

---

# HOUSING THE NATION:

*Doing justice to delivery*

---

*A report prepared by the Ministry of Housing*  
13 February, 1997

---

---

# **\*\* CONTENTS \*\***

---

<b>BACKGROUND .....</b>	<b>Page 1</b>
<b>POLICY OBJECTIVES - TARGETING THE POOR .....</b>	<b>Page 4</b>
<b>Capital Subsidy Scheme .....</b>	<b>Page 4</b>
<b>People's Housing Process .....</b>	<b>Page 5</b>
<b>National/Provincial Housing Boards .....</b>	<b>Page 5</b>
<b>National Housing Finance Corporation .....</b>	<b>Page 7</b>
<b>National Urban Reconstruction and Housing Agency .....</b>	<b>Page 8</b>
<b>Servcon.....</b>	<b>Page 8</b>
<b>Mortgage Indemnity Fund .....</b>	<b>Page 9</b>
<b>RDP Programmes .....</b>	<b>Page 10</b>
<b>OTHER FACTORS IMPACTING ON HOUSING DELIVERY .....</b>	<b>Page 9</b>
<b>Masakhane .....</b>	<b>Page 10</b>
<b>Development Facilitaton Act .....</b>	<b>Page 10</b>
<b>Consumer Protection .....</b>	<b>Page 10</b>
<b>Local government .....</b>	<b>Page 11</b>
<b>Communications/Education.....</b>	<b>Page 11</b>
<b>WHAT IS BEING DONE TO ACCELERATE DELIVERY .....</b>	<b>Page 12</b>
<b>IMPACT OF HOUSING POLICY ON GEAR.....</b>	<b>Page 12</b>
<b>Contact numbers for further information .....</b>	<b>Page 12</b>

## 1. BACKGROUND

*The role of central government in housing is to formulate policy and to support the provinces in implementing it.* However, the primary responsibility for housing rests with government but many players, such as financial institutions, developers, contractors, building material suppliers, etc, impact on the delivery process.

Statistics show that *the current housing policy has taken root* and there is a strong upward trend (both for subsidies approved and for money spent) and *the outlook for an increased delivery tempo is very positive.*

Between March 1994 and November 1996, *123 139 houses of the one million houses promised were built or construction begun, giving many people home ownership opportunities for the first time.*

With more than 380 000 subsidies (the average amount of which is R12 800) reserved to date (ie, the projects are in various stages of planning or development), the trend indication is that *one million houses will be built or under construction by 1999.*

This presumes

- consistent and visible support for policy fundamentals by government, especially at national and provincial levels;
- support of government's social partners, especially labour and business;
- respect for due legal process and the vigorous enforcement of legal contract;
- programmes to enhance capacity at provincial and local levels;
- long-term budgetary certainty at national level,
- the timely provision of land and services; and
- support for savings-driven housing delivery.

These projections also take into account the natural lead time required for the construction industry (the standard is between 18 months and 24 months) and an expected progressive improvement in the general housing environment as state interventions take effect and capacity expands.

It has taken two and a half years for the housing policy to take effect and this can be attributed to conditions in four key areas:

- **the legacy of the past** *including inequitable housing distribution, institutional fragmentation, a backlog estimated at between two million and three million houses;*
- **the interim constitutional dispensation** *which resulted in uncertainty about division of roles and responsibilities; lack of clarity on national policy and regulatory frameworks; function tension in the absence of effective horizontal and vertical co-ordination frameworks; and uncertainty of fiscus allocations;*
- **the state of the economy** *including the slow recovery from the recession, high interest rates, escalating housing costs, poor savings practices by individuals and a limited capacity by government to finance housing; and*
- **the lack of capacity** *in all housing-related sectors (government, private enterprise, civil society, etc), reticence to increase capacity due to economic, political and fiscal uncertainty and insufficient policy and administrative certainty.*

The housing policy takes cognisance of sustainability, recognises constraints of affordability and capacity and the ever emerging priorities for housing.

The backlog is estimated at between two million and three million houses and *central government does not have sufficient funds to meet the housing needs for South Africa.* So its policy aims to maximise available resources (through gearing state funds, involving the private sector and by encouraging sweat equity and savings contributions by individuals, etc). *To house a family adequately, a counter contribution to the value of R3 is required from other sources to every rand government spends on housing.*

To meet its goal of delivering one million homes in five years, government has adopted a policy which is underpinned by seven key strategies:

- Stabilise the housing environment;
- Facilitate the establishment of institutional technical and logistical housing support mechanisms to enable housing delivery to occur;
- Mobilise private savings and housing credit at scale;
- Provide subsidy assistance to the poorest of the poor;
- Rationalise institutional capacity in the housing sector within a sustainable, long-term institutional framework;
- Facilitate the speedy release and servicing of land; and
- Co-ordinate and integrate public sector investment and interventions on a multi-functional basis.

Finally, there is a need to consolidate activities within existing programmes with an emphasis on building capacity, improving communication, speeding up land release and infrastructure development, improving co-ordination of development.

## 2. POLICY OBJECTIVES - TARGETING THE POOR

### **2.1 Capital Subsidy Scheme**

*Approximately 49 percent of all households in South Africa have an income below R1 000 per month. These households are living below the minimum subsistence level which is currently calculated at R1 072 per month. They are unable to make any contribution towards mortgage finance and are dependent on the government subsidy to fulfil their housing needs.*

The *Capital Subsidy Scheme*, established in March 1994, allows a person/s married, or with dependents, who have an income of less than R3 500 per month to qualify for a subsidy (based on a sliding scale against income, with a R15 000 subsidy going to those who are unemployed or earn less than R800 per month).

Government's efforts will not produce one million houses unless homeless people contribute by building their own homes. *The fact that the housing subsidy does not provide sufficient finance for a completed house is not in dispute. For the majority it only provides access to land with secure tenure plus shelter that meets little more than basic needs.*

Statistics held by the Dept of Housing show that at least half a million subsidies will be reserved by Provincial Housing Boards by mid-1997. Only 16,3 percent of the 123 139 houses built or under construction (March 1994 to November 1996) have credit-linked financing.

Around 1 042 institutional subsidies have been reserved to enable institutions to provide subsidised housing in various tenure forms. *The variety of tenure forms - such as rentals, shareblock, deed of sale and freehold - are expected to increase significantly following Cabinet approval in December 1996 of the second Ministerial Task Team report which made recommendations aimed at stimulating the institutional subsidy sector.*

Funding certainty remains a necessity because of the multi-year nature of housing projects and the need to gear resources outside the exchequer.

Excellent progress has been made in negotiations with the Dept of Land Affairs in addressing problems of rural tenure and announcements will be made soon regarding this.

## **2.2 National and Provincial Housing Boards**

*More than 400 000 subsidies have been allocated by Provincial Housing Boards up to November 1996. In total, more than 660 projects have been approved by the provincial housing boards and of these, at least 52 percent are active.*

Provincial Housing Boards will be one of the areas of focus of the third Ministerial Task Team on Housing Delivery. Solutions for improving effectiveness will be sought through the provision of a coherent framework provided for in the draft Housing Bill.

## **2.3 People's Housing Processes**

People's housing processes exist in various forms throughout the country. Typically, this is where individuals, families or groups take the initiative to organise the planning, design and the building of - or actually build - their own houses.

The Dept of Housing has recognised these processes and has directed support to these initiatives via formal housing support task teams. Examples of people's housing processes visibly demonstrate how people build their own houses, generally, resulting in larger houses, between 45 square meters and 60 square metres.

People's housing processes require a commitment of own resources by individual savings by the poorest of the poor to add to the government subsidy, so adding value to the whole process. A pre-requisite for success of the people's housing process is the provision of serviced building sites which are unlikely to materialise in sufficient quantities if left solely to the private sector to provide.

*One of the numerous examples of the people's housing process is the SA Homeless People's Federation. The Federation has achieved private savings of more than half a million rand from its more than 30 000 member families and they have built more than 700 houses without government aid. The efforts of the Federation have been recognised by the Dept of Housing which last year gave R10 million to it to support its savings-driven housing programme.*

The creation of the uTshani Fund (a revolving fund mechanism) has gone some way to creating opportunities for beneficiaries to undertake a more hands-on role with managing savings, development capital and housing loans, linked to subsidies.

A trust to be known as the People's Housing Partnership is soon to be established with the support of donor funding primarily from the UN Development Programme (UNDP) and USAID. The Trust is being created to meet the pressing need for institutional capacitation and empowerment at the provincial and local spheres of government and among NGOs to support people's processes.

*The prevalence and acuteness of poverty means the people's housing processes offer possibly the best opportunity for more than half the homeless population to gain access to adequate housing. The aim of this capacitation programme is therefore to build and mobilise the capacity and strengths of people who, because of their very limited incomes are unable to afford housing produced by contractors. These people comprise mostly unemployed or underemployed persons with limited formal education and skills training.*

Critical factors which will impact on the success of this programme include

- access to land (urban and rural) with secure tenure and adequate services;
- access to housing subsidies;
- access to alternative forms of housing credit;
- access to affordable building materials ;
- access to technical support in home building and basic skills training;
- access to housing information and consumer education;
- the mobilisation of savings; and
- opportunities for employment creation.

To support people's housing processes, funds were set aside for the establishment of **housing support initiatives**. These initiatives have been rather slow to take off.

Support for people's housing processes have not yet become widespread primarily on account of inadequate institutional capacity at provincial and local level. In addition, appropriate policy guidelines and operational procedures are still being formulated in a partnership approach involving all key stakeholders. Once the People's Housing Partnership Trust become fully operational, a marked increase in support will take place.

People's housing processes will be the focus of the third report of the Ministerial Task Team on Housing Delivery.

## **2.4 National Housing Finance Corporation (NHFC)**

The *National Housing Finance Corporation (NHFC)* was established in June 1996. It is a public company, wholly owned by government, with the objective of facilitating the provision of wholesale housing finance to those who do not have ready access to the formal credit markets and to institutions which provide affordable housing to this market segment.

Its immediate focus is to build financial capacity in the housing sector while funds mobilisation and innovation remain the ultimate objectives. In its six months of operation, the NHFC has made positive strides to establish a base of operations and is negotiating various deals which, when concluded, will see it begin to meet its objectives.

The NHFC also manages the R525 million from the RDP Fund and allocated to the densification programme, to which funds amounting to R525 million were allocated. The second Ministerial Task Team report, approved in December 1996 by the Cabinet, gives the framework for the expenditure:

- establishing a R75 million fund (to be matched rand for rand by local promoters) to start up housing institutions (such as housing or tenant associations);
- a R350 million allocation to the NHFC to facilitate the rapid establishment of institutional capacity to fund and manage alternative tenure and finance delivery processes; and
- R100 million allocation to the NHFC for joint ventures in densification. The fund has to match the investment of the private partner/local authority with an intention to leverage at least three rand of working capital to every one rand invested by national government.

The *Rural Housing Loan Fund* is managed by the NHFC. Set up as a revolving fund with 50 million DM grant from German donors, it aims to improve the housing situation of rural people through increasing access to housing loans. The Fund will provide wholesale finance and support to non-traditional lenders to enable them to lend to low-income earners in rural areas. The fund has been legally established and the first grant to a non-traditional lender will be made soon. A workshop is also planned for February to inform NGOs and other stakeholders of the fund's aims, rules and operation.



## **2.5 The National Urban Reconstruction and Housing Agency (NURCHA)**

NURCHA was established in October 1995 with finance from the RDP Fund and the Open Society Institute of New York. Its objective is to induce finance flows into low-cost housing by offering guarantees for bridging finance to developers of low income houses, and end-user finance for beneficiaries of low-income housing projects. NURCHA is expected to be operational for three years.

*Since opening its doors, NURCHA has issued guarantees valued at R16 million for bridging finance loans to 19 projects that will lead to the construction of about 7 500 homes with a total value of R118 million. An additional R70 million worth of guarantees representing financing for 12 500 more homes is available for release in 1997*

More than 90 percent of the households already assisted earned below R 1 500 per month. The pace of guarantees issued is expected to increase over the next few months.

As a result of the success of NURCHA, the Dept of Housing has allocated a further R25 million to its programmes.

## **2.6 Servcon Housing Solutions**

Servcon was established in June 1995 in terms of the Record of Understanding between the Association of Mortgage Lenders and government to specifically address issues stemming from the bond boycotts (affecting more than 50 000 families).

*In the period from June 1995 to November 1996, 53 percent of Servcon's clients had signed agreements for rightsizing (3 997 in total) or property buy-back (3 528 in total).*

Some 3 000 properties are still considered "inaccessible" due to community action and around 60 percent of the people involved cannot afford the homes they own largely due to high levels of unemployment.

*Around 10 500 non-performing loans are to be taken over from the banks in 1997 and absorbed into the Servcon programme. Resolution of historical non-payment issues is essential for investor confidence.*

Government has made available a further R50 million to Servcon to be used to acquire right-sizing stock.

## **2.7 The Mortgage Indemnity Fund**

*The Mortgage Indemnity Fund (MIF) was established in June 1995. It is a short-term mechanism (ending in May 1998) that facilitates the flow of new lending for housing by accredited lenders while underwriting defined political risk and containing the exposure of the state .*

Between June 1995 and October 1996, more than 58 398 loans to the value of R4,35 billion (of which 48 554 (R1,98 billion) were in the subsidised market) were granted in areas where banks had withdrawn all mortgage lending operations.

*In total, 17 financial institutions have been accredited and more than 181 000 housing units are planned in 160 out of a total of 470 new development areas covered by MIF.*

## **2.8 RDP Programmes**

Three programmes are currently operational which provide support to local authorities and communities to either upgrade existing municipal services (the Municipal Infrastructure Programme (MIP) and the Extension of the Municipal Infrastructure Programme (EMIP) or to establish new bulk and connection services (Bulk and Connection Infrastructure Grant (BCIG)).

MIP and EMIP are administered by the Dept Constitutional Development and Provincial Affairs and the BCIG is administered by the Dept of Housing. The total combined value of these three programmes is some R2,15 billion and will provide considerable assistance in supporting housing delivery.

However, Government has decided to establish a single comprehensive infrastructure assistance programme which will become operational during the 1997/98 financial year. This programme will be administered by the Department of Constitutional Development and Provincial Affairs and will in the first financial year will involve an amount of around R800 million to be made available as a grant to local authorities to provide certain bulk and connector services for the poorer sections of their communities.

With a view to promoting horizontal and vertical co-ordination in the public sector, and to upgrading certain areas which had been affected by violence, 14 Special Presidential Projects on Urban Renewal (SIPPS) were identified as part of the RDP for upgrading and development over a five-year period with a budget of just more than R2 million. Business plans for all the projects within these SIPPS have been approved. Although actual expenditure on these projects has been fairly slow due, in particular, to capacity constraints, expenditure patterns are improve and it is expected that, in most cases,

projects will be completed within the prescribed five year period.

### 3. OTHER FACTORS IMPACTING HOUSING DELIVERY

#### 3.1 Masakhane

The *Masakhane campaign* was launched by government in 1995 with the view to accelerating delivery of basic services and housing; stimulating economic development in urban and rural areas; promoting the resumption of rent, services and bond payments; creating conditions for large-scale investments in housing and services infrastructure and promoting the creation of conditions conducive to effective and sustainable local governance.

It is managed by the Dept Constitutional Affairs and Provincial Affairs and the relaunch and devolution of implementation to provinces and local government promises improved results.

#### 3.2 Development Facilitation Act

*The Development Facilitation Act (DFA)* was passed by Parliament last year. Under the authority of the Dept of Land Affairs, it provides a streamlined, alternative method of township development and prescribes principles binding on the three tiers of government. The Development Facilitation Commission is to review existing legislation and township development practices to make it more efficient.

Progress has been slow with only Gauteng already implementing the DFA. Although provinces are not required to implement the DFA, only the Western Cape has indicated it would not.

#### 3.3 Consumer Protection

Problems with the quality of building and consumers being defrauded by some fly-by-night builders and construction companies led to the Association of Mortgage Lenders voluntarily setting up the *National Home Builders Registration Council (NHBRC)* to manage this problem. In just more than a year of operation, it has registered several hundred builders (ranging from major contractors to emerging contractors), de-listed almost a dozen contractors and has so far opened up branch offices in Durban and Cape Town.

### **3.4 Local Government**

The delay in getting legitimate local authorities impacted severely on housing delivery as planning decisions, key appointments and policy decisions were put on hold.

*At present, the majority of development is being done by local authorities. The draft Housing Bill, due to be tabled in Parliament in the first quarter of this year, will programatically devolve responsibility for managing the process of housing delivery to local authorities.*

The Dept of Housing's role will be to help build local government capacity to manage housing

*The housing development process remains fragmented within the various tiers of government, causing horizontal and vertical co-ordination to become an increasing burden.*

Functional activities which form an integral part of the housing development process, but which the Dept of Housing is only able to exercise partial or indirect influence, includes

- spatial planning and land identification;
- land tenure and administration;
- municipal infrastructure;
- urban transport;
- housing related facilities and amenities;
- local government; and
- rural housing development.

Policies, budgets and expenditure priorities are not being effectively co-ordinated in these areas. This is not only a national co-ordination problem, but equally a provincial and local government issue.

### **3.5 Communication/Education**

The lack of communications has been a significant problem for the Dept of Housing. This is due in part to the lack of skills and capacity within the Department. Plans are advanced for the finalising of an overall communications/education strategy to rectify this in 1997.

#### 4. WHAT IS BEING DONE TO ACCELERATE DELIVERY?

Everything possible is being done to speed up delivery of low-cost houses in South Africa. Specific actions being set in motion include

- establishing a national capacitation programmes aimed at provincial housing authorities. It will enable them to speed up skills training in all areas; to accelerate material production and supply, to initiate and respond to community needs and programmes;
- promoting joint ventures which will enable mass delivery of houses for both ownership and rental. This programme, as outlined in the second Ministerial Task Team Report, has a potential of more than 150 000 houses.
- addressing legal obstacles inhibiting distribution of subsidies in rural areas, particularly relating to security of tenure. Announcements in this regard will be made in February.
- developing the People's Housing Process. This will be one of the priorities for the Dept of Housing in 1997;
- *Provincial Task Teams were put in place in each of the provincial housing departments with the aim of streamlining housing delivery processes. For example, it would usually take 203 individual actions or decisions to be implemented from the time a subsidy has been approved until the contractor is on site. This has now been simplified to 183 individual actions.*

The Task Teams are also assisting new developers in understanding all the activities necessary in the housing delivery process. For *example, it is possible to reduce the lead time for construction projects from 18 to 24 months to seven months.*

## *5. IMPACT OF HOUSING POLICY ON GEAR*

In June 1996, government released its Growth, Employment and Redistribution (GEAR) document. Essentially, it is the macro-economic strategies government intends to follow in achieving its goals of

- creating a competitive, fast-growing economy which creates sufficient jobs for all workseekers;
- a redistribution of income and opportunities in favour of the poor;
- a society in which sound health, education and other services are available to all; and
- an environment in which homes are secure and places of work are productive.

Housing will play a part in all these areas. But its contribution to social stability will have the greatest impact on the GEAR objectives.

---

**FOR FURTHER INFORMATION PLEASE CONTACT**  
**MANDY JEAN WOODS, Public Relations Officer: Ministry of Housing**  
**Phone:(021) 45-1516 / Fax:(021) 45-3802 / Cellphone: 082 653 4211**