



## chapter 14

# Housing

Access to housing and secure accommodation is an integral part of government's commitment to reduce poverty and improve people's quality of life.

Since the launch of the *White Paper on Housing* in December 1994, housing has undergone fundamental changes. Some 1 985 545 housing subsidies have been approved and 1,5 million housing units constructed, providing more than six million poor people with secure tenure and safe homes.

However, resource constraints and changing demographics now necessitate a more rigorous focus on quality, rather than the former quantity-driven approach. Housing policy and strategy have therefore been adjusted to accommodate this new focus.

The Housing Programme will in future also emphasise pressure relief. It balances urban and rural development, counters housing fraud and facilitates urban renewal, especially in inner cities. Attention will furthermore be paid to monitoring and performance evaluation to assess the elements of the national housing strategy. Initially, housing policy placed too much emphasis on ownership, but it has been recognised that the lack of a co-ordinated rental housing policy is a shortcoming.

The Human Settlement Redevelopment Programme impacts on the lives of people and communities in a physical, social, economic and environmental context. The Programme will fill the gap in the development needs of dysfunctional and disadvantaged communities, which cannot be addressed through existing, alternative government programmes.

Recognising the need to align national, provincial and local budgets and planning processes, and budget co-ordination across national departments, this Programme of pilot projects was initiated in 1999. Its aim is to improve the quality of the urban environment and to address the legacy of dysfunctional urban structures, frameworks and imbalances. To achieve this, the Department of Housing introduced a system of multi-year housing development plans to be applied coherently across the three spheres of government. These plans are to be updated annually on a rolling basis. They have to take into account current housing needs and backlogs, as well as available resources, and on that basis, prioritise the needs of the various national housing programmes.

The need was identified for a programme to assist municipalities to initiate Human Settlement Redevelopment Projects, which will focus on correcting imbalances and dysfunctionality of the human settlement patterns by:

- addressing the nature and underlying reasons for dysfunctionality

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- providing a source of funding to correct such dysfunctionality and acting as catalyst to gear other sources
- co-ordinating sources of development funding to promote holistic and integrated development
- adding value to projects that can be funded through other processes and programmes.

The following broad categories of projects are considered under the Programme:

- Infrastructure-upgrading initiatives to facilitate the redevelopment of depressed areas or to improve access to employment and business opportunities.
- Land-intervention initiatives to counter spatial distortion and enhance the integration of human settlement.
- Replanning and redevelopment of existing human settlements, which could entail slum clearance, acquisition of property, planning of redevelopment initiatives and resettlement of people.
- Consolidation initiatives where previous housing/development initiatives resulted in unsafe, inappropriate or substandard development in need of enhancement.
- Provision of essential community facilities and amenities.
- Special development-needs projects to satisfy Presidential requests that may entail cross-functional co-operation and co-ordination and require extraordinary solutions outside of approved government programmes. Lately, the focus of these programmes has, to a large extent, fallen on the Urban Renewal Strategy and the Integrated Sustainable Rural Development Programme (ISRDP).

There has been a steady growth in transfers to the Programme, from R1 million in 1999/00 to an expected R122,5 million in 2005/06.

The Minister of Housing, Ms Brigitte Mabandla, announced during her 2003/04 Budget vote speech that the Department would continue its well-established approach of giving priority to the reduction of poverty and vulnerability, and make a meaningful

contribution to economic growth, especially to the empowerment of the historically marginalised groups. The Department has pledged to continue to respond to the challenges facing beneficiaries with disabilities and those living with and affected by HIV/AIDS, as well as working towards the empowerment of emerging developers and contractors. It aims to bring as many women contractors and black professionals as possible into the housing sector.

The Department also aims to extend and strengthen its contribution to the Growth and Development Strategy by accelerating its drive towards the development of small, micro and medium enterprises in this industry. Since housing has the potential to create thousands of jobs and sustainable communities, the Department focuses on the following areas:

- Promoting marginalised women in construction by setting aside at least 10% of the provincial expenditure for housing projects to be handled by women developers or contractors.
- Incorporating integrated land development that encourages all national housing programmes to promote development with all the necessary infrastructure in order to develop sustainable communities.
- People-centred housing development, which focuses on the promotion of the People's Housing Process (PHP), whereby communities actively participate in the provision of their own housing.
- Rural housing that effectively deals with the housing backlog outside of the cities, 31% of which involves rural households.
- Rental housing, which is currently provided through the institutional housing subsidy instrument and has been identified as a national expenditure priority to provide beneficiaries with an alternative tenure option.
- Upgrading informal settlements, whereby housing projects are approved to target the elimination of specific informal settlements.
- Savings-linked subsidies to encourage people to save towards their housing developments.



- Housing subsidies for people with disabilities.
- Emergency housing programmes through which provincial Housing Departments can make provision for unforeseen emergency housing needs. The Department has resolved to set aside 0,5% to 0,75% of provincial annual allocations for this purpose.

## Legislation and policy

### Rental Housing Act, 1999 (Act 50 of 1999)

The Rental Housing Act, 1999 ensures that more houses are provided for rental purposes and regulates the behaviour of unscrupulous landlords so that tenants do not pay exorbitant rents.

It also provides for a special tribunal to mediate between landlords and tenants in the event of disputes. It outlaws the eviction of long-standing tenants from their homes without mediation.

The Act came into effect on 1 August 2000. Three Rental Housing Tribunals have been set up in Gauteng, Western Cape and North West.

Other provinces are in the process of establishing similar Tribunals. The Act gives the Tribunals the power to make rulings in line with those of a Magistrate's Court.

### Home Loan and Mortgage Disclosure Act, 2000 (Act 63 of 2000)

The Home Loan and Mortgage Disclosure Act, 2000 provides for the establishment of the Office of Disclosure and the monitoring of financial institutions serving the housing-credit needs of communities. It requires financial institutions to disclose information, and identifies discriminatory lending patterns. The Act is aimed at promoting equity and fairness in lending and disclosure by financial institutions, and will be implemented as soon as the Regulations of the Act have been promulgated.

The Act aims to encourage banks and financial institutions to grant home loans to all its clients. It compels banks and financial institutions to disclose annual financial statements so that their lending practices in respect of home loans can be monitored.

### Housing Consumer Protection Measures Act, 1998 (Act 95 of 1998)

In terms of the Housing Consumer Protection Measures Act, 1998, residential builders have to register with the National Home-Builders Registration Council (NHBRC) and are obliged to enrol all new houses under the NHBRC's Defect Warranty Scheme. The first phase of the Act came into effect on 4 June 1999, making the NHBRC a statutory body.

The aim of the Act is to protect homeowners from inferior workmanship. Builders are responsible for design and material defects for three months, roof leaks for a year, and any structural failures of houses for five years. NHBRC inspectors may assess workmanship during and after the building process.

Banks are compelled by law to insist on home-builder registration and enrolment prior to granting a mortgage loan or finance.

All new government-subsidised housing units constructed as part of approved projects have enjoyed protection against shoddy workmanship by housing contractors since April 2002. Through the Housing Consumer Protection Measures Act, 1998, properties that were built with funding from the Government's housing subsidy grant only, now enjoy protection against structural defects and must comply with minimum technical norms and standards.

Previously, this was the responsibility of the poor, because their properties did not qualify for such protection. The NHBRC ensures that registered builders deliver within the minimum housing standards.

## Housing Amendment Act, 2001 (Act 4 of 2001)

The Housing Amendment Act, 2001 removes some of the inefficiencies in the institutional arrangements covered in the Housing Act, 1997 (Act 107 of 1997). The Amendment Act, 2001 abolished Provincial Housing Development Boards, transferring their powers, duties, rights and obligations to the provincial members of executive councils responsible for housing. The Act empowers the Minister of Housing to determine a procurement policy on housing development and puts regulatory measures in place to restrict the sale or alienation of State-subsidised housing.

## Draft Social Housing Bill

The Department developed a Social Housing Policy discussion document in 2001, as a basis for the development of a Social Housing Policy document and Bill for the sector.

The Social Housing Policy was finalised in 2003 and implementation was planned for 1 April 2004. This initiative is closely linked to government's Medium Density Housing Programme, which will also be implemented with effect from 1 April 2004.

The Programme will cater for the needs of single persons with special housing needs. Other categories of persons currently excluded from accessing government's housing-assistance programmes will also benefit.

The Social Housing Policy aims to establish a sustainable social housing process and provides for the establishment of a Social Housing Corporation to regulate and oversee the social housing development and maintenance process.

The discussion document focuses on creating an enabling environment for the growth and development of the social housing sector in South Africa. It provides a definition and grounding principles for the sector and introduces a revised funding and regulating framework.

The Social Housing Bill will enable the establishment of a Social Housing Accreditation Board for the accreditation and ongoing monitoring of social housing institutions. It will ensure that robust institutions are established to develop and manage housing stock. The Board should provide confidence for financial institutions interested in investing in the sector.

## Community Reinvestment (Housing) Bill

The Community Reinvestment Bill was expected to be finalised by the end of 2003. The legislation is a sequel to the Home Loan and Mortgage Disclosure Act, 2000 and will provide for mechanisms to ensure that more home loans are allocated to low- and medium-income borrowers. However, the Bill will not compel housing finance institutions to take risks in meeting their community-reinvestment obligations.

## Public-Sector Hostel Redevelopment Programme

The Public-Sector Hostel Redevelopment Programme Policy provides for:

- the funding of redevelopment initiatives to create humane living conditions in hostels
- hostel inhabitants to be involved in redevelopment initiatives and the ongoing administration of the redeveloped complexes
- the upgrading of dilapidated complexes and/or the redevelopment of hostels into family units or a combination of single sex units and family accommodation on a rental and/or ownership basis.

During a media briefing in March 2002, then Minister of Housing, Ms Sankie Mthembu-Mahanyele, said that the Hostel Redevelopment Policy was being reviewed. The fundamental objective of the policy review process is to move away from the so-called redevelopment of hostels to an approach where sustainable rental housing stock will be created and maintained.



Pilot projects totalling R12 million were conducted in Gauteng, KwaZulu-Natal, the Western Cape and the Free State.

A special task team was established, comprising technical and policy experts from the nine provincial Housing Departments, key municipalities that own public-sector hostels, and the national Department of Housing. The fundamental policy changes already identified by the task team comprise the following:

- The Public-Sector Hostel Redevelopment Policy should be converted into a policy framework for the creation of sustainable rental housing stock. This stock should augment government's new emphasis on the provision of medium-density housing stock and rental housing options such as those to be provided within the Presidential Job Summit initiative.
- As a substitute for the current funding limit, a flexible minimum standard, linked to standard finishing norms and costing parameters, should be introduced.

The revision process has been concluded. The replacement of the funding limit is being finalised.

By May 2002, the Government had spent R775 million on the upgrading of hostels.

## Funding

For 2002/03, the Department received a total amount of R3 739 624 billion to finance national and provincial housing programmes.

The allocation is made annually on the basis of a formula that takes into account the backlog in each province, the number of households in various income categories of the subsidy scheme, the ratio between urban and rural housing, and the performance of the relevant provincial government.

The PHP recognises the efforts and initiatives of those who prefer to build their own houses and are prepared to commit their resources, skills and energies to this task. It provides technical, financial and other support

to these people. Funding is administered through the provincial Housing Departments, while the People's Housing Partnership Trust (PHPT) helps build the capacity to speed up delivery.

## Capacity-building

One of the major constraints in housing delivery is the lack of capacity, which entails an efficient workforce and the installation of appropriate technology, equipment and systems for monitoring, evaluation and reporting purposes.

The Department continues to provide support and assist provinces to ensure effective and efficient implementation of the National Housing Programme. The strategy and guidelines for housing capacity-building, as well as guidelines for provincial housing-capacity business plans were developed during 2003.

As part of the Department's endeavour to keep abreast with developments and changes in respect of capacity-building for improved service delivery, further workshops were conducted on the National Housing System, policies, legislation and programmes.

National Housing Code workshops were held at both national and provincial level, aimed at capacitating internal and provincial officials, including municipal officials and councillors, and increasing knowledge on housing policies, programmes and legislation.

## National Housing Capacity-Building and Training Programme

The Programme has undergone major transformation and improvement since its inception in 1998. By June 2003, a total of 5 590 participants had been trained. Initially, the University of the Witwatersrand (Wits) School of Public Management and Development played a central role as the only service-provider. In 1999, the Programme was decentralised and courses were offered in all

nine provinces by tertiary institutions based in each province, through Wits. These changes were the result of continuous monitoring and reviews conducted during the implementation of the course, as well as input from the Capacity-Building Task Team established to oversee the effective and efficient implementation of the Programme.

Courses are designed to cater for the capacity needs of all officials employed in the national, provincial and local governments, including councillors. Out of the 1 287 participants trained in 2002, 48% came from municipalities, which indicated a gradual improvement compared with 45% in 2001.

There has been a gradual increase in the number of women participating in these courses. In 2002, the percentage of women participants was 50%.

#### Formal education and training in housing

During 2001, an investigation was conducted in all the provinces to obtain the views of housing practitioners regarding the professionalism of the housing sector. The Cabinet approved the establishment of a Professional Housing Institute on 29 May 2002.

In line with the Skills Development Act, 1998 (Act 97 of 1998), the Department facilitated and co-ordinated the establishment of the Housing Standard Generation Body (SGB). The Housing SGB was expected to register with the South African Qualifications Authority in 2003.

The Housing SGB commits itself to the generation of standards and qualifications to ensure quality education and training programmes in the sector.

Through this process, the needs of housing practitioners and consumers will be accommodated and lifelong learning encouraged.

Work with regard to SGB activities and processes has commenced. The activities have been divided into two subgroups, one focusing on housing consumer education and the other on professional qualifications.

#### Consumer education

The Housing Consumer Education Task Team was established in 2002. Its primary function is to:

- develop the National Housing Consumer Education Framework
- collect and present training material for the purpose of developing the Framework
- facilitate and promote the acceptance of the Framework by stakeholders
- assist in investigating viable funding mechanisms for housing education.

The Framework has been developed and discussed with various stakeholders. It will serve as a guideline for the development and implementation of the Housing Consumer Education and Training Programme. The envisaged Training Programme will cover training modules in line with the Framework, a Train the Trainer Programme, and the development and implementation of four pilot projects targeting 1 000 units.

#### Housing Scholarship Programme

The Department launched the Scholarship Programme in 2002, targeting matriculants who wish to pursue a career in housing. Ten students were awarded scholarships for the 2003 academic year. Owing to limited resources, the Department approached the Construction Education and Training Authority (CETA) for funding assistance. The Department, in conjunction with CETA, intends to embark on an internship programme to provide students with the opportunity and scope to gain practical experience and facilitate their learning.

#### Housing subsidies

Individual ownership subsidies are allocated to help beneficiaries acquire ownership of fixed residential property (housing opportunities) for the first time.

New housing-subsidy programmes are being developed and certain existing programmes have been enhanced, including rental and social-housing subsidies. The





housing-subsidy programmes, including project-linked subsidies, are also being revised to introduce a procurement prescript compliant regime, consolidation subsidies, PHP, rural subsidies and institutional subsidies. The Department also started the phasing-out of subsidy subprogrammes to address the subsidies of the previous dispensation.

With effect from April 2003, the Department increased housing subsidies by between 11,4% and 14,8% to counter the effects of inflation. The subsidy for beneficiaries earning from zero to R1 500 rose by R2 800, from R20 300 to R23 100.

Beneficiaries earning between R1 501 and R2 500 received a R1 500-subsidy increase, from R12 700 to R14 200. The subsidy for beneficiaries earning between R2 501 and R3 500 rose from R7 000 to R7 800.

Subsidies for the indigent, including the aged, people with disabilities and the health-stricken, were increased from R22 800 to R25 580.

The consolidation subsidy for beneficiaries earning R1 500 was increased from R10 900 to R12 521, and for indigents from R13 400 to R15 000.

The Department has designed the housing scheme to effectively cater for people with disabilities. People with visual impairment and other disabilities will get an additional

amount to the normal subsidy to make their homes more accessible and comfortable, according to their physical needs. By May 2003, the Department was exploring mechanisms to include an additional subsidy to cater for people with HIV/AIDS, in line with government's Home-Based Care Policy.

It will also assist in providing shelter for areas where home-based care might not be available, in conjunction with the Department of Social Development.

Financial support to poor communities is provided as part of the Consolidated Municipal Infrastructure Programme.

The Department has also developed the Emergency Housing Policy to deal with emergency housing needs caused by natural and other disasters, as well as people living under stressful conditions, on flood-plains and in adverse geotechnical conditions.

Various events, such as severe floods in 2000 and 2001, led to the development of the Policy.

The Department established a dedicated fund through which to render financial assistance in the form of grants to those affected, from 2004. The purpose of the proposed programme is to provide assistance in the form of secure access to land, basic engineering services and or/shelter in a wide range of situations of emergency housing needs, through the allocation of grants to municipalities instead of housing subsidies to individuals.

Since 1 April 2002, all housing-subsidy beneficiaries are required to contribute either in kind or financially. The National Savings Programme for Housing is administered by the National Urban Reconstruction and Housing Agency (NURCHA) and seeks to assist beneficiaries to accumulate the financial contribution required.

Contribution in kind entails participation in PHP projects and therefore the building of their own houses.

Qualifying subsidy beneficiaries who fall within the R0 to R1 500 income category and



In January 2003, the National Urban Reconstruction and Housing Agency (NURCHA) signed a funding agreement with Rand Merchant Bank, the Overseas Private Investment Corporation (OPIC) and the Open Society Institute of New York (OSI).

The agreement was endorsed by then Minister of Housing, Ms Sankie Mthembu-Mahanyele, and the United States Trade Representative, Mr Robert Zoellik.

OPIC and OSI have jointly created a \$20-million guarantee that will release R200 million in bridging finance loans for small housing contractors and developers. These loan funds, administered by NURCHA, should support the construction of 100 000 houses over the next five years.



who will not participate in the PHP, are required to make a financial contribution of R2 479, to enable the final approval of a housing-subsidy application. The contribution assists with improving or increasing the size and value of the house, and encourages beneficiaries to value their homes and maintain them in a habitable condition.

Due to the exemption of the PHP projects from the NHBRC warranty cover, beneficiaries who opt to construct or manage the construction of their own homes are not required to contribute R2 479. Beneficiaries of the PHP, in the income category R0 to R1 500 per month, qualify for a subsidy of R23 100.

Where a beneficiary of special assistance for the aged, disabled and the indigent qualifies for a consolidation subsidy, the subsidy amounts to R15 000. If the individual qualifies for a consolidation subsidy, but does not fall into one of the abovementioned categories, he or she is obliged to make the required contribution of R2 479. However, consolidation-subsidy beneficiaries who participate in the PHP are not obliged to make the financial contribution.

The immediate outcome of the success of the approach of people constructing their own homes has been the increase in the number of PHP projects or self-building, and the emergence of more, bigger and better structures.

In an effort to enhance the capacity of the programme, the Department has sought additional assistance from 38 Cuban architects and designers who were deployed in the provinces as part of supporting the increased demand for this type of housing delivery. Cuba's approach to housing construction is similar to that of South Africa.

### Project-linked subsidies

Project-linked subsidies give individuals the opportunity to own houses in approved projects. From the introduction of project-linked subsidies until March 2002, 2 510

housing projects, representing 1 247 974 housing opportunities, were approved. Accordingly, the same number of project-linked subsidies has been reserved.

### Individual subsidies

The individual subsidy affords people access to housing subsidies to acquire ownership of an existing property or a property in a project not approved as part of a project-linked subsidy project. A person may also buy a serviced site linked to a house-building contract. The individual subsidy can be used in two different ways:

- on a non-credit basis, where only the subsidy amount is used to acquire a property
- on a credit-linked basis, where a home loan is also obtained from a mortgage or non-traditional lender to buy a property.

### Consolidation subsidies

Through the consolidation subsidy, there were people who received housing assistance from government in the form of ownership of serviced sites, including serviced sites under the auspices of the Independent Development Trust.

Those beneficiaries who received assistance may apply for a further benefit from government to improve their housing circumstances. The consolidation subsidy is granted for the provision or upgrading of a top structure on such a site.

As of April 2003, the subsidy category is R12 521 for a monthly income up to R1 500. Such beneficiaries must also contribute either in kind or financially.

### Institutional subsidies

Subsidies are available to institutions creating affordable housing stock to allow eligible people to live in subsidised residential properties with secure tenure. The properties will often be rented, but tenure forms based on share blocks, deeds of sale or full ownership are not excluded.



In an approved project, an institution is entitled to receive R20 300 for each residential property that will be occupied by qualifying beneficiaries. Cost recovery is required with respect to the management and administration of projects that receive institutional housing-subsidy support.

### Relocation assistance

Government's initiatives to stabilise the housing environment resulted in the development of a relocation-assistance mechanism. It provides an alternative to defaulting borrowers who were three months in arrears on 31 August 1997, and where the rehabilitation of their mortgage loans was not affordable.

The relocation instrument provides for the conclusion of a rental arrangement on a monthly basis to stay on the relevant property, pending relocation to an affordable property. The Government provides assistance in the form of a Relocation Assistance Grant, equal to the subsidy for which a person would normally qualify, while banks provide a mortgage loan that the individual can afford. The process has been commonly termed 'rightsizing'.

By March 2002, relocation assistance had been approved to enable 2 870 beneficiaries to acquire affordable housing.

A shortage of alternative housing is, however, delaying progress. In an effort to alleviate this problem, the company managing the initiative, Servcon Housing Solutions (Pty) Ltd, was given the opportunity to establish a housing-construction entity. The construction company will focus on the building of houses to accommodate beneficiaries who wish to relocate to affordable houses.

### Discount Benefit Scheme

The Discount Benefit Scheme promotes home-ownership among tenants of State-financed rental stock, including formal deed-of-sale housing and serviced sites.

In terms of the Scheme, tenants receive a maximum discount of up to R7 500 on the

selling price or outstanding loan balance of a property. Often the discount equals the selling price of the property, which is then transferred free of charge to the tenant. Some one million households qualify for assistance under the Discount Benefit Scheme. By March 2002, a total of 396 546 beneficiaries had received their title deeds through the Scheme.

## Housing institutions

### National Home-Builders Registration Council

The NHBRC was established in terms of the Housing Consumer Protection Measures Act, 1998. The Council protects the interests of consumers and regulates the home-building industry.

Before the commencement of the Act, the National Home-Builders Regulation Council was established as a Section 21 company. Its main objective was to promote the common interests of persons occupied in the business or profession of home-building, through the regulation of the home-building industry.

In August 1995, the NHBRC (Pty) Ltd also established the National Home-Builders Registration Council Fund (Pty) Ltd. The main objective of this company was to establish an indemnity fund to promote the interests of contactors, by making funds available through the NHBRC on an *ex gratia* basis to finance the rectification of defects in housing units in circumstances where contractors were either unable or not liable to do so.

On 26 March 2001, a statutory council was established in accordance with the provisions of the Housing Consumer Protection Measures Act, 1998. The two former Section 21 companies were consequently dissolved and all their assets and liabilities were transferred to the statutory council.

By the end of March 2003, the NHBRC had registered 6 845 home-builders. Approximately 58% of these were renewals. The actual increase in respect of new entrants into the

home-building industry for the 2003 financial year was about 42% of the total number of registered home-builders. By the end of March 2003, there was an increase of 21% in registered home-builders.

Despite the increases in interest rates in 2002, the NHBRC recorded a 17% increase in the enrolment of new homes. The total number of enrolments by the end of 2002 was 41 580. The main driver of the increase in enrolling new homes has been public awareness. More and more members of the public want to purchase homes which are enrolled with the NHBRC.

The NHBRC's major source of revenue is the enrolment of new homes. Almost 83,8% of its income comes from enrolled homes, followed by 13% generated from interest on investments. Registration of home-builders constitutes 2,99% of its total revenue. The remaining balance of about 0,13% is generated from document sales and a grant from the national Department of Housing to cover administrative costs relating to the entry of the NHBRC Warranty Scheme into the housing-subsidy sector.

## National Housing Finance Corporation (NHFC)

The NHFC was established as a result of a Cabinet decision in May 1996, as envisaged in the *White Paper on Housing*, to search for new and better ways to mobilise finance for housing from sources outside the State, in partnership with the broadest range of organisations.

The mission of the NHFC is to ensure:

- Development and appropriate funding of institutions providing affordable housing finance at retail level. Such finance is aimed at the lowest possible income levels able to afford credit on a sustainable and commercial basis.
- Development and appropriate funding of institutions offering a variety of tenure options for residential purposes, in the under- and unserved segments of the housing market.

- Sustained and growing mobilisation of savings in the housing process, through appropriate intermediaries.

The NHFC Business Plan states that it aims to create housing opportunities for low- and moderate-income families by:

- funding or underwriting the funding of intermediaries and institutions to promote broader access to housing
- building adequate and sustainable capacity within the organisations it funds
- partnering organisations and institutions to deliver innovative housing-finance solutions.

Between May 1996 and March 2003, the NHFC approved facilities totalling more than R1,471 million, and disbursed R1,152 million.

Alternative tenure has been involved in the establishment of 28 institutions since the establishment of the Housing Institutions Development Fund in 1998. Economic pressures, particularly in 2002/03, resulted in a number of these institutions showing financial strain and defaulting on the repayment of loans advanced by the NHFC. A turnaround strategy for these clients has been developed.

The Home Ownership Division of the NHFC offers 'on-balance sheet' and 'off-balance sheet' lending and is working towards developing a more appropriate pricing structure for its products, particularly on its loan buy-in programme.

Many clients of the Incremental Housing Division were affected by the turmoil in the micro-finance industry, particularly with the failure of Unibank and Saambou. This resulted in a number of clients requesting the restructuring of loans. An exercise is being conducted into the feasibility of consolidating three of the clients into a larger, more viable entity.

In the last quarter of 2002, the Division received a number of applications from micro-lenders who wanted to expand into housing lending, with assistance from the NHFC. The Division expects to meet its budget of providing 20 000 loans in 2004.



The Job Summit Housing Project continues with the first houses being built in Witbank, Mpumalanga. There has, however, been a decision by the stakeholders to appoint transaction advisors to explore the best funding option for the project. A decision in this regard is expected within the first quarter of 2004.

At the Presidential Job Summit held in October 1998, government, the private sector and labour resolved that there was a need for a National Presidential Lead Project on Rental Housing at sufficient scale to pilot affordable mass housing delivery and alternative forms of tenure, especially rental housing. The Presidential Pilot Project on Rental Housing was conceived to provide 50 000 rental units over multiple financial years.

The NHFC was appointed as management agent for the programme. An amount of R225 million in poverty-relief funding has been transferred to the NHFC for the purpose of the partial funding of phases one to three of the project.

By mid-2003, three projects selected for the first phase of the Presidential Pilot Project on Rental Housing were in various stages of implementation. Two of the three, Johannesburg (notably the Kliptown subproject) and Witbank (eMalahleni) had completed their show units. These units will serve the dual purpose of physically launching the Presidential Pilot Project on Rental Housing, and further enhancing end-user processes, such as unit selection based on individual affordability levels.

The first pilot project for Gauteng was launched by President Thabo Mbeki in Fordsburg in 2002.

In Durban, the Roosfontein subproject is being prioritised and it is anticipated that the remaining units, to be constructed as part of the first phase in KwaZulu-Natal, will target inner city infill and refurbishment projects.

## National Urban Reconstruction and Housing Agency (NURCHA)

NURCHA was formed as a partnership

between the South African Government and the Open Society Institute (OSI) of New York, United States of America (USA), in May 1995 to arrange finance for housing. It is a tax-exempt, non-profit-making company.

By March 2003, NURCHA had arranged financing for 550 projects and the completion of 124 000 houses.

Through its savings programme, 40 000 people had been encouraged to open savings accounts and 12 400 people had become regular savers, accumulating funds towards their housing needs.

Operational expenses are funded by an initial allocation from government and a grant from the OSI. NURCHA's mission is to expedite housing delivery in the short-to-medium term for low-income households.

### Programmes

The NURCHA uses a variety of interventions to arrange and package finance for those delivering housing to low-income families:

- Bridging-finance guarantees: NURCHA offers guarantees to financial institutions, making bridging-finance loans available for housing or related infrastructure.
- Bridging-finance loans: The NURCHA offers bridging-finance loans to support the construction of credit-linked housing in the R30 000 to R150 000 price range.
- Loans through financial intermediaries: In order to assist contractors and developers who are unable to access bridging finance from a bank, NURCHA has entered into agreements with financial institutions and intermediaries that have specifically tailored products to ensure the appropriate flow of finance to projects. Applicants requiring this form of funding are normally smaller contractors who also require financial-management support.
- Bridging finance for rental housing: NURCHA provides bridging finance for the construction or upgrading of rental stock in the affordable housing market sector.

- National Savings Scheme: The Scheme has been recognised by the Ministry of Housing as a vehicle for the administration of new home-owners' own contribution to subsidy-linked projects. The Scheme is run in collaboration with deposit-taking institutions under agreement with NURCHA, and is geared to be of assistance and support to developers, contractors, municipalities and other role-players engaged in the delivery of low-income housing.

### Servcon Housing Solutions

Servcon was established as a joint venture between the Department of Housing (representing government) and the Council of South African Banks (COSAB) in 1994.

Servcon was mandated to provide exclusive management services in respect of the designated portfolio, comprising 33 306 properties in possession (PIPs) and non-performing loans (NPLs) with a value of R1,277 billion, for a period of eight years from 1 April 1998 to 31 March 2006.

The mission of Servcon is to normalise the lending process by managing NPLs and PIPs in areas where the normal legal process has broken down, in terms of the normalisation programme agreed to by the Department and COSAB.

Servcon has four programmes, namely:

- the repurchase/rescheduling programme that assists those who can afford an existing property by providing a mechanism to reassess the property and arrive at a reasonable buy-back or new-debt amount
- the subsidised rental programme that gives the occupant time to adjust to paying again after a period of non-payment
- rightsizing, which is designed for the owner/ex-owner who cannot afford a property or the rental option, by offering assistance to procure and finance in whole or in part, an alternative affordable house
- special assistance, which is provided to the aged and disabled, such as providing relocation assistance *in situ*, i.e. without having to relocate.

Servcon receives funding from the Department on a quarterly basis. The funding goes towards 50% of the operating costs of Servcon, and 50% of interest on the value of the undischarged guarantee to the banks.

By 31 March 2003, Servcon had managed to exceed the financial mandate by successfully disposing of 54,2% (target 52,5%) of properties. The number of properties has declined from 33 322 to 19 398 with a value of R714 million.

Banks are reimbursed for their costs by the Department on a quarterly basis and 50% of

Servcon's progress up to 31 March 2003

Province	No. of properties	Total properties SDO*	%	Rightsizing signed	Other leases	Total agreements signed
Eastern Cape	1 641	936	57,0	488	147	705
Free State	1 879	480	25,5	180	152	486
Gauteng	22 265	12 038	54,1	4 117	3 240	13 820
KwaZulu-Natal	536	319	59,5	92	51	260
Mpumalanga	1 523	1 111	72,9	435	150	761
North West	1 389	652	46,9	546	182	834
Northern Cape	51	41	80,4	0	3	7
Limpopo	97	79	81,4	3	4	15
Western Cape	3 925	1 768	45,0	530	717	2 127
<b>National total</b>	<b>33 306</b>	<b>17 424</b>	<b>52,3</b>	<b>6 391</b>	<b>4 646</b>	<b>19 164</b>

\* Satisfactorily disposed of



interest on the value of the undischarged guarantee to the banks.

## Thubelisha Homes

Thubelisha Homes is a Section 21 company established in 1998 by the Department of Housing and Servcon. It commenced operations in 1999.

Thubelisha Homes' mandate is to procure or develop housing stock appropriate for rightsizing purposes.

To achieve this, Thubelisha Homes has to:

- determine the number, nature and location of the required housing stock
- secure funding to finance rightsizing housing stock
- procure or develop and finance relevant rightsizing stock
- evaluate the clients for 'rightsizing' stock and grant credit to qualifying clients
- sell houses to approved 'rightsizing' clients under cost-effective and appropriate terms
- communicate its role effectively to key stakeholders on an ongoing basis and obtain their support for the programmes.

Rightsizing is a process initiated by the Record of Understanding between certain banks and the Government, whereby occupants of bank-owned PIPs or NPLs are assisted to relocate to more affordable homes.

These clients are permitted to occupy their existing homes temporarily while paying a pre-determined and affordable rental to Servcon. Relocation assistance equivalent to the capital subsidy is available to Thubelisha via the provincial Housing Departments, to procure new homes for the clients.

Thubelisha was initially capitalised with a R50-million grant from government to assist with bridging finance and working capital. A division of the First Rand Group, which provides a treasury function for Thubelisha, manages this fund.

In addition to ensuring the effective implementation of the rightsizing programme, Thubelisha's other core strategic objectives are to:

- increase the utilisation of female contractors on their projects
- integrate the aged and clients with disabilities from the municipal waiting lists into their projects
- facilitate the delivery of houses on their projects through a managed PHP
- implement an accredited emerging-contractor development programme

By May 2003, Thubelisha had delivered over 4 500 houses in six provinces to qualifying families, with another 10 000 planned over the next three years.

Future operations will include houses being delivered through the PHP as well as an accredited Contractor Development Programme.

## Social Housing Foundation (SHF)

The SHF was established as a Section 21 company by the Department of Housing in 1997. It is mandated by the Department to develop and build capacity for social housing institutions and to develop a policy framework for the sector.

The strategic objectives of the organisation, based on its mandate, mission and vision, are to:

- provide social-housing-sector strategic information
- mobilise resources for the social housing sector
- facilitate the capacitation of sectoral participants
- promote the social housing sector
- facilitate sectoral stakeholder alignment
- achieve SHF business service excellence.

The SHF and the social housing sector have shown significant growth and development in recent years. By mid-2003, 59 social housing institutions had been established throughout South Africa and 33 500 housing units provided.

The international experience in social housing is extensive, spanning several decades.

Other countries have therefore been keen to include a component on social housing

as part of their development-assistance packages to the South African Government.

The most significant agreement relating to social housing is that between the European Commission (EC) and the South African Government.

The EC has pledged 20 million Euros (about R200 million) for social housing over the next five years.

The EC programme has been strengthened with a considerable amount of work conducted around building the internal staff capacity, systems, procedures and manuals of the SHF. Three social housing institutions were successful in applying for grant funding for capacity-building and development, and plans for a number of additional institutions are in the pipeline.

The SHF's relationship with the US Agency for International Development (USAID) finally came to an end on 31 March 2003.

Through this programme, grant funding was made available to 19 emerging social housing institutions, a number of best practice workshops were held, several publications were produced, and training facilitated for tenants, management, boards and other role-players within the greater social housing sector. A total of R3,78 million was received from USAID for these initiatives.

During 2002, the SHF signed a new agreement with the Royal Norwegian Embassy which undertook to provide 9 million krone over a three-year period for the furthering of co-operative housing in South Africa. It is envisaged that co-operative housing institutions will be established through this programme.

The Technical Assistance Programme with the Dutch Ministry of Housing, which started in the 2001/02 financial year, continues with a technical advisor completing his contract in Pietermaritzburg, KwaZulu-Natal. Negotiations are under way for another advisor to be placed in another institution in 2004.

The following was achieved through the SHF's own efforts and assistance from its donors:

- Research into and production of a handbook on HIV/AIDS in the social housing environment.
- Contributions to the social housing policy at national level, which were expected to enable legislation during 2004.
- Further research into projects such as tenure options, communal living and needs assessment. Further research into topics relevant to the sector continued in the 2003/04 financial year.
- Skills development and a number of social-housing-related training courses being conducted for provinces, local government and social housing institutions.
- The development of the Job Summit Division within the SHF and its work to promote accredited housing institutions. These are pilot projects that will be rolled out into the social housing sector as a whole.
- Facilitation of the process for the establishment of a national social housing federation.
- Hosting a National Housing Summit on tenure options.

## South African Housing Fund

The South African Housing Fund aims to provide adequate funds to enable provincial governments to establish and maintain habitable, stable and sustainable residential environments.

This includes the provision of:

- permanent residential structures with secure tenure and privacy, and which provide adequate protection against the elements
- potable water, adequate sanitation facilities and domestic electricity supply.

Housing funds for national housing programmes are budgeted for and appropriated in the South African Housing Fund Programme. Since 2000/01, the funds have been allocated through the conditional-grant mechanism to the nine provinces, in accordance with the provisions of the Housing Act, 1997. Housing





funds are reflected in the revenue funds and expenditure appropriations of provinces, enhancing provincial accountability. The allocation to the provinces is calculated according to a formula based on equity, taking into account the housing backlog in, and income profile of, each province.

The conditions attached to the funds are based on the provisions of the Housing Act, 1997 and are agreed upon between the Department and the provinces. The Department developed guidelines to facilitate the process of transferring funds from the Housing Fund to provinces, and to guide reporting processes in terms of the Housing Act, 1997, the Public Finance Management Act, 1999 (Act 1 of 1999), and the Division of Revenue Act, 2000 (Act 16 of 2000).

### People's Housing Process

The National Housing Policy: Supporting the PHP was adopted by the Minister of Housing in 1998. The Policy focuses on poor families in both urban and rural areas, using capital subsidies to allow people to build their own homes.

It also assists people in obtaining access to technical, financial, logistical and administrative support to build their own homes, on either an individual or a collective basis.

### Peoples' Housing Partnership Trust

The broad mandate of the PHPT is aligned with the National Housing Policy: Supporting the PHP, which stipulates and defines the PHPT mandate as capacitating and engaging with national, provincial and local governments and civil society to meaningfully participate and support the PHP. In order to create adequate capacity for the PHP, the Department established the PHPT in June 1997 to implement the Capacitation Programme to Support the PHP.

The main objective of the Programme is to develop capacity at all levels of government, non-governmental organisations and community-based organisations and communities to support the PHP.

The PHPT has five programmes:

- communication
- training
- research and development to develop a database of information which is easily accessible
- technical advisory services to establish and manage a support programme
- corporate services to ensure efficient and effective functioning.

The PHPT is funded by the United Nations (UN) Development Programme, the UN Centre for Human Settlement and the US Agency for International Development. Government assists the PHP by way of subsidies, facilitation grants and housing-support funding.

### Rural Housing Loan Fund (RHLF)

The RHLF focuses on its core business of providing loans, through intermediaries, to low-income households for incremental housing purposes. Incremental housing is a people-driven process and the RHLF's core business is to empower low-income families in rural areas to access credit that will enable them to unleash the force of their self-help savings and local ingenuity to build and improve their shelters over time.

In 2002/03, the RHLF's retail lenders provided 10 936 housing loans to rural households. The RHLF exceeded its financial projections by 29% and disbursed R62 million to rural areas.

Since its inception, RHLF-funded intermediaries have provided more than 45 000 loans to rural borrowers for incremental housing and home improvement, totalling R220 million.

Market research indicates that 87% of people in rural areas earn less than R2 500 per month and this income band constituted 68% of RHLF end-users at the end of March 2003. This indicated that the RHLF, working with retail financiers, continued to make significant impact in alleviating poverty and improving the living conditions of the working poor.

In 2002/03, like all retail-finance operators and banks, RHLF clients were hit by bad debts, declining disposable incomes and more

complicated debit-order repayment systems. Higher interest rates, coupled with soaring fuel and food prices inevitably led to the erosion of disposable income of the target market and aggravated an already difficult banking and lending environment.

In 2003/04, the RHLF embarked on a strategy to consolidate unsustainable retail operations to take advantage of an expected improvement in the economic climate and expand impact into those provinces that have fewer distribution channels.

## Urban renewal

The Special Integrated Presidential Project for Urban Renewal was identified as one of the first Presidential Lead Projects.

The aim of the Project was to kick-start development in major urban areas, focusing on violence-torn communities and those in crisis.

It was developed to ensure an integrated approach to the provision of infrastructure, housing, community and recreation facilities, and job opportunities. It aimed to transform previously disadvantaged communities and create sustainable and habitable living environments.

In addition, the Project has been viewed as an ideal opportunity to promote the business-planning concept and to give provincial governments the opportunity to improve co-ordination.

Several such projects within 31 communities have been identified as beneficiaries. The projects are:

- Eastern Cape: Duncan Village and Ibhayi
- Free State: Thabong
- Gauteng: Katorus
- KwaZulu-Natal: Cato Manor
- Limpopo: Mahwelereng
- Mpumalanga: Masoyi and Siyabuswa
- Northern Cape: Galeshewe
- North West: Molopo River Basin
- Western Cape: Integrated Service Land Project in the Cape Metropolitan Area.

These projects include the provision of housing, hostel upgrading, infrastructure upgrading (such as roads and the provision of electricity and street-lighting), and the provision and upgrading of social infrastructure. The projects include child-care facilities, schools, clinics, sports fields, libraries, police stations, centres for the aged, post offices and playgrounds.

Providing areas for markets, community gardens and skills training creates opportunities for business development. These activities are planned and implemented in an integrated manner to ensure sustainable and habitable living environments.

## Urban Upgrading and Development Programme (UUDP)

The UUDP is a joint bilateral undertaking between South Africa and Germany, which was established in 1994 between the national Department of Housing and German Technical Co-operation.

The Department is playing a key facilitation and co-ordination role in the implementation of the Programme in the Free State and Eastern Cape. Assistance to the two provinces and the housing institutions has involved:

- support to the Masilonyana Municipality in the Free State in bridging the buffer zone by promoting the integration of the Masilo township with the former town through territorial marketing
- support for the implementation of the PHP projects in Mount Fletcher, Elliotdale and Tarkastad in the Eastern Cape
- support for the national review of the PHP by the PHPT
- the piloting of a municipal housing-sector plan as part of the Integrated Development Plan of the local municipality of Mohokare in the Free State.

## Settlement policy and urban development

In June 1996, South Africa made a commit-



ment at the Habitat II Conference in Istanbul, Turkey, to implement the Habitat Agenda. The Agenda is the guiding international policy for human settlements.

The Department of Housing is charged with the responsibility of co-ordinating the implementation of the Agenda. To do this, national policies that support the principles and the vision of the Agenda should be in place.

The Urban Development Framework is essentially the key policy document that will guide the implementation of the Habitat Agenda in South Africa. Besides the Framework, the Department has taken the opportunity offered by the Global Urban Observatory, and initiated an Urban Indicators Programme and a Local Best Practice Strategy.

The Minister of Housing launched the African Solutions Network, a website hosted by the Department, that features:

- information about the African Solutions Conference and others in the region, which

deal with issues relating to sustainable development

- contact details of individuals and organisations active in the field of sustainable human-settlement development
- a database of relevant good practices
- information on technologies, building material and practices that support sustainable human-settlement development
- links to relevant research databases to source the latest research relating to sustainable human settlement.

The African Solutions Network also provides links to other websites and resources on the Internet.

Another initiative driven by the Department, which relates to Habitat II, is the Environmentally Sound Low-Cost Housing Task Team. The Team has been tasked with promoting environmental efficiency in the housing sector, and is working on the development of standards and guidelines, incentive programmes, a financing mechanism and general awareness-raising initiatives.

## Acknowledgements

Department of Housing  
*Estimates of National Expenditure 2003*, published by the National Treasury  
 Social Housing Foundation  
 Thubelisha Homes  
 National Urban Reconstruction and Housing Agency  
[www.gov.za](http://www.gov.za)

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