

**ADDRESS BY L N SISULU, MP, MINISTER OF HUMAN
SETTLEMENTS, WATER AND SANITATION ON THE OCCASION OF
THE DEBATE ON THE HUMAN SETTLEMENTS, WATER AND
SANITATION BUDGET VOTES IN THE NATIONAL COUNCIL OF
PROVINCES
CAPE TOWN, 4 JUNE 2021**

Chairperson

Honourable Members

This has not been an exciting year. We cannot boast of our housing yield. However, we have realised that in some instances this is a very resilient industry. Unfortunately a great number of businesses that made it possible for us to achieve what we have achieved did not fare well. We intend to support them to get back on their feet. The Covid-19 pandemic also taught us about the resilience of our people, their ability to rise above their differences and work together.

We experienced several tragedies in our space. The first being the tornado that destroyed several homes in Mthatha. The second were the fires in Masiphumelele and Taiwan. The response of our people was amazing, so too was the working relationship between the three spheres of government. The most painful was the deaths of the four young boys who died in Vukuzenzele. Our sincerest condolences go out to the loved ones of those who lost their lives.

Human settlements delivery has been in decline over an extended period. This has been mainly as a result of marked reductions in budgets

on the back of the sustained economic downturn. The same economic downturn has also increased the need for human settlements as more and more people lose their capacity to provide housing for themselves. In the three years preceding the covid-19 crisis, a cumulative reduction of some R15 billion has been seen in the capital budget of the Department of Human Settlements.

Following an interaction with the Johannesburg Stock Exchange, a meeting was arranged between the stock exchange and the human settlements entities – HSDB and SHRA - to discuss how funding could be raised from the stock exchange in order to fund low cost and social housing needs. This kind of funding is important to improve accountability and governance of our institutions since they will have reporting and accountability requirements not just to the shareholder, but to the creditors and investors from where they raise the funds. We are excited about the prospects of partnering with the Johannesburg Stock Exchange to assist our entities to access funding.

Over the next 3 years an amount of about R10 billion has been ring-fenced to accelerate the upgrading of informal settlements. The rapid growth of informal settlements in all major cities and towns necessitated a review of funding frameworks. The Department has therefore created a dedicated Upgrading of Informal Settlements Grant Funding Framework exclusively set-up to address adequately the upgrading of informal settlement challenges in our country. We are very confident that these strategies and interventions will undoubtedly add the much-needed stimulus to our Economic Reconstruction and Recovery Plan to revive industries and the economy.

This year, there are 679 informal settlements planned for upgrading by the provinces and 344 informal settlements targeted by metropolitan municipalities. The details are as follows:

Provincial Informal Settlements	
Province	No of Informal Settlements
Eastern Cape	115
Free State	49
Gauteng	73
KwaZulu Natal	57
Limpopo	69
Mpumalanga	49
Northern Cape	11
North West	145
Western Cape	111
Total	679

Metro	No of projects
Buffalo City	43
Nelson Mandela Bay	8
City Of Tshwane	20
Ekurhuleni	53
EThekweni	125
Mangaung	48
City of Cape Town	47
Total	344

To counter the socio-economic impact of Covid-19, the Department had to work with National Treasury to identify and agree on the Human Settlements Grants reductions. The following were agreed on:

- a. Human Settlements Development Grant was reduced by R1.7 billion
- b. Urban Settlements Development Grant was reduced by R1.1 billion
- c. Title Deeds Restoration Grant was reduced by R377 million and redirected to Emergency Housing Grant
- d. R600 million was reallocated to Debt Relief to Social Housing.

After the reduction above, the revised allocation was R14.9 billion. From the unspent grant funding from the 2019/20 financial year, National Treasury approved rollovers for Eastern Cape (R205m), Gauteng (R109m) and North West (R61m) therefore increasing the total available grant to R15.3 billion. The grant was disbursed to all provinces as per the approved payment schedule. Continuous and monthly assessments were conducted on the performance of the grant and it was identified that several provinces had difficulties in spending the transferred funds.

Several meetings were held with the identified Provinces. After several engagements and discussions of the recovery plans of those Provinces, the Human Settlements MinMec decided to invoke section 18 and 19 of the 2020 Division of the Revenue Act.

A total of R588 million was stopped from the following Provinces:

- Eastern Cape : R338 million
- Free State : R100 million

- Limpopo : R50 million and
- North West : R100 million

The stopped funds were reallocated to the following Provinces:

- Gauteng : R100 million
- Mpumalanga : R138 million
- Northern Cape : R200 million and
- Western Cape : R150 million

After several discussions and meetings, the Metros were requested to submit the recovery plans. Due to the non-credibility of the plans for Mangaung and City of Johannesburg, It was agreed that R300 million be stopped from each of this Metros and be reallocated as follows:

- Buffalo City (R200m)
- Ekurhuleni (R300m)
- Tshwane (R200m)

Over time, our resources have become ever more limited, while the need continues to grow. This has hampered the volume and pace of delivery. As a result, more calls have been made by South Africans to also allow them to build their own homes. The land release program is a response to both the challenges faced and opportunities we want to give to our people. We intend to do a national pilot on the Land Release Programme, and so we will soon be announcing the details.

An important element of handing land to developers is also to help with affordability of housing to the low income housing market, where we

intend for the developers to pass the benefit of land to the consumer, making housing more affordable.

The Department intends to promote local enterprises and to create job opportunities within the areas of building material manufacturing and supply, in order to support local small and medium business enterprises in the sector. Towards this end, the department will focus on the development and accreditation of building material manufacturers and suppliers. Through this process, the department will make use of unemployed graduates, especially those trained through the Human Settlements programme.

In support of the presidential call of 40% set aside for Women contractors, the department is developing guidelines to be in line with the constitutional provision as outlined by the Constitutional Court. It is therefore critical to top slice a certain percentage for an incubator programme. CIDB grading criteria is not aligned to the development of small and emerging contractors especially within human settlements sector and transformation objectives. Therefore, grading for capacity and capability for projects should be with NHBRC as the regulator within the Human Settlements sector.

Many South Africans, including public sector workers, still cannot access mortgage finance in order to own their homes, and in good areas. This has been as a result of very stringent requirements from banking sector, including the risk aversity of banks to low-income earners.

The Human Settlements Development Bank (NHFC) is currently developing a mortgage guarantee scheme that will help first time low-

income home owners, especially the so called “missing middle”, which mainstream banks have not been able to lend to. This mortgage guarantee scheme is yet another effort to make sure people access mortgages on both new build and existing homes. The mortgage guarantee will be designed to increase the appetite of mortgage lenders to lend to this group, especially public sector workers.

In addition we have begun with process to ensure that the Housing Development Agency is appropriately governed and financial and technically resourced to ensure it is able to support programme and project management in Provinces and Municipalities focused on the strategic integrated projects, emergency housing and informal settlements upgrading. The HDA must rightfully take its place as the housing and human settlements developer and partner of choice for the state, community and private sector.

Chairperson, I would like to spend a greater part of my speech today on the water sector to the following aspects:

1. I need to emphasise the location of the responsibility of water to the residents, with the hope that Honourable Members of this House will assist me in sending this message and to assist the relevant authorities to take up their responsibility.
2. I want to report to this house the progress we have made, both in the policy space and in the institutional reform of the Department.
3. I want to bring to the attention of this House the problem I have in getting the necessary cooperation with the law enforcement agencies in

dealing with my Water Boards, especially in the Eastern Cape Province. A case in point; a number of criminal cases that were reported both to SAPS, NPA/ Asset Forfeiture Unit, as well as the Hawks have borne no fruits, despite the glaring evidence submitted to all of them against the erstwhile CEO of Amatola Water Board.

Chairperson, I need to emphasise a matter that we need to constantly educate our people on: that being, who is responsible for what around the water sector. When we crafted our Constitution in 1996, we were driven by the need to ensure that we can accord responsibility along the three spheres of government that were created, i.e. National, Provincial and Local government. In the case of water, local government, which is the sphere closest to the people, was given the responsibility of ensuring potable water to all its residents. Please understand therefore that the municipalities are there to provide you with household water.

Municipalities are the most important arm of government, because they deal directly with our people. It is your civic duty to support your municipality and in particular pay your monthly water usage bill. Our municipalities are drowning in debt and we, in turn are unable to function optimally because of the debt owed to us by the municipalities – a debt that currently stands at an astronomical R12.6 billion. Please settle your water bills, so that the municipality can pay our Water Boards. Our Boards cannot operate with this massive deficit.

We then have Water Boards, established in terms of the Water Services Act and which are categorised as national government enterprises in terms of schedule 3B of the Public Finance Management Act, to mainly provide bulk water supply services to municipalities who

have the constitutional mandate to provide clean and safe water and waste water services to our people.

The National government is the public trustee of the nation's water resources to ensure that water is available in bulk, protected, used, developed, conserved, managed and controlled in a sustainable and equitable manner for the benefit of all persons. At national level we have a primary responsibility to provide equitable and sustainable bulk raw water in an effective and efficient manner within the national and trans-boundary context to ensure the country's water security as well as to regulate the provision of water and sanitation services.

I emphasise these Constitutional responsibilities so that every citizen knows where their responsibilities lie. Support your municipalities, they are responsible for all your basic, day-to-day essential services.

On the second issue, which is the institutional reforms, we have established a Disciplinary Committee that is looking at cases of irregularities, which were reported to us. We have made great progress, the details of which will be reported to the Select Committee.

We have restructured the Department, with a hope of making it more efficient and effective in responding to the people's needs, and in line with our new Water and Sanitation Master Plan (a first of its kind in the water sector of this country). We have restructured our Water Boards too, in-line with our new policy on the appointment of boards.

Thirdly, is the issue of corruption. We have acted on corruption in the water sector, with an unprecedented decisiveness and can report that

so far as the case of the former CEO of Lepelle is concerned, this is before the courts and one judgment has been handed down. However, in the Eastern Cape (Amatola), there is clear connivance to abet the consequences of the law. The former CEO has charges laid against her arising from extensive forensic investigations that were conducted and concluded, but these have not reached the courts.

It is worth noting that Sedibeng Water Board has successfully completed the Northern Cape Drought Relief Project. This was achieved through working with the farmers and communities throughout the province. Sedibeng also brought a new implementing model, which has managed to raise R2 billion to date. This happened through rebuilding lost relationships with the mining houses, thus developing a partnership of development. Sedibeng water is moving in the right direction after many years of downward spiral.

I am pleased to report that we have made a significant progress on the matter of the Vaal intervention. In line with the recommendations of the South African Human Commission, we have used section 63 of the Water Services Act, to take over the functions of the municipality over the Vaal. Rand Water is the implementing agent in this intervention. We have established a good relationship with the community of the Vaal because we want to work with them in solving the problems.

Our Water Master Plan will serve before the Cabinet soon, and we will also bring it to this House, because this is our blue print for the future.

The water infrastructure backlog is huge and it's a known fact that the fiscus is strained. As the department we will be driving policy direction

that will create fertile ground for private sector partnership and participation. This policy direction will focus on identification and packaging of viable capital projects and Operations and Maintenance initiatives (in partnership with all other relevant government departments and municipalities).

This will require integration of funded public resources that will open doors for private sector participation. I will announce details of these in due course, but it's time for the private and banking sector to partner with the department towards the provision of sustainable water services in South Africa.

I thank you