



**MINISTRY HUMAN SETTLEMENTS, WATER AND SANITATION
REPUBLIC OF SOUTH AFRICA**

**Address by L N Sisulu, MP,
Minister for Human Settlements, Water and Sanitation on the occasion of
the Debate on the Human Settlements Budget Vote (33) in the National
Assembly
18 May 2021**

Chairperson

Honourable Members

Director-General

Heads of Provincial Departments and Other officials

Chairpersons and Members of Boards and Councils of Human Settlements
Entities

Ladies and Gentlemen

In our first tenure at Housing, until the global financial crisis disrupted our strong economic growth trajectory, resulting in ever more constrained fiscal resources, we had created a globally enviable momentum in providing housing to our people. When the financial crisis struck in 2008/09, we had built some 2,2 million houses and delivered 624 000 serviced stands, representing some 2,8 million housing opportunities and were recognised by the United Nations as a great success.

In total, between 1994 and today, we have been able to deliver just more than 5 million subsidised housing and housing opportunities. We can safely say that **no** other country has delivered this number of houses freely. We are very proud of our achievements. Very proud too that we have been recognised by the United Nations as a world leader in this respect. This means that well over a third or 35.1% of South African households have benefited from government's housing interventions.

To give you a more graphic picture of what government has done and continues to do, 35.1% of our population of 60 million is equivalent to more than **21 million people**. I need to emphasise this. Out of 60 million people in our country, we have assisted more than 21 million people with housing and housing opportunities. This is an amazing feat for a technically young democracy such as ours.

We regard ourselves as world class in our delivery. But, here is the nub of our problem. We have the unfortunate position that those people who the previous dispensation restricted to the rural areas are migrating in droves to the cities in search of work and a better future. And so they should. So, while we gloat about our successes, the thing that stands out for anyone is the growing informality in our urban areas, which is estimated now to be at 2.2 million households and steadily rising.

The reason why the informal settlements come to mind when thinking of human settlements is because naturally we concentrate on those that jar our sense and sensibility than that which we have succeeded in. This remains our biggest challenge, to ensure every indigent household has decent shelter, and this very often deflects from our success.

We will overcome this problem in time, which remains a constant nightmare made worse by the fact that we continuously receive undocumented migrants from neighbouring countries seeking employment. We spend a great deal of our time to resolve this problem. The need for housing our own people is long and growing with 2.2 million households still living in informal settlements and when you consider migrants from neighbouring countries also seeking employment, then you can understand the nightmare we have to deal with year in and year out.

A few years ago we chaired and hosted a UN-Habitat conference here in South Africa and the conference came to the conclusion that **urbanisation is an international phenomenon and the only thing we can do is to plan for it** – we cannot wish it away. We cannot stop it. We do not have the resources nor the number of houses to accommodate those who migrate to urban areas. But, if planning is the only solution, it could well mean considering where we develop our industries and economic nodes. It would mean that housing cannot be planned for in isolation of all the other facets that give dignity to life, as is defined by the concept of human settlements. It also means we cannot develop industries without considering where the workers will live.

The big demand for housing will continue to be in the urban and economic centres of the country. This means that in order for us to make a significant break, we need to plan for this. What would our urban areas look like in ten years' time? How will our cities look like in ten years' time? How will we house our people in ten years' time?

We might not have the necessary resources, but foreseeing and planning for a problem is a problem half resolved. Here comes the most difficult part though. We would like to think that every citizen has the best interest of the country and its people at heart. But in some of our informal settlements we have people who

use the space to take advantage of the disadvantaged, who try to cheat the system, try to cheat the state, who try to cheat the community. They benefit from shack-farming and have perfected the art, making it very difficult to break the back of informality. We have people who have benefitted from being given a house. Then we also have the other side – dishonesty, when people who have benefitted from a house immediately sell it and return to the informal settlement, creating a vicious cycle of poverty and informality.

In these situations we are hard at work, trying to see how we can break this cycle. How can we find legal means to strengthen ownership that is traceable? We have a pre-emptive clause in our legislation that bars people from selling their houses before a period of eight years and before they have proof that they can afford a different house. This legal requirement is very rarely adhered to. We look forward to a time when we can enforce laws that require municipalities to check and know their constituencies. We must tighten our legislation on ownership.

It is at this stage that I have to point out that the houses that we give out free to our citizens are meant for South Africans only. It is their Constitutional right. It is part of government's means of reparation. It is what the Freedom Charter enjoins us to do. We will continuously urge our people to ensure that they keep their house for the required time. It is an asset no other government gives out freely.

And for other nationalities that live in our country, we have a thriving industry for private rentals that caters for all the income bands. We encourage non-South Africans to consider this avenue. Our free products are only for South Africans and may not be sold to non-South Africans. This means we must provide greater numbers of rental stock where non-South Africans can rent.

Now, when you consider the statistics from StatsSA, two things are clear – one, our people are selling the assets we give them. Secondly, there is an explosion of informality in the urban areas. You don't need statistics, it is visible for all of us.

Despite these gains, the need for housing is still large, and growing. We need to ensure that those 2,2 million households, or roughly 12,5 million people in South Africa still living in informal dwellings have decent shelter. This figure represents the challenge we have, because not only are we building in line with our needs register, it means having to deal with the horrifying effect of an upwardly moving target of informal settlements.

The huge challenge we face makes our remarkable and celebrated delivery go almost unnoticed. But for the optimists out there, like me, more than 21 million of our people live in government subsidised housing and we should never lose sight of this, because it is taxpayer's money invested in those who are less fortunate. And no country has such a record.

The current need for gap housing is one that we are now resolving. We would like to invite the private sector to join us and invest in rented (social) accommodation. But I am also happy to announce that the secondary layer of delivery has laid a solid foundation. The Human Settlements Development Bank (HSDB) has been established and its role is to assist our first time buyers and working-class people to purchase their own houses. This programme is called Finance Linked Individual Subsidy Programme (FLISP) and in one of his wittier moments, the Minister of Finance indicated that he did not know what meant, urging us to simplify it. He called it the “help me buy a house” programme.

We have now launched this project through the Housing Bank for those persons earning between R3 501 and R22 000. Those persons qualifying are urged to approach the bank for loans. The type of houses that we are able to finance

through this programme have the potential to change the face of the country, especially for the low income earners. The Bank will do this by mobilising a wide range of funding and providing bonds for what would normally have been the un-bankable sector.

Last week I was treated to the most amazing delivery of a FLISP housing project. The Sky City Housing Development Project is a most remarkable development of this, otherwise un-bankable sector. Find the place in Alberton, Ekurhuleni, you'll be amazed. This is a very exciting project for Human Settlements and we congratulate the Bank and Cosmopolitan Projects for showcasing what is possible.

We look towards the Housing Bank to play a central role in accelerating delivery of catalytic or mixed-income housing projects, affordable rental stock (otherwise called social housing) and possibly student accommodation. The Bank will therefore be the key and central funding institution for human settlements development sector and the market.

By mobilising a wide range of funding, including banking and non-banking funding sources, the bank will leverage grant funding from various fiscal grant allocations to attract other sources of funding. This will create the necessary funding scale needed to undertake these large projects.

Government's financial resources have been more and more constrained, and thus limiting the capacity for delivery. The Covid-19 crisis has worsened an already poor prognosis. In the three years preceding the Covid-19 crisis, a cumulative reduction of some R14,6 billion has been cut from the capital budget. We dread further inevitable reductions, given the fiscal constraints the government faces.

For our part, we are making sure we deliver and open housing opportunities across the value chain. In particular, we are determined to help create wealth by extending asset ownership to every South African, including removing the impediments to home ownership. This is a critical way to economic inclusion. People must own land, and they must own homes.

Having studied our successes and setbacks, we have now concluded our new, additional programme – that of releasing land, putting in infrastructure and allowing our people to build their own houses. We believe that this policy shift is long overdue and we have taken advantage of processes of land redistribution to request that all urban state land should be released for Social Housing. This would allow working people to live near their place of work. It makes for inclusive societies, which is our ultimate goal. The land release programme has been put in place by the Department and details of thereof will be released in due course.

The delivery of social housing as an instrument for affordable rental is through 32 entities managing a total of 40 316 social housing units across 191 projects. This number is expected to increase substantially with 53 contracts currently managed to deliver 16 328 social housing units. In addition, 75 projects with a potential yield of more than 30 000 units are registered on the social housing pipeline for future delivery.

Our affordable rental programme is doing well. This year alone, despite the Covid-19 pandemic, SHRA completed 3 009 social housing units compared to the previous year's 2 284. SHRA further accredited 1 944 social housing units during the past financial year. We were, like all other delivery systems, severely hampered by the Covid-19 pandemic. We hope to pick up on lost ground in this space.

Now, at this point Chairperson, I wish to take this opportunity to restate what I said last year in this House about Social Housing and the Affordable Rental

Relief Programme. I indicated in 2020 that: “(T)his rental relief is solely aimed at assisting tenants in formal affordable rental housing to meet their monthly rent obligations. Of course, means testing will form part of necessary criteria to determine those who can be assisted. R600 million is allocated for this purpose”.

For those who might not be familiar with the language that we use, affordable rental housing is government subsidised rental housing, managed through the Social Housing Regulatory Authority. It cannot, as some has tried to interpret, mean the private rental space. So the category that we identified is the affordable rental sector. The private sector has no project for affordable rental housing and we have no jurisdiction over the private sector housing rental. When you hear the term affordable rental housing, it is our rental programme managed by the Social Housing Regulatory Authority. We did indeed request R600 million to assist those who find themselves in distress in our housing institutions. This we did in our 2020 budget.

However, the Minister of Finance, in his Adjustments Appropriation approved R300 million to SHRA and the remaining R300 million to the NHFC/Housing Bank. These amounts have now been transferred to the two entities. Therefore, R300 million to assist those who rent from the State to offset the impediments caused by the pandemic. The policies and qualifications are available from SHRA.

Similarly, R300 million was allocated to the NHFC to offset the debt incurred by its own clients. The amounts were not allocated to these two institutions to use for rental relief in the private sector. I want to emphasis, we cannot and do not regulate rental for the private sector. We regulate that which is under our jurisdiction. Our people should not allow those who are ignorant to mislead them.

Chairperson, in the 2020 budget statement I announced that we would allocate R4,6 billion for Provinces and Metros respectively towards upgrading of informal settlements. This year, there are 679 informal settlements planned for upgrading by the provinces and 344 informal settlements targeted by metropolitan municipalities. We'll monitor the progress very closely and as has become practice, if the money is not used by the third quarter, it will be re-allocated.

Over the next three (3) years about R10 billion has been ring-fenced to accelerate the upgrading of informal settlements countrywide. The rapid growth of informal settlements in all major cities and towns which I reflected on earlier have necessitated a review of funding frameworks. The Department has created a dedicated Upgrading of Informal Settlements Grant Funding Framework exclusively set-up to address adequately the upgrading of this challenge in our country.

We are confident that these strategies and interventions will simultaneously add the much-needed stimulus to our Economic Reconstruction and Recovery Plan to revive industries and the economy, especially the construction industry.

The Covid-19 pandemic highlighted and intensified South Africa's structural inadequacies and the potential to address these depends of the implementation of key reforms outlined in the Economic Reconstruction and Recovery Plan 2020. Our economy was already in recession and the 7.0% economic decline in 2020, undoubtedly exacerbated by the pandemic, led to many businesses, especially those in the construction industry shutting their doors. We would like to make ourselves available to assist them to get back to work. An indaba is planned with our construction sector to see how we can assist.

The construction sector contributes 3.9% to South Africa's GDP and employs 1.3 million people. However, over the last year this sector has

experienced hardship as a result of severe disruptions. The pandemic plunged many human settlements projects across the country to a halt and during these challenging times we were compelled to re-evaluate contractual provisions and obligations including incorporating health and safety measures to comply with this pandemic.

Our primary objective remains the transformation of human settlements into liveable and sustainable spaces through spatial targeting and consolidating of investment. The Department of Human Settlements resolved to refocus its programmes on:

- (a) Upgrading of Informal Settlements.
- (b) Integrated Residential Development Programme (IRDP)
- (c) Significant increase in the affordable rental housing stock.

The main strategy is to expedite the implementation of the programmes by releasing service sites and support beneficiaries to build utilising a range of programmes such as PHP, Individual Subsidy Programme and FLISP. The plan is to establish and enhance the existing housing support centres in order to focus on supporting matters related to real estate and housing construction.

Targeted infrastructure investment is critical for economic growth as well as contributing towards social protection and community development. The focus is on infrastructure development to support both economic growth and enhance social protection.

An area-based approach has been adopted for development of human settlements as such 136 areas throughout the country have been identified to address the legacy of Apartheid spatial planning and to centre investment in areas of potential economic development. We have declared these as Priority Human

Settlements and Housing Development Areas (PHSHDA's). One-hundred and thirty-six (136) areas was published on the 15th of May 2020, based on an extensive consultation process conducted with provinces and municipalities.

In the last financial year, in partnership with provinces and municipalities we completed 19 development plans for the priority development. In the current financial year, we intend to complete 47 development plans. This would ensure the mobilisation of investment from not only human settlements but other government departments, municipalities and the private sector in these areas. Human settlements budget will be allocated for investment in these areas with 30% in the current financial year and 60% by 2024. In subsequent years we plan to increase this to between 70 – 80%.

Covid-19 resulted in a business climate that is not conducive to credit access to many borrowers in the FLISP target market. However, during the 2020/21 financial year, the NHFC processed 2,815 applications for FLISP and of these 2,120 were approved with a total value of R111 million. This has triggered over R1 Billion value of home loans approved by different banking institutions. Over R60 million has been disbursed to 1,136 beneficiaries.

Sections of our population in different areas have been affected by natural and manmade disasters which require us as a caring government to respond with urgency and adequate compassion. It is towards this end that the Department developed and implement an emergency housing grant to assist provinces and municipalities in responding to disasters regardless of their cause.

In the past year there were disasters caused by inclement weather and fires that ranged from a tornado in Mthatha to tropical storm Eloise which left a trail of devastation in several provinces and fires in Masiphumelele, Taiwan and other informal settlements in Cape Town, as well as the tragedy of four young boys who

died in Vukuzenzele. All these episodes painfully brought home the message the most vulnerable need all the help that is expected from government, particularly the Department of Human Settlements. Again, our sincerest condolences go out to the loved ones of those who lost their lives. The Housing Development Agency has been to all the affected areas and is coordinating or recovery programmes in these areas.

The Department disbursed almost R130 million to municipalities to provide 1 651 temporary shelters and R290 million to provinces to provide 4 435 temporary shelters to the most vulnerable that were adversely affected by various disasters.

Working with National Sector Departments, Provinces, Municipalities and State Owned Entities, well located state land and property has been identified and acquired for development. With the support of the Inter-Ministerial Committee on Land Reform which is chaired by the Deputy President, the first parcels of land and properties have been made available for development. Eskom has released two well-located buildings in Kimberley and Johannesburg for development of affordable social and rental housing and we are looking for more properties that are not being used by state entities.

In taking a more proactive posture in the development of land that we have acquired, the Department has been requested to put in place financial measures to ensure that the Housing Development Agency (HDA) is provided with the necessary development capital funding to acquire the required land and property.

I thank you