FOCUS NOTE: Human Settlements in the 2024/25 Budget

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Increasing 4.4% to R33.15 billion in 2024/25, the budget of the National Department of Human Settlements (NDHS) is the main vehicle to resource the delivery of integrated, sustainable human settlements nationwide. Although the departmental budget is set to increase by a nominal average annual growth rate of 1.6% over the medium term, this constitutes a 3.0% decrease in real terms. Furthermore, due to fiscal constraints, there is a R3.147 billion baseline reduction in the Department's budget in 2024/25 alone, with the bulk of the cuts taken from the Human Settlements Development Grant (HSDG) and provincial informal settlements grant, and likely negative impacts on housing delivery.

This Focus Note examines the 2024/25 medium term budget of the NDHS, with a particular focus on transfers to provinces and municipalities for the implementation of critical housing subsidy programmes. The purpose is to identify the salient points from the recently-tabled budget which are important for housing sector practitioners.

1. Overview of 2024/25 National Department Budget

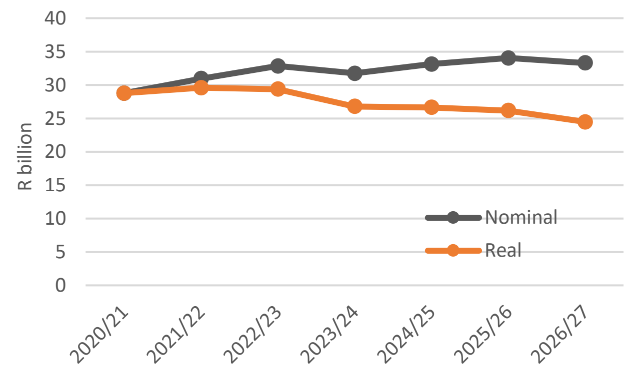
With a poor growth rate of only 0.6% in 2023/24, the country's budget is under serious strain, as joblessness and poverty continue, load-shedding cripples the economy and high debt-service costs burden the fiscus. In the recent Budget (21 February 2024), the Minister of Finance warned that debt-service requirements "now consume one of every five rands of revenue and absorb a larger share of the budget than basic education, social protection or health."[1] Human Settlements has not avoided these budget reductions and is also hit with substantial cuts this year in the context of the country's fiscal crunch.

With the 8th largest budget, the National Department of Human Settlements (NDHS) receives a total of R33.15 billion in 2024/25, rising to R34.04 billion in 2025/26, and then dropping to R33.31 billion in 2026/27.

As shown in **Figure 1**, the departmental budget dropped slightly in 2023/24, but is recovering this year with a 4.4% increase (in nominal terms) from last year's revised estimate. Over the Medium Term Expenditure Framework (MTEF), the departmental budget will increase at an annual average rate of 1.6% (nominal).

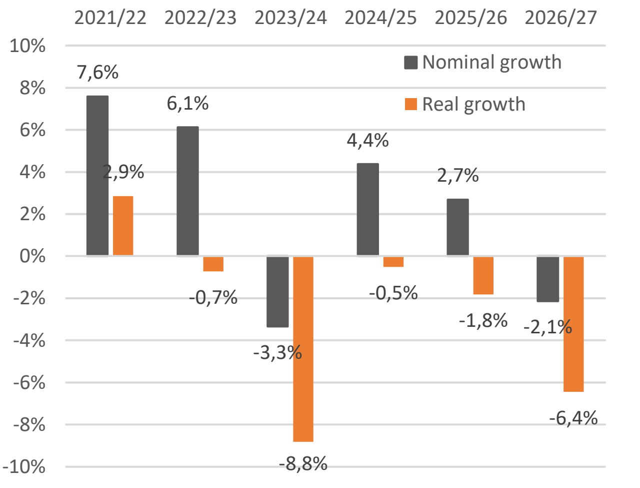
Yet this is only the surface of the story. When adjusted for inflation, the NDHS is actually experiencing a 0.5% cut to its budget in 2024/25, to be followed by a 1.8% drop in 2025/26 and a sizable 6.4% reduction in 2026/27. While Figure 1 compares the departmental budget in nominal and real terms over the 7-year period, **Figure 2** displays the nominal and real growth rates of the total departmental budget (using 2020/21 as the base year). In terms of actual spending power, the NDHS has less to work with this year, and even less in the two years to follow.

Figure 1. Budget of National Department of Human Settlements – nominal vs. real (2020/21 – 2026/27)



NB: Base year 2020/21
Source: 2024 Estimates of National Expenditure (ENE). National Treasury, 21 February 2024. Pg. 685. Own calculations.

Figure 2. Real and nominal annual growth rates of the NDHS budget (2020/21 – 2026/27)



Source: 2024 ENE, pg. 685. Own calculations.

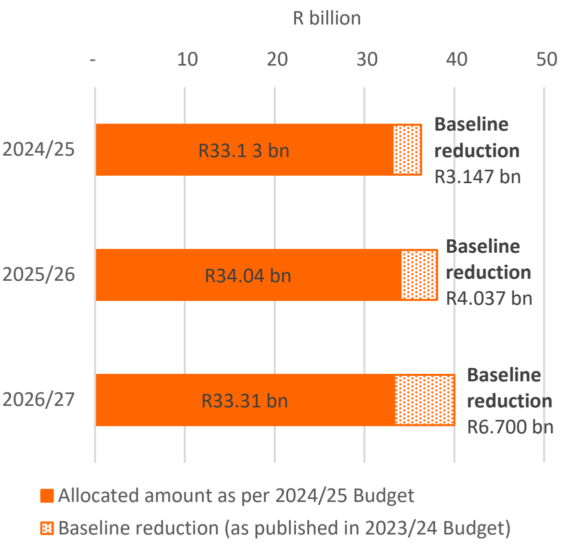
Apart from negative real growth rates, the department budget also took substantial cuts to its baseline. As part of its medium-term approach to budgeting, each year South Africa publishes the allocation for the immediate financial year alongside forward estimates for the two following years. The starting point for the following year's budget is the forward estimates published in the previous year's budget (also referred to as the 'baseline') and then amendments are made to these figures given the economic and fiscal environment. South Africa's 2024/25 budget contains substantial **baseline reductions** to non-interest expenditure, which significantly impact on human settlements.

In 2024/25, the department's total baseline reduction is R3.147 billion. In other words, in last year's budget, it was anticipated that the Department would receive R36.29 billion in 2024/25, but this year's actual budget is 8.6% less than expected.

As shown in **Figure 3**, a total of R13.9 billion is taken from the department's baseline over the MTEF. The heavier cuts are in the outer years. It is the Human Settlements Development Grant (HSDG) and the provincial Informal Settlements Upgrading Partnership Grant (ISUPG) which are most severely impacted: over the MTEF, R5.3 billion is cut from the HSDG and R7.16 billion from the provincial ISUPG (see Sections 2.1 and 2.3 below).

These cuts obviously have repercussions for programme performance and delivery targets. Section 2 unpacks which programmes and grants bear the brunt of these cuts.

Figure 3. Departmental budget and baseline reductions (2024/25 – 2026/27)



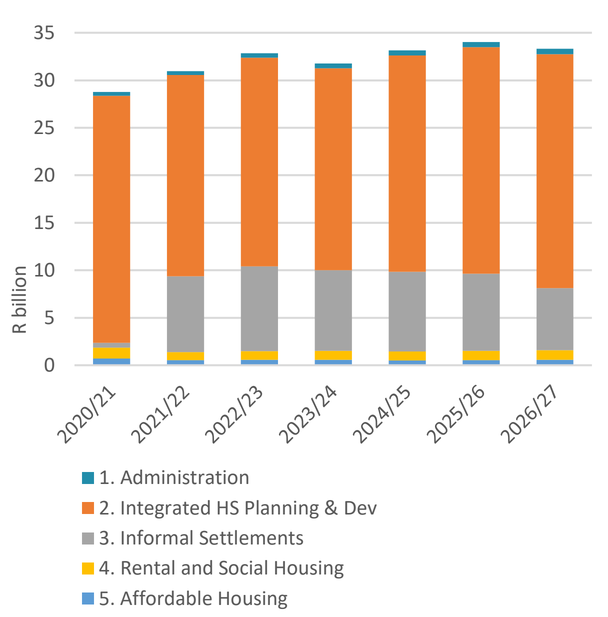
Source: 2024 ENE, pg. 685. Own calculations.

By Programme

How funds are split up between its five component programmes provides insight into the evolving priorities of the Department. **Figure 4** shows the allocation for each of the programmes from 2020/21. The split between programmes remains fairly stable over the MTEF, except for a drop in Programme 3: Informal Settlements, which is discussed further in Section 2.3 below.

Over the MTEF, **Programme 2: Integrated HS Planning and Development** takes the lion's share of the Department's funds (average 71%), due to the fact that it is the main delivery programme for

Figure 4. Budget of National Department of Human Settlements by programme, 2019/20 – 2026/27



Source: 2024 ENE, pg. 685.

the Department, transferring funds to the provinces and the municipalities for the implementation of national housing subsidy programmes. Both the HSDG and Urban Settlements Development Grant (USDG) are contained in Programme 2. R22.8 billion, or 69% of the total departmental budget, is allocated to Programme 2 in 2024/25. Over the MTEF, the programme allocation is expected to increase at an annual average rate of 5%.

All but 1.7% of Programme 2 funds are transferred to entities, provinces (HSDG) and metros (USDG). The main entities which fall under Programme 2 are the Housing Development Agency (HDA), Community Schemes Ombud Service (CSOS) and the Property Practitioners Regulatory Authority (PPRA):

- **The HDA** has a total budget of R518.1 million in 2024/25, a slight 4% decrease from last year. Nearly half of the HDA's budget derives from a R255 million operational transfer from NDHS, while the remainder is raised from provincial projects and programme management fees. The HDA's targets are fairly conservative; this year, the HDA aims to release 1 000 hectares of well-located land for human settlements development—which is the same as the estimated performance for 2023/24.
- From 2023/24, **CSOS** receives zero funds from the NDHS. In 2024/25, the total budget of CSOS drops by 37% to R432.9 million, and over the MTEF the budget is expected to decline further at an average annual rate of R9.2%. The ENE reports that the decrease is mainly due to "an expected decrease in the collection of community scheme levies and the discontinuation of the entity's operational transfer" but does not provide more information on why levy collection is expected to drop. [2] Levies paid by community schemes will account for 94% of revenue in 2024/25. Unfortunately, the budget reduction will be accommodated by delaying transformation initiatives in the education and training programmes.
- Similarly, the **PPRA** does not receive funds from NDHS. Totaling R210.5 million in 2024/25, its budget is derived from management fees for administering the Property Practitioners Fidelity Fund and from examination fees. Since the enactment of the 2019 legislation which transformed the Estate Agency Affairs Board into the new PPRA, a much greater number of property practitioners require the PPRA's registration and compliance services, since the PPRA is now responsible for ten new categories of property practitioners (e.g. auctioneers, mortgage originators). The PPRA's budget is set to increase by 10% each year on average over the MTEF.

Programme 3: Informal Settlements administers the ISUPG conditional grant to provinces and municipalities, and accounts for an average 30% of the departmental budget over the MTEF. Notably, Programme 3 declines by an average of 8% per year over the MTEF period. The budget documents give little explanation for this Cabinet-approved reduction, although the bulk of the reduction is in the ISUPG quantum, as discussed further in Section 2.3. Within Programme 3, spending on consultants jumps from R11.9 million in 2023/24 to R52.9 million in 2024/25 to cover professional resource teams for upgrading informal settlements and the provision of affordable housing (akin to National Upgrading Support Programme (NUSP) in the past).

The remaining funds of the departmental budget go to Programme 1: Administration (1.6%), Programme 4: Rental and Social Housing (2.9%), and Programme 5: Affordable Housing (1.6%).

- Ninety-two percent of the budget for **Programme 4: Rental and Social Housing** is transferred to the Social Housing Regulatory Authority (SHRA) which relies on the transfer as their sole source of income. SHRA's 2024/25 budget is R864.1 million, a slight 4% increase from last year. Eighty-eight percent of this is for the consolidated capital grant which SHRA then transfers to social housing institutions and delivery agents, 3% for the institutional investment grant which supports Social Housing Institutions, and 9% for operations. SHRA will have over 52 000 rental units under its regulation in 2024/25. They aim to deliver just 1 935 units in 2024/25, compared to an estimated 3 200 units last year.
- Most of the budget for **Programme 5: Affordable Housing** (81%) is transferred to the National Housing Finance Corporation (NHFC) for the administration of the finance-linked individual subsidy programme (FLISP), rebranded last year as First Home Finance (FHF). However, despite the launch of FHF and recent policy reforms, there is an 11% decrease in the NHFC budget in 2024/25, to R421.9 million. Transfers from NDHS make up 36% of the total NHFC budget of R1.16 billion in 2024/25. Among its delivery targets, the NHFC plans to expand its loan book from R4 billion in 2023/24 to R4.2 billion in 2026/27.

2. Conditional grants to provinces and municipalities

The Constitution defines housing as a concurrent function shared between national and provincial government , and thus, as laid out in the Housing Act (1997), the main implementors of national housing programmes are provinces and municipalities, while National's role is limited to policy determination, goal-setting, monitoring, grant management and support.[3] This is clearly reflected in the budget: 91% of the national department's allocation is passed through to the provinces and municipalities in the form of conditional grants. Provinces get 51% of the national department budget in conditional grants, while municipalities are set to receive another 40%. With a further 4.7% transferred to entities (mainly the HDA and the NHFC), the Department retains just 3.2% of its total budget, which primarily goes to payroll (1.3%).[4]

Table 1 summarises the conditional grants administered by the NDHS in the 2024/25 MTEF.

Table 1. Summary of Human Settlements Conditional Grants, 2024/25

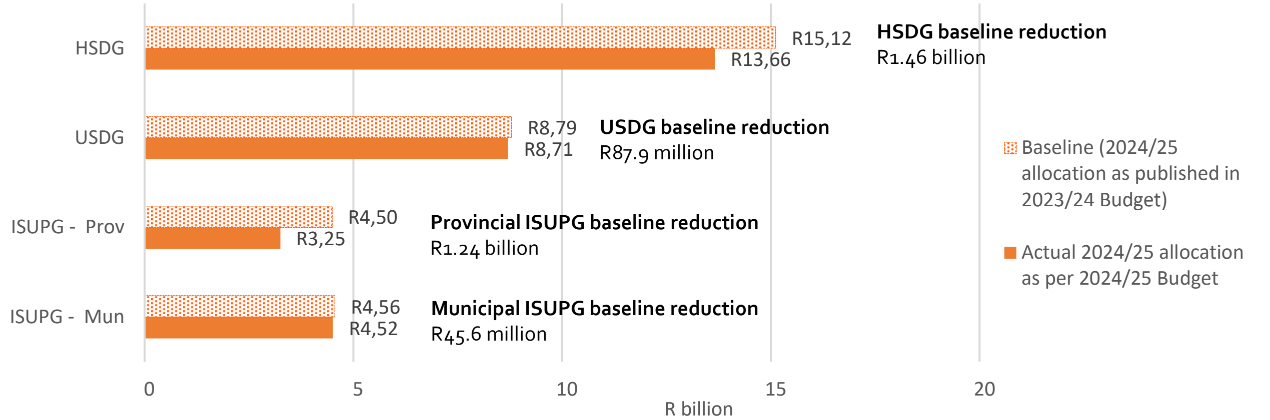
	Total allocation in 2024/25	Change from 2023/24 Revised Estimate	Purpose	Transferred to	Type of grant
Human Settlements Development Grant (HSDG)	R13.66 billion	+ R400 million (3.0%)	To provide funding for the progressive realisation of access to adequate housing through the creation of sustainable and integrated human settlements —includes majority of funds for implementation of housing programmes in the National Housing Code	Provinces	Schedule 5, Part A: Specific-purpose allocations to provinces
Urban Settlements Development Grant (USDG)	R8.71 billion	+ R1.1 billion (14.6%)	Provides funding to supplement the capital revenues of metropolitan municipalities in order to implement infrastructure projects that promote equitable, integrated, productive, inclusive and sustainable urban development	Metros	Schedule 4, Part B: Grant to supplement the funding of functions from municipal budgets
Informal Settlements Upgrading Partnership Grant (ISUPG): Provinces	R3.25 billion	- R575 million (-15.0%)	Provides funding to facilitate a programmatic and inclusive approach to upgrading informal settlements	Provinces	Schedule 5, Part A: Specific-purpose allocations to provinces
ISUPG: Municipalities	R4.52 billion	+ R456 million (11.2%)	To provide funding to facilitate a programmatic, inclusive and municipality-wide approach to the upgrading of informal settlements	Metros	Schedule 5, Part B: Specific-purpose allocations to municipalities

Source: 2024 ENE, pg. 686.

The HSDG and provincial ISUPG took the brunt of the overall cuts to the baseline of the Department. Although the HSDG allocation for this year is R400 million more than the adjusted appropriation for 2023/24 (as shown in the table above) , it is a ***decrease*** compared to the baseline. The Department was expecting to receive R15.12 billion this year for the HSDG, but was given R1.46 billion less than anticipated. This clearly has an impact on planning and delivery outcomes.

Figure 5 below illustrates the cuts to the baselines of the conditional grants in 2024/25. The ISUPG to provinces also experienced a significant cut to the baseline, amounting to R87.9 million, which is a 28% decrease.

Figure 5. Baseline cuts to human settlements conditional grants (2024/25)

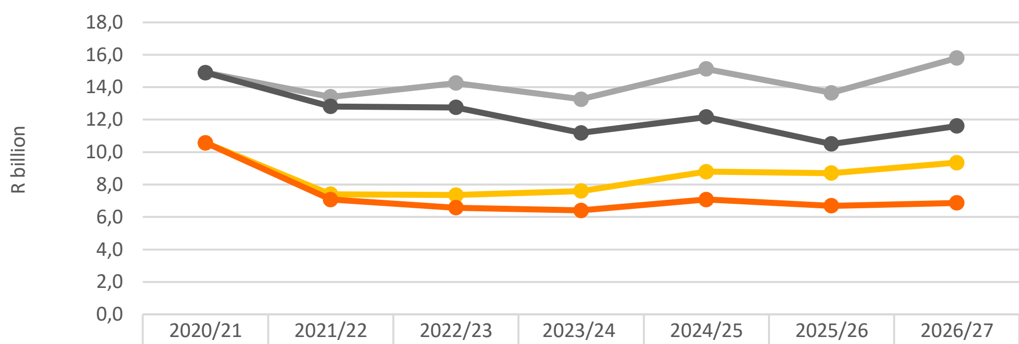


Source: 2024 Division of Revenue Bill (DORB), pgs. 73 & 94. Explanatory Memorandum to the Division of Revenue. *https://www.treasury.gov.za/legislation/bills/2024/[B4-2024]%20Division%20of%20Revenue%20Bill.pdf*

The baseline cuts continue into 2025/26 where the HSDG allocation is R1.65 billion (or 10.4%) below baseline. The baseline cut in 2026/27 is R2.187 billion. Over the MTEF, the HSDG has taken a R5.297 billion cut to its baseline. Still on the provincial side, in 2025/26 the provincial ISUPG has a 41% cut to its baseline. These are further examples of how the NDHS has been impacted by the spending reductions implemented by NT this year to balance the budget in the context of very high debt costs.

Figure 6 shifts perspectives to look at the conditional grant budgets over a 7-year period, as per the recent 2024/25 Budget. The figure compares nominal and real amounts to illustrate the impact of inflation on the spending power of the grants. 2020/21 is defined as the base year in these calculations.

Figure 6. HSDG and USDG allocations – nominal vs. real (2020/21-2026/27)



	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
HSDG (nominal)	14,89	13,4	14,26	13,25	15,12	13,66	15,8
HSDG (real)	14,89	12,81	12,75	11,18	12,16	10,5	11,61
USDG (nominal)	10,57	7,4	7,35	7,6	8,79	8,71	9,34
USDG (real)	10,57	7,08	6,58	6,41	7,07	6,69	6,87

Source: 2024 ENE, pg. 686. Own calculations.

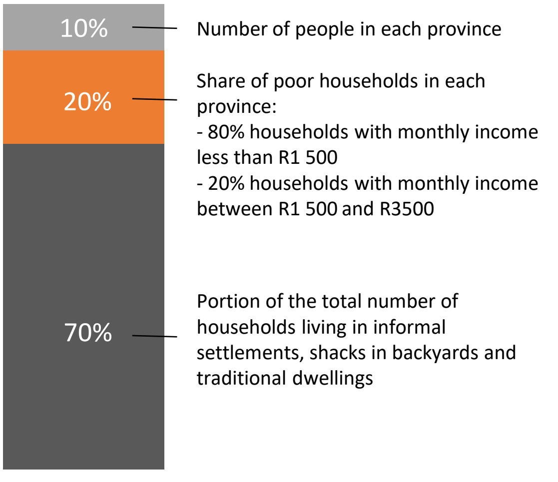
2.1 Human Settlements Development Grant (HSDG)

The HSDG remains the largest of the human settlements conditional grants, and the main vehicle for funding the implementation of the national housing subsidy programmes by provinces and municipalities. In 2024/25, the HSDG grows by R400 million (3.01%) to R13.66 billion. With a total of R42.17 billion allocated over the MTEF, the HSDG increases nominally by an average of 2.64% a year over the medium term.

The grant is allocated using a long-standing formula approved by the MINMEC and Budget Council. The formula has three components with different weightings, as shown in **Figure 7**.

Unfortunately, due to the detailed data from the new Census not being available in time, **all three components are still utilising 2011 Census data**. The high-level results from the 2022 Census reveal that nationally the percentage of households residing in formal dwellings has markedly increased from 77.6% in 2011 to 88.5% in 2022. However there is concern about the higher-than-usual estimated undercount in the recent Census, which may well have disproportionally affected informal settlements because of the challenges involved in enumerating these areas.[6] Given that this will be the last year that the budget is based on the 2011 data, this Budget has the weakest base of demographic data and is likely farthest away from accurate targeting.

Figure 7. Allocation formula for the HSDG



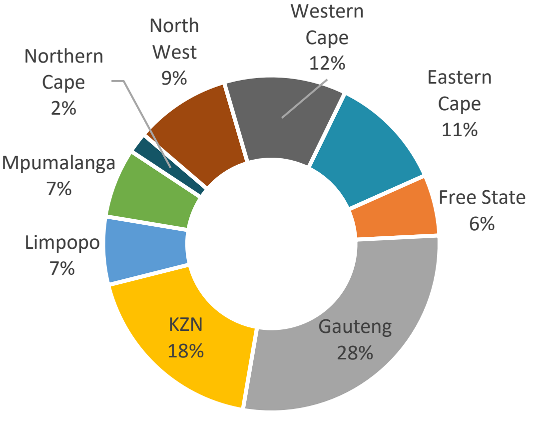
Source: 2024 DORB, pgs. 84 & 103.

Funds for mining towns and disaster recovery are added on top of the provincial allocations after the formula is applied. Within the HSDG for 2024/25, a total of R207 million is ringfenced to upgrade human settlements in mining towns in four provinces, namely Gauteng, Mpumalanga, North West, and the Northern Cape.

Figure 8 shows the relative shares for each province. Together, Gauteng and KZN are allocated nearly half of the entire HSDG. Due to its population and need, Gauteng's HSDG is over 14 times the size of the province with the smallest HSDG, Northern Cape.

Figure 8. Provincial shares of total HSDG (2024/25)

R million	2024/25
Gauteng	3 894
KZN	2 508
Western Cape	1 606
Eastern Cape	1 518
North West	1 257
Mpumalanga	910
Limpopo	893
Free State	800
Northern Cape	269
Total	**13 655**



Source: 2024 DORB, pg. 48.

Over the MTEF, for now, the same increase has been applied to all the respective provincial allocations: 3.6% in 2025/26, followed by an increase of 1.3% in 2026/27. This means the share of the allocations received by each province is expected to remain the same over the MTEF; however, with the introduction of the new 2022 Census into the HSDG formula, its highly likely there will be notable changes to the provincial shares in next year's Budget.

As per the DORB, the HSDG framework contains a number of earmarks and set-asides, which restrict the provinces' discretion in allocating the funds:[6]

- Up to 5% for operational capital budget programme to support project implementation
- Up to 5% for provision of bulk infrastructure projects for basic services in non-metro municipalities
- Up to 30% for bulk infrastructure, as per a systemic framework to be developed by NDHS in consultation with National Treasury
- At least 2% for the implementation of innovative building technologies approved by South African Bureau of Standards
- Provinces must allocate funds for title deeds for housing projects completed before 28 March 2014

Recently **grant pledging** as a financing practice has been extended to provinces. Grant pledging is when all or part of a conditional grant over one or more years is pledged or committed as repayment for a loan taken in the immediate financial year. By enabling the funds to be available up front, the practice makes it possible for projects to be completed much faster. In the human settlements sector, the Northern Cape recently used grant pledging of the HSDG—totaling R600 million over three years—to fast-track implementation of a housing project delivering 1 500 units.[8]

This year spending on the HSDG is generally on track. As of 31 December 2023 (end of Q3), 26% of the total HSDG allocation for 2023/24 was left unspent. However, Western Cape was behind in its HSDG spending, at 56%. Due to provincial under-expenditure, the NDHS stopped and reallocated R250 million from the Western Cape to Limpopo in mid-February.[9]

2.2 Urban Settlements Development Grant (USDG)

The USDG serves as the Department's primary funding vehicle for metros. Although the grant total increases by 15% (compared to last year's revised estimate) to reach R7.805 billion in 2024/25, this is only a 10% increase in real terms. Growing an average of 8.93% annually over the MTEF, the USDG reaches R19.07 billion by 2026/27. The USDG only takes a 1% baseline reduction in 2024/25 (R88 million), unlike the HSDG which is harder hit.

As a Schedule 4 grant, the USDG can be used at the discretion of the metro for purposes other than human settlements. The grant is intended to supplement own revenue to support urban development and human settlements, including water and sanitation, for example. Thus, although the USDG is administered by NDHS, within the metros it is split between various departments. This creates a more complex situation for reporting and monitoring spending across sectors and departments.

According to National Treasury, the grant's framework has been amended this year to emphasise the importance of spending on both new and existing bulk infrastructure,[10] especially water infrastructure services rehabilitation.[11] The new water financing component of the USDG is dependent on a Council-approved water turnaround strategy, a roadmap for institutional reforms for water delivery, and a water and sanitation services business and investment plan.[12]

The global USDG allocation is split between the eight metros according to the formula for the Municipal Infrastructure Grant (MIG), **which is still using the 2011 Census figures for its base in this year's budget**. As a result, the USDG—similar to the HSDG—will be poorly targeted between metros due to demographic changes in the last 12 years which would have impacted the target population.

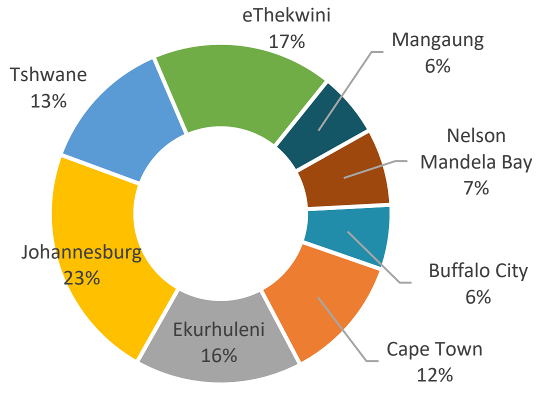
On top of the formula-driven allocation, an amount of R772 million in 2024/25 is ring-fenced for projects conditionally approved through the Budget Facility for Infrastructure (BFI):[13]

- R118 million for eThekwini for the implementation of phase 1 of the Avoca Node Programme
- R654 million for the Johannesburg for the implementation of the Lufhereng Mixed Use Development Programme

Due to these additional funds from the BFI, the largest share of the USDG goes to Johannesburg (23%), followed by eThekwini (17%)—as shown in **Figure 9**. Together the Gauteng metros receive over half of the total USDG in 2024/25.

Figure 9. Metro shares of total USDG (2024/25)

R million	2024/25
Johannesburg	1 954
eThekwini	1 498
Ekurhuleni	1 384
Tshwane	1 127
Cape Town	1 042
Nelson Mandela Bay	635
Buffalo City	535
Mangaung	531
Total	**8 705**



Source: 2024 DORB, pg. 273.

2.3 Informal Settlements Upgrading Partnership Grants (ISUPG) for provinces and municipalities

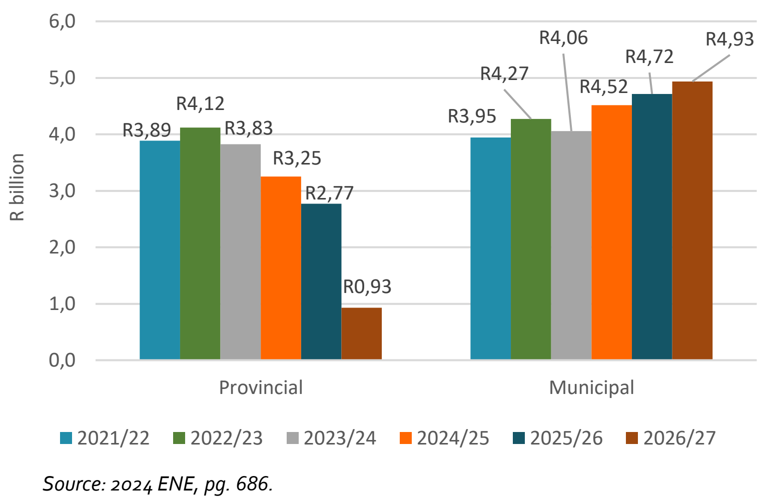
Now in its fourth year, the ISUPG is a specific-purpose grant that flows to both metros and provinces, to provide funding to facilitate a programmatic, inclusive approach to upgrading informal settlements. The grant funds Phases 1-3 of the UISP programme in the National Housing Code—Phase 4 is funded via other programmes such as the Integrated Residential Development Programme (IRDP). The funds can be used for: social facilitation, prefeasibility studies, re-blocking, land acquisition, bulk infrastructure, and engineering services. Indicators to assess progress on the grant include: number of serviced sites developed and transferred to households, number of settlements provided with permanent municipal engineering services, and number of household provided with secure tenure.

Notably, NDHS specifies that 70% of the grant must be spent by provinces on permanent infrastructure. There are also other rules on expenditure:[14]

- Maximum 5% for Operational Support Capital Programme
- Maximum 3% for social facilitation
- Maximum 3% for re-blocking

Figure 10 shows the total allocations for the ISUPG for both provinces and municipalities. In 2024/25, R3.25 billion will go to provinces and R4.52 billion to the eight metros. For the metros, this is a 11% increase from last year's revised estimate, but for the provinces, they are allocated 15% less than last year.

Figure 10. ISUPG allocations to provinces and metros (2020/21 – 2026/27)



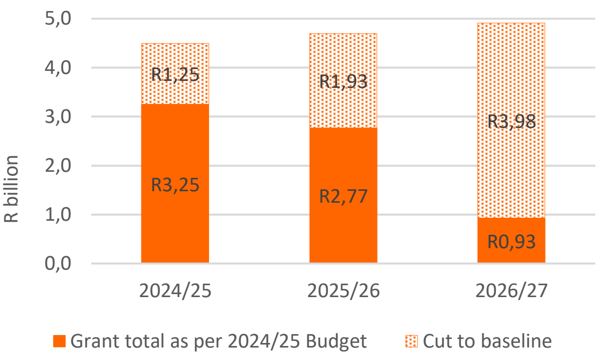
Source: 2024 ENE, pg. 686.

The ISUPG is being hit with serious cuts to its baseline this year, and faces even more severe cuts in the outer years. **Figure 11** shows the baseline cuts for the **provincial ISUPG**. Over the MTEF, the grant receives R7.16 billion less than was anticipated in the 2023/24 Budget. By the third year of the MTEF (2026/27), the provincial ISUPG falls to only R930 million, which is just 28% of this year's allocation.[15]

The baseline cut to the **municipal ISUPG** in 2026/27 is much less severe. Each year of the MTEF, the municipal ISUPG receives approximately R49 million in baseline cuts, however in nominal terms the total allocation for the grant increases each year, from R4.52 billion in 2024/25 to R4.93 billion in 2026/27. [16]

The budget documents are quiet on the reasons for the large cuts in the provincial ISUPG in the outer years. Inevitably, if these forecasted allocations are actually implemented come 2025/26 and 2026/27, there will be massive repercussions for the programme and in terms of progress towards the country's challenge of upgrading informal settlements.

Figure 11. Baseline cuts to the provincial ISUPG (2024/25 – 2026/27)



Source: 2024 DORB, pg. 73.

The split of ISUPG funds between provinces and metros follows the formula for the HSDG and USDG respectively. Given that the components in the HSDG use 2011 Census data, the allocation of the ISUPG is also undermined by its reliance on 12-year-old Census data.

For this reason, despite urbanization and other demographic trends which have impacted the provinces and metros in the last 12 years, the allocation between the provinces and metros remains essentially unchanged. Gauteng receives the largest share of the grant (29%) followed by KZN (18%). On the metro side, Ekurhuleni, eThekwini and Johannesburg all receive 17-18% of the total, amounting to approximately R770 million each. Provincial and metro allocations for 2024/25 for the ISUPG are shown in **Figure 12** below.

Spending on the provincial ISUPG has fallen behind this year. As of the end of the third quarter of 2023/24, only 45% of the total available had been spent by provinces. In addition, those provinces who were ahead in their expenditure and requesting additional funds were told to shift funds from their HSDG to the ISUPG.[17]

As of 31 December 2023 (end of Q2 for municipalities), only 31% of the total municipal ISUPG funds for 2023/24 had been spent. At a special MINMEC in February, metros were advised to move funds from non-performing projects to performing projects and the Department proposed the conversion of the unspent ISUPG funds for expenditure by an implementing agent.

However National Treasury then issued stop and reallocation letters to the metros for both the USDG and ISUPG, to address the problem and ensure expenditure by year-end.[18]

Figure 12. ISUPG allocations by province and by metro, 2024/25

R'000	2024/25	Share of total
Gauteng	927 043	29%
KZN	597 069	18%
Western Cape	382 315	12%
Eastern Cape	361 420	11%
North West	299 236	9%
Mpumalanga	216 666	7%
Limpopo	212 572	7%
Free State	190 561	6%
Northern Cape	64 112	2%
Total	**3 250 994**	**100%**

R'000	2024/25	Share of total
Ekurhuleni	787 428	17%
eThekwini	785 485	17%
Johannesburg	739 714	16%
Tshwane	641 212	14%
Cape Town	592 962	13%
Nelson Mandela Bay	361 684	8%
Buffalo City	304 707	7%
Mangaung	302 002	7%
Total	**4 515 194**	**100%**

Source: 2024 DORB, pg. 48.

3. Conclusion

Given that housing is a concurrent function reliant on all three spheres of government for successful service delivery, all but 3.2% of the R33.billion budget of the national department for 2024/25 will be passed through to provinces, municipalities and the various human settlements entities. It is therefore critical that those funds are spent efficiently by receiving agents in order for national to successfully leverage those transfers to address sector priorities.

In terms of the HSDG, spending is mainly on track, at 74% of total funds available at the end of Q3. However expenditure on the other three grants is behind. Taking rollovers and budget cuts into account, only 45% of the total funds available for the ISUPG had been spent by provinces at the end of Q3. The municipal ISUPG expenditure was also low at 31% at the conclusion of the municipalities' second quarter.

Metro spending on the USDG, midway through the financial year, was reported at just 32%, with nearly half the metros falling behind. The metros have two quarters to spend the remaining 2/3 of the grant funds available.

The NDHS has limited tools at their disposal to address low expenditure once funds have been transferred. Moving unspent funds between provinces and metros in the middle of the financial year is one mechanism which has been used each year. Given this pattern, the NDHS has introduced the idea of converting these conditional grants into funds that could be used by the national department to pay implementing agents, thus removing the spending authority from the metros and provinces. Although this would give the NDHS more direct control over spending, it would run counter to the drive to devolve more authority for human settlements to LG and communities as part of the city-building approach espoused in our urban development strategy.

With significant baseline reductions hitting the HS budget, the pressure to spend will increase, as the sector has fewer resources at its disposal to achieve its targets. Remembering as well that often unspent funds in a given year lead to a reduced budget allocation from National Treasury the following year.

In this context of a tight fiscus, the White Paper discussion on the role of the state as provider vs. enabler is all the more important. The WP process must analyse and determine which existing or new housing programmes will be most effective at promoting a sustainable, inclusive, functioning residential property market. And which programmes, incentives and regulations can most successfully boost private sector investment in order to move the needle in the drive for improved access to adequate, affordable housing.

[1] Budget Speech 2024 by Minister of Finance Enoch Godongwana, 21 February 2024. National Treasury. https://www.treasury.gov.za/documents/national%20budget/2024/speech/speech.pdf and 2024 Budget Review https://www.treasury.gov.za/documents/national%20budget/2024/review/FullBR.pdf

[2] 2024 Estimates of National Expenditure. National Treasury. Pg. 697. https://www.treasury.gov.za/documents/national%20budget/2024/ene/FullENE.pdf

[3] Housing Act 107 of 1997, Section 3.2.

[4] Differences due to rounding.

[5] 2024 Division of Revenue Bill (DORB), Explanatory Memorandum to the Division of Revenue. Pg. 73. https://www.treasury.gov.za/legislation/bills/2024/[B4-2024]%20Division%20of%20Revenue%20Bill.pdf

[6] Nick Budlender, LinkedIn post, 4 February 2024.

[7] 2024 DORB, pg. 182.

[8] 2024 Budget Review, pg. 68.

[9] "Q3 Performance as per the 2023/24 APP". Presentation to the Portfolio Committee for Human Settlements by the National Department of Human Settlements, 28 February 2024. https://pmg.org.za/committee-meeting/38446/

[10] 2024 DORB, pg. 108.

[11] 2024/25 Budget Review, pg. 55.

[12] 2024 DORB, pg. 232.

[13] Ibid.

[14] 2024 DORB, pg. 186.

[15] 2024 DORB, pg. 73.

[16] 2024 DORB, pg. 94.

[17] NDHS presentation to the Portfolio Committee of Human Settlements, 28 February 2024.

[18] Ibid.

The **Centre for Affordable Housing Finance in Africa** (CAHF) is a research NGO whose mission is to expand Africa's housing markets for all of its residents, through disseminating research and market intelligence, and supporting cross-sector collaborations and a market-based approach. www.housingfinanceafrica.org

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