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Better housing for South Africa?

Abstract

This article outlines the elements of the housing policy and programme strategies in South Africa, which has adopted a market-centred housing policy. The successes and failures (as well as the strengths and weaknesses) of the process are highlighted, indicating areas of concern and possible re-alignment and improvement for sustainability. Minimum specifications regarding services and buildings, including sizes (categories), must be provided in order to eliminate counter-productive perspectives from various platforms. One of the foremost socio-economic problems in South Africa is the unemployment crisis. The solution lies in fighting poverty and providing sustainable housing. To subsidise low-income housing without subsidising local authorities for an extended period, will eventually lead to a new round of poverty in South Africa, and the subsequent collapse of local authorities. We cannot afford to solve an existing problem by creating a new one for the next millennium.

Keywords: housing policy, housing programme, market-centred housing policy, South Africa.

BETER BEHUISING VIR SUID-AFRIKA?

Hierdie artikel bied 'n oorsig van die elemente van die behuisingsbeleid en die program-strategieë in Suid-Afrika, wat 'n markgerigte behuisingsbeleid volg. Die suksesse en mislukkings sowel as die sterk en swak punte binne die proses word toegelig en probleemareas aangedui vir moontlike verbeterings met die oog op volhoubaarheid. Dit blyk dat riglyne voorsien moet word met betrekking tot beskikbare grond en diens van geboue. Minimum-spesifikasies blyk nodig te wees om kontraproduktiwiteit teë te werk. Dit is duidelik dat die behuisingsbeleid nie werkloosheid hokslaan nie en dat plattelandse en selfhelp-projekte aangemoedig sal moet word. Lae-inkomste-behuisingsprojekte kan problematies word vir plaaslike owerhede, sou die regering nie daardie owerhede finansiële ondersteun nie. Ons kan dit eenvoudig net nie bekostig om een probleem op te los deur 'n volgende een te skep nie.

Sleutelwoorde: behuisingsbeleid, behuisingsprogram-strategieë, markgerigte behuisingsbeleid, Suid-Afrika.

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1. Introduction

Housing strategies in South Africa are pursued against the following background:

- A population of approximately 40 million with the number of illegal aliens unknown, but possibly in excess of 3 million (1999)
- The first democratically elected government came into power in 1994, following a remarkable negotiated transition
- At that time (1994), the estimated backlog in housing (depending on the definition of 'housing') was approximately 2 million dwellings (some observers estimated it as high as 3 million)
- Population growth is presently in the region of 3%, requiring at least an additional 150 000 houses per year
- With one of the highest incidences of the disease in the world, the impact of Aids on the population is starting to manifest itself socially and economically, with important implications for the planning and design of housing projects
- With sweeping policy changes taking place in government and civil service, the learning curve is very steep regarding the process of capacity building and delivery
- As South Africa is mostly a developing country, there are severe demands on limited resources
- Land tenure is, as expected, a sensitive issue and comes in many forms: from well-defined registered title deeds to trust lands, government holdings, tribal territories under control of feudal chiefs and even kingdoms, under the umbrella of a democratically elected government on three levels
- The country has gone through amazing stages in the last century, ranging from influx control, racial segregation, restriction on land ownership for blacks, and management attempts to direct settlement patterns, urbanisation and industrialisation
- With 11 main languages and even more minorities, the country consists of minorities by virtually any norm except colour with approximately 70% black, 15% white, 5% Asian and 10% of mixed descent
- An estimated 8 million households in South Africa have a combined income below the minimum subsistence level of R1400 per month
- Servicing of housing loans and payment for other services are not satisfactory and are indeed causing serious problems for third tier governments and funding institutions.

The reasons for the problematic housing delivery are complex, but primarily rest on lack of income, unrealistic expectations, dissatisfaction with services and quality of housing being provided, and a culture of non-payment that started as part of the resistance movement in the 1980s and early 1990s.

Given the above background, the Housing Act 107 of 1997 states the following aims regarding housing provision:

To provide for the facilitation of a sustainable housing development process; for this purpose to lay down general principles applicable to housing development in all spheres of government, to define the functions of national, provincial and local governments in respect of housing development and to provide for the establishment of a South African Housing Development Board, the continued existence of provincial boards under the name of provincial housing development boards and the financing of national housing programmes; to repeal certain laws; and to provide for matters connected therewith.

Quoting from National Housing Department information leaflets, housing policy and strategy are indicated as follows:

The National housing vision is the establishment of viable socially and economically integrated communities, situated in areas allowing convenient access to economic opportunities and social amenities, within which all South Africa's people will have access on a progressive basis, to a permanent residential structure with secure tenure, ensuring privacy and providing adequate protection against the elements, potable water, adequate sanitary facilities including waste disposal and domestic electricity supply.

The Department's overall approach to the housing challenge is aimed at mobilising and harnessing the combined resources, efforts and initiatives of communities, the private and commercial sectors and the State. The housing challenge is being addressed through seven major thrusts designed to turn South Africa's housing situation around.

2. Obstacles to housing delivery

Despite progress in certain areas, the following particular obstacles remain in practice, thus negatively influencing the delivery rate of housing (Pienaar 1998):

- Access to, and security of tenure of land, which is well-located, suitable for housing development, and affordable

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- Provision of services such as water, sanitation and electricity
- Availability of development (bridging) and end-user finance over and above state subsidies
- Lack of institutional capacity (at all, but especially at local levels of government), technical, managerial and administrative skills within key delivery services
- Low private sector involvement in terms of finance, land development and housing construction
- The complex and contentious nature of land tenure in many areas, especially in peri-urban and rural parts of the former homelands
- Spatial and functional fragmentation and inefficiency of major cities, causing poor people to live on the urban periphery and beyond.

The above must also be seen within the broader context of low economic growth rates, continued low levels of bond, rent and service charge payments, financially unstable local authorities, continued transformation of the institutions of state at all three levels, but particularly in the case of local government which is still in a transitional phase and will remain so until after the 2000 elections.

Despite real concerns about quality and location of mainly developer-driven housing provided over the last five years in terms of the government's subsidy scheme, considerable progress has been made. Almost 800 000 of the one million houses promised by government in 1994 were erected by the end of 1999.

3. Institutional and governmental actions to support housing provision

The following broad outline provides an overview of existing support mechanisms for housing provision:

- Numerous institutions, including state-backed corporations and private sector initiatives, some of the most prominent being: National Housing Finance Corporation (NHFC); National Urban Reconstruction and Housing Agency (NURCHA); Social Housing Foundation (SHF); Development Bank of Southern Africa; Industrial Development Corporation; provincial and local government structures; commercial banks
- Government capital subsidy scheme for low-income earners, channelled through nine provincial governments, and other

housing support measures such as the Discount Benefit Scheme, hostels upgrading programme, etc

- Facilitative legislation such as the Housing Act (107 of 1997), the Development Facilitation Act (67 of 1995), and the various land reform acts
- Promotion of the People's Housing Partnership Trust, and the institution of Housing Support Organisations and Centres in communities.

4. Role of government

In terms of the Housing Act (107 of 1997) the following major intended roles are set for the three levels of government:

4.1 National government (through the minister and the Department of Housing) is to establish a sustainable national housing development process *inter alia* through:

- Determining national policies and setting broad national delivery goals
- Setting uniform norms and standards
- Establishing institutional and funding frameworks
- Assisting provincial and local government wherever necessary
- Publishing a National Housing Code containing national policy and directives, uniform norms and standards, and administrative guidelines for implementation of the above
- Setting up the South African Housing Development Board to advise the minister and monitor the implementation of national housing policy
- Establishing a national housing data bank and information system for monitoring, planning and policy review purposes.

4.2 Provincial government (each through its own provincial housing department) is to promote and facilitate the provision of housing in its province within the framework of national policy through:

- Determining provincial housing policy
- Supporting and strengthening local government whenever a municipality is not able to do so
- The continued existence of Provincial Housing Boards (PHBs) under the name Provincial Housing Development Boards which evaluate and approve subsidy applications and allocate and disburse funds in this respect.

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4.3 Local, or third tier, government within the framework of national and provincial housing policy, and as part of a municipality's process of integrated development planning, is to ensure that:

- *[...] The [...] inhabitants of its area of jurisdiction have access to adequate housing opportunities on a progressive basis; and*
- *Conditions not conducive to the health and safety of inhabitants of its area of jurisdiction are prevented or removed; [...]* (Government Gazette, 1997).

Inter alia through:

- Setting housing delivery goals in respect of its area of jurisdiction
- Identifying and designating land for housing development purposes, including conditional powers to expropriate
- Regulating health and safety standards with regard to housing development
- Mediating in conflicts arising in the housing development process
- Initiating, planning, co-ordinating, promoting and enabling appropriate housing development
- Establishing facilitative agencies to support housing development
- Planning and providing bulk engineering services
- Providing bulk engineering and revenue-generating services in so far as such services are not provided by specialist utility suppliers
- Undertaking land-use planning in accordance with land development objectives
- Regulating and managing land-use and development in accordance with land development objectives
- Administering national housing programmes on application to the provincial government.

Policy therefore, through the Act and other measures, places local government in partnership with local communities and the private sector face to face with practical delivery. Although local authorities have largely accepted this challenge, they often point out that the lack of financial support from government leads to this being an "unfunded mandate" and not one assigned to them in terms of the constitution.

Furthermore, the role of the state, and of legislation enacted by it, has been seen as the provision of enabling and supporting regulatory frameworks, and to make certain strategic interventions in a process which is to be largely beneficiary-driven (demand-side), as stated below by the National Housing Department:

The Housing Department has developed a five-year housing plan for the post-1999 period. The plan incorporates a 'differentiated approach' to delivery, including a range of product choices, locations, and forms of tenure, unit designs and costs. The Housing Director-General suggested that 'the constraints imposed by the R15 000 (now R16 000) subsidy can be turned into a challenge' where groundbreaking methods are applied to 'all aspects of housing delivery'. She suggested that people's own efforts would be enhanced so that they could get value from the subsidy, which diminishes the involvement of the profit-driven private sector.

The new policy would also allow for any form of tenure that was legally enforceable and which gave security to the title-holder. This was an attempt to get away from fixed tenure, which it was suggested unnecessarily disadvantaged recipients, because the subsidy could only be applied for once. Rental housing had also been explored, but was found to be financially unfeasible for the poorest section of the population who earned less than R3 500 per month (1998).

There is no indication of the sustainability of the R16 000 subsidy.

5. Role of private sector

The role of the private sector can be divided into three main categories:

Developers. They are currently at the centre of the physical process of establishing new residential areas by obtaining land for development, entering into development agreements with communities, entering into sale agreements with clients per housing unit, and carrying out infrastructure development and building of houses, either themselves or by contracting others for this purpose.

Contractors. This refers to the formal sector of civil and building industries, or to the informal "emerging contractor" ranks. The latter are at a particular disadvantage in a competitive environment, having had very little formal education and

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training. Mentorship schemes and training programmes are however making progress to support this sector.

Banking institutions. These institutions have been unable to provide meaningful loan finance to the large bottom end of the market due to the high-risk nature of that market, and the inappropriateness of the conventional mortgage instrument for low-income earners. The most disappointing aspect is that few innovative products have been successfully devised and implemented to encourage bankers to meaningfully enter the bottom end market. They are, however, active and successful in supporting the middle- to high-income market.

Non-traditional or niche-market lenders and the micro-loan industry are a small but growing sector which offers alternative finance options with some support from the NHFC.

6. Housing finance

The obvious largest single problem in low-income housing is the lack of sufficient finance to support this high-risk market. This is the dilemma of the government and the private sector. The poor masses are trapped in poverty, a sluggish economy with jobless growth.

Many agencies, as previously listed, are active in providing support, but they all function on the obvious principle, which requires repayment by the beneficiary for their support. A beneficiary is often jobless or not willing to repay for numerous reasons of conflict, or in the worse instance due to a culture of non-payment created as an instrument of pressure for political (past and present) or social and economic reasons. This strains development in general. Solutions have been sought through various avenues in the past, but at best limited success has been achieved. This and the simple inability to repay have kept the private sector financiers out of the market. The situation is aggravated by unrealistic expectation of beneficiaries kindled by direct or implied political promises.

The only real support in numbers that made a difference came from central government. The support comes in the form of a once only subsidy to qualifying families. This subsidy is channelled through provincial government housing development boards that approve applications and pay the proceeds out to the developer who has satisfied the agreed criteria.

The main problems with the subsidy scheme are:

- The amount of the subsidy is very small, as shown in Table 1

Table 1: Central Government Housing Subsidy

Monthly household income of beneficiaries	Subsidy amount
Up to R1 500	R16 000
R1 501 to R2 500	R10 000
R2 501 to R3 500	R 5 500

- Unfortunately, the subsidy is provided not only towards the cost of the actual house, but also towards the cost of the land and infrastructure provision, the latter thereafter becoming a revenue-generating local authority service
- The amount which can be spent from the subsidy on serviced land is now limited to R7 500 per stand, which still leaves very little for the actual house
- Administration of the subsidy programme is problematic, with long delays in approvals and pay-outs (up to 18 months) and a degree of attrition through theft and corruption (some estimates are as high as 15 - 25%)
- Only this once-off bricks-and-mortar subsidy, and no further subsidy is available to the household to assist with payment, as has been the case in other countries with a more developed social security net
- Ongoing conflict between the government (providers of the subsidy) and developers regarding the end product being supplied continues to hamper the search for solutions to the problems.

Though it is generally accepted that the subsidy is too low, the question to be answered is: What should be made available for housing in a macro-national financial context? According to Harber (1998) the international financial support ideal is 5% of the budget, global allocation is presently at 3,7% and South Africa at 1,6%, falling substantially short of the 'norm'. Even more disconcerting is what *Business Day* of 21 January 2000 (*Business Day*, 2000) calls a lukewarm fiscal commitment to housing.

7. Stakeholders relationships in a subsidy project

The relationships of the stakeholders in a subsidy project are defined by a series of agreements. Figure 1 illustrates how the stakeholders in a project relate to one another, and the agreements which govern these relationships (Department of Housing, 1997):

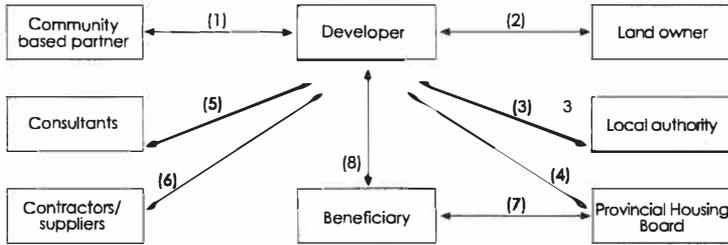


Figure 1: Stakeholders relationships in a subsidy project

Agreements:

- Social contact between the community-based partner and developer (no longer compulsory)
- Land Availability Agreement or Purchase/Disposal Agreement between the landowner and developer
- Services agreement between the developer and the local authority
- Subsidy agreement between the Provincial Housing Development Board and the developer
- Letter of appointment to the consultants (town planner, land surveyor, conveyancer, engineer, etc.) appointed by the developer
- Standard construction/supply agreement for the construction of serviced sites and top structures, issued in both the land servicing and the building operation processes
- Subsidy application to the Provincial Housing Development Board
- Deed of sale between the developer and beneficiary.

8. Urban development and housing?

The net result of housing delivery since 1994 is at an average rate of approximately 160 000 units per year, with subsidy approvals running at an average of approximately 210 000 per year. The growth in demand (excluding the historic backlog) is estimated

at 150 000 per year. It is clear that the process, and more specifically the actual delivery, needs to be speeded up. There was an obvious period from 1994 when the provision process was in a start-up phase, resulting in the actual delivery being higher at present than the averages indicated above, estimated at more than 200 000 units per year.

The provision of large numbers of low-income housing in essence boils down to the management of urbanisation which has to take place at a much faster rate in order to eliminate the backlog and to keep pace with population growth. The latter should slow down in future, partly as a result of housing provision, which will bring some relief in the growth of numbers.

The daunting task ahead requires a broad strategy that will harness a multitude of delivery processes and contributions. It is noted that the housing strategy will in future focus on integrated development and a more holistic approach to housing (National Housing Conference: Programme on housing strategy for the new millennium, 1 - 2 December 1999). The following most urgent limitations need to be addressed:

- Urban sprawl (uncontrolled?) in the wrong localities makes the provision of services, and in particular transportation (high cost) a serious problem in many areas and the situation may even worsen in the coming years.
- The definition of a 'house' is suspect. It has to be clearly defined whether 'housing provision' is access to an opportunity to obtain a house only, or whether it is a totally encompassing vision comprising locality, cost, physical parameters, financial implications, affordability, employment opportunities, erection of the actual house, sustainability in general, etc.
- While stand-alone green-field owner housing now seems to be the accepted norm, it is imperative that serious attention be paid to other forms of housing, such as:
 - Compact high density
 - Integrated with economic activity
 - Mixed-use areas to limit movement of people
 - Inner-city renewal (and infill), particularly through conversion of existing commercial buildings to obtain high-density housing in a mixed-use environment with limited people movement
 - Alternative financing models covering the entire financial spectrum, including the banking sector

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- The uncoupling of taxable serviced land provision from the existing subsidy schemes to benefit the quality and size of top-structures
- The upgrading of informal settlement by providing approximately 7 million people with running water, sanitation and electricity which can tide-over demand and foster future *in loco* development
- Incremental housing is the pre-supposed basis of most of the present subsidy housing. A national coherent strategy regarding the characteristics of incremental housing, such as size of land, size of house, placement on stand, logical incremental phases and technical (design) requirements to ensure maximum incremental viability, is still lacking
- Innovative and/or unconventional construction methods have slowly gained acceptance and require better marketing strategies
- Hidden costs, such as local authority connection fees, interim interest on holding cost of land and infrastructure, legal and other professional fees, can absorb a substantial portion of the subsidy provided before any real tangible benefit is visible
- Although government policy primarily entails "housing provision facilitation", other forms of involvement to add to provision should be considered. Substantially faster provision could be obtained if some of the arduous time-consuming steps could be bypassed, for instance by awarding major contracts for township development, upgrading, conversion, creation of housing associations, provision/support of rental stock, etc. This process can be structured to limit the time-period of government's involvement by opting for rent-to-buy leases, pass-on's to housing associations and outright selling to end-users
- Local Integrated Resource Planning for System Least Cost eg planning for efficiency of water use in households in order to reduce the bulk supply and distribution cost.

9. Historical critique: future action

The previous section demarcated some areas for action. A further purpose is, however, served by highlighting aspects where we may have gone wrong, thus requiring careful assessment of the way ahead:

- In many instances land, which is most suitable for optimum housing provision, was not satisfactorily identified, resulting in settlement growth-points with serious economic and practical disadvantages. This aspect requires urgent and conclusive attention
- The size of plots in green-field developments is very small, and this may aggravate limitations placed on future enhancement due to insufficient planning now. A national policy and development guidelines are urgently needed
- The quality of housing is generally of such a nature that the present 'saving' on building costs may indeed become a major problem in the future. Specifications on a Life Cycle Base have to be enhanced and enforced. A further matter of concern is the thermal inefficiency of housing. Poor people in urban areas are spending a large proportion of their income on fuel for heating, in forms (coal) which also contribute significantly to air pollution and respiratory health problems
- Insufficient attention is paid to inner-city renewal and infill and the point of no return is fast approaching where cost to utilise will exceed benefits, resulting in disastrous decay. This will lead to inestimable costs resulting from loss of capital (existing buildings and infrastructure), social consequences, escalating crime and lack of security. This is arguably the most suitable prospect for government to get directly involved as a housing provider, rescuing at the same time the decaying inner cities. There are some initiatives under way such as the Vusani Amadhlola four-point regeneration plan in Gauteng province, the so-called Inner City Partnerships between government, private sector and society in most major centres, and the launching of a number of Development Corridor Projects linking suburban residential areas with inner cities. These are all under-funded and limited in the scope of their intervention though, and need greater back-up support and/or prioritisation
- Financial support from central government is inadequate and probably unsustainable, with the financial institutions in the private sector being unable to provide viable products for the lower end of the market. Innovative solutions must be found. Even where the banking sector does provide financing, the

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interest rates are prohibitive. The bottom line is that stated objectives cannot be met adequately due to inadequate funding, causing a multitude of problems, some of which will come full circle in years to come

- Building societies, which played a major role in housing the affluent, have to be re-introduced as financial institutions in order to provide a financial service sector, which can be manipulated with ease to support housing *per se*
- The micro-lending sector is set to play an increasingly important role in self-help incremental housing, but needs regulation and support
- A disproportionate number of fraudulent practices have occurred in the housing process — from land development to awarding of contracts and channelling of subsidies. Better financial control and independent technical- financial managers, such as quantity surveyors, should be incorporated into the process. Due to severe financial constraints, fraudulent practices cannot be tolerated
- Social housing is now starting to play a role. In this regard it is important to provide the knowledge base to ensure a safe take-off in what is generally perceived as high-risk territory
- Rural housing and self-help housing certainly have an important role to play. Recent policy has shifted towards promoting these aspects, but as elsewhere it is also plagued by quality problems, and guidelines need to be developed in this regard. The actual number of units presently created is unfortunately only a minor percentage of the whole.

10. Performance criteria in conclusion

As from 1 April 1999 certain minimum norms and standards with regard to house size, level of services to be provided, etc, apply to all subsidised housing (Ministry of Housing, 3 December 1998: Determination of national norms and standards in respect of permanent residential structures based on the increased subsidies with effect from 1 April 1999).

Despite this, the recent formation of the Housing Consumer Protection Trust, and the existence of such instruments as the National Home Builders' Registration Council (NHBC) and Defects Warranty Fund, much needs to be done in terms of research, education and setting of guidelines to ensure quality living environments for the poor.

11. Summary

The following performance criteria, in chronological order, summarise the above broad-based observation of the South African housing scene:

- Guidelines should be provided regarding what constitutes suitable land, building services, etc, for development or renewal in order to qualify for subsidies
- Minimum specifications regarding services and buildings, including sizes (categories), have to be provided in order to eliminate counter-productive perspectives from various platforms. If not checked, the presently developing housing stock may well have to be replaced in the not too distant future
- Once the above have been established, the financial demands can be calculated accurately and weighed against budget constraints, leading to a realistic programme. This exercise will no doubt confirm that in order to achieve sustainable urbanisation, funding by whatever ingenious methods will have to be increased
- Rural and self-help housing have to be promoted with technical information and support
- Housing policy cannot solve unemployment, lack of growth and poverty. Housing policy should primarily concentrate on providing sustainable housing, and in the process help solve socio-economic problems
- The faster low-income housing is provided, the sooner local authorities will collapse. They simply cannot survive without being paid for services rendered. None of the actions to create a payment culture have succeeded. Having evaluated the problem from all angles only one conclusion is possible. To subsidise low-income housing without subsidising local authorities for an extended period, will eventually lead to a new round of poverty in South Africa, with the subsequent collapse of local authorities. Without support, the nation simply cannot afford them
- We cannot afford to solve an existing problem by creating a new one for the next millennium.

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