5%	8,9%		
Limpopo	-24,0%				1,6%	72,5%		
Mpumalanga	48,6%				13,4%	-25,1%		
Northern Cape	-26,5%				27,3%	12,1%		
North West	9,3%				48,1%	17,0%		
Western Cape	7,2%				1,2%	6,1%		
<b>Total</b>	<b>0,5%</b>				<b>15,5%</b>	<b>14,9%</b>		

Source: National Treasury provincial database

The purpose of the housing needs, research and planning programme is to:

- Provide administrative and/or transversal project management services.
- Provide a regulatory framework for housing delivery.
- Develop policy guidelines.
- Proclaim acts and amendments.
- Develop provincial multi-year housing delivery plans.
- Conduct research into the demand for housing.

As a percentage of the overall allocation, the programme's allocation increases markedly over the MTEF after a minimal percentage increase in the first four years of the review period. In that period, Mpumalanga and the North West received the largest percentages of the total allocation, with Mpumalanga receiving a once-off allocation of R165 million in 2018/19 for maintenance of bulk water infrastructure and sanitation in five municipalities, according to the departments 2018/19 annual report and Limpopo's allocation increasing in 2015/16 when cuts in the previous year were reallocated. Mpumalanga is only province where the average annual growth decreases from 2019/20 to 2022/23.

*Given the importance of the housing needs, research and planning programme, a reduction in its budget could pose a risk to future performance.*

Between 2015/16 and 2019/20, provinces spent around an annual average of 2.3 per cent of their total allocations on housing needs, research, and planning. This increases marginally to an average of 2.7 per cent over the

MTEF. Given the importance of this programme and of multi-year integrated planning, it is crucial that departments maintain these allocations.

### *Housing development*

The objective of the housing development programme is to provide individual subsidies, such as the finance linked subsidy programme, and housing opportunities to beneficiaries in accordance with housing policy. The bulk of service delivery in the human settlements sector is implemented under this programme.

**Table 6.6: Housing development expenditure per province, 2015/16 – 2022/23**

	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
	Outcome				Preliminary outcome	Medium-term estimates		
<b>R million</b>								
Eastern Cape	2 636	2 201	2 569	2 159	2 120	2 051	2 180	2 267
Free State	1 123	1 180	1 280	1 163	1 099	1 114	1 143	1 182
Gauteng	4 279	5 348	5 333	4 991	4 993	4 925	5 164	5 368
KwaZulu-Natal	3 675	3 114	3 652	3 305	3 766	3 487	3 184	3 315
Limpopo	1 027	1 511	1 275	1 257	1 395	1 094	947	992
Mpumalanga	1 539	1 789	1 653	1 400	1 503	1 139	1 212	1 260
Northern Cape	487	368	360	527	478	350	371	386
North West	2 215	2 001	2 102	2 045	2 071	1 630	1 680	1 742
Western Cape	2 060	2 090	2 520	2 184	2 498	2 231	2 179	2 233
<b>Total</b>	<b>19 041</b>	<b>19 602</b>	<b>20 745</b>	<b>19 032</b>	<b>19 923</b>	<b>18 021</b>	<b>18 061</b>	<b>18 746</b>
<b>Percentage growth (average annual)</b>	<b>2015/16–2019/20</b>				<b>2019/20–2020/21</b>	<b>2019/20–2022/23</b>		
Eastern Cape	-5,3%				-3,3%	2,2%		
Free State	-0,5%				1,3%	2,5%		
Gauteng	3,9%				-1,4%	2,4%		
KwaZulu-Natal	0,6%				-7,4%	-4,2%		
Limpopo	7,9%				-21,5%	-10,7%		
Mpumalanga	-0,6%				-24,2%	-5,7%		
Northern Cape	-0,4%				-26,9%	-6,9%		
North West	-1,7%				-21,3%	-5,6%		
Western Cape	4,9%				-10,7%	-3,7%		
<b>Total</b>	<b>1,1%</b>				<b>-9,5%</b>	<b>-2,0%</b>		

*National Treasury provincial database*

Flat growth in expenditure in the first four years of the review period was mainly due to the fiscal consolidation measures and to negative annual average percentage growth rates in the Eastern Cape, the Free State, Mpumalanga, the Northern Cape and North West. In line with the overall budget decline, allocations decrease over the MTEF. This is likely to result in provinces scaling down their equitable share contributions at an increasing rate.

The negative growth rates in provinces mentioned above over the period 2015/16 to 2019/20 were because of additional allocations taken from other provinces; this increased their bases. For example, Limpopo's average

annual rate of growth increased quite significantly over the period. On average, when compared to table 6.1, provinces spend and allocate around 85.4 per cent of their budgets on housing development, with the Northern Cape allocating 70.5 per cent and the Eastern Cape around 92 per cent.

**Table 6.7: Housing asset management: property management expenditure per province, 2105/16 - 2022/23**

	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
	Outcome				Preliminary outcome	Medium-term estimates		
<b>R million</b>								
Eastern Cape	11	11	13	18	13	79	15	16
Free State	1	1	0	1	1	1	1	1
Gauteng	77	130	172	314	177	256	173	169
KwaZulu-Natal	242	194	180	185	247	168	156	158
Limpopo	35	62	48	57	88	79	44	46
Mpumalanga	3	–	–	75	54	60	22	23
Northern Cape	21	33	156	21	22	24	13	14
North West	–	–	–	–	–	–	–	–
Western Cape	42	43	39	36	37	38	39	41
<b>Total</b>	<b>431</b>	<b>473</b>	<b>608</b>	<b>705</b>	<b>639</b>	<b>705</b>	<b>463</b>	<b>468</b>
<b>Percentage growth (average annual)</b>	<b>2015/16–2019/20</b>				<b>2019/20–2020/21</b>	<b>2019/20–2022/23</b>		
Eastern Cape	5,3%				511,8%	7,8%		
Free State	11,9%				0,2%	-17,3%		
Gauteng	23,2%				44,7%	-1,5%		
KwaZulu-Natal	0,5%				-31,9%	-13,8%		
Limpopo	25,8%				-9,6%	-19,3%		
Mpumalanga	98,7%				0,0%	0,0%		
Northern Cape	1,3%				5,2%	-15,4%		
North West	0,0%				0,0%	0,0%		
Western Cape	-3,1%				3,6%	3,7%		
<b>Total</b>	<b>10,3%</b>				<b>10,3%</b>	<b>-9,8%</b>		

Source: National Treasury provincial database

The housing asset management programme provides for the effective management of housing, including the sale and transfer of stock, devolution of housing and housing property maintenance.

Rental properties under this programme are supposed to be transferred to individual occupants in terms of the Extended Enhanced Discount Benefit Scheme; be disposed of in the open market; or be devolved to the relevant municipality. Where none of these three options is possible, the properties remain as rental stock which the department has to manage and maintain.

Over the entire review period, expenditure on the programme has been uneven across provinces. For example, KwaZulu-Natal spent an average of R190 million per year, mostly due to a transfer to the KwaZulu-Natal Housing Fund which owns the properties and pays for maintenance, rates and similar outgoings. In step with overall growth, over the MTEF

*Expenditure on this programme has been rather uneven across provinces.*

the annual average growth rate decreases markedly, with the Free State, KwaZulu-Natal, Limpopo, and the Northern Cape, in particular, contributing to the decline. However, the programme's share of the total budget allocation, when compared to table 6.1, remains relatively stable over the MTEF, declining in the last year of the period.

#### *Service delivery quality*

The comprehensive human settlements delivery strategy consists of a number of programmes including integrated residential development, upgrading of informal settlements, rental housing and emergency housing assistance. Performance indicators are used to gauge each programme's performance. Two indicators - sites serviced and units/houses delivered - cut across programmes. They consume most of the sector's resources and effort and are described below.

**Table 6.8: Sites serviced per province, 2015/16 – 2022/23**

	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
Province	Outcome				Preliminary outcome	Medium-term estimates		
Eastern Cape	10 388	9 947	8 649	7 511	6 754	3 760	5 056	5 413
Free State	4 106	2 816	6 661	2 915	6 371	3 778	1 000	1 000
Gauteng	10 048	8 313	7 910	12 395	10 104	13 851	9 977	10 177
KwaZulu Natal	6 879	6 408	6 280	5 078	5 952	5 208	13 898	14 833
Limpopo	1 437	4 067	3 148	1 768	5 807	2 839	2 500	2 500
Mpumalanga	5 987	8 182	4 230	2 318	3 902	3 426	4 400	5 000
Northern Cape	660	2 099	1 440	2 179	931	2 335	4 352	2 470
North West	6 564	5 978	3 670	4 164	5 472	3 692	5 198	7 663
Western Cape	6 342	8 533	7 947	8 402	5 842	5 697	10 823	6 694
<b>Total</b>	<b>52 411</b>	<b>56 343</b>	<b>49 935</b>	<b>46 730</b>	<b>51 135</b>	<b>44 586</b>	<b>57 204</b>	<b>55 750</b>

Source: Department of Human Settlements

A serviced site is a plot of land that has an electricity connection, water and sanitation and provides security of tenure. A site must be serviced before building housing units can begin.

In 2017/18 and 2018/19, the number of sites serviced was lower than in the preceding two reporting years, these decreases are, however, expected to be reversed over the MTEF with the number of serviced sites reaching 57 204 and 55 750 in 2021/2022 and 2022/23 respectively.

It is important to note that recording of serviced sites delivered may be imprecise. This is because, whereas in the case of informal settlement upgrading *in situ* they are the final component, in other programmes they are an intermediary deliverable. An example is the IRDP in terms of which houses have still to be built on the site. The lack of accuracy in reporting means that performance is not clear and there may be double counting.

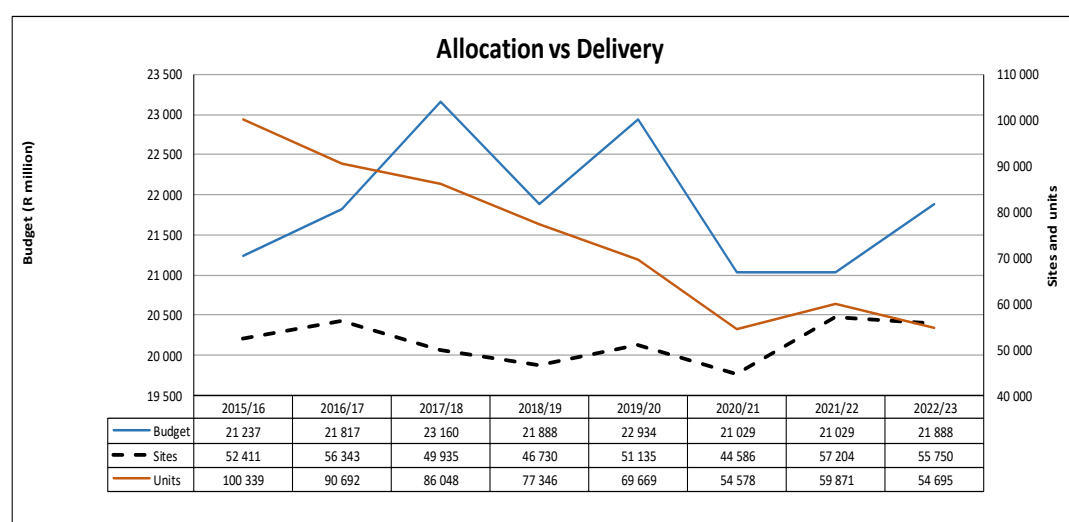
**Table 6.9: Units delivered per province, 2015/16 – 2021/22**

	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
Province	Outcome				Preliminary outcome	Medium-term estimates		
Eastern Cape	10 388	9 947	8 649	7 511	6 754	3 760	5 056	5 413
Free State	4 106	2 816	6 661	2 915	6 371	3 778	1 000	1 000
Gauteng	10 048	8 313	7 910	12 395	10 104	13 851	9 977	10 177
KwaZulu Natal	6 879	6 408	6 280	5 078	5 952	5 208	13 898	14 833
Limpopo	1 437	4 067	3 148	1 768	5 807	2 839	2 500	2 500
Mpumalanga	5 987	8 182	4 230	2 318	3 902	3 426	4 400	5 000
Northern Cap	660	2 099	1 440	2 179	931	2 335	4 352	2 470
North West	6 564	5 978	3 670	4 164	5 472	3 692	5 198	7 663
Western Cape	6 342	8 533	7 947	8 402	5 842	5 697	10 823	6 694
<b>Total</b>	<b>52 411</b>	<b>56 343</b>	<b>49 935</b>	<b>46 730</b>	<b>51 135</b>	<b>44 586</b>	<b>57 204</b>	<b>55 750</b>

Source: Department of Human Settlements

Following a similar trend in relation to serviced sites, the number of housing units delivered has been steadily decreasing across provinces, with the trend continuing to the end of the review period. The budget cuts to the sector as a result of fiscal consolidation have impacted negatively on the number of units delivered. The subsidy amount remained relatively unchanged in the earlier part of the review period. However, although allocations were reduced the grant grew at more or less the rate of inflation over the period. The decrease in the number of units therefore cannot be fully explained by the budget cuts. Other causes may include inefficiencies in the delivery chain and large transfers, classified as expenditure in a province's accounts, made to entities during the reporting period that did not yield units.

*The budget cuts to the sector as a result of fiscal consolidation have impacted negatively on the number of units delivered.*

**Figure 6.5: Total Allocations vs Outputs, 2015/16-2022/23**

Source: Department of Human Settlements

Between 2015/16 and 2017/18, allocation through the HSDG increased by around R1.5 billion. In contrast, the number of sites serviced and units built

*While number of sites completed increases over the MTEF, the decreasing trend in provision of housing units continues to the end of the review period.*

decreased, a trend that continues to 2020/21; in 2015/16, 100 339 houses were built but only 69 669 in 2019/20 while the budget increased by about R1.7 billion. Between 2020/21 and 2022/23, the number of sites completed is expected to increase from 44 586 to 55 750 (a slight decrease from 2021/22). In the same years, the number of housing units completed is expected to be similar (54 578 in 2020/21 and 54 695 in 2022/23). As the budget allocated for the period remains fairly stable, assuming no significant increases in building costs the sector should be able to maintain the number of units built. One possible reason is the phenomenon of transfers (classified as expenditure in provincial departments' accounts) to implementing agents late in the financial year that cannot be linked to outputs or traced in subsequent years – essentially fiscal dumping. The National Treasury is currently reviewing the classification of spending on the grant; this would require departments to capture their spending on categories such as goods and services. This is intended to assist with monitoring performance.

### *Title deeds*

Issuing title deeds is the last step in the housing delivery process and one of the most important. A title deed protects the rights of a titleholder to a property; records changes in ownership; facilitates property and financial transactions; and, using the title deed as collateral, enables its holder to borrow for purposes such as upgrading the property.

In a parliamentary reply on 12 February 2015, the Minister of Human Settlements stated that, between 1994 and 2010, provinces and municipalities had approved 2 247 736 beneficiaries of state subsidised housing. However, of these 873 673, or 39 per cent, had not been issued with title deeds for their properties. The persistence of this problem prompted the Minister to declare in July 2014 that issuing of title deeds is a priority. Accordingly, the Estate Agency Affairs Board (EAAB) was tasked to drive the eradication of the backlog in issuing title deeds and to ensure that beneficiaries in all new housing developments are issued with title deeds when they receive their completed housing units. Over 2016/17 and 2017/18, R793 million was ring-fenced in the HSDG to fund the process of dealing with the backlog. Although there has been progress, spending and performance have been very weak; for example, in 2016/17 only 67 000 title deeds were issued out of a target of 100 000. The reasons for this weak performance include delays in the process of establishing townships; poor administrative capacity in provinces and municipalities; and problems with verifying beneficiaries. Backlogs from previous years compound the problem.

In 2018/19, a new grant called the *title deeds restoration grant* came into effect. This is a specific purpose grant and is intended to accelerate delivery of outstanding title deeds. However, with fewer than 50 per cent of targets



being consistently achieved, expenditure of and performance related to this grant have been very poor.

## ■ Medium-term outlook

### *Integrated Urban Development Framework (IUDF)*

To address the issues described earlier relating to poor spatial planning, fragmented residential settlement patterns and long travel times between home and work, government has put in place the Integrated Urban Development Framework (IUDF). This is intended to assist significantly with restructuring the country's urban system. Given the inexorable move of people to urban areas in the future, it is vitally important that this restructuring happens and that urban settlements are well connected to essential and social services and to work opportunities.

*Given the inexorable move of people to urban areas in the future, it is vitally important that settlements in these areas are well connected to essential and social services and to work opportunities.*

### *Affordable housing – the Finance Linked Individual Subsidy Programme (FLISP)*

The FLISP was established to assist low to middle income households to access adequate housing by providing subsidies to those who qualify neither for fully subsidised houses nor, because they earn too little, for home loans from banks. For a number of reasons, this programme's performance has been poor, with most provinces underperforming on their targets. For example, in 2016/17 only 2 660 out of a target of 17 231 subsidies to beneficiaries were achieved. The sector identified the need to review policy, institutional arrangements and implementation to speed up delivery. Consequently, the administration of FLISP subsidies was moved to the National Finance Housing Corporation (NHFC) from 2019/20. The NHFC's streamlined services and linkages with commercial banks are expected to deliver better results.

### *Classification of spending*

The bulk of the HSDG deliverables are of a capital nature, consisting of the construction of low-cost houses. However, because it is essentially a social transfer rather than capital asset accumulation by the state, spending is classified as 'transfers and subsidies' in government's accounts. This makes it difficult to determine the unit cost of housing in each province and municipality and how these costs are affected by factors such as location and the cost of materials. To address these issues, the classification system is currently being reviewed.

*The bulk of the grant deliverables are of a capital nature, consisting of the construction of low-cost houses.*

### *Upgrading informal settlements*

The requirement for provinces to have prioritised programmes for upgrading informal settlements and for municipalities to have

transformational project plans should ensure alignment with national programmes and speed up the upgrading of informal settlements. However, many provincial departments lack programmatic approaches to upgrading, choosing instead project-linked subsidies (PLS). These provided for Reconstruction and Development Programme (RDP)-type units on urban peripheries away from economic opportunities.

PLS were supposed to be replaced in 2005 by the more integrated and holistic human settlements programme, the Integrated Residential Development Programme (IRDP), after the BNG programme was initiated. However, provinces continued to deliver PLS under the guise of the IRDP programme, perpetuating socio-economic inequalities. Influenced by provincial political priorities, these actions are often *ad hoc* and reactive rather than proactive. A more proactive approach by provinces and municipalities will enable them to harness resources better, broaden their bases of experience and innovation and implement housing programmes on an appropriate scale.

*A number of programmes have been introduced to assist municipalities with upgrading informal settlements.*

A number of programmes have been introduced to assist municipalities with the skills and techniques needed to increase and improve the upgrading of informal settlements. The 2009 MTSF set a target of upgrading 400 000 households in informal settlements by 2014 and the 2014 MTSF set a target of upgrading a further 750 000 by 2019. Despite the BNG's emphasis on the need to upgrade informal settlements, this has not been done at scale.

The National Upgrade Support Programme (NUSP) is another initiative to assist municipalities with upgrading informal settlements. Its upgrading resource toolkit gives examples of implementation solutions and good practice and a capacity-building programme for provinces, municipalities and communities.

### *Value for money*

The mismatch between steady growth in allocations and declining housing delivery indicates that there are problems in implementing the national housing programme, with variances between projected and actual expenditure showing that provinces are not implementing projects according to plan. A pattern showing a spending surge in the fourth quarter of the financial year does not appropriately reflect the three-year project implementation cycle. Such trends, together with provincial over-commitments and poor contract management, raise questions about provinces' ability to administer the HSDG effectively.

Over the medium term, government must focus on strengthening accountability and oversight to ensure improved planning and delivery. This

will require a review of planning frameworks, better reporting and improved efficiency of allocations.

## ■ Conclusion

The human settlements space is highly complex and dynamic. While government has established a wide array of policies and systems to address the needs of the sector, implementation has not kept pace. The IRDP has lagged while provinces focus on provision of housing, on which they have made significant progress. Integration that creates spaces in which citizens can live, work and play is key for the success of the sector.

Providing adequate human settlements is a powerful part of the economy and contributes to social cohesion; and many developed and developing countries are grappling with challenges similar to those in South Africa. Until recently, a range of functional misalignments and the absence of a broad view of the housing mandate have frustrated this country's policy objective in this area. These shortcomings have been recognised and, as indicated in this chapter, remedial measures are in place.

However, the available data does not provide information about many of the important issues that affect the delivery of human settlements such as community relations, consultation, tradition, spatial efficiency and integration.

Fast-tracking the delivery of sustainable human settlements requires a bold acknowledgement of South Africa's increasingly urban nature and a commitment to proper planning, particularly in the large cities.

*The human settlements space is highly complex and dynamic. While government has established a wide array of policies and systems to address the needs of the sector, implementation has not kept pace.*