

Vote 31: Human Settlements – overview of the budget and conditional grants

Presentation to the Portfolio Committee: Human Settlements

Presenter: MT Ngqaleni and Ulrika Rwida: National Treasury | 23 March 2011



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

Contents

- Background
- Dealing with Urban Challenge: Human settlements landscape
 - Infrastructure and housing backlogs
 - Performance in the delivery of human settlement
 - Challenges with current fiscal flows and functional assignment for built environment – inefficiencies and marginalisation of the poor
- Overview of the Dept of Human Settlement Budget
- Urban Settlements Development Grant
- Dealing with Rural Challenge
 - Background: Rural challenges
 - Creation of Rural Household Infrastructure Grant
 - Performance of the grant
- Municipal accreditation and DOR Bill

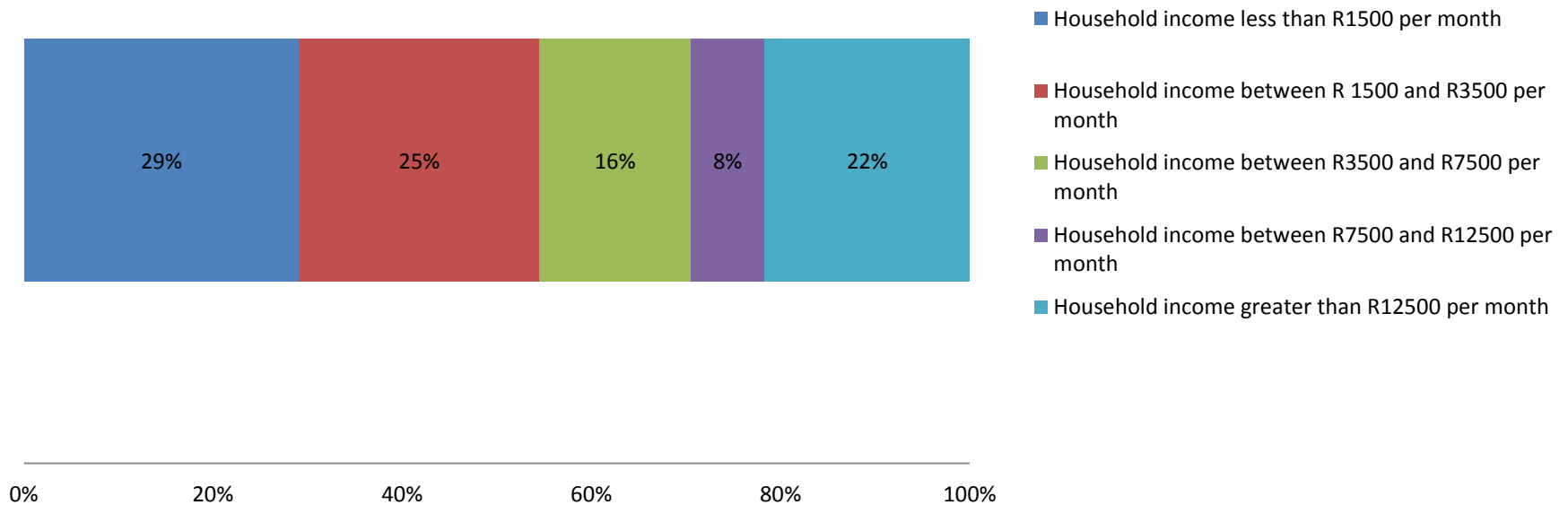
Background

- Govt has made progress in delivery of infrastructure and housing but much needs to be done to achieve the envisaged developmental outcomes and keep pace with increasing backlogs esp in cities. Question is:
 - How can government build on its progress and reach its objectives of shared, inclusive and sustainable growth?
 - How can seemingly increasing backlogs in service delivery be tackled more effectively? What are important patterns and dynamics and spatial trends that will influence the above?
 - How can we move away from the spatial patterns created by the legacy of Apartheid?
 - How can we ensure access to significant livelihood and service opportunities for the biggest number of the South African population?
 - Where does government need to focus to address the grand challenges of resource scarcity, increasing energy costs and climate change?



Human Settlements Landscape

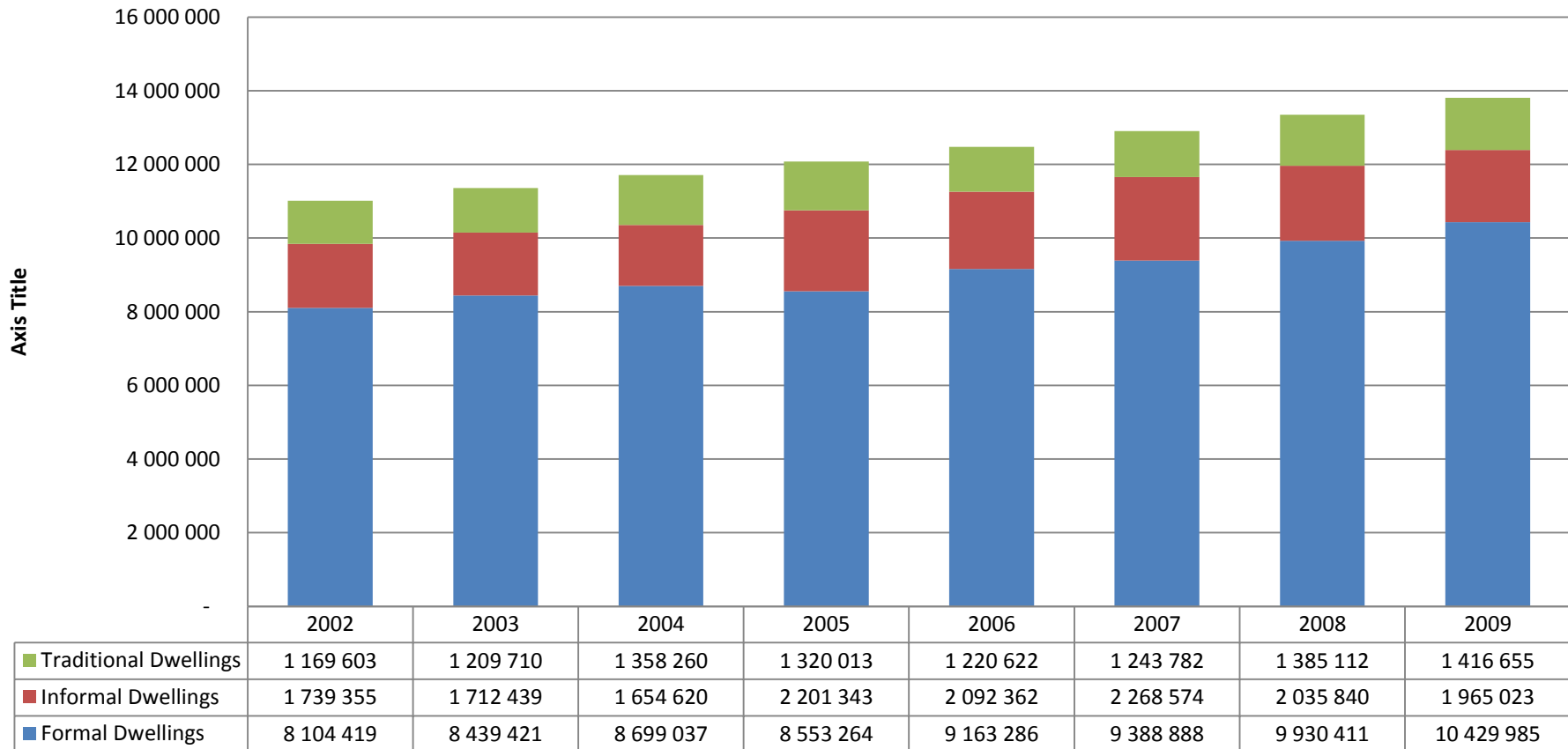
SA Household Income Profile



Source: Statistics South Africa, 2009, General Household Survey

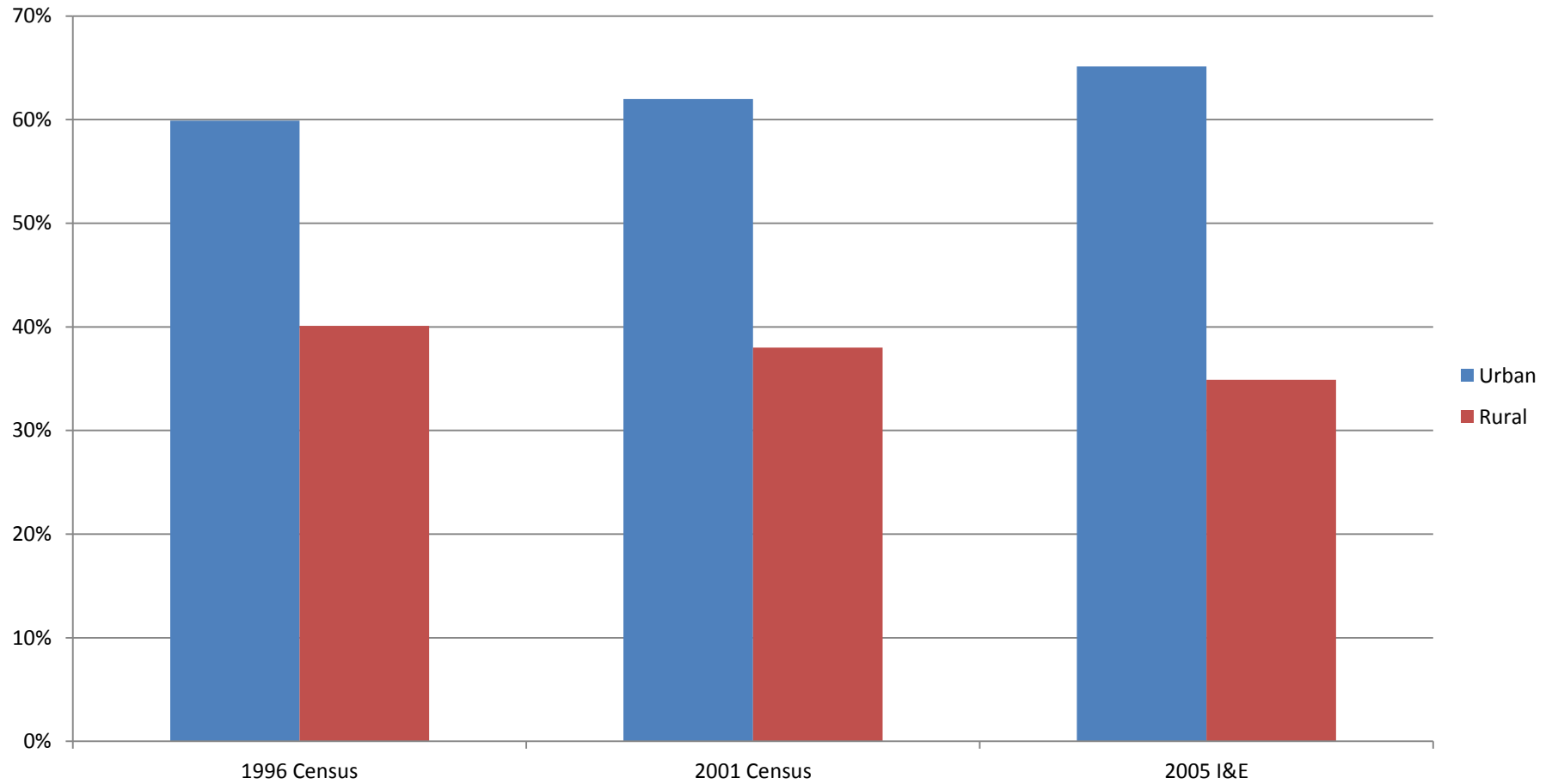
Households by Dwelling Type

No. HHs by dwelling type



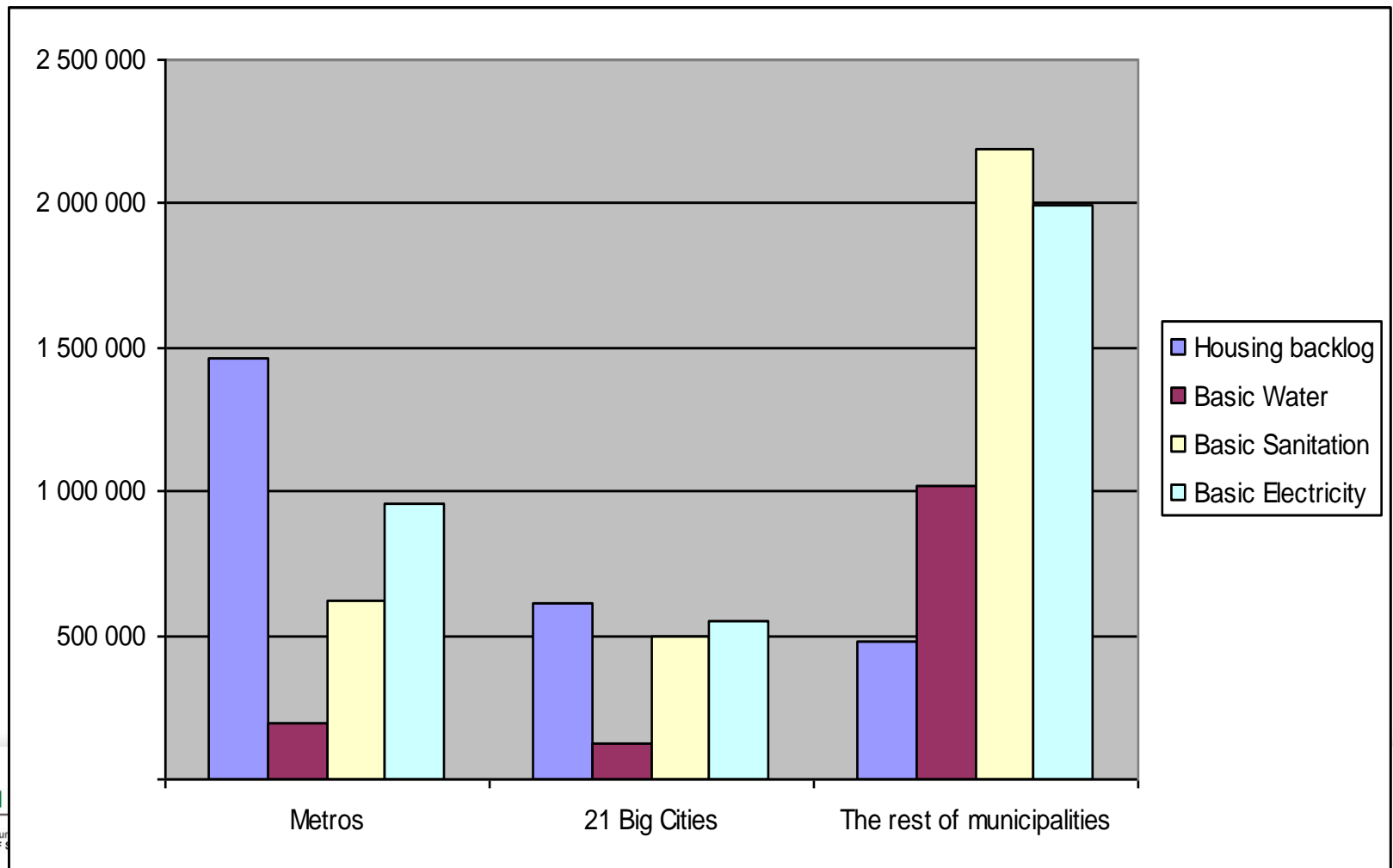
Source: Statistics South Africa, 2002-2009, General Household Survey

Household Migration Patterns



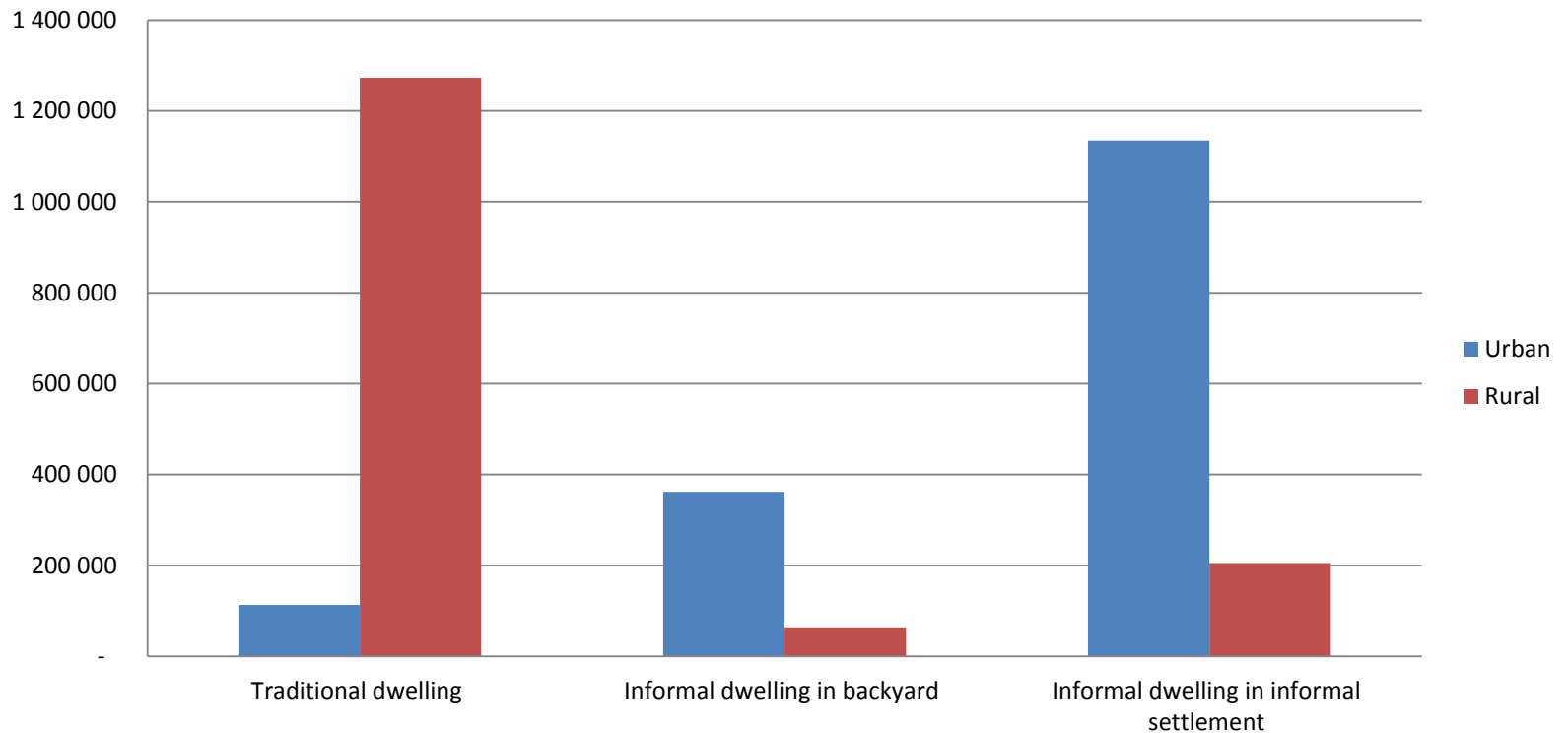
The extent and nature of backlog challenge

Households without access to basic services and housing, by municipal location, 2007



Human Settlements Landscape

Housing profile

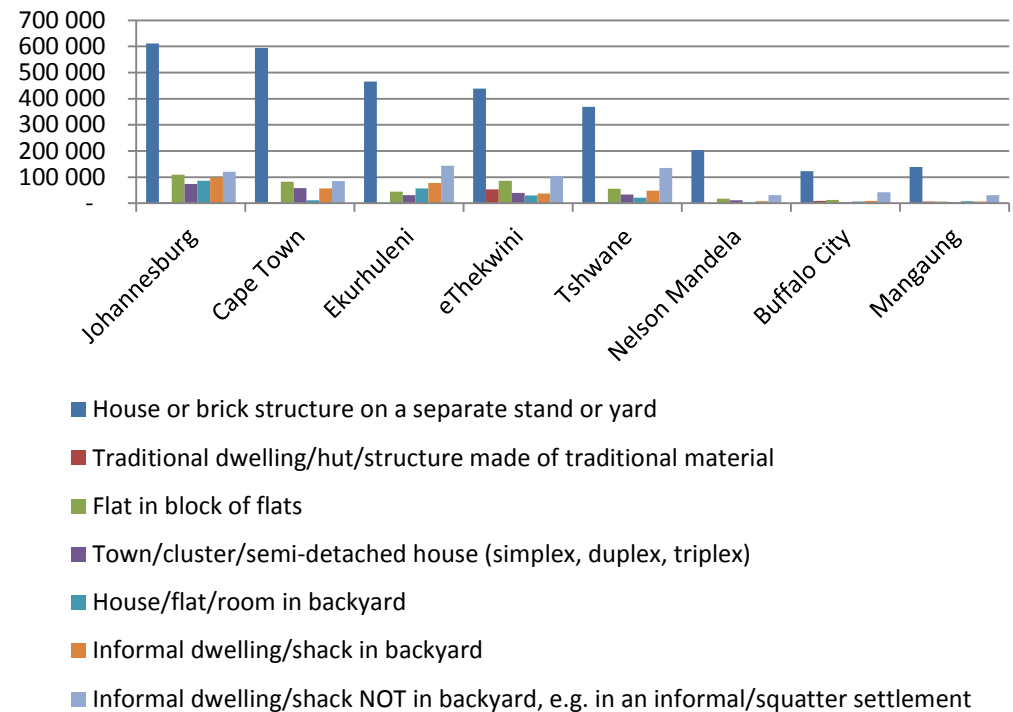


Source: Statistics South Africa, 2005, Income and Expenditure Survey

Human Settlements Landscape

- In 2007
 - 41 percent of households live in 8 metropolitan municipalities
 - 57 percent of households in informal settlements live in 8 metropolitan municipalities
 - 58 per cent of households in backyard shacks live in 8 metropolitan municipalities
 - Current funding is not responding to informal settlement

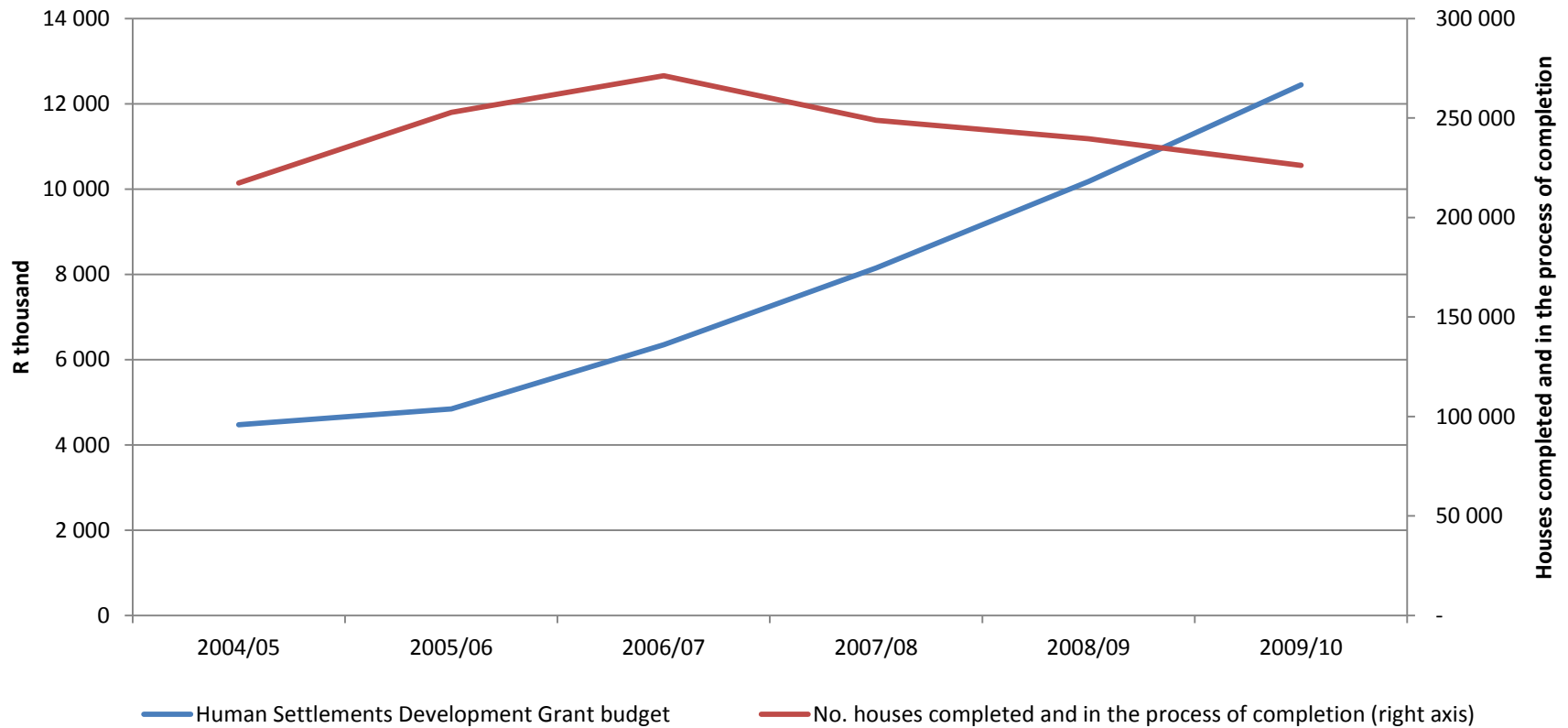
Informal dwellings in metropolitan municipalities



Source: Statistics South Africa, 2007, Community Survey

Human Settlements Landscape

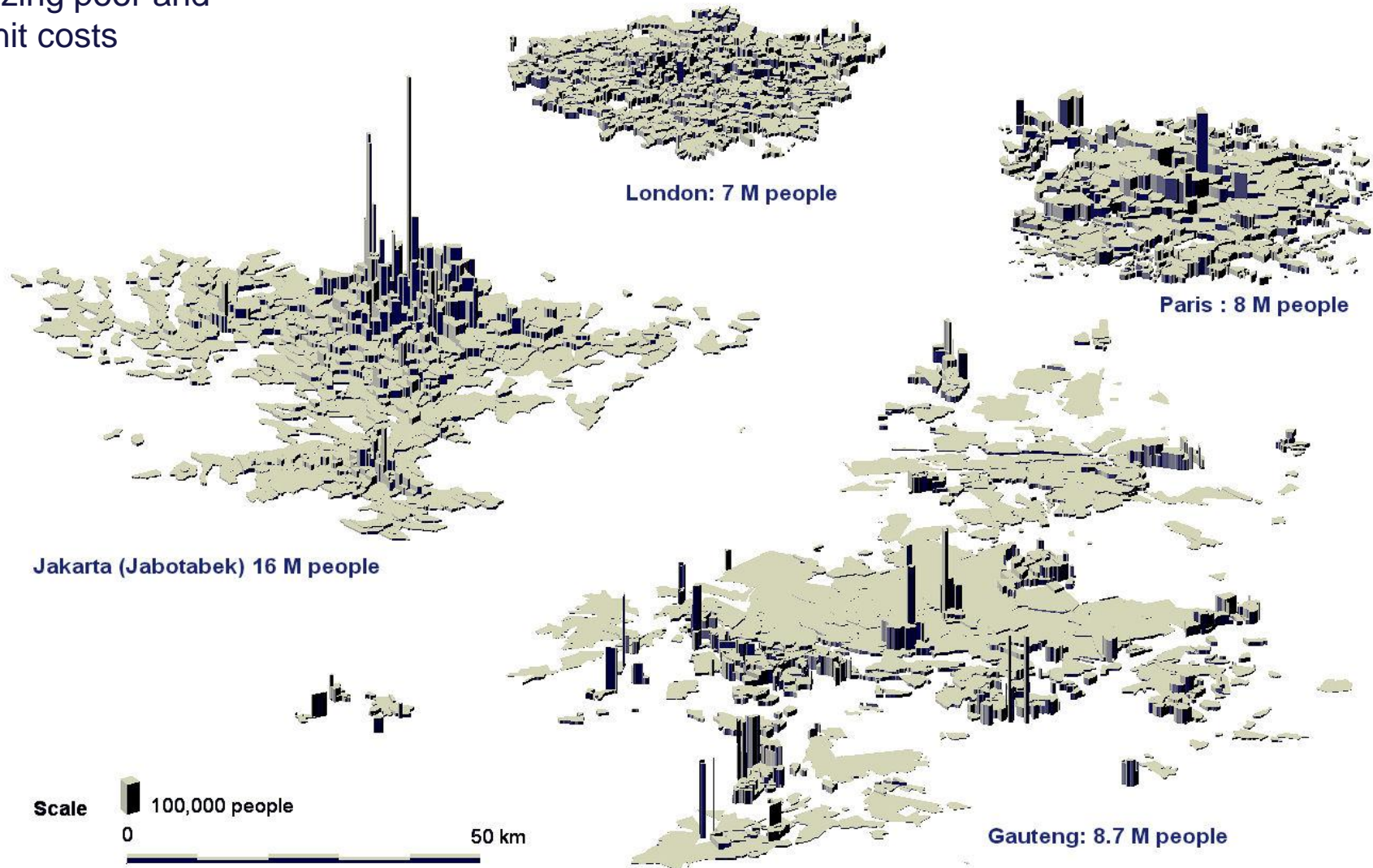
Human Settlements Development Grant vs. Delivery



but very inefficient spatial form reduces investment impacts through marginalizing poor and raising unit costs

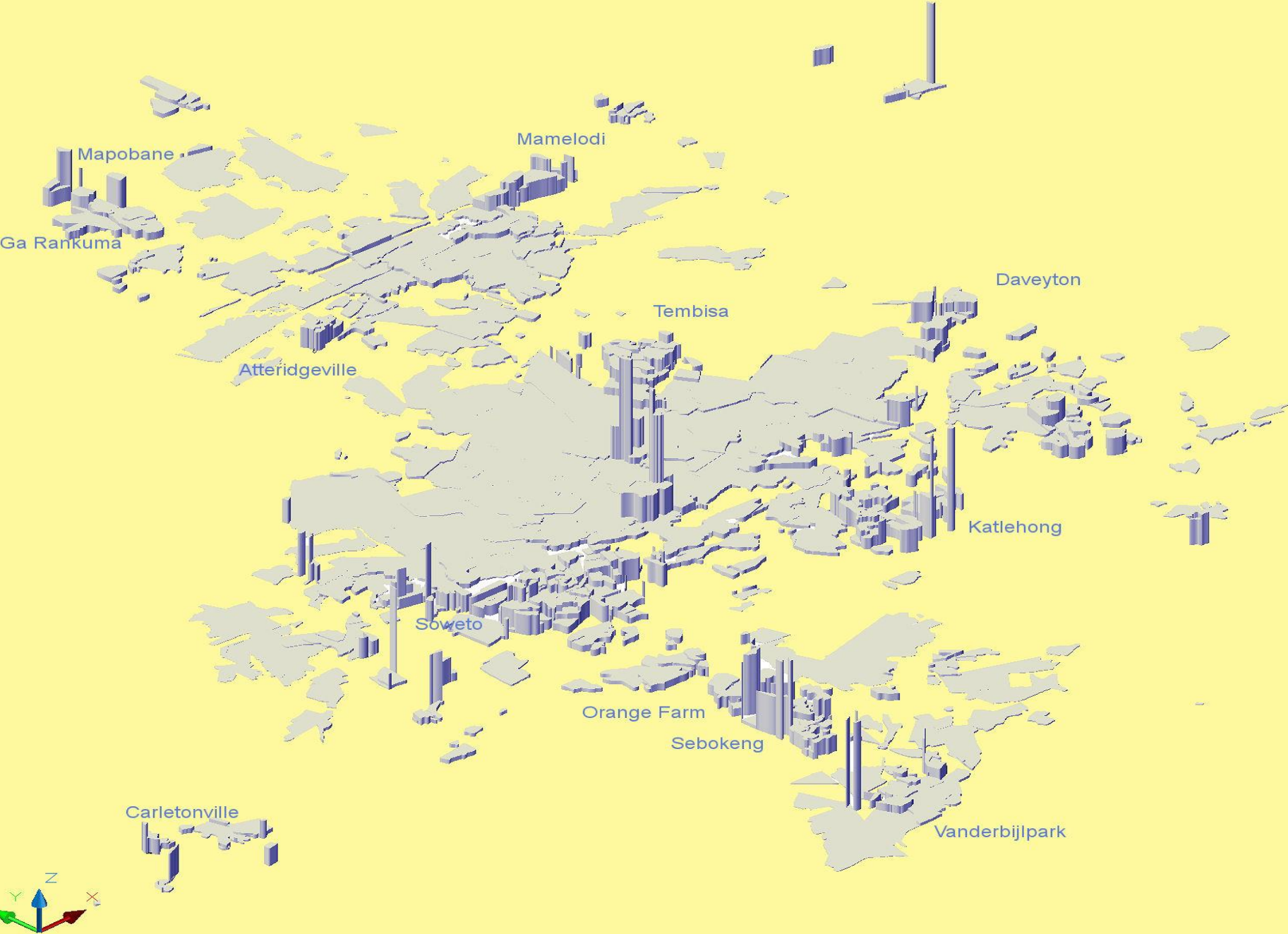
Spatial distribution of population in Gauteng (2001 census) compared to Jakarta, London and Paris

Development pattern of the Gauteng Region

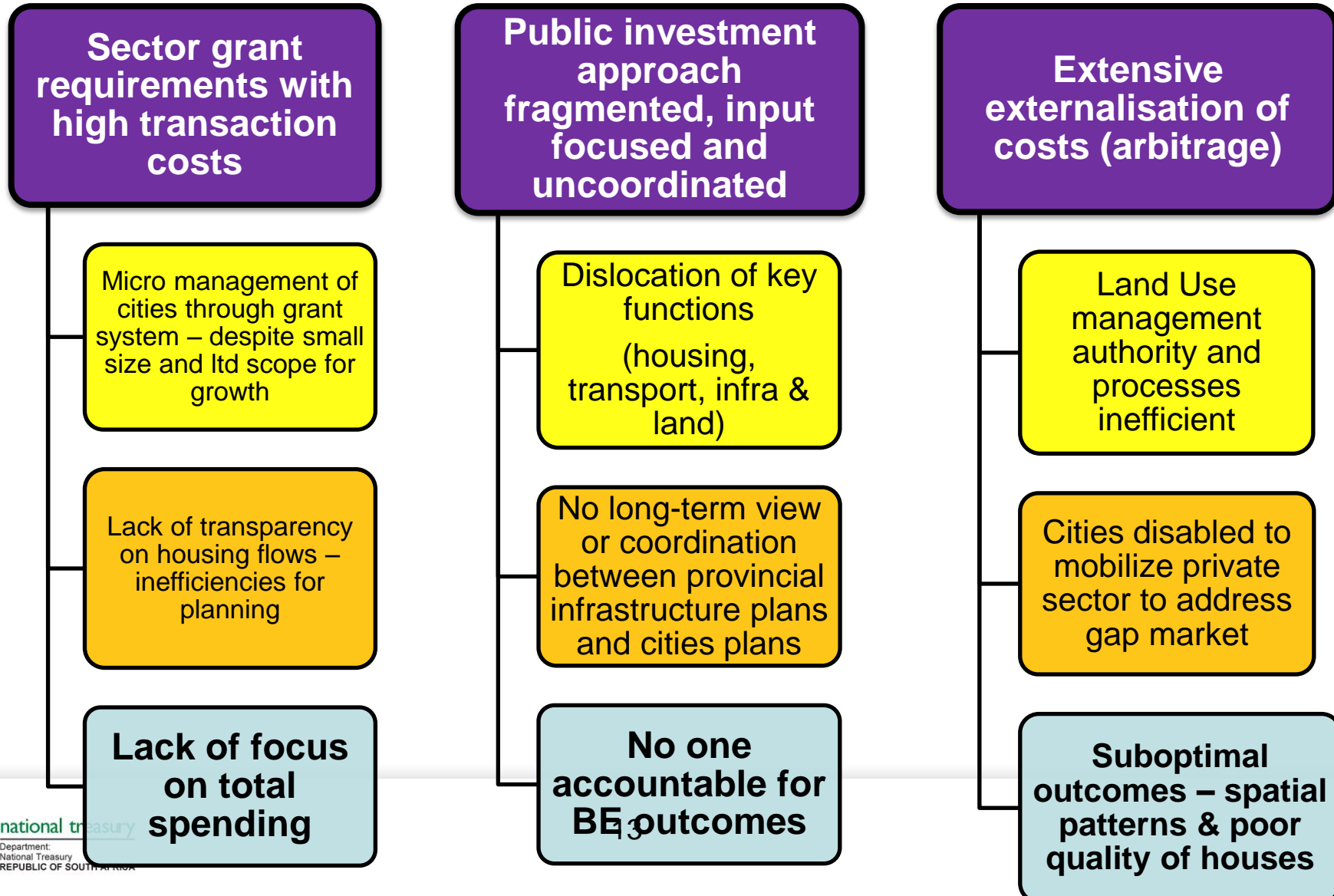


... this is no longer just the apartheid legacy, but also our legacy to future generations! Do we have a name for it?

Spatial Distribution of Gauteng' Population seen from the South West



Our complex and contradictory functional & fiscal arrangements reinforce the status-quo of inequality, inefficiency and deprivation in the built environment



Why does state needs to get it right in larger urban municipalities?

Economic significance

- South Africa's economic hubs:
 - 59% of GVA in metro's, 79% in large cities (2004)
 - Rises 85% (68% in metros) excluding mining, agric and Pub. sector
- Generators of national wealth
 - Urban-based sectors generate highest GVA per capita
 - Tax contributions largely urban? Key to more funding to R. Areas
 - Greatest supplier of job opportunities

Demographics

- 16.9 mil people (35%) in metros alone (52%, or 25,2m in large cities)
 - Population growth of 16% from 2001
 - Over 4% growth in pop **share** between 2001 & 2007 (nearly R6m people)
 - 4.3m hh in metro's (6.3m incl large cities)
- 32% of poor people in metros, and increasing

Development pressures

- Resumed economic growth requires extensive expansion and rehab of public infrastructure – needs R288 billion over 10 years
- Growing number of poor households
 - 57% of housing backlogs in metro's (& growing)
 - 70% of municipal protests in big cities



Overview of 2011 budget

Programme	Audited outcome			Adjusted	Medium-term expenditure estimate			Growth	Growth
	2007/08	2008/09	2009/10	appropriation	2011/12	2012/13	2013/14	2007/08 - 2013/14	2011 MTEF
R thousand									
Administration	102 537	128 623	113 849	211 997	232 435	238 380	252 392	16.2%	6.0%
Housing Policy, Research and Monitoring	22 022	26 199	44 971	47 686	39 215	46 633	44 035	12.2%	-2.6%
Housing Planning and Delivery Support	52 442	94 593	140 484	225 221	156 163	178 520	223 773	27.4%	-0.2%
Housing Development Finance	10 146 632	12 766 655	15 981 463	18 663 357	21 995 147	24 253 309	25 947 289	16.9%	11.6%
Strategic Relations and Governance	179 355	253 391	126 654	157 660	155 535	158 215	207 250	2.4%	9.5%
Total	10 502 988	13 269 461	16 407 421	19 305 921	22 578 495	24 875 057	26 674 739	16.8%	11.4%
Economic classification									
Current payments	377 165	526 250	452 524	626 922	642 204	682 997	788 395	13.1%	7.9%
Compensation of employees	103 472	134 209	166 857	289 006	319 004	331 890	346 841	22.3%	6.3%
Goods and services	273 693	391 776	285 417	337 431	322 670	350 577	441 024	8.3%	9.3%
Interest and rent on land	-	265	250	485	530	530	530	-	3.0%
Transfers and subsidies	10 119 873	12 730 985	15 948 014	18 506 924	21 700 605	23 707 976	25 364 438	16.5%	11.1%
Provinces and municipalities	9 936 763	12 299 959	15 237 441	18 189 725	21 208 514	23 008 949	24 584 213	16.3%	10.6%
Departmental agencies and accounts	77 166	227 739	352 613	312 193	487 091	694 027	774 955	46.9%	35.4%
Foreign governments and international organisations	606	845	745	1 000	1 000	1 000	1 050	9.6%	1.6%
Households	105 338	202 442	357 215	4 006	4 000	4 000	4 220	-41.5%	1.7%
Payments for capital assets	5 950	12 226	6 661	172 075	235 686	484 084	521 906	110.8%	44.8%
Buildings and other fixed structures	380	198	-	153 060	231 500	479 500	517 250	232.9%	50.1%
Machinery and equipment	5 467	10 417	6 035	16 372	3 961	4 358	4 423	-3.5%	-35.4%
Software and other intangible assets	103	1 611	626	2 643	225	226	233	14.6%	-55.5%
Payments for financial assets	-	-	222	-	-	-	-	-	-
Total	10 502 988	13 269 461	16 407 421	19 305 921	22 578 495	24 875 057	26 674 739	16.8%	11.4%

Overview of 2011 budget

Details of conditional grants and transfers	Audited outcome			Adjusted appropriation	Medium-term expenditure estimate			Growth 2007/08 - 2013/14	Growth 2011 MTEF
	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14		
R thousand									
Human Settlements Development Grant	6 988 513	8 727 582	10 669 252	12 898 312	14 941 516	15 599 437	16 457 408	15.3%	8.5%
Urban Settlements Development Grant	2 948 250	3 572 377	4 418 189	5 157 613	6 266 998	7 409 512	8 126 805	18.4%	16.4%
Rural Household Infrastructure Grant	-	-	-	100 000	231 500	479 500	517 250	-	72.9%
Social Housing Regulatory Authority	-	-	-	186 771	245 473	448 497	576 254	-	45.6%
National Urban Housing and Reconstruction Agency	18 993	-	3 500	1	100 000	100 000	100 000	31.9%	4541.6%
Rural Housing Loan Fund	-	-	-	49 500	49 500	51 975	-	-	-100.0%
Housing Development Agency	-	-	62 650	69 300	89 100	93 555	98 701	-	12.5%

Urban Settlements Development Grant

- Background
 - Housing Code, 2009 – Chapter 3, Volume 2
 - Creation of unfunded mandate
 - Revisions on funding for land and internal services
 - Inconsistent application across provinces
- Rationale
 - Outcome 8
 - Output 1: Upgrade 400 000 units in informal settlements
 - Output 2: Improved access to basic services
 - Improved alignment in human settlements projects
 - Linking bulk and connector services to housing projects
 - Focus on informal settlement upgrading
 - Mechanism to deal with the urban housing problem

Urban Settlements Development Grant

- Grant Objectives
 - Improved efficiency and coordination of investments in the built environment – create sustainable human settlement
 - Supplementing the capital budgets of large cities
 - Supporting emergence of efficient spatial city structure that integrates the poor into the growing city economies
 - Subsidises capital costs of providing basic services to poor households
 - Key outcome indicators
 - Shift towards area-based development – densification around public transport and economic growth corridors
 - Increased availability of serviced land
 - Increased access to suitable shelter
 - Increased security of tenure
 - Performance based, output focused investment
 - Leveraging municipal resources to support national development

Dealing with rural infrastructure challenges

Background: Challenges in Mostly rural municipalities

- Highest concentration of poverty in the rural areas
- Households largely reliant on national social grants, account for about 30% of population
- 127 rural municipal spaces highly dependant on fiscus
- Backlogs in basic services estimated at 70% in electricity, 65% in water and 79% in sanitation & housing only 19%
- Very limited capacity to deliver & current capacity interventions not appropriately targeted
- Importation of urban based solutions to address rural problems costly and unsustainable
- Land tenure and rights a major problem to investments and development in general

Policy and Strategy failure: Funding Framework

- A “one-size-fits-all” approach (“urban solutions”) ignores unique rural challenges:
 - Although MIG largely target reticulation infrastructure, regional bulk infrastructure often a challenge in expanding access outside of rural towns to neighboring settlements
 - Is network infrastructure always the appropriate solution for all these areas?
 - Little infrastructure delivery taking place in rural areas
 - Spending takes place largely in previously White towns due to convenience & conventional knowledge
 - Levels of services not derived from rural needs and solutions i.e. housing not a major challenge but poverty and lack of service is a rural problem



Proposed Approach for Rural Areas

- Addressing capacity challenge
 - Need to strengthen community based delivery mechanisms
 - Need to encourage investments in appropriate technologies
 - Need Leverage parastatals to support rural development
 - Grant system that allows for greater involvement and leadership of sector departments
 - Creation of Municipal Infrastructure Support Agency under Department of Cooperative Governance focusing on the delivery of W&S in weak capacity mainly rural municipality
- Creation of Rural Household Infrastructure Grant
 - Established in 2010/11 to eradicate rural sanitation and water over a 3 year period
 - Allows for use of appropriate on-site solutions
 - Facilitates community involvement in creation and maintenance - creating employment and ensures sustainability & cost effectiveness

Rural Household Infrastructure Grant

- Performance of the Grant

- Slow spending due to:

- Implementation challenges related to the shifting of the function
- Scope of function shift – Water Services Act makes provision for this function and yet function sits with DHS and since inception, NT has been dealing with implementation hurdles on this programme

	Adjusted appropriation	Expenditure up to Feb-11	Expenditure as % of budget	Medium-term expenditure estimate		
	2010/11			2011/12	2012/13	2013/14
Allocations	100 000	49 968	50%	231 500	479 500	517 250

Municipal Accreditation

- Background
 - Authority to administer national housing programmes in terms of Section 156(4) of the Constitution
 - Recognises that local government is the centre of co-ordination
 - Principles
 - Logical application of roles and functional delegation and assignments
 - Authority and accountability must accompany responsibility
 - Accreditation follows capacity
 - 3 levels of accreditation
 - Level 1: Beneficiary management, subsidy budget planning and allocation, and priority programme management and administration
 - Level 2: Level 1 + full programme management and administration of all housing instruments/ programmes
 - Level 3: Level 2 + financial administration = assignment

Municipal Accreditation

- Provisions in the Division of Revenue Bill, 2011
 - Section 15: spending in terms of specific purpose and subject to conditions
 - Transfer funds in terms of an agreed payment schedule
 - Section 17: stopping of allocations
 - Reassignment of functions
 - Section 18: reallocation of funds
 - Reassignment of functions
 - Section 28: duties of municipalities
 - Financial and non-financial reporting in terms of Human Settlements Development Grant framework
 - Despite all these provisions, the Department has to take leadership in ensuring the implementation of their legislation and compliance to DoRA
 - Despite these provision, most metros are still sitting at level 1 accreditation with EThekwini at no status.

Conclusion

- National government acknowledges need to change approach to managing built environment & treat cities differently in the flow of grants – consolidation of grants
- That national funds need to flow directly to large cities but for plans and programmes approved collectively by relevant national departments led by Human Settlement
- This approach still does not:
 - Fully recognize capacity of large cities to plan & leverage funds
 - Provide certainty in amounts of grants to flow to the city to enable integrated planning and delivery and leveraging of funding
 - Limit the role of provinces to direct housing developments often not aligned with city plans

Conclusion

- Need to further deepen consolidation of the functions and funding streams for cities
 - Require devolution/accreditation of housing function by the province
 - Need to negotiate direct flows of other national grants guaranteed for at least 10 years to cities
 - Form performance based partnerships with cities focused on outputs and outcomes
- Greater scope increase its borrowing & own revenue directed toward agreed development priorities
- Cities to account for their performances in meeting developmental objectives on their overall budgets
- Will need to identify capacity gaps in the metros and assist in enhancing it
- Resolving institutional arrangement for delivery of infra in rural areas is key, then address capacity and funding needs

