

c/o: Michael Clark, Researcher

Email: michael@nu.org.za

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By email: budget.comments@capetown.gov.za

To whom it may concern

**RE: NDIFUNA UKWAZI'S SUBMISSION ON THE CITY OF CAPE TOWN'S 2021-2022
DRAFT BUDGET**

1. Ndifuna Ukwazi is a non-profit activist organisation and law centre that combines research, organising and litigation in campaigns to advance urban land justice in Cape Town. Our primary mission is to expand and protect access to affordable housing towards building a more just and equal city.
2. On 1 April 2021, the City of Cape Town ("the City") published its 2021-2022 Draft Budget and invited public comment on the budget and proposed amendments to the Integrated Development Plan (IDP). Ndifuna Ukwazi has read and considered the Draft Budget and hereby makes this submission to the City in accordance with the invitation to submit written comments.
3. Please see attached hereto our submission on the 2021-2022 Draft Budget and proposed amendments to the IDP.

Yours faithfully,

Ndifuna Ukwazi

Per: Michael Clark, Researcher

NDIFUNA UKWAZI'S SUBMISSION ON THE CITY OF CAPE TOWN'S 2021-2022 DRAFT BUDGET

INTRODUCTION

1. Ndifuna Ukwazi has considered the City of Cape Town ("the City")'s 2021-2022 Draft Budget and proposed amendments to the Integrated Development Plan ("IDP"), and makes the following submissions.

AUSTERITY BUDGET

2. Ndifuna Ukwazi is concerned about the consequences of the contractionary fiscal budgetary measures (i.e. austerity measures) that the City has embraced in the Draft Budget and adjustments to its IDP in the wake of the COVID-19 pandemic. These measures will provide the poor and working class with less services and increase their economic hardship.
3. The economic fall-out as a result of the COVID-19 crisis has exacerbated existing inequalities and social challenges, including spatial inequality and the dire need for well-located affordable housing. In many respects, the economic burden of the virus has, and will continue to be, disproportionately borne by the poor and working class. Data shows that the economic impact of the COVID-19 pandemic, the consequent economic recession and the national lockdown, has led to significantly higher rates of unemployment, diminished incomes, higher rates of hunger and, despite a national moratorium, greater tenure insecurity as many are exposed to the threat of eviction and removal from their homes.¹

¹ National Treasury Director General Dondo Mogajane has warned that South Africa's unemployment rate could rise above 40%, while the Chamber of Commerce projects unemployment figures as high as 50%. See S Zulu, "SA's unemployment rate could reach 40% due to COVID-19 - Mogajane", *Eye Witness News (EWN)* (12 May 2020); and Associated Press, "COVID-19: South Africa's unemployment rate expected to reach 50% as economy keeps plummeting", *IOL News* (24 May 2020).

4. According to Statistics South Africa (StatsSA) the official unemployment level is at a staggering 11.1 million people (42.6%) on the expanded definition.² The South African National Income Dynamics Study – Coronavirus Rapid Mobile Survey (NIDS-CRAM), found that between February and April 2020, 3 million South Africans lost their jobs, and a further 1.5 million lost their income (through being furloughed).³ This represents a 18% decline in employment.⁴ The study also found that 1-in-3 (33%) income earners in February did not earn an income in April, representing a massive decline in employment and other income generating activities.⁵ The vast majority of these job losses were concentrated among already disadvantaged groups, including those in the informal economy, women, the youth and less educated. Women were particularly hard hit, accounting for up to 2 million of the 3 million job losses.⁶ Concerningly, none of the people who lost their jobs between February and April were reemployed between May and July and only half of those that were furloughed were reabsorbed into the labour force.⁷ This indicates that the losses could be long-lasting and potentially even permanent.⁸
5. This economic devastation has profoundly impacted poor and working-class people's ability to pay for and retain access to a variety of social services, including housing, healthcare and food. For example, a nationwide survey of 80 000 tenants in South Africa, indicates that the pandemic has negatively affected the tenure security of many

² See Budget Justice Coalition (BJC), "Submission by the Budget Justice Coalition to the Select and Standing Committees of Finance on the 2021 Budget" (March 2021), p. 4.

³ See NIDS-CRAM, "Overview and Findings: NIDS-CRAM Synthesis Report Wave 1" (2020), p. 3, which can be found, alongside all the NIDS-CRAM working papers at the NIDS-CRAM website, available: <https://cramsury.org>. See also, for a summary of the results, Spaul, "The jobs reckoning is here: 3 million jobs lost".

⁴ NIDS-CRAM, "Overview and Findings: NIDS-CRAM Synthesis Report Wave 1", pp. 3-5.

⁵ See NIDS-CRAM, "Overview and Findings: NIDS-CRAM Synthesis Report Wave 1", p. 4. The NIDS-CRAM data confirms preliminary data from Statistics South Africa ("StatsSA"). See StatsSA, "Results from Wave 2 Survey on the Impact of the COVID-19 Pandemic on Employment and Income in South Africa" (May 2020), available:

<http://www.statssa.gov.za/publications/Report-00-80-03/Report-00-80-03May2020.pdf>.

⁶ NIDS-CRAM, "Overview and Findings: NIDS-CRAM Synthesis Report Wave 1", p. 5; Spaul, "The jobs reckoning is here: 3 million jobs lost".

⁷ NIDS-CRAM, "Synthesis Report Wave 2" (2020), p. 1, available:

<https://cramsury.org/wp-content/uploads/2020/09/1.-Spaul-et-al.-NIDS-CRAM-Wave-2-Synthesis-Findings..pdf>.

⁸ NIDS-CRAM, "Synthesis Report Wave 2", p. 1.

poor and working class households.⁹ The survey found that 78.8% of tenants' income has been negatively affected by COVID-19 and that this has affected tenants' ability to pay their rent. In fact, only 37% could afford to pay their rent in full and a staggering 22% couldn't pay their rent at all. At this critical juncture then, the poor and working-class are particularly reliant on the social services that are provided through the state.

6. In this context, it is critical that the City interrogate whether the underlying logic of an austerity budget supports the kind of local government envisaged in the Constitution and the caring government that the City claims to be? The Constitution edifies that the state - at all levels - must make the maximum possible resources available for promoting, respecting, protecting and fulfilling essential human rights, including socio-economic rights and social services. We do not believe that the City has done this.
7. This approach would have necessitated an expansion of the roll out of key socio-economic amenities such as housing, serviced stands and basic services – amenities that are essential in the fight against the COVID-19 pandemic. Yet the City's projected deliverables remain largely unchanged and unresponsive to the unfurling emergency that most poor and working class people face. In fact, other than limited relief offered to ratepayers (specifically property rate payers) and the limited increase in the costs of services, the Draft Budget and adjustments to the IDP provide virtually no economic relief to mitigate the economic effects of COVID-19 on the City's inhabitants.
8. The City has primarily attributed these austerity measures to the “tapering off” of transfers and grants from national and provincial governments. However, these claims seem disingenuous. The portion of the City's operating revenue that is made up of transfers and subsidies from national and provincial government has actually increased by 1.18% - while this increase is below inflation and therefore does mean that there has been a real decrease in revenue from transfers and subsidies, this decrease is marginal and does not provide adequate justification for the City's aggressive austerity measures. The same trend is evident in the human settlements related subsidies and transfers from national and provincial governments, which have remained largely consistent with

⁹ The survey and report were compiled in May 2020 by a residential rental proptech platform - *Flow*. See Flow, “How COVID-19 has affected South African tenants”, *Flow Findings Research Report* (May 2020), available: <https://flow.rent/tenants>.

pre-COVID allocations. This raises serious questions about the City's authenticity in claiming that its spending cuts are driven by a reduction on transfers and grants from the other levels of government.

9. In actuality, it seems that these cuts have been driven by the City's reluctance to utilise its surplus and the reduction in revenue from the City projects to receive from its rates-base and for service tariffs. While it is understandable that the City would try to keep rates and services charge increases low, the resultant decrease in social services means that the City is effectively dumping the burden of an austerity budget on the backs of the poor and working class rather than spreading the economic load more fairly among all Capetonians. We argue that the City should have more proactively carved out budgetary measures to provide concrete and tenable economic and social relief packages for the City's inhabitants rather than placing additional limitations on spending. There is also a noticeable lack of a coherent post-COVID recovery plan other than commitments to growing the local economy.
10. The City's aggressive austerity measures and limited financial, fiscal and social relief to Cape Town residents are indefensible at a time that the City is taking on significant amounts of debt that means more spending is possible to alleviate our extreme levels of inequality, poverty and unemployment. The City's austerity approach is also out of step with countries and cities across the globe that are embarking on expansionary fiscal packages (i.e. stimulus budgets) to combat the dire economic fallout of the COVID-19 pandemic.¹⁰
11. We, therefore, strongly urge the City to urgently expand its spending on healthcare, social security, housing and access to basic services. We also support a human rights based post-COVID economic recovery plan that includes rates, tariffs, debt and spending that are based on meeting the human rights obligations of a caring city.

HUMAN SETTLEMENTS BUDGET AND SPATIAL TRANSFORMATION

¹⁰ See P Coy, "Even Deficit Hawks Support Big Spending to Fight the Virus Slump", *Bloomberg Businessweek* (13 March 2020), available: <https://www.bloomberg.com/news/articles/2020-03-13/even-deficit-hawks-support-big-spending-to-fight-the-virus-slump>. See also L Siaz, "Time for a Rights-Based Global Economic Stimulus to Tackle COVID-19", *Center for Economic and Social Rights* (27 March 2020), available: <https://www.cesr.org/time-rights-based-global-economic-stimulus-tackle-covid-19>.

12. While the capital budget earmarked for human settlements has been increased from R781 million in 2020/21, to R916 million in 2021/22, this allocation has remained consistent at approximately 10% of the overall capital budget. We are concerned that the City has not sought to increase the human settlements portion of the budget in the wake of the urgent and pressing need to address the acute shortage of affordable housing in Cape Town.
13. The COVID-19 outbreak has shown clearly that access to a home is a crucial defense against the pandemic and the economic fallout of the pandemic has driven more people into homelessness. Access to housing has proven to play a significant part in getting and staying healthy, as in instances of self-quarantine or self-isolation. Where one loses access to their home, one cannot sufficiently protect themselves or their community from the risk of contracting and transmitting COVID-19 and other communicable illnesses including respiratory illnesses and illnesses leading to immunodeficiency. Housing, at this critical point, is healthcare.
14. In this context, the City should take every effort to deliver access to well-located affordable housing. Once again, we challenge the City to interrogate whether it can truly say that it is prioritising the provision of affordable housing and spatial transformation when its allocation for human settlements only constitutes 10% of its overall capital budget?
15. We are also deeply concerned that only one social housing project - the Salt River Market Social Housing Project for which R20 million has been allocated in the 2021/2022 financial year - was listed among the major capital projects for the City's Human Settlements Directorate for the medium term. In addition to this project, the City makes mention of only two other social housing projects, namely the Maitland Social Housing Project (for which R10 million has been allocated in the 2021/2022 financial year) and the Pine Road Social Housing Project (for which R10 million has been allocated in the 2021/2022 financial year). The fact that only these three social housing projects have been referenced and that the expenditure allocated to the constitutes a fraction of capital expenditure allocated to the Human Settlements Directorate, raised

serious doubts about the City's commitment to spatial transformation and social inclusion.

16. Cape Town already has surprisingly few housing projects. When compared to other metropolitan municipalities, the City has only 10% of the national social housing stock, while its population makes up about 20% of the metropolitan population of South Africa.¹¹ No social housing has been completed in central Cape Town since 1994.¹² It has also been almost four years since the City announced plans to release eleven pieces of public land for the development of social housing. However, to date, none of these projects has been completed. The City's budget shows that contrary to the City's repeated promises that these projects are also not serious priorities for the City.
17. The reality is that without prioritising and allocating sufficient funding to social housing projects in well-located parts of the City, and particularly central Cape Town, the City will only exacerbate and entrench the legacy of spatial apartheid.
18. We also note with concern that the City's Human Settlements budget suggests a shift in priorities away from developing housing (top structures) and towards the delivery of serviced stands and upgrading of informal settlements. While any response to the housing crisis requires the City to adopt a broad range of housing typologies, including serviced stands and informal settlement upgrading, the delivery of serviced stands without the roll-out of a complementary programme aimed at giving beneficiaries the necessary skills and technical support to develop their own homes has the potential to worsen the housing crisis. We were therefore surprised not to see a larger number of People's Housing Partnership projects in the City's list of major projects earmarked for the medium-term. We therefore urge the City to seriously consider how it can facilitate and promote projects that will enable beneficiaries to contribute to the construction of their own structures when they are allocated a serviced stand. Without such a programme, the likely result is the propagation of further informal dwellings on serviced

¹¹ See A Scheba, I Turok & J Visagie, "The location of social housing in Cape Town: Separating fact from fiction", *Daily Maverick* (21 April 2021), available at: <https://www.dailymaverick.co.za/article/2021-04-21-the-location-of-social-housing-in-cape-town-separating-fact-from-fiction/>.

¹² Scheba et al, "The location of social housing in Cape Town".

stands in poorly-located areas - a development that is likely to worsen spatial inequality rather than addressing it.

CONCLUSION

19. Ndifuna Ukwazi raises a number of concerns about the City's Draft Budget and proposed amendments to the IDP. In particular, we believe that austerity measures during a time of economic and social crisis is deeply inappropriate and encourage the City to find ways to offer lasting economic relief to poor and working class communities. As James W Frick, the former vice president of public relations at the University of Notre Dame, once said in a now infamous quote:

"Don't tell me where your priorities are. Show me where you spend your money and I'll tell you what they are."

20. The City has, for years, tried to position itself as a City that is considerate and caring, as a City that prioritises the delivery of basic services and is committed to spatial transformation. This budget does not reflect these stated priorities. We therefore urge the City to adopt a budget that ensures that the residents of the City are all better off during the COVID-19 crisis and its immediate aftermath by including the amendments proposed in this submission. These include:

- 20.1. Adopting a budget that is indicative of the kind of local government envisaged in the Constitution and a caring City by making the maximum possible resources available for promoting, respecting, protecting and fulfilling essential human rights, including socio-economic rights and social services. This would require an increase in spending on social services, in particularly housing.
- 20.2. Committing a greater proportion of the City's capital budget to the delivery of well-located affordable housing.
- 20.3. Prioritising social housing projects in well-located areas and, in particular, central Cape Town.

- 20.4. Establishing and ensuring the roll-out of human settlement projects that provide beneficiaries with the necessary technical skills, knowledge and resources to contribute to the development of their own homes alongside the development of serviced sites (in the instances where top structures are not provided). This could include initiating additional People's Housing Process projects to complement the delivery of serviced sites.
22. In order to fund the various recommendations contained in this submission which are necessary to care for and support the residents of Cape Town during this trying time, we suggest that it may be necessary to use a combination of the following strategies; reallocate funding that has been allocated to non-essential expenditure, lobbying the National government for additional funding, and/or securing credit to fund any deficit.

END