



Western Cape Ministry of Human Settlements
 ISebe leNtshona Koloni lokuHlaliswa koLuntu
 Wes-Kaap Menslike Nedersettings Ministerie



Provincial Government Western Cape • uRhulumente wePhondo leNtshona Koloni • Provinsiale Regering Wes-Kaap

HUMAN SETTLEMENTS

Budget Speech



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MINISTER OF HUMAN SETTLEMENTS IN THE WESTERN CAPE
BUDGET SPEECH
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Building integrated and sustainable human settlements with social and economic opportunities for all.

Honourable Speaker,
Honourable Premier of the Western Cape,
Honourable Leader of the Official Opposition,
My colleagues in the Provincial Cabinet,
Honourable Members of the Provincial Legislature,
Executive Mayors and Mayors,
Municipal Managers,
Heads of Departments and senior managers,
Partners and honoured guests.

Next week, on 31 March 2010, the Department of Local Government and Housing will cease to exist. It will be replaced, on 1 April, by two departments: the Department of Local Government and the Department of Human Settlements.

I will now be known as the Minister of Human Settlements in the Western Cape. Not only does this title better describe this government's approach to the provision of housing opportunities, but the national government has, in fact, adopted our approach to housing provision.

Last year, when I first questioned the sustainability of the current approach and suggested a new approach that prioritised serviced sites over top structures and providing less assistance to more people, many people were sceptical.

However, our approach now has the backing of President Jacob Zuma, who in his State of the Nation Address set a target of 500,000 serviced sites nationwide for the national Minister of Human Settlements, Tokyo Sexwale. At the most recent MinMEC meeting a little under two weeks ago, it was quite clear that the rest of the provinces are on board with this approach too.

It is gratifying to have others acknowledging what we have maintained to be the correct approach for many years.

Mr Speaker, in her State of the Province Address, the Premier reminded us that our mandate from the citizens of the Western Cape is to build an open opportunity society for all in this province.

Our approach is very much informed by that vision.

In an open opportunity society for all, human settlements are sustainable and integrated, providing access to social and economic opportunities for all.

In an opportunity society, your path in life is not determined by the circumstances of your birth, but rather by your talents and your efforts. In an opportunity society, a child born in poverty should nevertheless be able to become a brain surgeon or a company CEO, provided he/she has the talent and puts in the effort required to succeed.

I think we all acknowledge that we have a long way to go to achieve that vision. As the Premier said, *“South Africa is not yet an opportunity society because too many people remain trapped in a cycle of poverty, with few realistic prospects, relying on state hand-outs to survive.”*

We must also acknowledge that the desperate conditions in which many of our citizens live severely limit their chances of improving their situation and realising their true potential.

A child living in a shack, with no clean running water, no electricity, no sanitation, no refuse removal, must overcome far too much to succeed in life. We have to provide the opportunities for her/him to break free of the cycle of poverty and become all she/he can be.

You have heard, and will hear, from a number of my colleagues about various opportunities that will be provided or facilitated by this government. I will focus on how the Department of Human Settlements will assist with expanding opportunities for the citizens of the Western Cape.

Before unpacking our strategic plan and our programmes for the coming year, let me also acknowledge that, in the open opportunity society, governments are transparent and accountable. As such, it is important to reflect on the achievements and challenges of the current financial year before turning our attention to the next.

The challenges we have faced also provide insight into some of the obstacles we must overcome to realise our vision of integrated and sustainable human settlements.

The Western Cape received a R1.581 billion Integrated Housing and Human Settlement Grant for the 2009/10 financial year. By the end of this month, we would have spent approximately R1.501 billion, or 95 percent of our grant.

With this money, we have built 16 324 houses (exceeding our target of 16 000) and serviced 15 182 sites (falling short of our target of 16 000 by 5 percent).

The R80 million (5%) under-expenditure relates to the problems we inherited on the N2 Gateway Project with the winding down of Thubelisha Homes.

As you may recall from my speech on the Adjustment Budget Bill last December, we re-allocated R150 million originally earmarked for the N2 Gateway to other projects that were performing in the province. The province has since taken over the role of developer on the N2 Gateway, and nearly all project contracts have been ceded by Thubelisha to the department and are being managed in-house, with the Housing Development Agency (HDA) assisting as Project Manager.

However, the department is currently appointing mediators to settle disputes unresolved by Thubelisha and the two consortia working on the N2 Gateway. We are therefore applying to Treasury for the rollover of the R80 million under-expenditure against this commitment, since it is for work already completed.

We have also asked Thubelisha to return approximately R33 million that was paid to them for some of this work, but which was never passed on to the contractors.

The most positive development since last December, however, is that we have reached an agreement with the Ibuyile. We can expect construction to continue apace in the new financial year.

Another challenge we have faced this year is getting our provincial projects – Our Pride, Nuwe Begin, Mama’s Project and Thembelihle off the ground.

Essentially, we have spent a year retro-fitting planning requirements that should have been done prior to the projects being launched (before my appointment). As frustrating as the planning requirements are – and believe me, I fully appreciate this frustration – we must be careful not to raise expectations among communities, which then simply cannot be met.

That being said, I believe there is much room for improvement in our planning and supply chain management procedures.

We must plan well in advance, taking into account all the processes that we are required to follow, to ensure that the targets we set ourselves are achievable.

In this regard, the department is exploring the viability of developing an Integrated Sustainable Human Settlement Framework for the Western Cape with a 2030 vision. Such a framework would allow the department to predict human settlement needs and plan accordingly over the medium to long term.

I also believe that Supply Chain Management – in the department and in Treasury - must not only enforce adherence to the Public Finance Management Act; it must also facilitate that adherence by playing a much stronger supportive role to the strategic objectives of the department.

Most municipalities performed well in spending their 2009/10 allocations, although there were some municipalities that struggled:

George municipality was a victim of one of its contractors' cash flow problems which prevented them from starting a project. As a result, George spent only 55 percent of its budget.

Overstrand started its project in Kleinmond late due to a dispute about the implementing agent and a delay in the Record of Decision and, as a result, only spent 56 percent of its allocation.

Stellenbosch suffered from political instability this year, and only managed to spend 45 percent of its budget, while Saldanha also reached only 45 percent due to capacity problems.

Laingsburg and Prince Albert have bulk infrastructure limitations that need to be addressed, and thus spent zero and three percent respectively. These municipalities' housing budgets are quite small. One option we need to consider with the national department is to use their housing allocations to fund bulk infrastructure.

We have been engaging with the national government about eliminating bulk infrastructure problems as an obstacle to human settlement development. It requires a closer alignment between MIG and Housing funding, among others. I am therefore pleased to inform you that a summit is planned for this year to address the alignment of funding – including the national departments of human settlements, cooperative governance and traditional affairs, water and environmental affairs, and energy, as well as the provincial departments of local government and housing/human settlements.

Besides the N2 Gateway under-spending of R80 million, all other under-expenditure was redirected to other projects with the capacity to spend, with the result that a number of municipalities exceeded 100 percent of their allocations in this financial year.

Mr Speaker, our number one goal over the next five years is to accelerate the provision of housing opportunities, by prioritising in-situ upgrading of informal settlements and providing security of tenure on serviced sites. We must ensure that backyard dwellers are also accommodated on available vacant land.

Housing opportunities encompass the full scope of housing assistance by the State and other providers – from the provision of serviced sites, to rental units, to housing finance assistance, to a fully developed state-funded house. The common denominators in all housing opportunities – and key indicators in the

National Government's strategy too – are security of tenure and unrestricted access to basic services.

Besides accelerating delivery, this will allow those beneficiaries with the means to become agents of their own destiny and build their own houses on a serviced plot they now own.

The key shift is that all parties take full ownership of their responsibilities. The state accelerates the delivery of serviced sites, which are registered in the name of the new owner. The individual makes the effort to leverage other resources and puts in sweat equity to build a home; and the private sector is encouraged and incentivised to assist – this includes bank finance, corporate social investment, employers and individuals. Employee housing schemes, in particular, have the potential to unlock significant funding for self-build homes.

One group of employers who have already indicated a willingness to assist their employees if they are provided with somewhere to build are farmers. I have met with the Stellenbosch farming community, and I have asked my colleague, Minister van Rensburg, to facilitate a meeting with the provincial branch of Agri-SA, in order to take discussions further about the options available for assisting farm workers, and how we can work together to ensure they are helped. The first critical step is that municipalities must make sure that farm dwellers are included in their housing demand databases. Our starting point, too, is that, where it is feasible for farm workers to commute to work, housing opportunities should be provided in the nearest town, where the costs of providing municipal services are cheaper than on farms, and where residents have access to social amenities.

However, there are also other options for farmers and farm workers. Farmers can develop subsidised rental stock on their farms (or give a social housing institution a long-term lease to do so), or they can transfer some of their land to their

workers. A key requirement of providing housing on farms, once again, is security of tenure.

Speaker, where possible, we must encourage people not to wait for the state. Many houses built in rural areas – for example, in the Eastern Cape and KwaZulu-Natal – were built with no assistance from the state whatsoever. People did it themselves, sometimes very slowly. We must ensure that those people who take charge of their own destiny have access to financial assistance and support. In this regard, I believe we need the available subsidy instruments to be expanded further to include state-backed loans.

The President has announced a R1 billion guarantee fund to encourage banks to finance affordable housing. However, the focus of this fund is, rightly, on the gap market. I believe we also need to grow housing micro-finance in the low-income housing market to assist people to build their own homes.

Having said that, closing the gap between subsidised housing and the bonded market is crucial. To underscore how seriously we take this issue, we have created a Directorate of Affordable Housing in the department. This directorate will be responsible for Rental Housing and what we refer to as Gap Housing.

But a key element of this directorate's function will be building partnerships.

I recently returned from the United Kingdom where I attended a conference on Social Housing, as well as visiting a number of projects and meeting many experts in the field. What struck me most on my visit was the extent to which they created multi-sectoral partnerships to tackle social issues through housing. Everything centres around housing. For example, social housing associations tackle issues of substance abuse, unhealthy lifestyles, crime and unemployment (through housing).

We already have some pilot projects here in the Western Cape – for example, the Violence Prevention through Urban Upgrade programme under the City of Cape Town. However, today is World TB Day, and another area where we can make a significant impact is in the fight against TB and other preventable diseases. By improving the living conditions of many more people, we can reduce the burden of disease in our province, and hopefully generate savings that can be ploughed into other areas of need.

We must have a co-ordinated approach to all these issues. But we must not try and do everything ourselves. We must acknowledge that the state's capacity is limited and draw in partners from the private sector and civil society to assist us.

Public Private Partnerships offer a sustainable means of providing housing – especially in the rental and affordable market. In the UK, the state does not provide housing, Social Housing Associations do. And the state funds only 40 percent of new developments. 60 percent must be raised from the associations' own income and financing. Giving away free houses is not sustainable in the long run. Rental housing and PPPs are.

Next month, I will be launching our Rental Housing Strategy, which will plot a way forward in this regard. A key focus of this strategy is to enhance the management of rental stock to improve rent collection and property maintenance.

We have met partners in the UK who are very keen to assist us with support for Social Housing Institutions in the Western Cape, as well as building capacity and expertise in our own department. We will certainly be taking them up on their generous offers.

As I said during the debate on the Premier's State of the Province Address, the up-scaling of serviced sites will not happen overnight.

Our budget for the 2010/2011 financial year is just over R2 billion, of which a little under R1.9 billion is funded by the Integrated Housing and Human Settlement Grant. With this allocation, we aim to service a little over 18 000 sites and build 15 400 houses. The gap between sites and houses is still relatively small, because of the commitments that already exist and the lead times required for planning.

However, it is our intention to gradually increase that gap between now and 2014. This gradual increase will allow us to provide 150 000 serviced sites over five years, as opposed to only 80 000 if we maintained a business-as-usual approach.

This is what the Premier might refer to as a stretch target. But it will also only deliver housing opportunities to about a third of the current backlog. So we must stretch ourselves, and strive to meet that target.

The Upgrading of Informal Settlements Programme (UISP) is central to achieving this target. In order to assist us with planning, we have appointed a service provider to establish an informal settlement database for the Western Cape. This database will make preliminary recommendations of potential short, medium and long term support to be offered in terms of upgrading, and will ultimately guide the development of a Provincial Master Plan for Informal Settlements. We have budgeted R1.9 million for this project, which will be completed in the coming financial year.

Many informal settlements are created due to their proximity to social amenities, transport corridors and economic opportunities.

We must maximise the number of households that can remain in those settlements after upgrading them. We have to increase the density of our projects on well-located land. We have set ourselves a target of 90 dwelling units

per hectare (average net density) on well-located land by 2014/15. A good example of this is Joe Slovo: in order to accommodate as many of the current occupants as possible, we have drafted a site layout that achieves a density of 110 units per hectare.

Besides maximising the value we extract from every hectare we upgrade, higher density developments have other benefits, such as savings in infrastructure and increasing access to affordable public transport.

The truth is that, between the province and the municipalities, we own a lot of vacant and under-utilised land within the urban edge – about 7 800 hectares. Not all of it is developable, and much of it must undergo environmental and planning approval before it can be released. Most municipalities have identified enough land for at least the next two years of human settlement development. But we must start planning now for the release of land we will need for the greater numbers of serviced sites in subsequent years.

For its part, the department will release 300 hectares of land to developers and municipalities for the development of human settlements in the current financial year. We will also be working with the HDA to secure the release of well-located land owned by national departments and state entities for human settlement development.

I should also note that the provincial government is only one role player in human settlement development. Municipalities, in particular, are central to realising our vision, while National Government also influences what can be achieved – as I have already mentioned. It is very important that we have a co-ordinated approach across all spheres of government – and across provincial departments – to Integrated Development Planning and, in particular, Human Settlement Planning.

Speaker, as you would have gathered from my report on the current financial year, there are some capacity challenges, both in the department and in a number of municipalities.

To address the former, we are establishing a Project Management Unit in the office of the Head of Department to develop a project management culture in the department. We anticipate that this unit will be operational within the first six months of this financial year. All human settlement projects will be monitored by the PMU using an Executive Dashboard system – from first planning to final handover – allowing early detection of potential risks and blockages, which can then be mitigated, rectified or avoided altogether.

To address capacity problems at local level, we have budgeted R3.3 million to strengthen support to municipalities. We must ensure alignment of municipal Human Settlement Plans to the provincial and national strategic plans. This includes ensuring that future developments meet sustainability criteria based on the triple bottom line – that is, financial, social and environmental. With respect to the latter, we start with a modest target of 10 percent of houses built using energy efficient methods in 2010/11; but we wish to see this increased to 40 percent by 2014/15.

This year, we worked with six municipalities in our Built Environment Support Programme to compile credible Human Settlement Plans and Spatial Development Frameworks. Some cross-cutting issues were identified, including a lack of strategic focus of Integrated Development Plans.

Based on the lessons learned, we are taking a slightly different approach with the next six municipalities. We will appoint service providers to do a thorough gap analysis for each municipality, detailing the gaps in their Spatial Development Frameworks and IDPs, as well as the proposed methodology to be used and the estimated costs of the work needed to close those gaps.

At the end of this process, each municipality will be in a position to draw up project pipelines for short, medium and long term planning, resulting in improved integrated planning.

We will also establish a provincial Planning Forum this year to get all role players to plan according to the new and improved Human Settlement Plans. By placing credible Human Settlement Plans at the centre of our forward planning, we will be able to ensure that more citizens have access to schools, clinics and other community facilities, as well as economic opportunities.

Those municipalities with the capacity will be assisted to apply for housing accreditation, in order to take on more responsibilities that are currently the preserve of the province. The City of Cape Town has already applied and been assessed for level 1 and 2 accreditation. We await the national minister's final approval.

In addition to our focus on improved planning – both at provincial and municipal level – we are introducing a regional approach to housing delivery. We have created a Regional Directorate with two subdirectorates – one to look after Eden and the Central Karoo, and one to look after the Cape Winelands. For the time being, the City of Cape Town, Overberg and the West Coast will still be assisted by the primary line function directorates in Cape Town. Our intention is to place the project packaging and implementation support we provide much closer to municipalities.

Mr Speaker, as I said earlier, if our human settlements are to be sustainable, it is also important that beneficiaries of state assistance take personal responsibility for their role. A key objective of the government in this regard is to inculcate a sense of ownership among housing beneficiaries and to increase awareness of, and buy-in to, their rights and responsibilities.

In the short-term, we are reviewing our consumer education programme. We are not satisfied that the funding we have provided to municipalities in the past has had the desired effect. This year, we have budgeted R1.05 million for workshops with prospective and new beneficiaries, as well as municipal officials working in human settlements.

In the medium to long term, we intend to upscale the proportion of the houses we build using the PHP programme. People who make a contribution to the building of their houses – whether financial or with their own labour – are proud of what they have built and appreciate the true value of their assets. In 2010/11, 25 percent of the houses we build will be through the PHP programme. By 2014/15, that will increase to 50 percent.

But as I said last year, we must address the institutional gaps and problems with PHP. To this end, I am happy to announce that our new Director of PHP starts on 1 April 2010. Her first job will be to improve the project management and administration capacity of her unit. We are introducing a much more hands-on approach to PHP, with project managers on the ground with beneficiaries.

Speaker, it is crucial that the selection of beneficiaries is not just fair, but also seen to be fair.

In this regard, we have budgeted R4.5 million towards developing a standardised, transparent and fair policy and process for the selection of housing beneficiaries based on an improved quality of data and information management. This includes the implementation of the municipal housing demand database support programme, which will ensure that proper data is collected and captured into the national Housing Subsidy System Needs Register for verification, and maintained on an ongoing basis.

Beneficiary selection must take into account the profile of the people that are inadequately housed in a municipality, and treat them equitably.

Besides ensuring that the needs of backyarders are addressed in the selection of beneficiaries for green field developments, we have also begun to investigate the feasibility of upgrading the conditions of backyarders where they are. The City of Cape Town is working on a pilot project to upgrade the conditions of backyarders on their own properties. The in-situ upgrading of backyarders on privately held land is much more of a challenge, with many potential unintended consequences – something Gauteng learnt, to its cost.

We don't yet have the answers to this challenge. But we cannot ignore it either. We will continue to engage with municipalities, universities and other think tanks to come up with novel approaches to overcoming difficult challenges such as this one.

No government or party has a monopoly on good ideas. We have a good vision, and many good ideas to work towards that vision, but we remain open to any innovations that can help us realise our vision of an open opportunity society for all.

Thank you.