



Development Action Group:

**Submission to the Management Committee of the Standing
Committee on Public Accounts**

27th October 2009

1. Introduction

1.1. The N2 Gateway Project is the government's most recent attempt to tackle South Africa's housing problem head-on, and its most public failure. From the outset, the project was billed as *the* national pilot to demonstrate the new housing vision articulated in "Breaking New Ground: The Comprehensive Housing Plan for Sustainable Human Settlements" launched by former Minister of Housing, Minister Lindiwe Sisulu on 2 September 2004.

1.2. Initially, the Department of Housing (now the Department of Human Settlements) seemed to regard the N2 Gateway project as a panacea for South Africa's housing problems, promising that it would demonstrate co-operative governance, strong public-private partnerships, and speedy delivery. The result instead, is a project riddled with difficulties, which even Minister Sisulu acknowledged as a "terrible learning curve."¹

1.3. The problem with this "learning curve" euphemism is that it implies government had no way of predicting the problems that occurred in the N2 Gateway project – when, in fact, almost all of these issues were raised at the outset by NGOs, academics and even some officials. The Development Action Group (DAG) was part of a coterie of advisors, including Catholic Welfare and Development, Anti-Eviction Campaign, and the Community Organisation Resource Centre, that warned against the non-participatory and *ad hoc* approach adopted for the project. DAG strongly cautioned against the displacement of people, the weak consultation with beneficiaries, the unaffordability of the units for the target group and the potential for wasteful expenditure. When all advice was ignored, DAG offered to accompany the process as part of a monitoring and evaluation team to document lessons learned at no expense to the Department of Housing. This too was deemed unnecessary.

1.4. Five years on, what has resulted from phase 1 of the N2 Gateway project is protracted and expensive litigation, large-scale relocations to Delft, evictions of "pavement dwellers" from Symphony Way, a Constitutional Court decision saying 70% of current and qualifying former residents who moved to Delft must be accommodated at Joe Slovo 2, and no sensible plan to accommodate the balance – not to mention, millions of rands over spent on a project that is nowhere near completion, rife with suspicion about the procurement process, poor government oversight, and a breakdown in inter-governmental relations.

1.5. In September 2009, Deputy President Motlantle, in an address to the Conference of the Association of Public Accounts Committees in Cape Town, said: "*government had limited resources and public accounts committees therefore had to ensure they were used effectively, in a manner that would at once improve on the quality of life of the people.*" He went on to call on the Standing Committee of Public Accounts (SCOPA) to step up its oversight role.

1.6. We, at the Development Action Group (DAG), want to restate Deputy President Motlantle's call. South African citizens, especially current and former Joe Slovo residents, are counting on SCOPA to act for them. Given the extent to which the situation could have been

¹ Houston, Anthea. "Long-term vision needed to truly solve our housing problems." Cape Argus, May 24, 2006.

avoided, and the negative impact the project has had on the lives of poor people in the Western Cape, SCOPA should call for a full investigation of the National Department of Human Settlements and all other role players involved in wasteful expenditure and abysmal planning, resulting in the increased vulnerability of affected communities, the interruption of livelihoods, and the further marginalisation of South Africa's citizens.

1.7. We also want to make ourselves available to SCOPA to assist in providing information and research. We will do whatever is needed to help SCOPA carry out its functions.

2. Recommendations

The following recommendations come from DAG's experience with communities and research into the N2 Gateway project:

2.1. Recommendations for SCOPA

2.1.1. SCOPA must call for a full investigation by the Special Investigation Unit of the N2 Gateway Project and all stakeholders involved and hold the responsible parties accountable for wasteful public expenditure.

2.1.2. SCOPA must send a strong message that as much as we have a housing crisis, and as much as government is under pressure to deliver, the quality of delivery, transparency, appropriateness, and value for money should never be compromised by the government – and there are consequences for wasteful expenditure.

2.1.3. It is SCOPA's responsibility, in the spirit of improved service delivery, to uncover the true nature of the procurement proceedings and understand why such uncomfortable, and potentially unlawful, decisions went unquestioned by all three spheres of government.²

2.1.4. SCOPA must authorize the investigation of all departments in government that had to contribute extra public money to making improvements in a poorly-located area like Delft (e.g. transport subsidies, health care, welfare grants, and infrastructure) in order to understand all the associated costs of the N2 Gateway relocation.

2.2. Recommendations for the National Department of Human Settlements, the Provincial Ministry of Housing, and Local Municipalities

2.2.1. All future pilot projects planned by the Department of Human Settlements (and Provincial Government and Local municipalities) must follow existing policy and practice, so that the broad parameters for the project are clear, curtailing wasteful expenditure (particularly exploitation by private contractors) and making sure mistakes are not repeated.

2.2.2. Appointing contractors without approved business plans and finalised budgets should not occur under the PFMA and the MFMA. The N2 Gateway project raises serious concerns over the appointment of under-skilled contractors who then sub-contract. There must be sufficient oversight of all agencies (governmental, parastatal, and private) involved in delivery.

2.2.3. Poor inter-governmental relations should not warrant a lack of accountability and transparency. All spheres of government should be held accountable for the breakdown in communication that led to an exploitation of public resources and an infringement of citizen's rights as dictated by the Intergovernmental Relations Act and related Inter-governmental Protocol.

² "Report of the Auditor General on the Special Audit of the N2 Gateway Project at the Department of Human Settlements." Pretoria, July 2008. This report deemed some of the actions unlawful.

2.2.4. The National Department of Human Settlements must always follow the principles of BNG, which mandate consultation with affected citizens. Such consultation should allow project beneficiaries to participate in the design and implementation of their housing development, in order to contribute to the overall quality of their project and build strong relationships with the State. Proper community participation limits unnecessary costs and delays, and ensures residents are aware of their rights and responsibilities. The National Department of Human Settlements should rely upon NGOs that have the capacity to develop good relationships on the ground, up-skill communities, and facilitate people-centred decision-making.

2.2.5. The National Department of Human Settlements must align policy and practice, so that the poor of South Africa have access to well-located land, and are not continually displaced to the periphery. In instances like the Joe Slovo project, residents associations that promote a not-in-my-backyard philosophy (NIMBY) should not be able to bar needy families from living nearby.

2.2.6. Wherever possible, in-situ upgrading of informal settlements should be preferred to relocation (Set out in the National Housing Code chapters 12 and 13 adopted by the government after the Grootboom judgment), as it can enable peoples' living conditions to be improved while maintaining and building on their existing social and economic networks.

2.2.7. Due to the poor planning of the N2 Gateway project, there have been many knock-on effects that cannot be ignored. The National Department of Human Settlements must have consultations with the backyarders from Delft and Langa and the non-qualifiers from Joe Slovo to create housing options and solutions. The poor should not have to bear the brunt of the Department's bad planning and management.

2.2.8. The HDA must embrace its mandate to address the nation-wide land shortage by acquiring well-located land for low-income housing. The agency must also be careful not to replicate Thubelisha's mistakes.

2.2.9. As seen from the TRA experience, there are many hidden costs associated with poorly located land for all government departments and spheres. The National Department of Human Settlements must manifest the policy intent of creating housing opportunities in areas where the poor can enjoy the full benefits and amenities of the city. The provision of affordable and reliable public transport can greatly enhance economic prospects of relocated households and reduces the negative impacts of relocation.

2.2.10. When contractors are hired to build low-cost housing, there must be government oversight to ensure the high quality of housing, monitor the use of 'cheap' materials, provide space to address community complaints, and create structures to maintain the properties in the future.

3. Wasteful Expenditure

3.1. Pilot projects

The National, Provincial, and Local Housing Departments have consistently referred to the N2 Gateway Project as a "pilot," intimating that it needed to operate outside the existing policy frameworks as a testing ground for new policy and practice. Regardless of whether pilots are undertaken, budgets should not be spent on projects that are not properly planned and lack community participation. As demonstrated by the Auditor General's report, much was overlooked (e.g. the project commenced before the Social Housing Policy framework was in place, before land was secured, and before budgets were agreed upon) for the sake of

expediency.³ The Public Finance Management Act (PFMA) as well as the Municipal Finance Management Act (MFMA) should always be enforced, especially when pilot projects are implemented on such a tremendous scale and consume vast State resources in human and capital outlay. Operating in such an *ad hoc* fashion means that there is no way for the pilot to be replicated within the boundaries of the extant policy frameworks leaving room for maladministration and abuse of public funds.

Recommendations:

- All future pilot projects pushed forward by the National Department of Human Settlements, Provincial Housing Departments and Local municipalities must follow existing policy and practice, so that the broad parameters are clear, curtailing wasteful expenditure.
- SCOPA must send a strong message that as much as we have a housing crisis, and as much as government is under pressure to deliver, the quality of delivery, transparency, appropriateness, and value for money should never be compromised by the government.

3.2. Procurement

As highlighted by the Auditor-General's report, the procurement process conducted by the City of Cape Town was highly irregular.⁴ We submit that the irregularities could well have opened the door to cronyism and financial mismanagement. The following sequence of events has been compiled from the Auditor General's report and a variety of editorials about the N2 Gateway project.

- The position for a Contractor to develop the N2 Gateway Project was advertised over a holiday weekend in December, and applications were due the following Tuesday at 4:00 pm. Contractors had only 2 working days to compile and submit tenders (as opposed to the 21 days mandated by the MFMA). This raises questions as to whether those companies who did submit tenders had knowledge of the opening prior to its appearance in the newspaper.
- The procurement committee used a two envelop review system,⁵ shortlisted 3 candidates, and selected the highest-scoring company on the merits of their technical and financial proposals. The procurement committee disqualified a company called Cyberia Information Communication Technologies Pty Ltd, on the basis that their tender billed by the hour.⁶
- This decision was subsequently referred to the Goods, Services and Property Advisory Board (GSPAB), which convened an emergency meeting in mid-December with 4 of the 7 members present. The GSPAB decided to rescore the submissions and shortlist the original candidates, but ultimately award the tender to Cyberia. An independent forensic audit commissioned by the city "found the board acted outside of its mandate by performing its own evaluation." GSPAB's appointment of Cyberia was approved the same day by Chief Financial Officer, Ike Nxedlana, without a proper business plan or budget. Given what is known about excessive spending in the project, it is necessary to ask why the tender was awarded to a company originally disqualified on the basis of their inadequate financial proposal.⁷
- Cyberia is an information technologies firm, which did not have the in-house capacity to manage a construction project, and consequently had to outsource and subcontract. When it comes to government appointments there are two divergent philosophies: 1. to

³ "Report of the Auditor General on the Special Audit of the N2 Gateway Project at the Department of Human Settlements." Pretoria, July 2008.

⁴ Ibid.

⁵ The first envelope contains the technical details of the project, and the second contains the financial details.

⁶ "N2 Officials asked to return money or else." Cape Times. August 2009. Republished:

<http://blog.ikhayalami.org/?p=126>

⁷ Ibid.

appoint a company with the technical expertise to complete the project; 2. to appoint a company that has the proven capacity to manage large projects through sub-contractors. In light of the problems associated with the N2 Gateway project, it appears that Cyberia did not have sufficient skills to subcontract and manage the project. The question must be asked whether the second appointment philosophy is valid, as it opens the door to overspending and corruption in the appointment of subcontractors. Additionally, government had, it appears little power to oversee the subcontractors that Cyberia chose to hire.

- Cyberia also charged a 10% management fee, which is well above the industry norm.⁸ This raises questions about why the City of Cape Town chose a company that was so much more expensive than the rest of the field.
- There was never a business plan or contract finalised – so the initial tender was used as the basis for payment. Even as Cyberia exceeded the budget, the City of Cape Town continued to authorise payment. It is incumbent upon the National Department of Human Settlements and the City of Cape Town to intervene when public funds are overspent. Since there was no such intervention, after building 700 houses (of 22 000), Cyberia had received 252% of tender price.⁹

Recommendations:

- It is SCOPA's responsibility, in the spirit of improved service delivery, to uncover the true nature of the procurement proceedings and understand why such uncomfortable, and potentially unlawful, decisions went unquestioned.
- Appointing contractors without approved business plans and finalised budgets should not occur under the PFMA and the MFMA.
- The N2 Gateway project raises serious concerns over the appointment of under-skilled contractors who then sub-contract. There must be sufficient oversight of all agencies involved in delivery.

3.3. Inter-governmental Relations

Breaking New Ground (and the Intergovernmental Relations Act and related Protocol) calls for inter-governmental co-operation, both horizontally and vertically, and the N2 project was certainly pioneering in this respect. It is this feature, however, that instigated the poor forward planning and financial packaging that has ultimately undermined the project. The procurement process detailed above raises many issues about inter-governmental cooperation and the politics of blame. The City of Cape Town claims to have bent the rules due to pressure from the National government to adhere to an unrealistic timeline; and denies responsibility for their procurement decisions on the basis that they were not funding the project. The National government contends that they had limited control as they were not the "implementing agent" for the project. This does not justify the failure of government to ensure accountability and transparency. Due to the cooperative nature of this project, all three spheres of government are able to redirect blame and mystify the public – when in fact all should be held accountable for such grave over-expenditure.

There was an MOU entered into between the three spheres of government which was problematic and has shortcomings. The parties then entered into successive land availability agreements all of which could benefit from scrutiny

Recommendations:

⁸ "Report of the Auditor General on the Special Audit of the N2 Gateway Project at the National Department of Human Settlements." Pretoria, July 2008.

⁹ Ibid.

- Poor inter-governmental relations should not warrant a lack of accountability and transparency. All spheres of government should be held accountable for the breakdown in communication that led to an exploitation of public resources and an infringement of citizen's rights.

3.4. Public-Private Partnerships

Recent discourse has shifted broadly from a housing supply emphasis to one that seeks to enhance the housing assets of low-income earners so that urban land markets work for the poor. The government may have accepted a markets-framework in its poverty alleviation and reconstruction objectives, but engagement with actors in the sector is needed to develop a credible, coherent position around the cost of land, the persistence of informality, access to and availability of land for the poor, urban-rural linkages, legislative and regulatory issues, and the intention underpinning the development of comprehensive, sustainable human settlements. If land and housing projects are increasingly outsourced to private companies, there must be sufficient oversight. As can be seen from the N2 Gateway project, Cyberia's interests are in profit, not social development. Thus, the State must assume the responsibility for protecting their citizens – the tax payers and the beneficiaries. In public-private partnerships, the State has a moral duty to protect the rights of the poor.

Recommendations:

- The Department of Human Settlements must be responsible for protecting tax payer's money from exploitation by private contractors.
- The Department of Human Settlements must always follow the principles of BNG, which mandate consultation with affected citizens, where there is scope for citizens to formulate alternative options about land and housing.

3.5. Politics of Housing Provision

The politics of housing provision has made politicians and officials averse to collaborative action, placing sustainable solutions out of reach. The competitive nature of party politics and the tendency to use housing as a political football perverts the delivery process. However, even within parties, housing delivery is used to leverage support bases. This generates a low trust environment and gives rise to the type of politicking manifesting itself in the N2 Gateway. Courageous leadership is needed – politicians and officials must take responsibility for massive capital investments that makes little meaningful impact and must sacrifice short-term gain for the long-term public good.

Recommendations:

- There must be more inter- and intra-party collaboration in order to deliver housing opportunities to South African cities. All levels of government should be held accountable.

3.6. Policy-Practice Divide

From the Auditor-General's report, it is clear that the Social Housing Policy framework was not completed at the inception of the N2 Gateway project. Once formalised, over 75% of the population of Joe Slovo was deemed too poor to qualify for such a housing programme as it typically caters for the 'gap' market people. The type of rental housing most Joe Slovo residents could qualify for would have been Community Residential Units (CRU) which was only promulgated later. Unfortunately, while the Social Housing Policy makes a point of providing rental housing in Designated Restructuring Zones on well-located land, the CRU programme makes no such explicit requirement. Thus, rental housing programmes that are currently geared for the poorest of the poor have a tremendous potential to displace South Africa's most vulnerable residents to the periphery, seriously undermining policy intent. This practice divide must be brought in line with the Breaking New Ground Policy, which stresses the importance of location for the survival of the poor.

Recommendations:

- The National Department of Human Settlements must align policy and practice, so that the poor of South Africa have access to well-located housing, and are not continually displaced to the periphery of cities.

4. Lack of Participatory Approach**4.1. Lack of consultation and participation**

Rather than adopting an inclusive approach, as promoted in BNG, the N2 project is a top-down development, shrouded in secrecy and planned without the participation of the affected communities. The lack of real community participation leaves much to speculation on the part of the professional team, resulting in a range of ill-informed and unviable technical solutions. The unaffordability of the units for the Joe Slovo beneficiaries illustrates this well; as does the dissatisfaction of residents relocated to Delft. This antediluvian approach to community participation works against the notion of a developmental local government and pits one poor household against another in the desperation to secure shelter. This exclusivity compounds the pressure on the state to deliver, leads to various protests around service delivery in general, and more specifically about the upgrading of Joe Slovo and the N2 allocations.

Recommendations

- All housing projects must give the public the opportunity to participate in the design and implementation of their houses in order to contribute to the overall quality of a project and improves relationships with the authorities.
- Effective strategies to improve community participation would engage beneficiaries from the beginning and therefore encourage beneficiaries to get on board with government plans and policies.
- Proper community participation limits unnecessary costs and delays and ensures residents are aware of their rights and responsibilities.
- Proper leadership development training allows beneficiaries to fully understand and engage in their housing processes.

4.2. Civil society Organisations

Given their position within South African civil society, NGOs and other civil society organisations involved in urban development and housing can be a real asset to a Developmental State. In the N2 Gateway project, many urban sector organisations tried to intervene from the outset, pressing the State to involve communities, develop appropriate housing on site, and manage public expenditure. As stated above, the Development Action Group, Catholic Welfare and Development, the Isandla Institute, the Anti-Eviction Campaign and the Community Organisation Resource Centre have all been at the forefront of community research and consultation in Joe Slovo. Even with all of these advisors, who tried to forefront community issues, the government chose to ignore the need for a participatory approach. In the future, using NGOs/CBOs with proven track records is a good strategy for the State to ensure that development decisions are appropriate to the community, and ameliorate rather than exacerbate poverty and insecurity.

Recommendations

- The National Department of Human Settlements should rely upon organisations that have the capacity to develop good relationships on the ground, up-skill communities, and facilitate decision-making.

5. Negative Affects of Relocation

5.1. Relocation to Delft

When a fire broke out in Joe Slovo 2005, the City of Cape Town and the National Ministry of Housing used the tragedy as an opportunity to de-densify the settlement. Those who were displaced by fire – some 2000 households – were not allowed to rebuild their shacks and were instead sent to temporary relocation areas (TRAs) around Cape Town. The government used this tragedy as an opportunity to remove residents quickly, without a cogent plan about where to relocate them and for how long. Immediately after the fire, nine TRA sites in Langa and two in Epping were identified for temporary housing – but residents associations in each community expressed strong resistance to TRAs in their areas. After discarding over 17 different sites, a cemetery in Delft was chosen as the primary relocation area. Although Delft had been the site of large-scale subsidized housing delivery over the past 15 years, it was notorious for its poor location and badly developed transport links (especially the lack of a rail link). Still this route was pursued, and made Joe Slovo fire victims made more vulnerable.¹⁰

Recommendations

- In instances like the Joe Slovo project, residents associations that promote NIMBY-ism should not be able to bar needy families from living nearby.
- There must always be consultations with a representative body of households to make any relocation and development decisions.

5.2. Livelihoods in Delft

Poor communities have interconnected livelihoods strategies constituting local economies, which take advantage of the resources and assets available within their settlements. Practitioners seldom fully appreciate how the local economy of a poor neighbourhood operates, but nonetheless make life-changing development plans which may strengthen or weaken the monetary base of the residents. According to DAG's research: 95% of families who were relocated to Delft experienced a drastic change in their income and expenditure; and 34% lost their jobs. As one respondent summed up: "Delft is far away from work opportunities, transportation is very scarce, and we need to use more paraffin and electricity here." The N2 Gateway project underscores the impacts of location on people's livelihoods. Apart from the economic impact on households, relocation to outlying areas negatively impact on state expenditure. For example, as people cease to seek employment or are forced to give up employment, the burden on the state to provide a social safety net will increase. Possible costs incurred by government departments such as the Department of Health and Education, which would have to quickly increase service provision, as well as increased transport subsidies should not be overlooked in assessing the feasibility of TRAs. Furthermore, large numbers of people living in relative isolation in areas such as Delft can give rise to an increase in the occurrence and variety of social problems, which in turn can create high levels of social instability. This instability is already evident in greater Delft, and although government carries the cost in its expenditure on, for example, crime prevention, the social cost is also borne by the households who live in these areas.¹¹

Recommendations:

- Wherever possible, in-situ upgrading of informal settlements in well-located areas should be preferred to relocation, as it can enable peoples' living conditions to be improved while maintaining and building on their existing social and economic networks.
- The provision of affordable and reliable public transport can greatly enhance economic prospects of relocated households and reduces the negative impacts of relocation.
- SCOPA must authorize the investigation of all spheres and departments in government that had to contribute extra public money to making improvements in a poorly-located

¹⁰ "Temporary Relocation Report." DAG Archive. 2005.

¹¹ Ibid.

area (e.g. transport subsidies, health care, welfare grants, and infrastructure) in order to understand all the associated costs of relocation.

- TRA's have proven to be more costly to the state and the related expenditure could be better utilised to up-grade informal settlements as well as contribute to the purchase of well-located land.

5.3. Integrated approach for achieving adequate housing

South Africa's dominant housing delivery practice focuses on the physical construction of houses underpinned by Greenfields-type contractor-driven development characterised by big, expensive arrangements. Social and economic development programmes are typically added afterwards. It is therefore clear from DAG's survey of residents of the Delft TRA that an integrated approach to development is essential. Housing and infrastructure delivery must be regarded as part of broader integrated development interventions with clear social and economic development goals. Urban poverty is complex and multi-dimensional, and "single sector interventions cannot sustainably improve the shelter conditions of urban poor households." In an integrated approach it is important that poverty is addressed through multifaceted strategies that include strengthening social capital (strengthening community institutions and social networks, e.g. neighbourhood committees, savings groups, income generating activity groups), human capital (improved health and education), financial capital (increasing income and access to credit) and physical capital (access to infrastructure and shelter). What an integrated approach means in practice, therefore, is that informal settlement upgrading initiatives need to have a range of complementary programmes that address physical, social and economic development needs. Ultimately, development needs to be about more than the provision of shelter and infrastructure, but should be about understanding people's existing circumstances and contributing towards improving people's lives in a meaningful way.

Recommendation:

- TRAs should not be established without attention to schools, health care, child care, transportation and other social amenities needed for survival.
- Government departments should work in an integrated and coordinated way to protect vulnerable families from becoming more vulnerable during relocation.

5.4. When temporary becomes permanent

The poor planning on behalf of the National Department of Human Settlements has had long standing effects on families living in Delft, and families moving from Joe Slovo. From the outset, there was little facilitation with the original Delft residents, who were upset by the location of the TRAs in their settlement. These Delft residents, and in particular the Delft backyarders, felt that the families from Joe Slovo were queue-jumping by getting their houses so quickly. The Delft backyarders, with the help of their councillor, organised an invasion of the new, brick houses built for the Joe Slovo families. The squatters were evicted and consequently decided to settle along Symphony way – there is now an order to evict them again. Another consequence of poor planning is residents from Joe Slovo who do not qualify for government subsidies. Many of these non-qualifiers have incomes just over R3 500 and others already have received a subsidised house elsewhere. Unless there is some solution proposed, these families will live in the TRAs permanently or will be evicted to make room for others. Given that these families were moved from Joe Slovo after a devastating fire with no assessment of their qualification, there should be some consultation with them and provision made for them – they should be educated about the housing options available to them, and allowed to decide on a fair solution.

Recommendation:

- Due to the poor planning of the N2 Gateway project, there are many knock-on problems that cannot be ignored. The National Department of Human Settlements must have consultations with the backyarders from Delft and the non-qualifiers from Joe Slovo to

create housing options. The poor should not have to bear the brunt of the Department's bad planning and management.

5.6. Well-located Land

This N2 Gateway Project, and the Auditor-General's Report, draws attention to the need for a co-ordinated land release programme, which incorporates extensive community engagement and involves all relevant spheres of government in a process to identify land which is suitable for low-income housing and prepare such land for development. Any programme that does not consider optimising the use of infill land and other well-located land at a significant scale fails to redress the spatial inequalities of the city. The South African government's newly established Housing Development Agency (HDA) has a mandate to address the nation-wide land shortage by rapidly acquiring and releasing land for low-income housing. It is important that this agency fulfils its mandate in a way that simplifies the land access process for those involved in self-help projects as well as contractor-driven developments; it is likewise important that this agency learns lessons from Thubelisha Homes in order not to repeat past mistakes.

Recommendation:

- The HDA must embrace its mandate to address the nation-wide land shortage by acquiring well-located land for low-income housing. The agency must also be careful not to repeat Thubelisha's mistakes.
- As seen from the TRA experience, there are many hidden costs associated with poorly located land for all government departments. The National Department of Human Settlements must push to create housing opportunities in areas where the poor can enjoy the full amenities of the city.

6. Negative Effects on Residents Allowed to Stay in Joe Slovo

6.1. Affordability

The N2 Gateway (Phase 1) project is a social rental housing project. Public participation was not done comprehensively and the lack of comprehensive community participation later made it evident that targeted households (from informal settlements) would be unable to benefit from this approach as they would not be able to afford the rental levels of social housing, which were aimed at beneficiaries who earn R3,500–R7,500 per month. Together with the City of Cape Town, Sizwe Nkonki Consultants compiled an integrated list of beneficiaries from the City's database. However, at a later stage BKS Engineers and Management was appointed by the Western Cape Provincial Department of Local Government and Housing to deal with the beneficiary selection along with Thubelisha Homes. In this approach it was determined that 70% of beneficiaries should come from the Joe Slovo informal settlement and 30% from the 'backyarders' in Langa and pamphlets were distributed in these areas. This process was followed by public meetings informing the community of the intentions of the project. Those whose names did not appear on the City of Cape Town's database/waiting list were advised to fill in new application forms and register at the nearest municipal office, provided they lived within the demarcated area. Three workshops were held prior to the signing of lease agreements and debit order forms, in which beneficiaries were informed that the monthly rentals previously set out in pamphlets (in the range of R250 for 27m² to R690 for 40m²) had increased to R500 for 27m² and R1,050 for 40m². The reason for the increase was stated as budget constraints related to the maintenance of a housing project.

In DAG's Medium Density Resource Book, Martin Legassick states that the national housing minister claimed that: *"Joe Slovo residents 'would have to make way for people higher up the housing waiting list'. But housing was not allocated on the basis of waiting lists because very few people could be found who were economically eligible. Instead, advertisements were placed in police stations to attract new applicants. What reason is there to expect any difference with Phase 2, which is so-called 'gap' housing for those earning between R3,500 and*

R7,500 a month? Rather than allocation by waiting list, she is moving out the poor to make way for the better off.” The unaffordability of the completed units for the target beneficiaries illustrates this well. Surveys indicate that over 61% of households in Delft earn below R1,500 per month and thus most households will be unable to afford the high rentals or planned high mortgage payments in Phase I and the new Phase 2 housing. The remaining 1,000 planned BNG houses will only address a sixth of the real demand of those currently living in Joe Slovo, and may not even include those who moved to Delft on the understanding that they would return to Joe Slovo.

This outdated approach compounds the pressures on the state to deliver and spurs the ongoing protests by people from Joe Slovo and other settlements along the N2.¹²

Recommendations:

- In all housing projects, it is imperative that units are built based on the earnings of the target beneficiaries.

6.2. Quality of Houses and Services

The City of Cape Town is responsible for services such as roads, water, sewer mains and public open spaces, and, in a survey conducted by DAG, reported no non-payment from individual beneficiaries. Thubelisha Homes (now defunct) was meant to deal with building maintenance, but committee members reported that nothing was forthcoming from Thubelisha Homes' management after numerous meetings to resolve maintenance issues. These included cracked walls, alleged structural problems, leaking pipes, dampness of walls, blocked toilets and other general maintenance work and general complaints. It was resolved at a general meeting that residents would embark on a rent-boycott from July 2007 in the hope that their needs would be addressed as a matter of urgency. However, Thubelisha Homes held them to the legal lease agreements they signed as individuals, which stipulate that if households refuse to pay due rentals on time, they will be evicted without notice. The committee members felt a rental boycott was their last resort as they had put up with defects and poor maintenance while at the same time paying high monthly rentals. Consensus was eventually reached that issues of maintenance would be addressed as a matter of urgency. At the time of the interview the residents' committee reported that progress had been made and on-site maintenance was taking place on a daily basis.

Recommendations

- When contractors are hired to build low-cost housing, there must be government oversight to ensure the high quality of housing, monitor the use of 'cheap' materials, provide space to address community complaints, and create structures to maintain the properties in the future.

7. Conclusion

7.1. We recommend a full investigation by the Special Investigating Unit into the overall management and implementation of the N2 Gateway project. We feel that SCOPA should act decisively and use its full might in dealing with wasteful expenditure and flawed process in this matter.

7.2. DAG avails itself to SCOPA to assist in providing information and research in the future, whenever it feels the need to gather new information to carry out its functions in this regard.

¹² Tonkin, Anzabeth. *Medium Density Resource Book*. Development Action Group: 2009.