



BRIEFING TO THE PORTFOLIO COMMITTEE ON  
HUMAN SETTLEMENTS ON RURAL HOUSEHOLD  
INFRASTRUCTURE GRANT AND TITLE DEEDS

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10 May 2013

*For an Equitable Sharing of National Revenue*

# PRESENTATION OUTLINE

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- Introduction
- Access to sanitation services between 2001 and 2011
- Financial performance of RHIG
- Non-financial performance of RHIG
- 2013 developments on RHIG
- Title deeds-Policy issues
- Title deeds – Registration Backlog
- Title deeds – Challenges
- Recommendations

# INTRODUCTION

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- Government made rural development one of major priorities in 2007
  - Sanitation identified as a key part of the rural development strategy
- Government set a target to achieve universal access to sanitation by 2014
  - In 2007 sanitation function was under the DWA and was shifted to DHS in 2009 following a Presidential proclamation
    - Legislation giving effect to the decision is yet to be passed
  - Sanitation therefore became a national priority and therefore specific funding had to be made available to deliver on this priority within a specified timeframe
    - It was for these reasons that the RHIG was established

# ACCESS TO SANITATION SERVICES: 2001 AND 2011

- Breakdown of sanitation backlogs by municipal type demonstrates that there is a strong need for intervention in rural municipalities

	Percentage of household without sanitation (Statsa)	
	Year-2001	Year-2011
<b>Metros</b>	15%	13%
<b>Secondary cities</b>	30%	25%
<b>Large towns</b>	35%	27%
<b>Small towns</b>	37%	30%
<b>Rural municipalities</b>	<b>77%</b>	<b>63%</b>
<b>National Total</b>	36%	29%

# RHIG FINANCIAL PERFORMANCE

- The performance of main financial instrument for sanitation delivery in rural municipalities is sub-optimal

Financial Year	Total Allocation R'000	Total Spending R'000	Spending as a Percentage of Total Allocation
2010/11	100	66.7 (by Mar 2011)	66.7%
2011/12	258	187 (by Mar 2012)	72.8%
2012/13	340.6 (479.5 reduced by 138)	61 (by Jan 2013)	17.9%

Data source: National Treasury and the Department of Human Settlements

# RHIG FINANCIAL PERFORMANCE

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- In February 2011 spending was 11% and by March 2011 an additional 55.1% of allocated funds had been spent
  - This implies additional spending of 55.1% (R52 m) in a period of just one month
  - There is potential for fiscal dumping
- Under-spending continued in 2011/12 where overall spending by March 2012 was at 72% although in February 2012 spending was only at 31%
- In 2012/13, RHIG allocation was reduced by R138 m to R340 m (because the DHS was of the view that 479.5 m was too much given the past performance)



Spending as at January 2013 amounted to R61 m (17.9%)

# RHIG NON-FINANCIAL PERFORMANCE: 2010/11-2011/12

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- Generally, there has been a significant under-performance across provinces (target units vs units completed) on both financial years
- Despite poor performance in 2010/11 all 7 provinces increased their targets in 2011/12
  - For example the EC increased its target from 2 547 units in 2010/11 to 7 462 units in 2011/12 despite achieving about 38% of its 2010/11 target
    - Is it because of increased capacity?
- There has been a slight improvement in 2011/12 compared to 2010/11
  - KZN from 43% to 74%
  - Limpopo from 21% to 34%

# RHIG NON-FINANCIAL PERFORMANCE: 2010/11-2011/12

Prov	2010/11				2011/12			
	Target units	Completed	Under construction	Not yet started	Target units	Completed	Under construction	Not yet started
EC	2 547	957	1 197	393	7 462	7 129	329	4
FS	400	100	150	150	1 297	936	203	158
KZN	3 675	1 586 (43%)	397	1 692	7 967	5 920 (74%)	833	1 214
Lim	3 600	742 (21%)	1 193	1 665	5 864	2 015 (34%)	1 597	2 252
Mpu	450	435	12	3	1 038	372	578	88
NC	400	392	0	8	507	320	54	133
NW	828	691	112	25	3 551	2 533	255	763



Data source: National Treasury



# 2013 DEVELOPMENTS ON RHIG

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- In the 2013 Budget the RHIG was changed from an indirect to a direct grant
- Changing RHIG from Schedule 6B to Schedule 5B has the following implications:
  - Funds are transferred directly to municipalities
  - Long lead times for CG spending performance may reverse improving trend
  - Allocations per beneficiary municipalities must be gazetted
  - The implementation role played by the DHS will cease
  - DHS must increase planning, monitoring and evaluation role

# 2013 REVIEW OF RHIG

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- Minister of Finance announced a comprehensive review of LG conditional grants
  - RHIG to form part of the review
- Changing RHIG from Schedule 6B to Schedule 5B should have waited for completion of review
- Result of the review may suggest further reforms
  - Create uncertainty
  - Destabilise spending performance

# TITLE DEEDS – POLICY ISSUES

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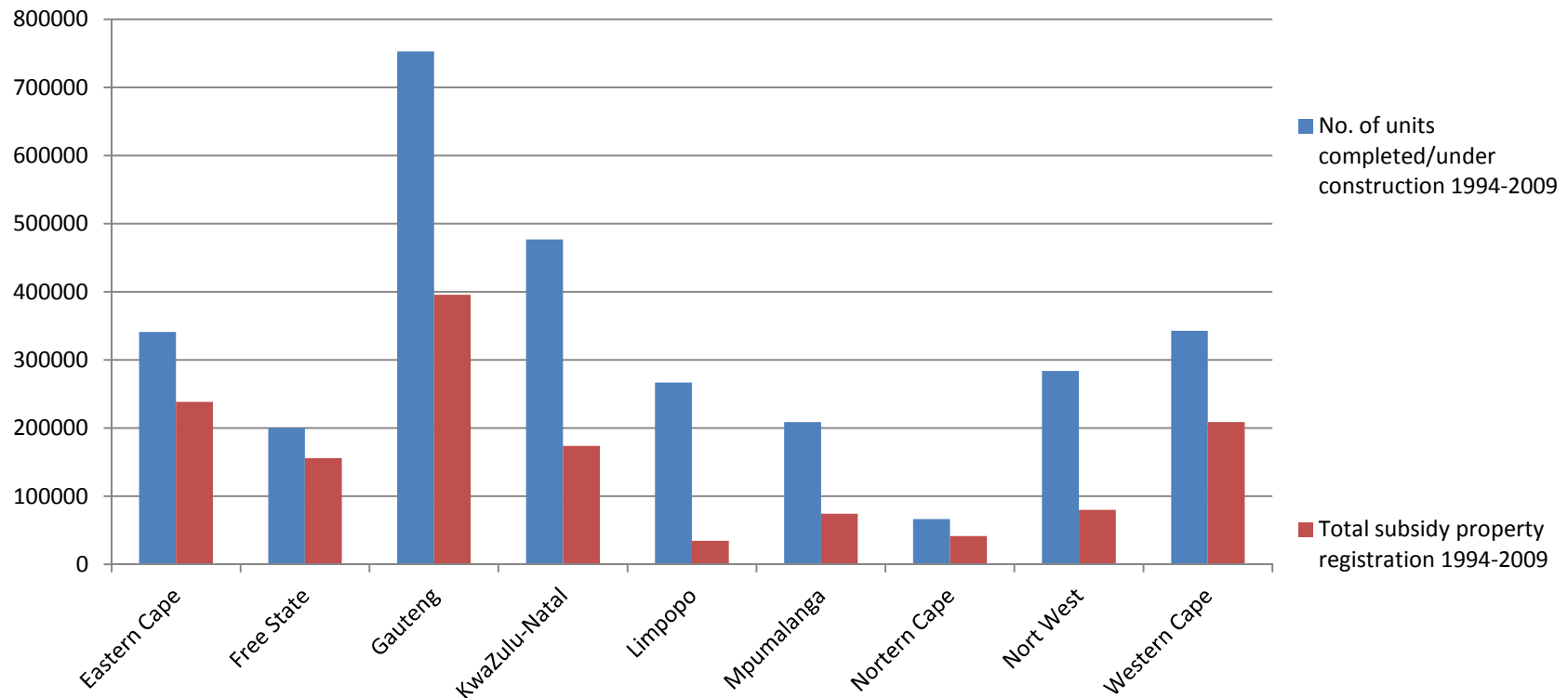
- More than 3.2 million housing units and serviced sites were delivered by 2010/11 through housing subsidy programme
- Beneficiaries receiving a house on an ownership basis would receive the title deed to the property
- The BNG explicitly identifies the need to ensure beneficiaries of subsidised housing access to formal title
- The exact number of subsidy beneficiaries who do not have title deeds to their properties is unknown
  - Shisaka recently estimated that just over one third or between 1,1 and 1,4 million subsidy beneficiaries do not have the title deeds to their properties

# TITLE DEEDS- REGISTRATION BACKLOG: 1994-2009 PER PROVINCE

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- Due to the DHS reporting format, it is difficult to separate units completed from those under construction as a result total subsidized units registered over the period is compared unit completed/under construction
- On average more than 50% of housing units completed/under construction have been delivered without the registration of formal title
- By 2010/11 the DHS estimated that at least 35% of subsidised houses had been delivered without the registration of formal title

# TITLE DEEDS- REGISTRATION BACKLOG: 1994-2009 PER PROVINCE



Data source: FinMark Trust et al

# TITLE DEEDS- CHALLENGES

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- Delays in the township establishment process and proclamation
  - Problems in implementation of the process within provinces and municipalities
    - Lack of capacity within provinces and municipalities (land surveyors, etc)
  - Legislative challenges
    - Different pieces of legislation such as Provincial Ordinances, the Less Formal Township Establishment Act and Development Facilitation Act make the process complex as each requires different processes and systems
- Failure to hand over title deeds
  - Due to non-payment of fees by the project owner (province/municipality)
  - Beneficiaries not collecting their title deeds (attributed to the lack of understanding of the importance of a title deed)
  - Failure of the next person (successors/heirs) to follow up on title deeds following the death of an owner (again attributed to the lack of understanding the importance of a title deed)

# TITLE DEEDS- CHALLENGES

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- Contributing to the difficulty on quantifying outstanding deeds is the fact that in many instances top structure development and occupation precedes actual township establishment and site registration
- work necessary to open registers
  - The primary delay in this respect is the resolution of the underlying land rights not only proclamation (approval of general plans) but also the resolution of all restrictions and servitudes and consolidation of the affected title deeds (including in some instances the subdivisions of some of the underlying properties).

# RECOMMENDATIONS

- In 2012, a joint meeting of the PCHS and the SCoA requested the DGs of the NT, DCOG and DHS to meet and present a way forward on RHIG
- The Commission was represented by the Chairperson at the meeting and has since ascertained that the meeting did not take place
  - At that point the Commission had already made a submission to the PCHS that the grant should not be incorporated into the MIG (DCOGTA) until a proper assessment of the challenges had been conducted and the primary objectives achieved
- The Commission reiterates recommendations contained in its submission on the 2013 Division of Revenue Bill that:
  - RHIG should remain a schedule 6B grant and should there be a need to review RHIG, this should be done as part of the broader review of all infrastructure grants
    - This is due to the fact that the rural sanitation remains a national priority and it is clear from the performance of the grant the DHS was not ready in terms of its own capacity to implement the grant
    - This is common with all new grants that generally need time to be fully institutionalised in departments
  - The Commission is aware of the challenges that afflict different grants as a result of programs being introduced and as such welcomes the impending review of conditional grants that National Treasury and Government has committed to in 2013



# RECOMMENDATIONS

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- The Commission further recommends that:
  - Government should review and amend the different pieces of legislation (Provincial Ordinances, the Less Formal Township Establishment Act and Development Facilitation Act) to streamline processes relating to registration of title deeds
  - There should be ongoing educational campaigns on the importance of title deeds to beneficiaries using community leaders and civil organizations
  - Number of houses transferred should be used as an indicator in the Department's Annual Performance Plans and be subject to audit of predetermined objectives
- Currently DHS sets the number of housing units to be delivered as one of indicators in its APPs but not the number of houses with full title deeds



THANK YOU.

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*Briefing to the Portfolio Committees on Human Settlements*