



From shantytowns to modern dwellings

South Africa's cities face housing shortage

BY DONWALD PRESSLY

The city of Cape Town has been called one of the most beautiful places on earth. From Table Mountain towering 1,000 metres above the city in the northeast to the Victoria and Alfred waterfront, the surroundings can take your breath away. But this great South African city — since 2000 an agglomeration of three million people — is still struggling to provide housing and other basic resources for all its citizens. South Africa is still working to erase the legacy of 46 years of apartheid.

Cape Town — as a major metropolis in South Africa — is expected to be a provider of public housing. However, it is largely failing in the task. The previous mayor, Nomaindia Mfeketo of the African National Congress, acknowledged in December 2005 that the city needed about 750 million rand (\$121 million US) a year over the next five years to eradicate its housing backlog. Cape Town needs to build somewhere between 20,000 and 30,000 houses a year. In 2003-2004 it built 342 houses. In 2004-2005 about 2,000 were built. At the same time 16,000 poor people come to Cape Town each year to live in shacks. That same year, the Western Cape provincial government underspent its housing budget by 112 million rand (\$20 million US). In 2005-2006 the Western Cape underspent by some 94 million rand (\$15.2 million US).

While South Africa's cities were recognized as a separate order of government in the 1996 constitution, they are dependent to a limited extent on the national government for their revenues. But the national government is keeping a tight lid on the purse strings. South Africa's fiscal restraint has surprised even the opponents of the ruling African National Congress (ANC). When the ANC won power in the first non-racial national election in 1994, critics predicted an unrestrained spending spree. But fiscal prudence won out, with deficits substantially lower than during the apartheid period. The bulk of national revenue goes to the nine provincial governments — which are almost entirely centrally funded — but local government also gets a cut from the central kitty.

Local government has, indeed, gone through many teething problems since the advent of democracy, much of it the result of 887 cities and towns that were based on apartheid being compressed into just 284 municipalities by the year 2000. After municipalities were deracialized in 1995 and 1996, the goal was to make local government financially viable. Cape Town merged seven local municipalities into one mega-city. Johannesburg contended with merging a number of administrations with, in some cases, incompatible electricity and traffic management systems.

Donwald Pressly is political correspondent for I-Net Bridge, a South African financial wire service. He also writes for the Mail and Guardian. He is based at Parliament in Cape Town.

Overall the picture for local government is not pretty — with burgeoning outstanding debt and a fiscal base seemingly built on shifting sands of changing tax systems. Against this backdrop, waiting lists for public housing are lengthening and vast shack settlements proliferate at the edges of the country's towns and cities.

The provision of housing in South Africa is a shared competence of the national and provincial governments — with local government having delegated authority to implement housing schemes through provincially-provided subsidies. Housing Minister Lindiwe Sisulu recently acknowledged that the number of shack dwellings in South Africa had risen from 1.45 million in 1996 — two years after the ANC took power — to 2.14 million in 2003. Much of this can be attributed to the many years under apartheid when black Africans were restricted from moving at will to towns and cities.

Capacity lacking

Some municipalities do not have the capacity to provide housing or direct the appointment of housing contractors. It is in these municipalities that the poor tend to build their own houses.

South Africa intends to eradicate shack lands by 2014 and wipe out housing backlogs. Lack of capacity, however, is the main impediment to achieving these aims.

2006: the cities vote

Twelve years into ANC rule, South Africans went to the polls for the third time at the local government level on March 1, 2006, and cast 66 per cent of their votes for the ANC.

But in an upset victory in Cape Town, the official opposition Democratic Alliance won enough votes to make its candidate, Helen Zille, the mayor, with support of smaller parties.

And in late March, the ANC was facing what the *Mail & Guardian* called a "mayors' revolt" in more than a dozen municipalities where city councillors — including those from the ANC — voted for their own choices for mayor, ignoring the ANC's official candidates.

However, the ANC won re-election in South Africa's five other major metropolitan councils, where the bulk of the population lives. This area includes the economic hub of Johannesburg and the industrial hub of Nelson Mandela Metropolitan, which includes the city of Port Elizabeth.

The housing challenge is simply one of many facing the young South African democracy as it strives to attain racial harmony and economic development.

It can be argued that South Africa has a hybrid federal system with significant powers at the local government level. There is, nevertheless, an institutional and constitutional bias towards the centre — something which has been encouraged by President Thabo Mbeki.

At the political level, management of local government has been increasingly centralized with the ANC national executive committee having the final say over the selection of mayoral candidates for the metropolitan municipalities. Just a few weeks before the municipal elections, the ANC announced that it would only be naming the mayoral candidates after voters went to the polls. The reason given was that voters were voting for a party and not an individual.

President Mbeki sees local government as a key delivery agent.

Local governments have a variety of means to raise their funds. South Africa's consolidated national, provincial and local government expenditure was about 435 billion rand (\$72 billion US) in 2005-2006. Local government got about 20 billion rand (\$3.2 billion US) of this amount. Local government itself raises about

86 per cent of its own revenue or a further 114 billion rand (\$18.5 billion US). The nine provincial governments, which received about 210 billion rand (\$34 billion US) in 2005-2006, raised just 5.7 billion rand (\$923 million US) from motor vehicle licence fees, hospital fees and gambling taxes. This situation makes provincial government largely dependent on the fiscal dictates of the national government.

Provincial government, therefore, has a fiscal noose around its neck. The equitable share allocation is an unconditional grant over which the provinces have discretion on how it is allocated among the functions they perform. The province's share is based on a formula constructed on economic development and poverty-related policy considerations. But health, education and social welfare spending makes up the bulk of these expenditures while conditional grants require that money be spent on matters such as integrated housing or comprehensive HIV and Aids grants.

A Sword of Damocles over the provinces

A political Sword of Damocles also now hangs over the provinces — or at least some of them — with the central government indicating that it is open to a debate on whether South Africa needs as many as nine provinces. Fewer provincial governments may bring down costs.

At the local government level, the major development was the announcement that by June this year, regional service council levies will be scrapped — possibly in favour of a more efficient system of business tax. This will centralize the process of tax collection, and would be feasible, providing that the business tax revenues flow back to the district and metro councils. The central government announced in the February 15, 2006, budget that it will provide transfers to councils in the medium term to make up for budgetary shortfalls.



South African President Thabo Mbeki greets supporters in Cape Town during the ANC birthday celebrations.

New infrastructure or fiscal restraint?

The pressure is on for local government to deliver effectively to communities and President Mbeki sees it as a key delivery agent. But there remains the unresolved problem of uncollected fees for local government services. Fortunately, the Municipal Finance Management Act requires disclosure of bad debt. Unfortunately, this may have a direct impact on a municipality's credit rating. Most municipalities provide free basic services to all citizens — a limited amount of water and electricity — charging consumption fees above the basic minimum.

Nevertheless, Auditor General Shauket Fakie described the 19.2 billion rand total debt (\$3.1 billion US) of 23 of the country's largest municipalities (as of March 2005) as "a phenomenal amount of money." This sum is almost equivalent to the amount the central government provides to local governments. This means that local authorities do not have access "to a large pool of funds for service delivery and infrastructure investment."

Finance Minister Trevor Manuel told MPs on February 16 that many municipalities had municipal managers with "low skills base" and the result was that "you are not going to be able to have an accountable local government in those instances." For example, South Africa's biggest municipality, Johannesburg, is owed 7.3 billion rand (\$1.2 billion US) due to non-payment of rates and service levies by residents at the end of 2004. It also faced consumer anger over chaos with regard to electricity and water billing. To tackle the issues, private and public business leaders are advising these municipalities. One success was that Johannesburg announced late in 2005 that it had exceeded its revenue collection target by 164 million rand (\$26.5 million US) and the city now gives priority to account query resolutions and clearances, as well as to credit control. It has initiated a repayment program that allows for writing off some household debt if regular payments are made.

How will South Africa's housing problem be solved? It is politically unlikely that the ANC will move away from centralist thinking. The answer may lie in empowering a national housing agency with a more effective mandate and approach than that which is currently exercised by the national Department of Housing to coordinate housing delivery in association with local government. This would follow the path of the proposed centralization of local taxes such as regional service council levies. It may be the only answer in the medium term while local and provincial governments learn the ropes of effectively delivering the needed housing units. ⑥