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Workshop Report: Western Cape Consultation Workshop on the Draft White Paper on Human Settlements

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EXECUTIVE SUMMARY

In the first ten years of democracy, a policy direction aimed at redressing Apartheid created imbalances was set. Ten years later, in 2004, the Cabinet adopted the Comprehensive Plan for the Development of Sustainable Human Settlements as the new strategy for the delivery and development of sustainable human settlements. The time has now come to consolidate and build on the solid foundation laid in the past 20 years.

With this backdrop, the National Department of Human Settlements (NDHS) has embarked on a process of developing a White Paper on Human Settlements. The White Paper will be a fundamental policy document that carves the development path and subsequently, the implementation of Integrated Human Settlements in South Africa. To feed into this process, a series of provincial and national consultative engagements will be held. In this regard, on 23 and 24 November 2015, the Western Cape Department of Human Settlements (WCDHS) co-hosted a provincial Consultative workshop in partnership with the NDHS, to solicit inputs from government officials which will be incorporated into a new White Paper on Human Settlements.

A series of presentations and commissions formed part of the workshop. The presentations provided perspective on performance, achievements, gaps and recommendation both for implementation and policy. The commissions were organised around four themes and were facilitated by departmental officials:

- Planning, Design and Development of Settlements
- Access to Human Settlements
- Developing a Functional and Equitable Residential Property Market
- Funding Streams & Financing Human Settlements

This document provides an overview and proceedings of the two day consultation workshop. This content of this report is structured according to the programme of the two days.

1 INTRODUCTION

1.1 Background

The National Department of Human Settlements (NDHS) has embarked on a process of developing a White Paper on Human Settlements. The White Paper will be a fundamental policy document that carves the development path and subsequently, the implementation of Integrated Human Settlements in South Africa.

As part of this process, the Western Cape Department of Human Settlements (WCDHS) co-hosted a provincial Consultative workshop in partnership with the NDHS, to solicit inputs which will be incorporated into a new White Paper on Human Settlements. The event was held at the Protea Hotel (Stellenbosch) on 23 and 24 November 2015 and was attended by 110 national and provincial departmental, municipal¹ and sector department² officials. Mr Nathan Adriaanse, Director of the WCDHS's Communications and Stakeholder Relations Directorate was the Programme Director for the two days. The workshop was organised around four thematic areas (see workshop programme in Annexures):

- Planning, Design and Development of Settlements
- Access to Human Settlements
- Developing a Functional and Equitable Residential Property Market
- Funding Streams & Financing Human Settlements

The aim of this report is to present the workshop proceedings, discussions and comments raised. The report is structured according to the programme of the two day consultation.

1.2 Opening address

Minister Madikizela (MEC: Human Settlements in the Western Cape) delivered the opening address at the workshop where he spoke on the strategic direction of the WCDHS and highlighted the imperative to introduce innovative initiatives when developing integrated human settlements in South Africa. In his address, he also underscored the importance of ensuring that the allocated budget of the province is stretched as wide as possible so as to reach as many people as possible. The Minister noted that with just under R2billion budget, and more than 500 000 families in the Housing Demand Database, it is impossible to build houses for everyone at a fast pace. Hence he urged government to embark on a multi-pronged approach in order to deal with this enormous task. The Minister informed the delegates of the commitments of the WCDHS over the five-year term which ends in 2019:

- Directing more resources to the Upgrading of Informal Settlements Programme (UISP) in order to improve the living conditions of informal settlement dwellers and for those living in backyards who continue to wait for a housing opportunity,

¹ Municipalities that attended included: Overstrand, Breede Valley, George, Bitou, City of Cape Town, Laingsburg, Swartland, Saldanha Bay, Beaufort West, Witzenberg, Bergrivier, Stellenbosch, Theewaterskloof, Drakenstein, Langeberg, Hessequa, Knysna, Cape Agulhas, Mossel Bay,

² Sector Departments that were represented included: Department of Environmental Affairs and Development Planning, Department of Local Government, Department of Agriculture, Department of Economic Development and Tourism, Department of the Premier, Department of Transport and Public Works, Department of Social Development, Provincial Treasury, National Department of Performance Monitoring and Evaluation, The Housing Development Agency and Western Cape Provincial Parliament.

- Increasing the provision of Affordable/Gap Housing in order to provide shelter for people who earn too much to qualify for free subsidised houses and too little to qualify for mortgage. In this regard, the Department has embarked on private-public partnership with financial institutions, developers and the private sector in order to unlock the full potential of this market.
- Lastly, the Department is focusing on tightening the allocation of BNG/free subsidised houses by prioritising the most deserving people like elderly, disabled and child headed households.

He further highlighted the importance of national policy taking all these elements into consideration when reviewing national policy. The Minister ended his presentation welcoming the opportunity presented by the NDHS which he hopes will result in the proposal of innovative and sustainable solutions to the development of human settlements.

1.3 Objectives of the workshop

Dr. Zoleka Sokopo, Acting DDG: Human Settlements Delivery Frameworks outlined the objectives of the workshop as follows:

- To stimulate discussion and solicit inputs for the development of human settlements policy and legislation;
- To develop ambassadors and advocates for human settlements policy.

Dr Sokopo further indicated that the legislative and policy review processes are aimed at meeting the obligation to develop sustainable human settlements while responding to the Constitutional mandate as outlined in Section 26. Lastly, she indicated that the policy review process will tie in and complement a range of goals such as those detailed in the National Development Plan, in the Sustainable Development Goals (SDG) and also take stock of the lessons learnt in the application of policies and programmes in the last 20 years.

2 SETTING A FOUNDATION FOR POLICY DEVELOPMENT

2.1 An overview of the last 20 years: A national perspective

This section provides a summary of the presentation³ made by Dr Sokopo which gave a broad overview of housing delivery in the past twenty years. The presentation further identified gaps and weaknesses in policy, legislation, programmes and implementation.

According to Dr Sokopo, in the past two decades, government policies focused on poverty reduction in order to address social, spatial and economic injustices. The implementation of housing opportunities was informed by the White Paper on Housing, Housing Act and the Comprehensive Plan for the Development of Sustainable Human Settlements (also known as the Breaking New Ground Policy). Over this period, government has delivered more than 3.5 million housing opportunities to households. Some of the challenges observed include poor spatial planning and governance capability, and the high cost of

³ Dr Zoleka Sokopo's presentation is attached separately.

securing well-located land for human settlement development which has driven the development of houses on the periphery of the cities. Also, there has been an inability to adequately respond to the diverse needs of low-middle income households who do not qualify to receive a free BNG houses. Lastly, the registered need for adequate housing has grown to around 2.2 million (including informal settlements and backyard shacks).

The concluding points of the presentation noted that the imperative for government to do things differently in order to accommodate the growing need for adequate housing by households. This, she argued, can be achieved by reviewing what has worked and by building on the successes of the past, working in areas of requiring improvement and by making sound recommendations to guide implementation.

2.2 An overview of performance: A provincial perspective

Ms T Jooste, Director of the WCDHS's Policy and Research Directorate, delivered a presentation⁴ that provided a contextual analysis of the Western Cape Province. The presentation reflected on the historical housing performance and trends, factors which need to be considered when reformulating housing policy in future, policy implications and key questions that have to be reflected upon in the process of developing new policies for human settlements.

The presentation illustrated that income levels in the province remain low, with 50% of Western Cape households earning less than R3500 per month while 30% fall in the 'gap' market. The City of Cape Town accounts for 64% of the total population of the province. The presentation also indicated that income alone is not an indicator of need government should also look at inadequate housing because it affects a range of income groups thus highlighting the affordability challenge. Finally the presentation also illustrated that housing needs differ by age and stage of life and logically, housing products should respond to this trend. Further policy implications included the need to offer greater support to the 'gap' market, the importance of drawing stronger linkages between housing and other services such as transport, education and health. She also talked on the need to densify in the development of human settlements because land is a scarce and expensive resource.

In her presentation Ms Jooste spoke on the need to have a clear understanding of demand and the range of household needs (age, special needs, etc.) because that is important to inform the drafting of human settlements policy. She also indicated that in future, there is a need to diversify dwelling options and subsidy products available because government cannot be the sole supplier. She also touched on the importance of planning being focused on where the geographical need and socio-economic potential is the greatest. Lastly, she called for informal settlement support to be done in close cooperation with residents and community-based/non-governmental organisations.

2.3 Plenary discussion: Day one

The participants engaged on the two presentations that were made and the following broad comments were raised:

- Participants cautioned against focusing too much on reviewing policies and not getting anything done i.e. implementation.

⁴ Ms T Jooste's presentation is attached separately.

- It was also indicated that the Department should not shy away from still having 'eradication' of informal settlements as the end goal, but in the short to medium term support and mechanisms should be put in place to achieve this goal. This point links to Ms Jooste's presentation where she highlighted that the rhetoric of 'eradication' needs to shift to support and facilitation.
- A gap that was identified in the presentations was the lack of reference to the development of resilient human settlements.

3 POLICY PROPOSALS FROM THE COMMISSIONS

This section of the report gives a summary of the inputs made in the four commissions that discussed the following themes:

- Planning, Design and Development of Settlements
- Access to Human Settlements
- Developing a Functional and Equitable Residential Property Market
- Funding Streams & Financing Human Settlements

The commissions were facilitated by WCDHS officials⁵ and included between 20 – 25 participants each.

The essence of these discussions will feed into the draft White Paper document. The information below captures the challenges, suggested policy changes discussed at the commissions as well as programmatic and strategic solutions. This also includes a synthesis on the performance measures discussed and the identification of roles and responsibilities that will facilitate the development of sustainable human settlements.

3.1 Commission one: Planning, Design and Development of Settlements

In this section discussions from the planning, design and development of settlements commission are summarised as follows:

3.1.1 Current context - Issues, challenges and gaps

3.1.1.1 PLANNING

- A lack of synergy in the planning and implementation of housing projects contributes towards a failure in providing ancillary services that are important for any settlement to function properly;

⁵ Planning, Design and Development of Settlements (Mr Louis Welgemoed), Access to Human Settlements (Mr Mbongji Gubuza), Developing a Functional and Equitable Residential Property Market (Mr Brian Mabotha), Funding Streams & Financing Human Settlements (Mr Anthony Hazell)

- The large number of policies, legislation and regulations that municipalities must adhere to and comply with are burdening municipalities and delaying development;
- Government delivery of housing can only address a small fraction of the demand, leaving the majority without assistance;
- To date the department (DoHS) has focused on the delivery of houses through the development of projects. This focus has resulted in the neglect of the larger community and settlements where these projects are located which, in turn, leads to spatial and social segregation;
- Densification was identified as a key strategic action needed to ensure sustainable settlements. It was noted that densification cannot be uniformly applied and that any densification strategy must be mindful of the town / rural character of settlements;
- Embracing and planning for informality is an important paradigm shift required going forward. But currently, the tools used by planners do not contribute towards achieving this objective;
- No clear definition on the notion of "Informality". This concept must be clearly defined in order to allow for the incorporation thereof into general planning and development milieu;
- Lack of an appropriate level of human settlement development intervention for rural settlements and little clarity with the term "Agri-Villages" hampers the department's (DoHS) ability to address farm worker housing needs as well as general development in rural settlements;
- The department's focus on the creation of new housing stock has ensured that planning focuses on creating new neighbourhoods or expanding existing neighbourhoods. In both instances the current needs in existing neighbourhoods have been neglected. How should government deal with current needs in existing communities and plan for new neighbourhoods or settlements?

3.1.1.2 BULK SERVICES

- Coordinated joint planning is important due to high costs associated with bulk infrastructure and the time it takes to plan and commission new facilities such as waste water treatment works, cemeteries, landfill sites etc. This hampers the development of sustainable human settlements;
- Future maintenance of bulk infrastructure is not funded by either national or provincial government and thus reverts back to shrinking tax base of local municipalities that cannot afford such maintenance;
- The loss of technical expertise at municipal level is a huge challenge faced by communities and municipalities with aging infrastructure.

3.1.2 Recommendation

3.1.2.1 PLANNING

- Joint planning in a holistic manner is imperative. In order to create sustainable human settlements over the longer term, planning must be "area specific" rather than having a "project specific" focus;
- The Integrated Development Planning (IDP) process should be analysed and adjusted to better ensure joint planning in a holistic manner. Coordinated planning of all relevant role players must actively take place from the development of spatial planning in Spatial Development Frameworks (SDF) through to implementation programming and budget alignment in the IDP process. Participation in the IDP and SDF process is critical to ensure that all role players understand their responsibilities with regard to the development of sustainable human settlements. Existing legislation, structures and processes must be used to achieve this holistic planning. It is not necessary to create new platforms to achieve this;
- The department (DoHS) should consider addressing general needs within a settlement rather than focusing on the delivery of houses through the completion of specific projects. By attending to these

more general needs of the larger community, through the provision of social economic amenities and facilities, living conditions will be improved and communities will be mobilised to take ownership of their lives encouraging them to build their own houses;

- Government should embrace and plan for informality by giving access to a range of facilities or products other than houses. For example, government could focus on accessibility, formal and informal trading, public transport and providing for social amenities such as health facilities, schools, crèches, etc. Notwithstanding this, security of tenure is and should always be the main objective;
- As part of embracing informality, cities and towns should also re-focus planning towards progressively accommodating the young poor people migrating to the larger urban centres in search of work opportunities;
- Government must move away from inappropriately investing in smaller settlements which leads to the creation of “poverty traps”. Human settlement development must be prioritised in well-located areas thereby creating housing stock that will give persons residing in remote areas an opportunity to relocate to these prospect filled areas. The planning associated with such projects must be area-based rather than focusing on a specific project;
- Decentralisation of economic activities should also be considered. Government should introduce incentives to encourage businesses to relocate to where people live;
- Planning and building regulations, policies and programmes must be reconsidered and changed where necessary in order to adopt informality and incrementalism, both in terms of existing communities and new neighbourhoods. Whilst striving towards increased densities where appropriate;
- In some instances the provision of enhanced serviced sites could be seen as perpetuating urban sprawl and ‘apartheid’ style planning. Therefore it is essential that the appropriate mix of housing typologies and tenure types be selected to address the needs of the target community;
- The need for a Spatial Investment Framework was raised. Such a framework should provide clear direction to municipalities when investing. The need for both National and Provincial Government to be more prescriptive in this regard was also noted.

3.1.2.2 BULK SERVICES

- Spending by all sector departments and municipalities must be streamlined and coordinated to achieve better alignment with regard to planning and budgeting for bulk infrastructure. Both national and provincial Treasury must play a more central role with regard to the planning, budgeting and provision of bulk infrastructure;
- There is a need to re-think the design of bulk infrastructure in order to promote innovation (e.g. close-loop systems to encourage re-use of water, etc.). The adoption of “Norms and Standards” should be considered instead of the application of strict regulations when dealing within the design of bulk infrastructure;
- Centralization of infrastructure should be considered as this will promote water conservation;
- Capacity building through consideration of incentives is very important to retain Specialists in smaller municipalities that will be able to maintain infrastructure at this level.

3.1.3 Who is responsible/ key role players

- The commission indicated that the department (DoHS) is not sufficiently resourced to play coordinating role for all other sector departments and relevant role players when dealing with human settlement development. Thus the clarification of roles and responsibilities must be a high priority. Municipalities must identify the real need and implement the resulting solutions. Provincial Government on the other hand must coordinate planning, budgeting and execution of human settlement development.

- The role of the IDP and SDF with regard to the coordination of roles and responsibilities in human settlement development was once again emphasised.
- The central role of the local community was emphasised when dealing with human settlement development.

3.1.4 General inputs

- Government must find an acceptable balance between the real need, the perceived need and what can be achieved with regard to human settlement development.
- The breaking down of silos in terms of planning and implementation by the consideration of other elements such as economic and social land use mix was stated as an important aspect requiring more attention. Additionally performance measures should be reconsidered to have a broader focus rather than purely on the number of opportunities created over a period of time.
- How can the strategic action of increased densities be achieved whilst incorporating the notion of "Informality" into settlement planning and development, specifically with regard to the prioritisation of enhanced serviced site?

3.2 Commission two: Access to Human Settlements

In this section, discussions held in the Access to Human Settlements commission are summarised. The commission started by discussing the meaning of the following before discussing the key theme.

- The **Constitutional mandate** which speaks to the right of **access to adequate housing**;
- **Access** as it relates to the creation of integrated and sustainable human settlements;
- **Adequate housing** its definition and how it relates to the development of human settlements

3.2.1 Current context- Issues, challenges and gaps

- The commission indicated that the current funding system for housing is not sustainable. Government cannot continue providing free housing for all. It creates a culture of dependency and entitlement;
- Contribution of bulk infrastructure remains a huge challenge due to budgetary constraints. The local sphere of government is expected to deal with the bulk services backlog in the older settlements and is also expected to provide the same in new settlements. This is a huge burden placed on municipalities because they do not have enough human and financial resources to provide for this;
- Lack of synchronised approach in terms of planning and resources. Each sphere of government and various departments are planning in silos. Projects are planned on paper but there is no synergy in the planning and implementation. The current IGR structures is not yielding the desired results;
- The housing backlog is huge and the current system of delivery is not demand driven. Delivery cannot be viewed as a one-size-fits-all approach;
- There is also a challenge of land availability in order to commence with new projects closer to employment opportunities. It is difficult and expensive for government to secure land which will promote integration;
- The role of the Housing Development Agency is not clearly defined, and it is unclear if it is achieving its goal of securing land;
- The commission is not in agreement with the proposal that municipalities be given the burden and responsibility to manage rental stock. They felt that responsibility should be handed over to Housing Institutions responsible for property development and management.

3.2.2 Recommendations

- Funding of bulk infrastructure to address both old and new settlements must be made available and be adequate. Human settlements must be mainstreamed in terms of funding allocation. It is not correct to allocate funding for houses but nothing for socio-economic amenities. The proposed Human Settlements Act needs to address this;
- The rent to buy option must be explored to its fullest potential. Practitioners in the field must look into the challenges posed by past failures and generate measures to improve this option. This option must be promoted and mainstreamed, households must also be encouraged to make a contribution towards their housing;
- The commission further proposed that the government continues with the individual subsidy programme and allow the private sector to enter the market and provide those houses to lessen the burden on the officials;
- There must be legislation allowing provinces to buy land as opposed to the current status where they are restricted to accessing land that previously fell under old Housing Board. There is a call that national government must devolve land to either provincial governments or to municipalities;
- The commission acknowledges the expropriation of land in terms of Municipal by laws. However, there is a need to have an Act which compels private land owners to surrender their properties for developmental purposes;
- Municipalities and provincial governments must develop Land Acquisition Plans/Strategy in order to achieve integrated human settlements;
- The concept of land banking must be promoted in order to secure land which will assist for future area- based developments;
- The commission proposed that land closer to towns and cities must be densified as opposed to developing houses on land that is on the periphery.

3.2.3 Who is responsible/ key role players

- National Government should be responsible for the formulation of legislation, policies and funding;
- Provinces should coordinate planning and identify areas of investment and put systems in place to ensure fair allocation of housing opportunities;
- Municipalities must continue providing services as per their constitutional mandate.

3.2.4 General inputs

- The commission indicated that there is a need to review the current subsidy bands as proposed but proposal should be discussed further;
- On the issue of Child-headed households, the Department of Social Development must take full responsibility for accommodating the children until such time that they are independent enough to stand on their own (as was the case in the past);
- Backyarder accommodation should not be formalised/funded as it will become a burden for municipalities to monitor and manage;
- There must be a model that encourages informal/ backyarder rental in line with the Municipal by-laws.

3.3 Commission three: Developing a Functional and Equitable Residential Property Market

In this section, discussions from this commission are summarised as follows:

3.3.1 Current context - Issues, challenges and gaps

- Consumer education was identified as a gap in the current delivery model of housing opportunities. Beneficiaries do not always see the value of "free" housing, especially in light of the negative implications that go with such (e.g. limited maintenance of the property, selling the property at ridiculous prices etc.);
- The commission also indicated that because beneficiaries do not contribute financially towards their housing needs (e.g. free house, indigent households, etc.) , adds to the fact that they often do not appreciate the full value of a "free house";
- There is no significant churn in the secondary market to make it effective in the end-to-end process of the property market. The opportunity exists to exploit the potential offered by the secondary market (existing services networks, available amenities, existing transport and other infrastructure). These are the "low hanging" fruits in respect of housing;
- There seems to be challenges with regard to estate agents operating in the lower-end of the housing market. There have been reports of underhanded deals and exploitative practices are regularly being reported. These practices, including informal selling of properties, are hampering the free flow of the property market;
- Too much focus is being placed on large developers, with limited assistance and support for emerging builders and developers;
- Due to previous initiatives having limited success, there seems to be reluctance from the financial institutions to get fully involved in the lower-end of the market;
- There is a general scarcity of well-situated appropriate land available in almost all communities;
- The delivery model of government has been focused on ownership and too little on rental;
- The commission questions the significance of securing a mortgage loan before you access FLISP subsidy. The subsidy should accommodate those employers who want to assist their employees with purchasing their homes;
- The pre-emptive clause was seen as being problematic because it is currently not working and it cannot be policed. It is not being registered and recognised and properties are being sold at 70% of the market value. The pre-emptive clause seems to be suppressing the smooth running of the economy.

3.3.2 Recommendations

- Beneficiaries should receive compulsory consumer education which should focus on the investment and wealth creation aspects of housing;
- Additional to the consumer education programme, beneficiaries should be encouraged to use their savings initiatives, including "stokvels" to invest in housing and not for purchasing expensive consumer goods, like furniture, clothing, etc.;
- Financial institutions should be encouraged to create savings products with higher than normal yields and which are to be used for housing only and which potential buyers can use as deposits to purchase or build a house;
- To facilitate the buying and selling of properties in the lower end and generally to facilitate churn, institutions like the EAAB will have to address the many illegal and unregistered estate agents operating in the market;
- Definite steps should be taken to stop the informal buying and selling of especially BNG houses;

- Increase densities by sub-dividing existing formal properties to offer alternative housing to the market and, to a large extent, this option might respond positively to the “backyarders” challenge;
- There should be more focus placed on supporting emerging developers. Incentives should be given to the larger developers to mentor and coach emerging developers. The NHBRC should, as a deliverable, ensure that such a mentorship programme is maintained;
- Products developed by government should respond and fit the financial circumstances and needs of the household;
- Technical specifications, norms and standards should be reviewed to enable incremental development in the market;
- It is suggested that municipalities be assisted to buy and “bank” suitable land. The proposal is that land should be bought at today’s prices for future developments;
- Proposal is that land should be made available on a long term lease to developers;
- Institutional Subsidy – needs to be further explored and allowed to enable purchase of a portion of the property for persons who cannot afford to buy out right: Shared Ownership / Shared Equity model, as practised internationally – Government gives the land as equity, and consider allowing persons to buy increments of this equity over a longer period of time;
- FLISP should be made available to beneficiaries in cases where the transfer of the property is secured and NOT subject to a mortgage bond being registered or approved;
- The removal of the pre-emptive clause will regularise the property market and will allow market forces to determine the price.

3.3.3 Who is responsible/ key role players

- The commission indicated that all spheres of government, private sector, EAAB and communities have a role to play in the creation of a functional and equitable property market.

3.3.4 General inputs

- The commission proposed that the secondary market should be explored to increase densities and improve affordability for owners and allow for capitalisation and access to the housing market;
- Incrementalism should be explored as one of the options of delivery in order to allow households to build their houses overtime;
- Alternative building technologies should be promoted, especially when it comes to large developments where the savings can be effectively passed onto the consumer;
- The government should structure access to development finance for rental;
- Where should rental and ownership be located geographically? How do we allow households to make a life choice?
- A large proportion of our economy is based on migratory practices which mean rental opportunities need to be increased.

3.4 Commission four: Funding Streams and Finance

In this section, discussions from this commission are summarised. There was a general consensus on the vision and outcomes laid out but the question was raised as to whether or not the rest of the chapter on Finance and Funding Human Settlements (Chapter 6) speaks to these outcomes.

The Chapter maintains a state-centric supply approach, whereas what is required is a new model entirely. The current approach with the three grants namely infrastructure, services and capital, appear to just be reallocating the same funds into different slices. A change in mindset is required where the State looks at funds that are being disbursed as an investment which can be used to attract private investment. A question was also raised as to whether or not the State should only invest in public spaces in terms of the

capital grant, or should it continue investing in household level subsidies. It was noted that a housing policy must be a finance policy at the highest strategic level; not only on an operational level.

3.4.1 Current context- Issues, challenges & gaps

- The Housing Code is seen as a barrier to establishing partnerships and encouraging private sector development, especially the fact that most programmes do not allow subsidised development on private land. All the red tape, bureaucracy and inflexibility make it difficult to work with the private sector. Agents/developers want to create more products but need an encouraging environment within which to do so. The State needs to provide such an enabling environment;
- Attempts at forging partnerships with the private sector are hindered through the Municipal Finance Management Act (MFMA). The State is only able to encourage this process through the Enhanced People's Housing Process (EPHP), but this process in itself is flawed as it is extremely difficult to manage, particularly the flow of funding;
- With regards to the purchasing of private land, costs escalate significantly and this becomes excessive for the State;
- The lengthy and complex process to establish Restructuring Zones and the uncertainty around if and when projects will (a) qualify for and (b) receive a Capital Restructuring Grant (CRG) allocation means that social housing projects do not get the needed traction. State funding needs to be consolidated and certainty be provided about allocations to allow proper planning and scheduling of projects. The CRG quantum also needs to be adjusted to ensure that the projects are feasible;
- Different financial years amongst the three government spheres make it difficult to manage funds. Aspects such as reporting, budgets, setting targets and making necessary adjustments are all affected.

3.4.2 Recommendations

- There is a need for area-based funding (spatial targeting of investment) to ensure alignment to achieve sustainable and integrated human settlements; and assistance is required from other departments and investors;
- A new finance model with the same income categories does not make sense – there is a need to revise the income categories. It is proposed to do away with the broad, static market segments and offer the whole range of products to all households;
- Apply the sliding scale approach that is applied to the FLISP programme to all programmes, regardless of where the beneficiary contribution comes from (e.g. savings, employer, finance, family member, etc.);
- The maximum subsidy income threshold should be aligned with actual indigent threshold, rather than an arbitrarily set income. Consideration should also be given to the alignment of the thresholds to Census categories to allow direct application of data to plan, rather than requiring manipulation of Census data to estimate demand. Introducing a sliding scale will also make this easier;
- The USDG allows the flexibility that is needed in terms of allocation and spending but this is only applicable to the metros – non-metros do not benefit. As a result, a recommendation was proposed to separate the transfers that are made to municipalities for infrastructure (including Community Residential Units and internal services) and regard this as an investment in municipal assets from the transfers to households for the top structure contribution and transfer of erven;
- An alternate proposal was put forward that DORA should align with the USDG and for the HSDG to collapse into the USDG;
- A future housing policy needs to look at rental in general as the current National Housing Policy does not take this into consideration. There is a need to move away from the focus on capital funding and look at funding existing and new rental stock. The current issue however with rental stock is the operational costs;

- Social and institutional housing needs to be collapsed into one programme and there needs to be an investigation into what enabling funding regime is needed to encourage people to add on to their properties and rent out. This in turn could address the issue of backyarders but this policy would need to be properly articulated. The planning division as well as the Rental Housing Tribunal would need to work in partnership;
- A proposal was made to look at establishing an Urban Development Bank, similar to old Building Societies.⁶ It will take risks similar to a financial institution and bring in capital from the private sector. This bank needs to understand end-user finance as well as project finance. From a tax perspective, it can write a regime that will also get international capital but will run according to a different set of financial rules;
- This Urban Development Bank could also possibly introduce subsidised interest loans (also known as soft loans). In the “old days” it used to be used for sub-economic housing. Municipalities are not good as bankers; therefore an institution needs to be set up to carry out this function;
- Need to review possibility of introducing Township Establishment Plans whereby those individuals that build on their own will be incentivised. The State should provide infrastructure through capital grants and encourage the private sector to invest. Government needs to take on a full life-cycle view looking at returns and sustainability and ensure that it is a multi-year investment;
- The basic model needs to be enhanced in the sense that a serviced site with a foundation/slab with a wet core on a delineated site should be provided. There was a case made that this should also be considered the final product after which no further financial assistance from the State should be provided. However, another proposal was that individuals should also be encouraged to contribute money to build through a matched funding scheme (this links to the incremental/modular construction funding via an Urban Development Bank);
- Partnerships with farmers are held back by the State and bureaucracy. Despite it being difficult to manage, farmers are still willing to sell land and as a result, the new policy must look at the acquisition of and development on private land and the role of partnerships.

3.4.3 Who is responsible/ key role players

- The commission indicated that it is problematic that so much emphasis on implementation is placed at the municipal level but the capacity is insufficient;
- Concern regarding the project approval processes was raised in the sense that everyone assumes that it is the National Minister that should make approvals. This process needs to be made clearer;
- There is a need to have different models in place for non-metros vs. metros in terms of responsibilities (across all three spheres) and finances. The Capacity Grant that is currently being proposed will address the capacity issue that is being experienced in the non-metros in order to manage the housing function;
- The Capacity Grant however is not meant to be discretionary – it is different from the current Municipal Capacity Grant which is attached to accreditation. Finance must follow the function;
- Separate Operating Accounts (SOA) should be retained and revenue should be expanded to include interest accrued from projects under all housing programmes (not just EPHP). The regulatory regime should be relaxed to make the utilisation of SOA funding easier for municipalities (allow for more discretion at municipal level).

⁶ Building Societies worked as a bank but only supplying finance for building materials. Not necessarily a bond but money was paid out in tranches according to building plans. The person who wants to invest is benefited. The State assists by providing alternative and lower tax regimes. This option should allow for incremental options and modular construction options.

3.4.4 General inputs

- A key consideration that needs to be made is that the funding regime should respond to a flexible product option menu from an enhanced serviced site with services and an “improved” informal structure to a partial formal structure to be completed by the household into a completed unit.

4 PLENARY DISCUSSION: DAY TWO

The discussions held in plenary on this focused on interrogating or clarifying the points made in the presentations of the commissions. Below, are some of the key points made:

- A concern was raised that the Commissions did not think innovatively but merely focused on revising aspects of the Housing Code.
- The focus is on the supply when we should actually be focussing on the demand. Government cannot be the sole provider, we also need to get assistance from other partners;
- In terms of rental, the State must look at subsidising rental and get the private sector to manage the stock;
- Need to have credible SDFs and land acquisition plans for each municipality.
- Expropriation should be the last resort; State-owned land must be used first;
- Participants cautioned against repeating the R2479 failure; and that we need to look at a proper shelter upgrade and self-help programmes;
- The institutional arrangements need to be reviewed;
- In the call for densifying settlements, it is important that settlement conditions be considered and not apply a blanket approach to all settlements;
- Government needs to explore ways where municipalities can be provided with support to maintain municipal infrastructure.

5 WAY FORWARD

The diagram below breaks down the phases that NDHS has outlined for the development of the White Paper on Human Settlements.

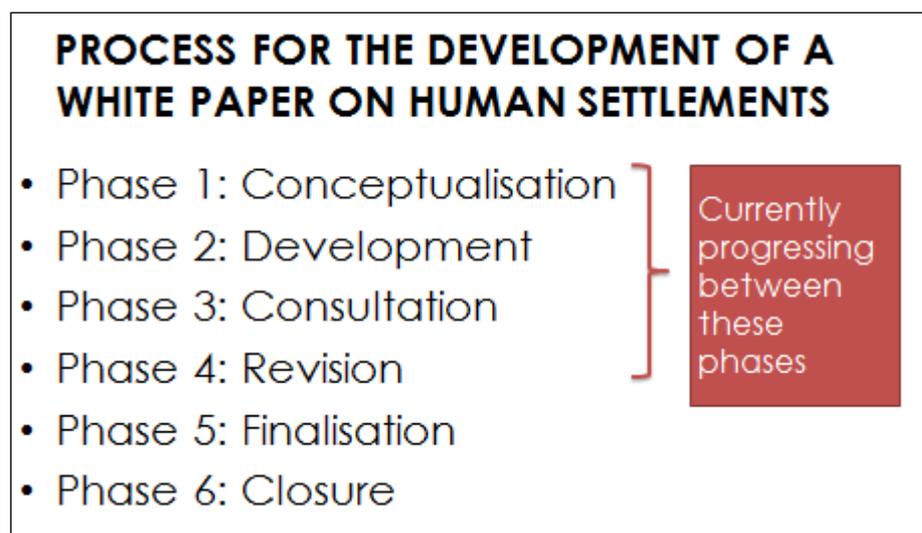


Figure 1: Process for the development of a White Paper on Human Settlements

Workshop Report: Western Cape Consultation Workshop on the Draft White Paper on Human Settlements

In order to finalise the process of drafting a White Paper on Human Settlements, the following still needs to be done:

- WCDHS needs to develop and submit a final provincial diagnostic report which will feed into the NDHS's diagnostic report;
- WCDHS in partnership with NDHS will co-host a Stakeholder Roundtable Dialogue with members of Civil Society and other non-government stakeholders and partners engaged in human settlements related work on 04 February 2016. The Department will afford these stakeholders an opportunity to influence national human settlements policy as the outcomes of this event will also feed into the diagnostic report ;
- WCDHS will write up a provincial position paper on the proposed policy and legislative reforms which will be submitted to NDHS before the end of the financial year;

The NDHS will compile all the inputs and draft a White Paper on Human Settlements which will be presented to MINMEC for approval in the new financial year.

6 ANNEXURES

Below is the workshop programme for the two days.



WORKSHOP PROGRAMME:
TOWARDS THE DEVELOPMENT OF A WHITE PAPER ON HUMAN SETTLEMENTS

VENUE: PROTEA HOTEL (TECHNO PARK), STELLENBOSCH DATE: 23 November 2015

'Have a say in human settlements policy and legislative reforms'

DAY 1

TIME	FOCUS AREA	RESPONSIBILITY
09:30 - 10:00	Registration and Tea	All
SESSION 1: OPENING		
10:00 - 10:30	Welcome and introductions	Mr N. Adriaanse
	Opening address	Minister B. Maalikizela
	Workshop objectives and programme	Dr Z. Sokopo
SESSION 2: SETTING A FOUNDATION FOR POLICY DEVELOPMENT		
10:30 - 11:45	An overview of the last 20 years: A National Perspective	Dr Z. Sokopo
	An overview of performance: A Provincial Perspective	Ms T. Jooste
	Discussion	ALL
11:45 - 12:00	Tea Break	
SESSION 3: PROPOSITION FOR HUMAN SETTLEMENTS POLICY		
12:00 - 13:45	The Proposed White Paper on Human Settlements	Dr Z. Sokopo
	Discussion	ALL
13:45 - 14:45	Lunch	
SESSION 4: DIALOGUE ON POLICY PROPOSALS		
14:45 - 16:15	Commissions:	Transversal issues to be deliberated on by all commissions: • Role & Responsibilities • Implementation
	(1) Planning, Design and Development of Human Settlements - Louis Welgemoed	
	(2) Access to Human Settlements - Mbong Gubuza	
	(3) Developing a Functional and Equitable Residential Property Market - Brian Maboitha	
	(4) Funding Streams & Finance - Anthony Hazell	
16:15-16:30	Summary of the Day & Day 2 Preparations	Mr T. Mguil

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WORKSHOP PROGRAMME:
TOWARDS THE DEVELOPMENT OF A WHITE PAPER ON HUMAN SETTLEMENTS

VENUE: PROTEA HOTEL (TECHNO PARK), STELLENBOSCH DATE: 24 November 2015

'Have a say in human settlements policy and legislative reforms'

DAY 2

TIME	FOCUS AREA	RESPONSIBILITY
08:00 - 08:30	Tea	All
SESSION 5: COMMISSION REPORTS PREPARATION		
08:30 - 10:30	Development of commission reports by Commission:	All Participants
	(1) Planning, Design and Development of Human Settlements	
	(2) Access to Human Settlements	
	(3) Developing a Functional and equitable Residential Property Market	
	(4) Funding Streams & Finance	
10:30 - 10:45	Tea Break (Submission of Commission Reports)	Scribes
SESSION 6: PRESENTATIONS OF POLICY PROPOSALS FROM COMMISSIONS		
10:45 - 13:00	Planning, Design and Development of Human Settlements	Rapporteur
	Access to Human Settlements	Rapporteur
	Developing a Functional and Equitable Residential Property Market	Rapporteur
	Funding Streams & Finance	Rapporteur
	Supplementary Contribution and Discussion	Mr N. Adriaanse
SESSION 7: FINALISATION		
13:00 - 13:30	Overview of Workshop Inputs	Ms T. Jooste
	Where to from here	Dr Z. Sokopo
	Closing Remarks	Mr T. Mguil
LUNCH		

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