



MINISTRY
HUMAN SETTLEMENTS
REPUBLIC OF SOUTH AFRICA

Private Bag X645, PRETORIA, 0001 Tel (012) 421 1309 Fax (012) 341 8513 Private Bag X 9029, CAPE TOWN, 8000 Tel (021) 466 7603 Fax (021) 466 3610

**Address by the Minister of Human Settlements, Tokyo Sexwale, on
the Occasion of the Human Settlements Budget Vote, National
Assembly Cape Town, 09 May 2012**

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Chairperson

Honourable members

Invited guests

Ladies and gentlemen

Comrades and friends

1. THE PREVAILING ENVIRONMENT

The Human Settlements sector in South Africa remains one of the most challenging areas in the social and economic environment. This mirrors worldwide trends as population explosions continue to create an increasing demand within the property market for well located land and housing.

This Human Settlements Budget Vote occurs within the following context:

- a) The economic performance of the country as reflected by the GDP growth rate is still around 3 percent – well below the national target of 7%.
- b) Inflation, which has a direct impact upon construction materials, is according to the Reserve Bank around 6.3%. The Bureau for Economic Research (BER) reported that the building costs are increasing at an alarming rate. BER found that in the fourth quarter of 2011 the Building Cost Index increased by 14.1% compared to the 6.4% recorded for the second quarter of 2011.
- c) The essential building materials for housing construction have recorded price increases of above inflation (PPI). For example Reinforcing steel recorded a price increase of 38.9%, ceiling material increased by 10.8%; hinges by 9% and bricks by 8.6%. The result is that it will cost more to build the same size of a house today than it did a year ago.
- d) In addition to the increased price of building materials the building industry is hit by increases in transportation costs and price of labour. For 2012 the BER forecast for building costs is at about 12.1% and 16.3% in 2013.
- e) The price of money as reflected by interest rates is around 9% - a burden upon the working people, particularly the poorest of the poor, who are unable to access housing loans, mortgages and bonds.
- f) The unacceptably high levels of unemployment still persist at around 25% particularly young people, who constitute two thirds of this percentage.

- g) The construction sector, in which the housing property market is key, has shown marginal improvement of about 2.6%.
- h) Not least of all, is the government fiscus from which the Human Settlements budget is drawn. This has grown by a mere ten percent (10%) since last year whilst housing demand has increased.

Members of the House in this light, Finance Minister Gordan's call for belt tightening is instructive:

"In harnessing all the resources at our disposal, we have to do more, with less; we have to work smarter and harder".

2. PERIOD UNDER REVIEW

In our 2011 budget speech we committed to turn the corner around key strategic priorities:

- a) Accelerated delivery;
- b) Improved coordination; and
- c) Greater clarity on the severity of the problems confronting the country's residential drive

The following progress has been made on these commitments:

- a) In 2009, we committed to delivering over 200 000 housing opportunities per annum and in that year we achieved that target. In the ensuing years we came to the realization that human settlements are more than just the number of units built. There are other key critical drivers which include land acquisition and infrastructure development.

- b) In 2011, we spent ninety eight percent (98%) of our budget which delivered about 180 000 housing opportunities. This decreased figure is as a result of the above mentioned factors including low economic performance, inflation, increased building material costs, and increased labour and transportation costs. The situation could have been worse.
- c) In addition to these adverse factors, funds have been spent on requisite infrastructure, Geo-tech evaluations, feasibility studies and forward planning. Significantly, over R400 million of the budget was spent on rectification of shoddy houses that predate the year 2002, which could otherwise have been used to construct over 7000 housing units. Nevertheless, it is noteworthy that the houses that are being constructed are aesthetically superior and of high quality standard and design.
- d) In the 2011 budget speech, we acknowledged that government cannot do it alone. We called upon the private sector, high net-worth individuals and captains of industry to answer the call, '***I too can contribute***'. The response was a successful launch at the Johannesburg Stock Exchange, in September 2011, of the campaign now known as **Each-One-Settle-One**. More on this later.
- e) The department's Turn Around Strategy is now complete. Congratulations to the Director-General, Mr Thabane Zulu and his team on this success.

- f) In line with the Cabinet's decision for all human settlements related legislation to be located within human settlements, deliberations between Trade and Industry (DTI) Minister Rob Davis and myself around the transfer of Estate Agency Affairs Act from DTI to Human Settlements have been concluded. We are happy to announce that the President has assented by signing the necessary proclamations. This will, indeed fast track our strategy to de-racialise residential areas. At the right time, we will interact with relevant industry players and all other stakeholders.
- g) In February 2011 we tabled before the House the Sectional Titles Scheme Management Act and the Community Scheme Ombud Service Act. Again, we are happy to announce that the President has assented to these two pieces of legislation as well. Accordingly, we will establish the Office of the Ombud which will handle dispute resolutions within bodies cooperate within the common property environment.
- h) In line with the Home Loans and Mortgage Disclosure Act (HLAMDA) the setting up of the Office of Disclosure is now completed with the appointment of Mr Danny Jordaan as its Chairman. He brings with him a wealth of experience associated with the successful hosting of the FIFA 2010 World Cup which was essentially about infrastructure construction. This office plays an important oversight role in promoting fair lending practices by financial institutions in the housing market. Already, exchanges with the Banking Association of South

Africa (BASA) and the Independent Regulatory Board of Auditors have taken place.

- i) Progress on Outcome 8 – the basis of the agreement between the President and I - priorities reflects significant advances in the upgrading of slums, access to basic services, accreditation of key municipalities and land acquisition for human settlements. The programme of improving property market remains a major challenge. However, the above mentioned progress around the Estate Agency Affairs Act, the Finance Linked Individual Subsidy Programme (FLISP), and the Mortgage Default Insurance (MDI) will go a long way in addressing these challenges.
- j) In the period under review we have created over 76 000 job opportunities. About 50 000 direct; 5000 indirect & 22 000 induced.
- k) The Rental Housing Amendment Bill which introduces the internal appeal mechanism before a rental dispute can be referred to the High Court for review has recently gone through this house and the National Council of Provinces (NCOP). Its enactment will help ease the financial burden of legal costs on tenants, the majority of whom are working people.
- l) In the period under review, significant projects were delivered and no province remains untouched. Lakehaven, Ethekwini in KwaZulu-Natal; a Brandford Women’s Build project in the Free State; Mazista, Swaartruggens in the North West; Seshego, Polokwane in Limpopo;

Klarinet, Emalahleni in Mpumalanga; China Square Project, Kimberly in the Northern Cape; and the recently launched Jabulani Hostel redevelopment – not upgrade – in Soweto, Gauteng which was launched by the Deputy President in the presence of members of the portfolio committee. The densification of Joe Slovo, which some Honourable Members may have seen this morning, addresses the ruling of the Constitutional Court. Last and by no means least Southernwood social housing in Buffalo City, Eastern Cape which makes Eastern Cape the leader in the human settlements social housing programme.

- m) With the drive from the National Home Builders Regulation Council (NHBRC), we piloted the building of houses using alternative technologies, including the use of recycled materials in Blue Downs - Cape Town, consisting of rubble from the imploded cooling towers of the now defunct power station.
- n) In contributing towards the development of Vision 2030 for Human Settlements, consultative forums with various stakeholders, involving the youth summit and the successful human settlements indaba - were successfully held.

2.1. Rooting out Corruption and Maladministration

- a) The new focus in our current investigations is on low cost housing construction contracts. In this regard, more than 50 housing projects with the value of R4, 2 billion were identified. Over forty investigations have been completed and seventeen are ongoing.

- b) Provinces are participating in the fight against corruption with Limpopo taking the lead in the following:
- (i) Twenty-four (24) contractors are blacklisted for shoddy workmanship, non-delivery and incompetence.
 - (ii) More than a million rands has already been recovered from these companies.
 - (iii) These cases have also been referred to the Special Investigating Unit for further action.
- c) Regarding public servants in all three spheres of government who committed housing subsidy related misconduct and fraud, more than 290 have been arrested, over 240 found guilty, and over 220 are facing internal disciplinary action. Nearly R30 million lost through corrupt activities has been recovered.
- d) Ms Thami Mpotulo, former Chief Director of the National Sanitation Programme, was found guilty of dereliction of duty and improper conduct. She has been dismissed.
- e) Mr Siphon Mashinini, the suspended CEO of the NHBRC has been found guilty of financial misconduct. The presiding chairperson of the enquiry, retired Judge President Myburg of the Labour Court, recommended a summary dismissal.
- f) Ms Vanessa Somiah, former SAPS Detective and top SIU Investigator who was irregularly employed at the NHBRC by Mashinini has had her questionable employment terminated by the Board with immediate effect.

2.2. Each–One–Settle-One

With reference to the Each-One-Settle-One Campaign mentioned earlier, whose objective is to mobilise the private sector to participate in housing provision towards the reduction of the backlog:

- a) We again congratulate Anglo Platinum, the number one platinum producing company in the world, for committing to build over 20 000 houses in the next nine years for its employees in the North West and Limpopo at a cost of R1, 4 billion. These include members of the working class affiliated to the National Union Mine of Workers (NUM), National Union of Metal of South Africa (NUMSA) and UASA.
- b) It is pleasing to observe that the idea that people should live near the places they work is beginning to take root. Gold Fields and BHP Billiton have also shown interest and we will be making an announcement in due course on Each-One-Settle-One.
- c) To date, although the response from the JSE listed companies has not been as forthcoming as initially anticipated, there has nevertheless been considerable responses from private individuals and smaller companies.
- d) Over 22% of enquiries and pledges to Each-One-Settle-One are from individuals who want to build homes for their domestics and 15% are from individuals who wish to offer technical expertise.

e) Overall we take this opportunity to compliment all those who have made pledges in recognising that government alone cannot shoulder the burden of providing housing. This is the essence of partnership.

2.3. Addressing the entrenched system of apartheid infrastructure

a) The New Economic Growth Path has identified energy, transport, roads, water, communication and indeed housing as key areas in its strategy to fast-track sustainable growth, employment and equity creation.

b) This has been further given a boost by President Zuma's establishment of the Presidential Infrastructure Coordinating Committee (PICC). This is a major break-through towards reversing the entrenched system of apartheid infrastructure and its spatial planning.

c) It stands to reason therefore, that any planning that does not recognize the negative effects of the apartheid system which effectively was the use of infrastructure – roads, amenities, facilities, residential space – to keep racial groups apart is bound to perpetuate apartheid spatial planning within our new democracy. This would be completely contrary to the vision of a non-racial society and against the philosophy of a developmental state.

d) The decision to position Human Settlements as one of the key drivers of the PICC has made our work of coordinated integration with other

departments, particularly those handling the bulk services, much easier.

- 2.4.** Effectively the introduction of the PICC means the beginning of the end for government operating in silos.

Sanitation

- a) Sanitation which provides the most basic protection to the private dignity of citizens is an internationalised programme through the United Nations Millennium Development Goals as agreed to by all UN member states. It stands to reason therefore that in our country, which is a signatory to the UN Protocols around the Millennium Development Goals (MDGs), sanitation cannot be less than a national priority project. There is no logic in participating in the United Nations where sanitation has been internationalised and only to end up localising it to Moqhaka and Makhaza in South Africa. It is therefore of critical importance for this programme to be elevated to a national strategic priority. In the Presidential Infrastructure Coordinating Committee (PICC) this programme has been elevated into a national priority. Incidentally, this is also one of the key recommendations of the Mandela led Task Team which will be made public within the next few weeks.
- b)** The Ministerial Sanitation Task Team (MSTT) headed by Mrs Winnie Madikizela-Mandela has tabled its preliminary findings which will be made public in the coming days after this budget vote.

2.5. Crystallising Human Settlements Vision 2030

- a) In developing possible strategies, we have to ask ourselves some questions, one of them is: Has the time not arrived to use sizeable established contractors?

- b) This question is posed because when large construction projects like harbours and power stations, roads and transportation, stadia and Gautrans are built the services of large companies with good track records are enlisted. They are also forced to bring along their black economic empowerment partners. Yet when houses are built for our citizens in the government housing programme we rely, by and large, on inexperienced shovel, wheelbarrow and bakkie brigades. Many of these discredit the good name of genuine and committed small to medium emerging contractors. Is it perhaps not the reason why the rectification bill continues to grow year after year? This does not take away the fact that some small companies have experience, but a lot of fly-by-nights take the taxpayer to the cleaners for their shoddy workmanship.

- c) Is it perhaps not time to establish a state owned construction company? We at Human Settlements are exploring this idea together with Public Works. Let us debate it.

2.5.1. Capacity Building

Lack of capacity has been identified as an area of weakness that will need focused attention. In this regard the following interventions have been identified:

- a) Accreditation of municipalities
- b) Professionalising skills in human settlements
- c) And establishing a Centre of Excellence for Human Settlements Research

2.5.2. Access to Housing Finance

- a) The Department will continue to support and to find better solutions to issues of affordability through Social Housing, affordable rental and promoting home ownership.
- b) The President made a commitment during his State of the Nation Address in respect of human settlements around the **Finance Linked Individual Subsidy Programme (FLISP)**. We are satisfied to state that following consultations with Banks and other financial institutions the much awaited FLISP programme was introduced in the market on record time last month and implementation is on course towards assisting households earning up to R15 000.
- c) Furthermore, the negotiations on the **Home Ownership Mortgage Indemnity Guarantee Fund (MDI)** to assist ordinary working people and those in the middle class to obtain their own homes outside of the GAP market will be concluded in October this year. Beneficiaries

to both these initiatives include more than 2 million public servants that cannot acquire mortgage loans.

d) Development Finance Institutions (DFI)

In order to ensure the alignment of appropriate financial instruments to achieve the human settlements mandate, the consolidation of the development finance institutions (DFIs) Rural Housing Loan Fund, NURCHA and the NHFC is in the process of being finalised. Cabinet and the relevant boards will be appraised of the matter, shortly.

Asset creation for the working people

- a) The Department of Human Settlements is a key player in the property market. A recent study found that of the six million registered residential properties in the Deeds Registry, a total of 1.44 million are government subsidised houses. This represents just less than a quarter (24%) of the total number of registered residential properties. This could increase to 35% if the backlog in issuing title deeds is overcome.
- b) The obvious value of a title deed should not be underestimated. It provides the following:
 - (i) Protection of rights to a property
 - (ii) Asset security
 - (iii) Facilitation of entry of ordinary South Africans as players in both the property as well as the financial markets

c) What is least understood and nevertheless a major contribution to asset formation by beneficiaries is that each time government facilitates acquisition of a house, it comes with its own land. To date, land distribution by human settlements is over 78 000 hectares, hence the value of the house is no more just linked to price of the top structure but is inclusive of the total value of the land.

3. BUDGET FOCUS FOR 2012 – 2014

a) The budget for 2012/13 has increased from R22 billion to **R25.2 billion**, a 10% increase from previous budget. It is expected to grow to R30.1 billion in 2014.

b) The Human Settlements Development Grant (HSDG) for provinces which provides funding for Human Settlements Development has been allocated **R15.7 billion**.

c) The USDG which allows for eight metropolitan municipalities to improve efficiency and achieve a coordinated approach to the built environment has been allocated **R7.4 billion**.

d) The **Rural Households Infrastructure Programme** has been allocated **R868.5 million** to provide specific capital finance for the eradication of rural sanitation backlogs targeted at current households without access to sanitation and water.

e) **Social Housing Regulatory Authority** has been allocated R2.1 billion for the **rental programme**. The **National Urban Reconstruction and Housing Development Agency** are allocated R100 million each to accelerate housing delivery.

5. CONCLUSION

In 2009, after having visited projects in the Eastern Cape, Gauteng and-so-on we made commitments to rectify the shoddy houses in Sweetwater; invest in infrastructure in Diepsloot and fast track the Joe Slovo project is on course to the tune of R480 million and when we complete the project we will be inviting the Constitutional Court under whose authority this project has also been monitored.

Changing the lives of people even if only one, is worthwhile. In the early days as Minister, while crafting the new Human Settlements Vision 2030, I rested for a couple of hours in the shack of Mrs Mashamaite in Diepsloot. Change has come into her life. We can announce in this House that Mrs Mashamaite now has, thanks to this government and the previous budget, has her own house. She is our guest today. The message we shall keep on sending to many other citizens in many other informal settlements beyond Diepsloot is, no matter how long it takes, Human Settlements will touch your life too!

To conclude we thank:

(i) The Portfolio Committee as led by Honourable Dambuza

- (ii) Team Human Settlements from all nine provinces under our hard working MEC's and their HOD's
- (iii) Leaders of accredited municipalities
- (iv) The DG and his team within the Department
- (v) Boards and CEO's of our Institutions
- (vi) Communities as active citizens in participatory democracy

The NPC noted the following:

'Transforming human settlements is a large and complex agenda requiring far-reaching policy changes and shifts in household, business and institutional practices'.

We concur. In spite of all the challenges, human settlements, in order to restore the dignity of the people, is gradually changing the residential landscape of our country. **I thank you**