

SOCIAL HOUSING IN SOUTH AFRICA

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REVIEW OF SOUTH AFRICA'S HOUSING POLICY

1. HISTORICAL BACKGROUND

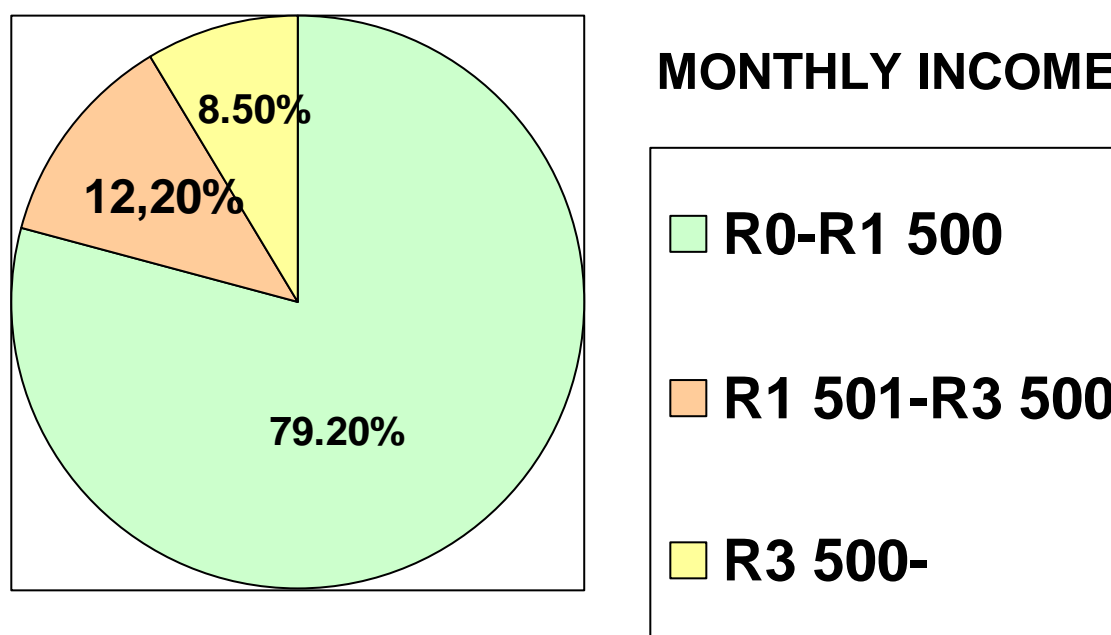
The formulation of South Africa's Housing Policy commenced prior to the democratic elections in 1994, with the formation of the National Housing Forum. This forum was a multi-party non-governmental negotiating body comprising 19 members from business, the community, government and development organisations. At these negotiations a number of intricate legal and institutional interventions were researched and developed. The Government of National Unity in 1994 made use of these negotiations and investigations when it formulated South Africa's National Housing Policy.

2. THE KEY CHARACTERISTICS OF THE HOUSING MARKET

- **Severe housing shortage:** There is a severe housing shortage in South Africa. In 1997 the National Housing Department estimated that the number of families without adequate housing was 2.2 million. Due to population growth this figure increases by about 204 000 every year mainly due to rapid informal urbanisation.
- **Lack of affordability:** Due to high levels of unemployment and relatively low average wage levels, a significant number of South Africans cannot independently provide for their own housing needs. These households are defined as those with no income, and those earning up to R3 500 per month. In 1996 it was estimated that of all the families living in South Africa, 80% fell into this category. It was further estimated that in fact more than 50% of families earned between R0 and R1 500 per month. (See table on Page 3)
- **Fragmented housing policy and administrative systems:** By the early 1990's the Housing Sector was fragmented, inconsistently funded and lacked role definition and defined roles of accountability. There were fifteen departments that dealt with housing, namely, one General Affairs Department, three Own Affairs Departments, the Homeland Authorities and more than 60 national and regional state corporate institutions. These bodies were implementing some twenty different subsidy systems. In addition South Africa's apartheid history had left the government with many inappropriate laws and procedures that needed to be repealed or amended.
- **Lack of capacity:** The legacy of the past also resulted in a depressed Housing Sector which lacked capacity both in terms of human resources and materials to speedily provide housing.

- **Non-payment of housing loans and service payment boycotts:** The 1980's were characterised by bond, rental and service payment boycotts initiated by the civic movement and communities, aimed at undermining the apartheid government. As a result of this many households were reluctant to and unable to re-commence paying their bonds, rents and services after the 1994 first democratic elections
- **Lack of end user finance:** For a number of reasons including the non-payment of housing loans, service payment boycotts etc. many lenders are reluctant to lend to low-income families. As a result, many low-income families are unable to access housing loans, even if they could afford to. This problem is made worse by phenomenon such as redlining and discrimination, poorly designed credit instruments, and a lack of willingness to save by households.
- **Insufficient land:** Slow and complex land identification, allocation and development processes resulted in insufficient land for housing development purposes.
- **Inappropriate standards:** Infrastructure, service and housing standards were inappropriate to the needs of the low-income market, resulting in difficulties in providing affordable housing products.
- **Different requirements between Provinces:** There are major differences between the housing needs experienced by different Provinces. For example in terms of the 1996 census Gauteng and Western Cape generally have housing backlogs in urban areas, while in the Northern Province and Eastern Cape the housing backlogs are generally in rural areas. Given the different problems in the different Provinces, different policy responses are necessary.
- **Special needs of women:** The demographic trends in South Africa clearly demonstrate that women are generally poorer with less access to resources than other groups. For example the 1996 census showed that 26% of female heads of households earn less than R500 per month, compared to 13% of male heads of households. Women therefore need special attention in terms of housing provision.
- **Inexperienced housing consumers:** Because of apartheid many people have never bought or rented a house, or know anyone who has. There are therefore many inexperienced housing consumers. Such consumers often make mistakes or fall prey to unscrupulous operators who steal their money.
- **A culture of building:** Many cultural groups in South Africa have a culture of building where individuals and households are able to build their own homes. This is a significant opportunity whereby poor households are able to save money by building their own homes.
- **The Housing Sector as a contributor to the economy:** The Housing Sector, if effective can contribute significantly to the national economy. The Housing Sector has the potential to increase employment and individual wealth, improve the balance of payments, reduce inflation, encourage households to save, increase the demand for consumer goods and services, impact positively on the health of households and increase the Gross Domestic Product. Given

these factors investment into the housing Sector has an important contribution to make to the overall economic growth of South Africa.



INCOME DISTRIBUTION

3. THE CONSTITUTION

The Constitution of South Africa is the supreme law of the country and therefore has a fundamental impact on National Housing Policy, particularly in terms of the following two principles:

- Housing as a basic right:** Section 26 of the Constitution states that all South Africans have the right to have “access to adequate housing”. It is the government’s duty to take reasonable legislative and other measures, within its available resources, to achieve the realisation of this right on a progressive basis. Adequate housing is measured in terms of certain core factors including legal security of tenure, the availability of services, materials, facilities and infrastructure, affordability, accessibility and location.

The Constitution allows that the right to adequate housing cannot be achieved immediately but must be achieved over time. Nevertheless, government must show that it has worked as effectively as possible to achieve this right.

- Defining the powers of National and Provincial Government and Municipalities:** The Constitution broadly sets out the powers of the different spheres of government as follows:
 - National Government** has the power to develop laws that deal with matters that apply at a national level. The focus of these laws is to regulate or co-ordinate activities throughout South Africa, so as to facilitate an effective and equitable housing sector.

- **Provincial Government** has the power to make specific laws for the province in terms of all functional areas including housing. These laws must be in accordance with the national laws.
- **Municipalities** (Local Government) have the power to administer matters such as housing and all other related matters like building regulations, municipal planning and service provision. The National and Provincial Governments are required to support municipalities in this regard.

4. SOUTH AFRICA'S SOCIAL HOUSING POLICY

In October 1994 a National Housing Accord was signed by a range of stakeholders representing the homeless, government, communities and civil society, the financial sector, emerging contractors, the established construction industry, building material suppliers, employers, developers and the international community. This accord set down the beginning of the common vision that forms the essence of South Africa's National Housing Policy. Most importantly, it comprised an agreement that all of these stakeholders would work together to achieve the vision encapsulated in the Accord.

The National Housing Accord was soon followed by the Housing White Paper which was promulgated in December 1994. The White Paper sets out the framework for the National Housing Policy. All policy, programmes and guidelines which followed fell within the framework set out in the White Paper.

The promulgation of the Housing Act 1997 (Act No. 107 of 1997) (The Housing Act) legislated and extended the provisions set out in the Housing White Paper. The Housing Act aligned the National Housing Policy with the Constitution of South Africa and clarified the roles and responsibilities of the three spheres of government: National, Provincial and Municipal. In addition, the Housing Act lays down administrative procedures for the development of the National Housing Policy.

During September 2004 the National Minister of Housing launched the "Breaking New Ground: A Comprehensive Plan for the Development of Sustainable Human Settlements". This new plan is aimed at redressing colonial and apartheid spatial planning and development through the development of socially, economically and spatially integrated housing delivery.

The Minister of Local Government and Housing of the Provincial Government of the Western Cape appointed a Reference Group, consisting of key role players, to advise on the analysis and implementations of the Comprehensive Plan for the Development of Sustainable Human Settlements in the Western Cape. The members of the Reference Group constitute a wide ranging group of experts in their respective fields associated with housing delivery. The appointment and work of the Reference Group was subsequently endorsed by the Cabinet.

The Reference Group maintained a working relationship with the officials from the Department of Housing and Local Government to ensure that it does not operate in isolations and that there is a continuous flow of relevant information. Despite this, the Reference Group has consciously ensured that they remain independent from the Department. A proactive approach by one of South Africa's nine provinces is demonstrated below.

5. THE “BREAKING NEW GROUND” (BNG) POLICY

- To articulate an independent view on the implementation of the “Breaking New Ground” policy;
- To inform the development of an implementation strategy and plan for the “Breaking New Ground” policy;
- To recommend specific actions proposed by the Reference Group;
- To draw stakeholder attention to the possible implications of BNG and the implementation of recommended actions.

Policy content and historical issues.

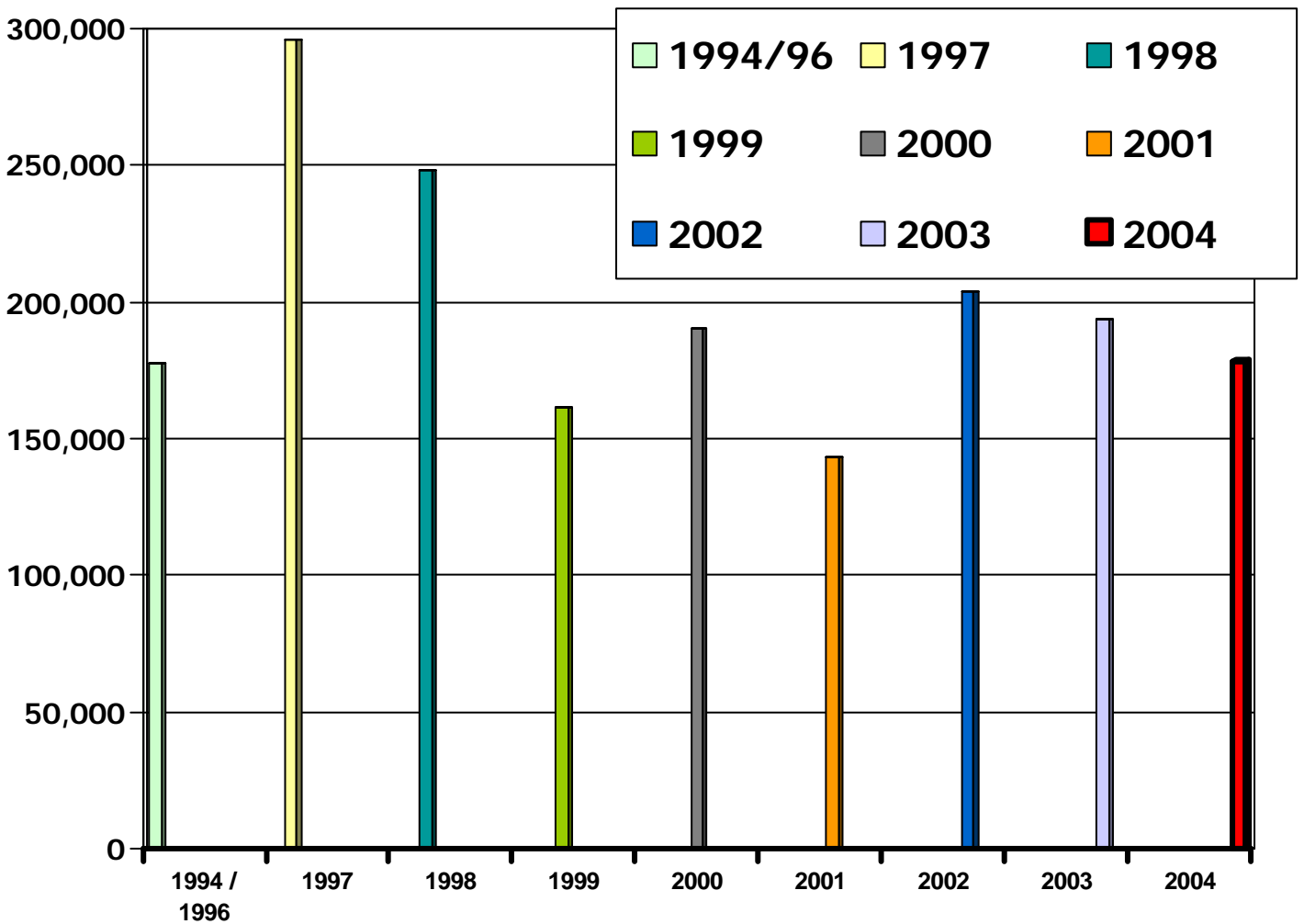
The opening section of the paper briefly describes the historical context for housing and urban development and identifies the key blockages for the development of sustainable human settlements. In order to implement the BNG Plan, it is imperative that these key blockages are addressed.

Towards implementation

The South African Government invested R27.6 billion on housing delivery between 1994 and 2004. More than 1.6 million houses were delivered which affected the lives of approximately 6.5 million people. Despite this, the urban housing backlog increased from 1.5 million in 1994 to 2.4 million in 2004. The reasons for this are natural population growth, a trend towards urbanisation and inadequate delivery to address historical backlogs. The reasons for low levels of delivery are mainly due to inadequate resource allocation and under-spending due to capacity constraints. The problem was also exacerbated as the housing policy did not provide a range of options to meet all housing needs; most notably there were no strategies for the upgrading of informal settlements or for the promotion of affordable rental housing. Furthermore, imbalances in the property market resulted in a gap in the supply of housing by the market to households with incomes ranging between R3 500 and R7 000. In addition, there have been many problems with the housing that has been delivered through the subsidy scheme:

- Widespread and acute poverty, coupled with the lack of skills transfer and economic empowerment in housing projects have resulted in many beneficiaries being unable to afford the ongoing costs of housing;
- Many new housing projects lack essential facilities and consist of houses only;
- The location of new housing projects has tended to reinforce apartheid urban patterns and existing inequities;
- The poor location and low residential densities of many of these housing projects cannot support a wide range of activities and services in a sustainable way. (The Department of Housing’s *Guidelines for Human Settlement and Planning and Design* suggest a minimum gross residential density of 50 dwelling units/hectares is appropriate to ensure a sufficiently wide range of activities, and yet most housing projects consist of freestanding single-storey dwellings and have gross residential densities of between 10 and 30 dwelling units/hectare.);
- There are problems of poor construction quality and urban amenity of many new subsidised housing projects;

- While social housing (rental and co-operative housing) projects are often better located and of better quality than other projects, there are severe affordability problems and high levels of non-payment as relatively high rents and levies are needed in order to cover operational costs and loan repayments;
- The vast majority of people are excluded from the formal housing market – only 15% of households are able to benefit from the potential asset value of housing through being able to buy and sell property through the formal housing market;
- The PHP approach (assisted self-help housing delivery) is capable of providing bigger and better houses and empowering communities, but has been a small proportion of total delivery, due to a general lack of capacity to provide effective support to communities.



GOVERNMENT SUBSIDISED HOUSES COMPLETED ANNUALLY

6. SOUTH AFRICA'S NATIONAL CAPITAL SUBSIDY AMOUNTS FOR 2006/2007

Income category	Previous subsidy	New subsidy	Contribution	Product price
<u>Individual, Project linked and Relocation Assistance subsidies</u>				
R0 to R1 500	R31 929,00	R36 528,00	None	R36 528,00
R1 501 to R3 500	R29 450,00	R34 049,00	R2 479,00	R36 528,00
Aged, disabled or health stricken R1 501 to R3 500	R31 929,00	R36 528,00	None	R36 528,00
<u>Institutional subsidies</u>				
R0 to R3 500	R29 450,00	R34 049,00	Institution must add capital	At least R36 528,00
<u>Consolidation Subsidies</u>				
R0 to R1 500	R18 792,00	R21 499,00	<i>None</i>	R21 499,00
R1 501 to R3 500	R16 313,00	R19 020,00	<i>R2 479,00</i>	R21 499,00
Consolidation Subsidy: Aged, disabled or health stricken R1 501 to R3 500	R18 792,00	R21,499.00	<i>None</i>	R21,499.00
<u>Rural subsidies</u>				
R0 to R3 500	R29 450,00	R34 049,00	<i>None</i>	R34 049,00
<u>People's Housing Process</u>				
R0 to R3 500	R31 929,00	R36 528,00	None	R36 528,00
<u>Emergency Programme</u>				
Temporary assistance	R26 874,00	R31 952,00	<i>None</i>	R31 952,00
Repair to existing stock:				
Services	R13 137,82	R15,029.00	<i>None</i>	R15,029.00
Houses	R18 792,00	R21,499.00	<i>None</i>	R21,499.00
<u>Informal settlement upgrading programme: Grant funding limits</u>				
R0 to R3 500	See Annexure C.			
Fast Tracking Programme				
Transitional Housing	Up to R12 176,00 per unit			
Public Sector Hostels Redevelopment Programme			Previous grant	New grant
Family units			R 29 450,00	R34 049,00
Individual units (per bed)			R 7 234,00	R8 512,25

7. THE “BREAKING NEW GROUND” STRATEGY

The Department of Housing introduced the “Breaking New Ground” strategy at the end of 2004 which is intended to guide housing development over the next 5 years. The BNG Plan is required “to redirect and enhance existing mechanisms to move towards more responsive and effective delivery” and aspires to “promote the achievement of a non-racial, integrated society through the development of sustainable human settlements and quality housing”. Specific objectives set out in the BNG Plan include:

- Accelerating the delivery of housing as a key strategy for poverty alleviation;
- Utilising provision of housing as a major job creation strategy;
- Leveraging growth in the economy;
- Combating crime, promoting social cohesion and improving quality of life for the poor;
- Supporting the function of the entire single residential property market to reduce duality within the sector by breaking the barriers between the first economy residential property boom and the second economy slump;
- Utilising housing as an instrument for the development of sustainable human settlements, in support of spatial restructuring;
- Promoting and facilitating an affordable rental and social housing market;
- Promoting upgrading of informal settlements;
- Providing community supporting facilities through housing delivery.

The strategy includes a number of shifts in housing policy, and aims to put South Africa firmly on the way to create sustainable human settlements, as opposed to merely providing houses. This will, in turn, result in integrated sustainable development, wealth creation, and poverty eradication, where at present and future inhabitants of such settlements living in a safe and secure environment with adequate access to:

- Economic opportunities;
- A mix of safe and secure housing and tenure types;
- Reliable basic services;
- Educational, entertainment, cultural, health, welfare and police services

In order to effectively achieve the above objectives, an alignment between the BNG Plan and the provincial Growth Strategy (Ikapa Elihlumayo) is of utmost importance, with special attention to analysis, contextualisation and conceptualisation within the social, economic and political environment of the provinces.

Progressive informal settlement upgrading

The BNG Plan’s response to informal settlements upgrading is that of co-operation and integration. This will lead to the stabilization and integration of these areas into the broader urban fabric. It aims to provide housing in healthy and secure living environments, with communities having access to the services and goods produced by society.

The plan adopts a phased in-situ upgrading approach in desired locations, coupled with the relocation of households where development is not possible or desirable. It is

based upon a phased development programme, which includes surveying, basic services provisioning, and housing development – undertaken in a flexible manner to cater for local circumstances.

A new funding mechanism will support upgrading on an area-wide, as opposed to individual basis, which will maintain fragile community networks, minimize disruption and enhance community participation in all aspects of the development solution.

It is important that an upgrading approach provide for a total package of infrastructure such as clinics, schools, police stations, and other community facilities.

Upgrading projects should initially be implemented as pilot projects through partnerships between all spheres of government, with the support of key government departments. Funding will be provided to source external capacity to assist with project initiation, project planning and management.

Enhancing the location of the new housing projects

Despite financial constraints, the Plan requires that the number and scale of future peripheral subsidised housing projects be restricted.

An overall strategy to facilitate the release of well-located public land needs to be developed. It is important that well-located public land or land held by a parastatal organisation be accessed via the acquisition grant (subsidy), and transferred to municipalities at no cost.

The plan will include a strategy to finance and guide the acquisition of private land for housing purposes.

Promoting densification and integration

Fiscal incentives to promote densification and disincentives for promoting urban sprawl is presently being developed.

The development of a densification policy is being formulated with focus on densification, including proper planning guidelines, property taxation, zoning, subdivision, land swaps and consolidation.

Development of social and economic infrastructure

A more holistic approach to the development of settlement-making emphasizes the importance of the provision of social and economic infrastructure, and not a housing-only approach.

A multi-purpose cluster concept based on community need is to be applied.

Not all facilities will be necessarily be supplied, and nearby facilities need to be enhanced to ensure that they cater for the broader community.

A new funding mechanism is being considered to fund the development of the primary social and community facilities, focused on informal settlement upgrading projects, completed housing projects which lack social facilities, and new housing projects.

Enhancing the housing product

There is a need to develop more appropriate settlement designs and housing products and to ensure appropriate housing quality.

Settlement design should be enhanced by including design professionals at planning and project design stages, and design guidelines for designers and regulators to achieve sustainable and environmentally efficient settlements will be developed.

House design to be enhanced by enforcing certain minimum standards. Traditional and alternative building technology should be used where possible.

A variety of innovative house designs for subsidised houses should be encouraged through incentives.

Enhancing the role of the private sector

The financial sector, as well as the construction sector, must obtain government's commitment to a partnership and enabling environment that would lead to incentives such as lending to poorer households.

Procedures for the administration and payment to contractors should be streamlined.

It is vital that the resources of the private sector are harnessed to deliver housing programmes at scale to mitigate the significant capacity constraints in the public sector.

The BNG Plan emphasises the importance of the active role that the private sector and employers play in the housing process for low to moderate income earners.

Social (medium density) housing

The objective of the social housing instrument is to facilitate the production of effectively managed institutional housing in areas where demand for institutional or managed housing of all types exists.

Social housing may take various forms, and it is essential that social housing technologies be conceptualised broadly to ensure the inclusion of all income groups.

Social housing must accommodate a range of housing product designs (e.g. multi-level apartments, hostels and room accommodation), and tenure options (e.g. rental, co-operative housing and rent to buy) to meet spatial and affordability requirements.

The new funding mechanism should be designed to move away from uniform individual subsidies, towards equity support for social institutions.

The building institutional capacity and the promotion of private sector investment in social housing are focus areas that require greater attention in the future.

Rural housing

The rural housing programme will focus on land settlement, security of tenure, livelihood strategies, broad socio-cultural issues, basic services provision, and support through the PHP.

Traditional technologies and indigenous knowledge used to construct housing should be enhanced, while shelter, services and tenure should be improved. The programme focuses on the economic, social and institutional sustainability of farm worker settlements.

Partnerships need to be forged with the Departments of Labour, Agriculture and Land Affairs to ensure synergy of policies and programmes.

Financial arrangements

In order to address increased demand and to accommodate greater responsiveness to demand, the BNG Plan deems it necessary to restructure the subsidy instrument; to adjust the beneficiary contributions and criteria; to enhance funding flows; to address fraud, corruption and maladministration.

More particularly, development financing needs to be accessed, for example from the Development Bank of South Africa (DBSA), to ensure that multi-year plans are funded sufficiently. This will in turn lead to proper implementation of projects that run over several financial years.

Private sector investment should be secured through the Financial Services Charter targets and public private partnerships. Additional funding should be negotiated with the Provincial Treasury to implement this comprehensive plan.

Expenditure needs to be aligned with the Provincial Housing multi-year spending plan, which based on the MTEF period.

Institutional arrangements within government

For the BNG Plan to be successful, inter-and-intra-governmental co-ordination and alignment must be increased, advancing joint planning, budgeting and implementation. This requires more than mere co-ordination between departments. Instead, it suggests the need to develop a single overarching planning authority and/or instrument to provide macro-level guidance to support the development of sustainable human settlements.

LAs should be accredited to expand their roles, especially during the implementation phase, building municipal capacity to support this initiative should be priority. The plan for municipal accreditation (to perform provincial housing functions) needs to be developed.

Institution and capacity building

There should be a strong focus on facilitating municipal accreditation and the subsequent fast tracking of housing delivery through capacity building programmes.

Capacity building should focus on institutions such as Las, social housing institutions, PHP institutions, financial institutions and communities.

Proper utilisation of the facilitation grant should ensure the necessary capacity when implementing projects according to the PHP.

Consumer education needs to be high priority.

Communities, as a whole, need to be empowered to ensure that they engage effectively in terms of development in their areas.

Job creation through human settlement development

The job creation strategy should be based on the Extended Public Works Programme guidelines on identification, design, and construction methodology for labour intensive construction.

8. CONCLUSION

The development of Sustainable Communities is only possible if there is a concerted effort by the public and private sectors collectively. The harnessing of resources and the use of alternative sustainable building materials are required and as stated by Minister Lindiwe Sisulu..... “no period of history has seen more political commitment to the attainment of the objectives that have brought us here together, by both the developed and developing countries. Let us take advantage of this environment. Housing is the foundation upon which sustainable societies, sustainable economies are built, the essential element without which social cohesion becomes an elusive notion, the essential element without which sustainable development cannot be attained”

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