

# Housing

## Introduction

The provision of low-cost housing is one of Government's core pro-poor programmes adopted in 1994. The programme helps households to access housing with secure tenure, at a cost that they can afford. Since 1994, Government has contributed R19 billion to just under 1,5 million low-cost housing opportunities<sup>1</sup>, providing shelter, security of tenure, running water, sanitation and electricity to over 6 million people. A further R13,5 billion is budgeted over the next three years.

Despite these enormous achievements, housing delivery remains a major challenge. In providing and improving housing for low-income earners much needs to be overcome in relation to affordability, and planning, design and management of the built environment. The rising demand for low-cost housing makes the challenge particularly daunting. Government continues to explore ways to speed up delivery and contribute to the development of sustainable settlements. While the initial housing programmes have dealt largely with the poorest households (those earning less than R1 500 per month), greater focus is also necessary for households with income between R1 500 and R3 500 and even beyond that.

The 2003 MTEF reinforces the shift towards medium-density housing and rapid land release to address the urban demand for housing, without negating rural demand. It also uses other fiscal mechanisms like new tax incentives, which allows for special depreciation allowances for taxpayers who invest in the construction and refurbishment of buildings in underutilised designated urban areas.

In recent years, Government has sought to foster greater integration and co-ordination between housing delivery and complementary programmes with the view to creating more sustainable and functional communities. A number of infrastructure grants support the provision

*Government has contributed to just under 1,5 million housing opportunities*

*The rising demand for low-cost houses makes the challenge rather daunting*

*Addressing the urban need for housing*

*Greater integration and co-ordination between housing delivery and complementary programmes*

<sup>1</sup> The term "housing opportunities" is used to indicate that housing subsidies are used in different ways to facilitate access to housing and not only to construct housing units.

of the social and economic infrastructure necessary for sustainable settlements, and they are now to be integrated into the new Municipal Infrastructure Grant (MIG). In examining housing delivery challenges it is necessary to consider other institutional and organisational challenges facing the sector. This chapter provides an overview of budget and non-budget issues related to housing. It focuses on expenditure, sources of revenue and service delivery indicators, as well as strategies to improve service delivery. It reviews the housing subsidy grant, the human resettlement and redevelopment grant and social housing.

## **Low-cost housing provision in the intergovernmental context**

The Constitution (Act 108 of 1996) contains the guiding principles for housing provision. The Constitution does not define the specific roles of the three spheres of government in meeting basic rights. The right to have access to adequate housing is enshrined in the Bill of Rights.

*The importance of decentralising the housing function*

A critical policy challenge for housing is to facilitate appropriate devolution of functions and powers to provincial and local government spheres, while at the same time ensuring that national processes and policies essential to a sustainable national housing development process are in place. In terms of the Constitution, housing is a shared or concurrent Schedule 4A function between the national and provincial governments, with no role for local government. The Housing Act (107 of 1997) elaborates on the different roles, defining key national and provincial responsibilities, and also assigns a role to local government, for a municipality that is accredited in terms of the Act. It also establishes various statutory bodies and provides for the termination of housing arrangements that existed in previous political dispensations.

## **The role of National Government**

*National Government is responsible for the Development of Housing Policy*

Through the national Department of Housing, national Government is responsible for national housing policy. It establishes and facilitates a sustainable housing development process in consultation with every provincial housing department and the national organisation representing municipalities (SALGA<sup>2</sup>). The national housing policy outlines the funding framework for housing development, and negotiates and secures an allocation from the state budget for housing. The policy provides for allocations to provincial governments, municipalities and other national housing institutions that implement national programmes.

*National Government supports provincial and local governments in housing development and also monitors performance*

National Government develops the national housing code, which facilitates the effective implementation of national housing policy. The national housing code contains all administrative guidelines relating to public sector housing development and develops norms and standards for housing delivery. It promotes consultation on housing

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<sup>2</sup> South African Local Government Association

development issues across all spheres of Government, and with all other stakeholders. It also supports provincial and local governments in developing their administrative capacity for housing development and monitors their performance through the National Housing Data Bank and Information System.

### **The role of Provincial Governments**

Through the provincial departments of housing, provincial governments are responsible for developing provincial housing policy within the national framework. They legislate on housing matters that fall within their provincial boundaries, as long as the legislation is not in conflict with national legislation.

Provincial governments promote and co-ordinate housing development and implement national and provincial housing programmes in the province within the framework of national housing policy. They approve housing subsidies and projects and provide support for housing development to municipalities. They also assess municipalities' applications for accreditation to administer national housing programmes, and monitor the performance of accredited municipalities.

*Provinces approve housing subsidies and projects, and provide support to municipalities*

### **The role of Local Government**

Municipalities ensure that, within the framework of national and provincial legislation and policy, constituents within their jurisdictional areas have access to adequate housing. They initiate, plan, co-ordinate and facilitate appropriate housing development within their boundaries, either by promoting developers to undertake projects or by playing the role of developer.

*Local Government promotes developers or acts as developer*

Municipalities are instrumental in providing bulk engineering services like roads, water, sanitation and electricity, where there are no other service providers. These services are funded through the Consolidated Municipal Infrastructure Programme (CMIP).

*Municipalities provide bulk services like water, electricity, roads and sanitation*

When officially accredited, municipalities administer any national housing programme in their areas of jurisdiction. Accreditation empowers a municipality to undertake similar functions to provincial governments in that it receives, evaluates and approves or denies applications for subsidies. It also prepares a local housing strategy and sets housing delivery goals.

*Accredited municipalities also administer housing programmes*

Municipalities also set aside, plan and manage land for housing and development.

*Municipalities provide land for housing development*

### **Organisational Information**

Provincial departments of housing are organised in two ways. Four perform housing functions only, and five<sup>3</sup> perform both housing and

*Five provinces perform housing functions only*

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<sup>3</sup> Eastern Cape, Free State, Limpopo, Northern Cape and North West

local government functions. The current manner in which these departments are organised makes cross-provincial comparison difficult. Therefore, the focus of this chapter is mainly on the administration of the Housing Subsidy and the Housing Resettlement and Redevelopment grants, which form the bulk of low-cost housing finance.

## Expenditure on housing subsidies

*Over R19 billion housing subsidy capital transfers effected to households since 1994*

Since 1994, through the provinces, Government has effected housing subsidy capital transfers worth over R19 billion. These capital transfers have been used to acquire sites and build top structures.

### Estimated outcome for 2002/03

*Spending on housing appears to slow down in 2002/03*

Table 9.1 shows projected actual provincial expenditure on the Housing Subsidy Grant for 2002/03. The total budget was adjusted by R946 million (of which R885 million were rollovers) to R4,7 billion. Spending on housing subsidies for 2002/03 is estimated to be R3,7 billion. This shows an increase of R599 million or 19,1 per cent compared to 2001/02, but is estimated to be R955 million or 20,4 per cent lower than the 2002/03 Adjusted Budget. Only North West and Western Cape project to spend their entire 2002 adjusted budgets. The slow spending in Gauteng (83,9 per cent), Mpumalanga (70,8 per cent) and KwaZulu-Natal (89 per cent) is partially due to slow progress of the Presidential Job Summit Rental Housing Programme. Spending in Eastern Cape is very low at 37,1 per cent.

Actual expenditure may be higher as the figures are still based on expenditure for 10 months up to January 2003 and on projections for the last two months. Spending, however, is expected to slow down. A greater challenge facing housing is the slow rate at which subsidies are approved in 2002/03 as noted in Table 9.5 later in the chapter. Given that housing expenditure in any year is largely for subsidies and projects approved in previous years, this slower approval rate is expected to result in slower spending over the next three years.

**Table 9.1 Actual expenditure outcome for 2002/03 for SA Housing Subsidy grant**

R million	2002/03 Budget	2002/03 Adjusted budget	2002/03 Estimated actual outcome	Actual outcome as % of adjusted budget
Eastern Cape	571	805	298	37,1%
Free State	283	288	283	98,4%
Gauteng	802	1 215	1 019	83,9%
KwaZulu-Natal	709	862	767	89,0%
Limpopo	382	388	365	93,9%
Mpumalanga	242	348	246	70,8%
Northern Cape	76	77	50	64,7%
North West	302	324	324	100,0%
Western Cape	373	379	379	100,0%
<b>Total</b>	<b>3 740</b>	<b>4 686</b>	<b>3 731</b>	<b>79,6%</b>

*Source: National Treasury database.*

Table 9.2 shows a decrease in rollovers across provinces between 1995/96 and 2000/01, from R2,2 billion or 71 per cent of housing funds in 1995/96, to R519 million or 20,2 per cent in 2000/01. The level of rollover was R458 million or 11,8 per cent in 2001/02 and is expected to increase to R885 million or 25,1 per cent of the housing allocation in 2002/03. Of this rollover, R240 million is unspent funds from the Job Summit Rental Housing Programme in Gauteng, KwaZulu-Natal and Mpumalanga, collectively.

*Rollovers are declining, but might rise if spending in 2002/03 slows down*

**Table 9.2 Rollovers on SA Housing Subsidy grant**

	1995/96		2000/01		2001/02		2002/03	
	Actual rollover	% of allocation	Actual rollover	% of allocation	Actual rollover	% of allocation	Actual rollover	% of allocation
<b>R million</b>								
Eastern Cape	451	88,0%	29	8,5%	205	41,4%	224	44,2%
Free State	137	73,0%	144	164,0%	72	32,9%	–	0,0%
Gauteng	375	52,0%	109	14,8%	28	4,4%	400	52,1%
KwaZulu-Natal	464	77,0%	136	28,9%	56	9,1%	142	20,4%
Limpopo	330	95,0%	(15)	-6,6%	50	0,0%	–	0,0%
Mpumalanga	124	61,0%	98	83,1%	43	0,0%	102	32,9%
Northern Cape	32	40,0%	–	0,0%	–	0,0%	0	0,0%
North West	215	88,0%	18	9,9%	–	0,0%	17	6,4%
Western Cape	100	39,0%	–	0,0%	4	0,0%	–	0,0%
<b>Total</b>	<b>2 228</b>	<b>71,0%</b>	<b>519</b>	<b>20,2%</b>	<b>458</b>	<b>11,8%</b>	<b>885</b>	<b>25,1%</b>

Source: National Treasury database.

### Expenditure and budget trends: 1999/00 to 2005/06

Table 9.3 sets out provincial spending and budgets for housing development for the period 1999/00 to 2005/06. Total provincial spending on housing subsidies increased at an annual average rate of 13,2 per cent between 1999/00 and 2002/03. The high spending in Gauteng is mainly due to R400 million rolled over from 2001/02.

**Table 9.3 SA Housing Subsidy grant – expenditure and forward estimates**

	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06
	Actual	Actual	Actual	Estimated Actual	Medium-term estimates		
<b>R million</b>							
Eastern Cape	341	470	305	298	642	599	635
Free State	88	218	252	283	325	386	409
Gauteng	737	610	560	1 019	924	1 117	1 185
KwaZulu-Natal	471	560	665	767	796	748	794
Limpopo	228	272	387	365	426	370	392
Mpumalanga	118	153	309	246	275	296	314
Northern Cape	56	58	65	50	86	89	95
North West	181	262	259	324	348	421	447
Western Cape	351	341	329	379	423	446	473
<b>Total</b>	<b>2 571</b>	<b>2 945</b>	<b>3 132</b>	<b>3 731</b>	<b>4 246</b>	<b>4 474</b>	<b>4 745</b>

Source: National Treasury database.

The 2003 Budget provides R13 billion worth of subsidies for the next three years, bringing total actual and budgeted spending on housing opportunities to R32 billion since 1994. Spending is budgeted to increase by 13,8 per cent from an estimated R3,7 billion in 2002/03 to

*Spending on housing expected to accelerate over the MTEF*

R4,2 billion in 2003/04, and at an annual average rate of 5,2 per cent to R4,3 million in 2005/06.

*Shift towards medium density housing*

There is a substantial shift in funding towards predominantly urban provinces, while the needs of rural provinces will continue to be addressed. Allocations to Gauteng, KwaZulu-Natal, Eastern Cape and Western Cape show substantial growth over the next three years. The growth in these provinces is to provide for medium-density housing in urban areas, in line with the demand for these types of settlements.

### **Human Resettlement and Redevelopment Grant**

*Building of sustainable and functional communities is a priority*

The Human Resettlement and Redevelopment Grant aims to build sustainable and functional urban communities. It identifies and addresses the nature of and underlying reasons for dysfunctional urban communities and environments and provides funding to make them more functional, while at the same time attracting other resources. Spending on the Grant remains slow. For 2002/03, R87,3 million was rolled over from the previous year, resulting in an adjusted budget of R193,3 million. Spending is estimated to be R97,9 million or 50,6 per cent of the total 2002/03 adjusted budget. It is budgeted to increase to R109 million in 2003/04 and to R122 million by 2005/06.

### **Consolidated Municipal Infrastructure Programme (CMIP)**

*Municipalities provide bulk infrastructure to complement housing delivery*

Housing must be viewed in relation to other infrastructure programmes that complement housing delivery, in particular ones that provide bulk infrastructure like water, roads, sanitation and electricity. In addition to spending on housing opportunities, since 1994 Government has spent over R5 billion on bulk infrastructure needed for housing development through its Consolidated Municipal Infrastructure Programme. Government plans to spend a further R8 billion over the next three years to bring expenditure on bulk infrastructure to R13 billion by 2005/06. This programme will be incorporated into the broader Municipal Infrastructure Grant (MIG) to be phased in over the next three years. The new grant will expand funding beyond bulk infrastructure to upgrade and improve former black townships and build community infrastructure.

## **Housing delivery in perspective**

### **The housing backlog**

*Reducing the backlog*

A broad definition of backlog in housing takes into account the level of overcrowding, the need for additional dwellings, the number of inadequate dwellings, and population growth or household formation. Traditional dwellings are not included as a backlog in this definition. The more than 1,46 million houses built since 1994 reduced the backlog to just over 2 million.

The housing backlog is more acute in urban areas and ranges from 500 000 in Gauteng to 316 000 in Western Cape.<sup>4</sup> These urban provinces adopt rapid land release policies that aim at addressing the pressing need for land. Rapid land release provides land with bulk infrastructure initially, and beneficiaries can make use of further subsidies later, to put up the top structure.

### The Housing Subsidy Programme

The Housing Subsidy Programme is Government's main housing assistance vehicle. In 1994, the Housing Subsidy Programme replaced all previously racially based government subsidy programmes, other than where commitments under previous programmes were already made. The scheme is intended to help households access housing with secure tenure, at a cost they can afford, and of a standard that satisfies health and safety requirements. A beneficiary may only receive the subsidy once, except where the scheme allows for deviations from this provision. The Housing Subsidy Scheme has an incremental approach in that it provides a household with an opportunity to move into a house without debt. Further improvements can then be made as the household's financial position improves.

*Government adopts an incremental approach to housing delivery*

Table 9.4 shows how subsidy levels have changed over time. Housing subsidy levels increased between 26,9 and 49,1 per cent in 2002/03 for earners falling in the income bands of R3 500 per month and below. These increases also impact on the different categories of subsidy. The high growth is mainly to protect the real value of these subsidies and to improve the quality of the houses built. The impact of inflation on the income bands should also be taken into account, as the monthly equivalent of R3 500 is much higher today than when the Housing Subsidy Scheme was introduced. To further enhance the impact of these subsidies and to increase their outreach, consideration should be given to increase the qualification threshold for the subsidies to income levels above R3 500 and to collapse the income bands.

*Substantial increases in subsidy levels ensure good quality homes*

**Table 9.4 Subsidy levels**

Income bands	2001/02	2002/03	% growth
Income less than R 1500 per month	16 000	20 300	26,9%
Income between R1 501 and R2 500 per month	10 000	14 900	49,0%
Income between R2 501 and R3 501	5 500	8 200	49,1%
For the aged, disabled and indigent	16 000	22 800	42,5%

*Source: National Department of Housing.*

<sup>4</sup> 2003 Strategic Plans of Western Cape and Gauteng.

*Housing subsidies approved*

*Just under 1,8 million housing subsidies were approved up to December 2002*

Table 9.5 shows that just under 1,8 million housing subsidies were approved since the inception of the programme in 1994 to December 2002. Up to 2000/01, there is strong positive correlation between number of approved subsidies and expenditure trends. In 2001/02 approved subsidies decreased by about 26 887 or 8 per cent from 246 988 in 2000/01 to 226 101 in 2001/02. This trend suggests a slowing pace of delivery. Although it is still too early to determine, it appears that the slowing down continues in 2002/03. In 2002/03, only 94 049 subsidies were approved up to December 2002. Provincial housing departments project to spend R3,7 billion (including 2001/02 rollovers). Given the multi-year nature of construction, it appears spending on subsidies approved in previous years is accommodated in the 2002/03 financial year. In addition, the variation between subsidies approved and projected spending suggests that transfers are made to municipalities, which in turn, are slow to implement the programme.

**Table 9.5 Subsidies approved: 1994 to December 2002**

	1994-98	1998/99	1999/00	2000/01	2001/02	2002/03	Total	% share
Eastern Cape	70 683	17 504	15 048	61 070	45 769	3 212	213 286	12,0%
Free State	37 048	19 270	16 618	12 320	12 574	5 809	103 639	5,9%
Gauteng	197 714	115 847	60 176	44 224	57 141	41 892	516 994	29,2%
KwaZulu-Natal	156 323	25 598	8 785	26 544	45 098	11 760	274 108	15,5%
Limpopo	64 765	17 251	66 324	2 039	2 533	6 839	159 751	9,0%
Mpumalanga	41 574	4 229	18 173	29 229	11 421	5 043	109 669	6,2%
Northern Cape	22 622	3 005	2 074	6 371	4 023	2 040	40 135	2,3%
North West	74 179	8 516	8 114	42 124	7 583	410	140 926	8,0%
Western Cape	78 531	14 760	38 219	23 067	39 959	17 044	211 580	12,0%
<b>Total</b>	<b>743 439</b>	<b>225 980</b>	<b>233 531</b>	<b>246 988</b>	<b>226 101</b>	<b>94 049</b>	<b>1 770 088</b>	<b>100,0%</b>

*Source: National Department of Housing.*

*48 per cent of subsidy beneficiaries are female-headed households*

Table 9.6 shows the number of subsidies approved according to gender. The number of beneficiaries is lower than the number of actual subsidies approved because some beneficiaries may have received more than one subsidy, as the housing policy allows for this in specific circumstances. Government's housing policy is gender sensitive and 718 679 or 47,8 per cent of subsidy beneficiaries between 1994 and December 2002 were female-headed households. Moreover, women are playing an active role in the housing environment as developers and as employees.



**Table 9.6 Number of subsidies approved according to gender up to December 2002**

	Beneficiaries	Number of male headed households	Number of female headed households	% female headed households
Eastern Cape	248 486	124 192	124 294	50,0%
Free State	114 933	62 547	52 386	45,6%
Gauteng	368 818	191 566	177 252	48,1%
KwaZulu-Natal	216 327	104 638	111 689	51,6%
Limpopo	88 550	32 838	55 712	62,9%
Mpumalanga	94 609	44 118	50 491	53,4%
Northern Cape	50 890	30 484	20 406	40,1%
North West	97 693	55 718	41 975	43,0%
Western Cape	222 308	137 834	84 474	38,0%
<b>Total</b>	<b>1 502 614</b>	<b>783 935</b>	<b>718 679</b>	<b>47,8%</b>

Source: National Department of Housing.

Table 9.7 shows subsidies approved per category of subsidy by province from 1994 to December 2002. The bulk of approved subsidies (over 88 per cent or 1,55 million) were project-linked. The share of project-linked subsidies approved is over 90 per cent in Gauteng, Western Cape and Northern Cape. Project-linked subsidies help beneficiaries acquire ownership of fixed residential properties for the first time through projects approved by provincial housing departments.

*Project-linked subsidies make up 88 per cent of total approvals*

**Table 9.7 Subsidies approved per category of subsidy: 1994 to December 2002**

	Project Linked	Individual	Consolidation	Institutional	Relocation	Total
Eastern Cape	184 933	17 623	7 566	2 200	964	213 286
Free State	76 206	18 867	7 658	900	8	103 639
Gauteng	478 229	21 536	10 222	4 940	2 067	516 994
KwaZulu-Natal	226 132	11 960	24 434	11 503	79	274 108
Limpopo	143 044	13 330	3 375	–	2	159 751
Mpumalanga	92 905	13 901	2 500	100	263	109 669
Northern Cape	31 094	8 468	568	–	5	40 135
North West	125 518	7 435	3 403	4 350	220	140 926
Western Cape	192 571	10 278	8 528	203	–	211 580
<b>Total</b>	<b>1 550 632</b>	<b>123 398</b>	<b>68 254</b>	<b>24 196</b>	<b>3 608</b>	<b>1 770 088</b>

Source: National Department of Housing.

The individual subsidy helps beneficiaries acquire ownership of fixed residential properties for the first time, and buy existing homes or homes in projects not approved by provincial housing departments. Since 1994, 7 per cent or 123 398 of approved subsidies were in this subsidy category. The share of individual subsidies approved is particularly high in Northern Cape (21 per cent), Free State (18 per cent) and Mpumalanga (13 per cent).

*Individual Subsidy*

The consolidation subsidy provides a 'top-up' amount to owners of serviced sites to provide or upgrade a top structure on the site. This subsidy is available to a beneficiary who has already received state assistance to acquire a serviced residential site under a previous subsidy scheme, on the basis of ownership, leasehold or deed of grant. Beneficiaries of serviced sites are eligible to apply for the

*Consolidation Subsidy*

consolidation subsidy for constructing or upgrading a top structure on the property. Over 4 per cent or 68 254 subsidies approved thus far were for consolidation purposes. The share of consolidation subsidies approved is relatively high in KwaZulu-Natal (36 per cent), Gauteng (15 per cent), Western Cape (12 per cent), Eastern Cape (11 per cent) and Free State (11 per cent).

*Institutional Subsidy*

The institutional subsidy mechanism is specifically targeted at institutions that provide tenure arrangements alternative to immediate ownership to subsidy beneficiaries. These include tenure arrangements such as rental, instalment sale, shareblock or co-operative tenure. The mechanism provided a R16 000 subsidy per beneficiary household, to institutions that provide housing for those beneficiaries. Up to December 2002, over 1,4 per cent of all subsidies approved were institutional, with a greater share in KwaZulu-Natal (4,2 per cent) and North West (3,1 per cent). The high percentage in KwaZulu-Natal is mainly due to the Cato Manor housing development project.

*Limited support for defaulting borrowers of mortgage loans*

Relocation assistance is offered to defaulting borrowers of mortgage loans, who were three months in arrears with their instalments on 31 May 1995 or 31 August 1997 (depending on the agreement entered into by Government and the financial institution concerned), and whose loans cannot be rehabilitated. It helps them to right-size to affordable housing. However, the mechanism has hardly been used as only 0,2 per cent of subsidies approved since 1994 was for relocation.

*People's Housing Process gives support to beneficiaries who want to build their homes themselves*

The People's Housing Process provides for people who want to enhance their subsidies by building their homes themselves. It provides support to beneficiaries to access consolidation, project-linked, institutional and rural housing subsidies as well as other support measures. Experience has shown that if beneficiaries are given the chance either to build houses themselves or to organise the building of houses themselves, they can build better houses for less money, as they can:

- Save on labour costs by doing some of the building work themselves or by getting their neighbours, friends and families or others to help them
- Avoid having to pay a profit element to developers if they build houses themselves or organise for those houses to be built, and
- Optimise their decisions by using opportunities for trade-offs.

### **Public Sector Hostel Redevelopment Programme**

*Government funds upgrading and conversion of hostels*

The Public Sector Hostel Redevelopment Programme provides funding for the upgrading and conversion of hostels owned by public sector institutions, with the exception of those owned by municipalities that are intended solely for the use of their employees. The aim is to create humane living conditions and to provide affordable and sustainable housing opportunities on either a rental or ownership basis. The programme allows for rental for single persons or families or ownership in line with the Housing Subsidy Scheme. In Gauteng the conversion of hostels into self-sustainable units resulted

in 5 811 beds in 2001/02, bringing the total beds under this programme in the province to 83 690 beds.

### Houses completed or under construction

Thus far, according to the national Department of Housing, through the Housing Subsidy Scheme, Government has contributed towards providing just under 1,5 million housing opportunities, benefiting approximately 6 million people, at an average of 4,1 people per household. Table 9.8 shows the number of houses completed or under construction by province.

*Government contributed to 1,5 million housing opportunities*

**Table 9.8 Houses completed or under construction: 1994 to December 2002**

	1994-1998	1998/99	1999/00	2000/01	2001/02	April to December 2002	Total
Eastern Cape	48 734	29 659	21 345	44 021	11 816	54 046	209 621
Free State	37 043	20 391	8 177	26 088	9 005	421	101 125
Gauteng	149 076	28 726	144 575	25 911	20 233	18 806	387 327
KwaZulu-Natal	96 021	53 105	28 997	28 547	14 379	12 231	233 280
Limpopo	26 851	22 899	12 401	20 996	16 667	500	100 314
Mpumalanga	30 757	16 838	4 808	16 457	14 584	21 575	105 019
Northern Cape	15 434	3 387	3 600	7 148	3 588	97	33 254
North West	42 264	18 367	12 944	17 609	17 385	16 751	125 320
Western Cape	69 155	34 575	26 916	17 730	16 634	2 358	167 368
<b>Total</b>	<b>515 335</b>	<b>227 947</b>	<b>263 763</b>	<b>204 507</b>	<b>124 291</b>	<b>126 785</b>	<b>1 462 628</b>

*Source: National Department of Housing.*

Annual figures indicate that delivery peaked in 1997/98, with 322 638 houses completed. This high number in 1997/98 may reflect carry-through of projects from the previous two years, after the start of the new housing policy in 1994. Thereafter, delivery appears to correlate with the number of subsidies approved in the previous financial year up to 2000/01. Despite evidence of improvement, the pace of delivery continues to be below the required rate of low-income household formation (estimated at 200 000 households per year). Of the total houses built over the period, 26,5 per cent were in Gauteng, 15,9 per cent in KwaZulu-Natal, 14,3 per cent were in the Eastern Cape and 11,4 per cent in the Western Cape. The other five provinces collectively built 31,8 per cent of the total.

*Pace of housing delivery appears to be slowing down*

In 2001/02 delivery was substantially slower, with 124 291 houses completed or under construction. The slow pace seems set to continue in 2002/03, with 126 785 houses built or under construction as at December 2002. The slowing down in the approval rate of subsidies in 2002/03 will slow down expenditure over the next three years. This suggests that, despite the progress made since 1994, some blockages remain in the housing sector. Possible factors causing slower delivery include:

*Some blockages in the housing sector persist*

- Non-availability of suitable land for low-cost housing and slow processing of land transfer. Government is exploring ways to build houses in better located land;

- Poor planning which can result in late completion of new contracts with developers;
- Limited project-management and administrative capacity in some provincial departments of housing and local authorities. This resulted in delays in township establishment; and in certain cases, delays resulting in increased costs and top-up funding to finish projects;
- In a few cases, adverse weather patterns resulted in project delays.

## Social housing

Social housing is an alternative tenure option which refers to housing held in ownership, without any immediate transferral of ownership after the unit is constructed and which is administered by an institution on behalf of qualifying beneficiaries. Tenure options are mainly rental, co-operatives and instalment sale.

*There is evidence of growing/demand for medium-density housing*

Indications are that there is considerable need for rental housing among low-income earners. The housing subsidy mechanism has recently been adjusted, starting with the 2002/03 Budget, to take into account the need for rental housing, especially in more urban provinces. To this end, housing policy in urban areas is shifting towards medium-density housing projects run by housing institutions. This shift must take place within the constraints of affordability and the management capacity of housing institutions.

*Medium-density housing needs further stimulus*

The subsidy structure for medium-density housing differs from other housing subsidies. For medium-density housing, the subsidy is set at R27 000 with the beneficiary expected to contribute R27 000 (from own funds, through loans or savings). While the increase in the subsidy is expected to speed up delivery of social housing, steps must be taken to address the issue of affordability. The current income threshold of R3 500 per month to qualify for this subsidy appears low and most often potential beneficiaries in this income group are not in a position to afford this category of housing. Consideration is being given to include higher income bands in this category of subsidy to facilitate affordability and stimulate this market.

*Slow start to Presidential Job Summit Pilot Project*

The Presidential Job Summit Pilot Project on Housing was identified as a national Presidential Lead Project. This was mainly to meet the demand for rental housing for the R1 500 and R3 500 per month income groups, as the existing subsidy mechanisms do not provide for this. The aim of the project was to provide 45 000 units by 2003/04. Steps are being taken to get the programme off the ground and to accelerate delivery:

- At the end of 2001, the Social Housing Foundation established a Job Summit Division specifically to facilitate and support capacity building within social housing institutions in Mpumalanga, Gauteng and KwaZulu-Natal as part of the Pilot Project.
- The National Housing Finance Corporation has been tasked to manage the Job Summit projects. It will undertake the financing and is currently developing suitable models.

A number of housing institutions play a critical role in the development and management of social housing. Table 9.9 shows that 40 social housing institutions have been established, which manage about 108 projects with a potential yield of nearly 25 000 social housing units. The bulk of the projects are greenfields and refurbishment or upgrading projects. The tenure options in social housing are mainly co-operative, instalment sale, rental or a combination of these.

*The bulk of social housing projects are greenfields and refurbishment or upgrading*

**Table 9.9 Delivery of social housing institutions from 1994**

	Number of social housing institutions	Number of social housing units		Number of social housing projects	
		Target	Established	Target	Established
Eastern Cape	7	3 082	909	13	5
Free State	1	300	300	1	1
Gauteng	16	13 075	9 398	62	51
KwaZulu-Natal	4	3 438	3 058	13	12
Limpopo	–	–	–	–	–
Mpumalanga	3	1 501	501	3	1
Northern Cape	–	–	–	–	–
North West	2	–	–	2	–
Western Cape	7	3 521	3 021	14	9
<b>Total</b>	<b>40</b>	<b>24 917</b>	<b>17 187</b>	<b>108</b>	<b>79</b>

*Excludes Presidential Job Summit Rental Housing Project.*

*Source: Social Housing Foundation.*

Through support from the Social Housing Foundation, social housing institutions delivered over 17 000 social housing units countrywide up to November 2001. Gauteng accounts for over 50 per cent of social housing stock in the country. The need for social housing is more acute in Gauteng relative to other provinces, given the high number of temporary residents who come to the province to seek employment and then return to their home provinces after a number of years. Since 1996, Gauteng has delivered over 9 000 social housing units or 2,3 per cent of total houses constructed or under construction. The Newtown Village, which accommodates 351 families; the conversion of the Landrost Hotel; and the Elangeni rental housing project in downtown Johannesburg are some of the projects successfully undertaken in Gauteng. Western Cape and KwaZulu-Natal delivered over 3 000 units each. Delivery in predominantly urban provinces is much higher than in other provinces but Mpumalanga and Eastern Cape are expected to develop substantial stock over the next few years due to the Job Summit Programme in Mpumalanga, Coega and East London, Industrial Development Zones (IDZs) developments in the Eastern Cape.

*Since 1996, Gauteng has delivered over 9 000 social housing units*

Significant rental stock was developed before 1994, with loan funding from the previous National Housing Commission and various own affairs statutory bodies. The properties include vacant serviced sites, single houses per stand, flats, and properties disposed on deed of sale where persons are required to repay outstanding balances. After 1994, the housing stock was transferred to provinces and municipalities, and

*Significant stock was developed prior to 1994*

managed by provincial housing boards and municipal housing departments.

### **Local Government and Housing Delivery**

Municipalities facilitate housing delivery through their role in providing land and bulk infrastructure and services for low-cost housing. In addition, they play a key role in upgrading formal settlements, relocating informal settlements, managing rental stock, redeveloping hostels and providing high density housing units falling under their jurisdiction. Financing these programmes is done mainly through Government's Housing Subsidy Scheme and the Consolidated Municipal Infrastructure Programme. The demand for land within eThekweni and the City of Johannesburg municipal boundaries is high and estimated at 180 000 and 217 000 stands respectively.

Though very few municipalities are accredited in terms of the Housing Act, many provinces transfer housing subsidy funds to municipalities, but there is little information available on the extent of such transfers.

### **Rental Stock**

Municipalities also have inherited housing stock from former white municipalities, which they manage and collect rental from. Similar to the housing stock inherited by provincial departments, municipalities are not collecting all the revenue due from rentals. Such arrears complicate attempts to transfer such rental housing stock to households. Both the transfer and arrear-discount processes require close co-ordination between provinces and municipalities, for any action by the one sphere generates similar expectations of the other sphere. However, information on all municipal housing stock was not available for the Review, but the following two municipalities illustrate the extent of such municipal housing stock.

#### *eThekweni*

eThekweni municipality's original rental stock, excluding hostels, amounted to 20 338. To date, 4 900 duplexes and 3 064 flats have been sold as freehold tenure through the discount benefit scheme. It is anticipated that a further 1 500 units will be sold in 2003/04. The remainder of the stock will administered by the housing department of the municipality and is currently being marketed for sale. Payment patterns are poor, as current tenants are low-income households or indigent people. Steps are currently under way to transfer the indigent tenants to development projects under Government's Housing Subsidy Scheme. Income raised through rental is approximately R15 million. The municipality inherited seven hostel complexes from the KwaZulu-Natal Provincial Government, comprising of 37 571 beds. Rental income from these hostels is negligible and the municipality receives a R12,7 million annual subsidy from the province for this stock. The municipality is in the process of upgrading the hostels to improve living conditions and to encourage the payment of rentals.

#### *City of Johannesburg*

The municipality transferred 63 249 housing units to households mainly in former black townships through the discount benefit scheme. Currently, the municipality's stock has 145 073 housing units of which 87 044 are in a bad state of repair and will require upgrading. Presently, R5 million per year is being spent to maintain and refurbish current stock. The municipality owns a further 27 hostels containing 47 010 hostel beds, of which over 50 per cent will need further upgrading. A programme is under way to convert the 10 000 staff hostel beds into family units. In addition, the Diepkloof Hostel is being used as a rental housing pilot. The municipality intends to upgrade, convert and have the stock transferred to households by 2005. The Johannesburg Social Housing Company, a property management company, is responsible for the management of the rental stock.

#### *Disposal of stock through the discount benefit scheme*

The discount benefit scheme applies to all state financed housing units already constructed or contracted for before 30 June 1993 and allocated to individuals before 15 March 1994. Under this scheme, tenants received a discount on the price of the property to enable them to buy it, or a deduction on the amount outstanding. Beneficiaries received a maximum discount of up to R7 500 on the price of the property. This discount could cover the full purchase price of the property and where there is an outstanding balance on the purchase price, the tenant finances this with either savings or a mortgage loan. The scheme does not cover arrears for service charges. Arrear service charges are paid by the Provincial Housing Development Funds to

municipalities and recovered from the tenants or debts through the billing systems.

In terms of the discount benefit scheme, from 1994 to December 2002, over 1 million residential properties (mainly in townships) were transferred to households. As Table 9.10 shows, the bulk of transfers were made in the Eastern Cape, Gauteng, KwaZulu-Natal and Mpumalanga. Some houses were also transferred to municipalities.

*Over 1 million properties transferred through the discount benefit scheme*

**Table 9.10 Properties transferred**

	<b>Properties transferred</b>
Eastern Cape	158 404
Free State	72 449
Gauteng	173 516
KwaZulu-Natal	358 792
Limpopo	14 485
Mpumalanga	106 404
Northern Cape	25 718
North West	90 798
Western Cape	59 664
<b>Total</b>	<b>1 060 230</b>

*Source: National Department of Housing.*

## Challenges facing low-cost housing delivery

Government's housing policy has a strong commitment to provide housing opportunities to low-income citizens. While great strides have been made, housing delivery continues to be fragmented, meaning that the housing policy vision has only been partially met. In some instances, current patterns of housing delivery fail to extend benefits beyond shelter only.

*Integrated development is the main focus*

Unavailability of suitable land, the lack of an integrated approach and limited access to housing finance, are some of the factors hampering sustainable housing delivery.

### *Non-availability of suitable land*

The non-availability of suitable land for low-cost housing developments close to areas of employment and economic activity remains one of the biggest challenges facing the low-cost housing sector. Over the past 10 years, most housing projects have been located on the periphery of cities and have not been co-ordinated with transport infrastructure to link up with centres of economic activity. This results in increased cost for low-income households to commute to and from work.

*Non-availability of suitable land for low-cost housing developments close to areas of employment and economic activity*

### *Limited role played by municipalities*

The provision of low-cost housing increases the demand for other services like water, sanitation, electricity, refuse removal and maintenance of some of the infrastructure. In most cases, great

*Some municipalities perceive low-cost housing as a cost to them*

numbers of recipients of housing subsidies are unable to pay for municipal services. In the absence of a policy on complementary and affordable basic services or on indigence, the non-payment for these services results in substantial debts for municipalities, discouraging them from playing an active role in the provision of housing for this market.

*The role of municipalities in housing development is limited*

Municipalities play a limited direct role in housing development, generally as developers and in providing bulk and connector infrastructure, as well as services like water and sanitation. Co-ordination of initiatives at the local level is often weak. Other roles that municipalities should play in addition to developer, need to be explored.

#### *Policies and strategies are not co-ordinated*

Housing delivery requires not only bulk infrastructure (water, electricity and roads) and housing units, but also properly integrated communities and a built environment with the necessary social and economic infrastructure. Many housing projects do not have a holistic approach and do not take the totality of basic needs of communities into account. In a number of cases, housing projects are not supported by adequate schools, roads, clinics and retail facilities.

*More needs to be done to ensure integrated development*

The rate of delivery (1,5 million since 1994) shows that great strides have been made in implementing the housing policy and addressing the backlog, but substantial work lies ahead in achieving sustainable integrated settlements. Continuing slow and fragmented delivery suggests that there is not a clear and uniform implementation strategy for the national housing policy, which is undoubtedly aimed at improving the plight of the poor. Delivery mechanisms that will achieve the vision and mission of housing policy need to be improved.

*National Housing Summit*

Housing policy is currently being reviewed through a consultative process that will culminate in a National Housing Summit during 2003. The Summit is expected to achieve consensus on future direction for housing policy and explore ways to improve co-ordination in the implementation of policy.

#### *Finances and low levels of income*

*Access to private sector finance remains difficult for low income earners*

Despite Government's attempts to normalise the housing environment, access to finance is a huge constraint as the private sector is still reluctant to invest in townships and new housing developments. This is mainly due to negative perceptions of crime and repayment risks. The Housing Subsidy Scheme is incremental and beneficiaries are often not in a position to augment the subsidy to improve the property through savings or loans. The ability to enhance the values of their capital investment or asset is diminished, reducing the likelihood of beneficiaries migrating to bigger and better housing.



Low incomes also hamper households' efforts to improve their housing.<sup>5</sup> Employment, income and housing are interrelated and the level of income of the poor is too low and unstable for them to improve their housing environment on their own. In addition, the higher incidence of HIV/Aids, tuberculosis and other illnesses caused or exacerbated by the poor's living conditions further reduces the share of income that could have been earmarked for housing.

*Affordability hampers the poor's ability to improve their housing environment*

Certain aspects of the current approach to low-cost housing appear to reinforce dependency rather than self-sustainability among households. The policy results in low-income earners or the poor depending on Government to provide for basic shelter without beneficiaries taking sufficient steps to contribute to the improvement of their own well-being through savings or 'sweat equity'. In a policy shift, Government agreed that each housing subsidy beneficiary, excluding the disabled, pensioners and the indigent, would contribute at least R2 479 when accessing a subsidy. This contribution can be made through savings, loan financing or 'sweat equity' as for the People's Housing Process. This contribution will also provide for cover protection under the National Homebuilder Registration Council. This shift in policy has resulted in slower housing delivery, as most beneficiaries are unable to raise their own contribution to be able to access the subsidy.

*Approach to housing could have unintended consequences*

## **Normalising the housing environment**

Since the inception of its housing programme in 1994, Government has sought ways of developing integrated housing settlements by addressing the fragmented nature of housing delivery. Interventions have largely been in planning and access to private sector finance for beneficiaries and emerging contractors.

### **Integrated housing developments**

Government programmes targeted at integrated development aim to provide sustainable settlements by reducing the fragmented nature of housing delivery. Some of these programmes, like the Integrated Serviced Land, Alexandra Renewal, and Cato Manor projects aim to develop sustainable communities by developing social and economic infrastructure in addition to housing.

### **Legislative interventions**

Despite Government's attempts to normalise the housing environment, poverty, unemployment and low repayment rates continue to deter private sector involvement in low-cost housing. Mortgage lending in this sector is non-existent.

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<sup>5</sup> Sustainable Housing Policy and Practice: Reducing constraints and expanding horizons within housing delivery, Ambrose Adebayo and Pauline Adebayo (July 2001)

*Home Loan and Mortgage Disclosure Act* Through the Home Loan and Mortgage Disclosure Act (63 of 2000), Government seeks to promote greater transparency in lending institutions. Lending institutions are required not only to provide information on the number of home loans approved, but also to show the number of loans not approved and reasons for non-approval. The Act will be implemented after its regulations are published.

*Community Re-investment Bill* The Community Re-investment Bill, currently under discussion, complements the Disclosure Act. The Bill aims to address failure by financial institutions to provide home loans for low and middle-income groups by compelling home loan financing institutions to set aside a portion of their home loan funding to the unserved sections of the housing sector.

### **The role of national housing public entities**

Sustainable low-cost housing requires a joint effort between Government and the private sector. Access to finance for contractors, especially emerging contractors, and homeowners is a fundamental issue. Through the national Department of Housing, Government has initiated a number of strategies to encourage private sector participation in low-cost housing finance. These strategies are driven mainly by schedule 3 public enterprises (in terms of the Public Finance Management Act (1 of 1999) (PFMA), which report to the Minister of Housing.

#### *Servcon Housing Solutions (Pty) Ltd*

*Servcon normalises the lending environment by managing non-performing loans*

Servcon Housing Solutions' mandate is derived from agreements between the Department of Housing, representing Government, and the Banking Council, representing participating banks. Servcon is mandated to manage the disposal of properties owned by banks as a result of non-performing loans in selected areas at the cut-off date of 31 August 1997. In addition, Servcon supports home ownership, where possible, by offering alternative options to those who cannot afford their own accommodation, and improving the viability of non-performing housing debt.

In the 2001/02 financial year, Servcon achieved its primary objective by disposing of 41,8 per cent of its portfolio properties. By December 2002, the agency had disposed of 50 per cent of its portfolio properties, against a target of 40 per cent. The number of properties in the portfolio declined from 33 322 to 16 798 by December 2002, with a total value of R613 million.

#### *Thubelisa Homes*

*Thubelisa relocates mortgage defaulters to more affordable homes*

Thubelisa Homes, a Section 21 company, was established in 1998 as a contracting vehicle to create rightsizing stock, and is linked to the Servcon programme. Rightsizing is a process whereby occupants of bank-owned properties who have defaulted on their mortgage loans, are assisted in relocating to more affordable houses.

### *The National Urban Reconstruction and Housing Agency*

The National Urban Reconstruction and Housing Agency's (Nurcha) mission is to expedite housing delivery for low-income households over the short to medium term. Its main function is to release private sector finance for low-cost housing. It provides guarantees to banks to encourage them to make bridging finance loans available to emerging developers and contractors, when banks are not prepared to approve loans without additional security.

*Nurcha offers bridging finance to emerging developers and contractors*

Nurcha has had limited success as lending institutions are still unwilling to make unsecured loans, even when they are backed by a Nurcha guarantee. The goal is to scale down this initiative, except where it is part of the savings-linked lending programme, where a loan is granted on the basis of a savings record. The guarantee exposure was reduced from R23 million to R19 million during 2002/03, while the value of loans issued has risen from R5,7 million to R10,5 million.

### *The National Housing Finance Corporation*

Government established the National Housing Finance Corporation (NHFC) in May 1996 to support intermediaries in promoting broader access to finance for low- and middle-income families. The NHFC's mandate is to build adequate and sustainable capacity within the organisations it funds, and partner with organisations to pioneer new finance and housing delivery options. Its mission is to:

*The NHFC funds intermediaries to promote broader access to housing finance*

- Develop and fund institutions providing affordable housing finance to low income groups at the retail level
- Develop and fund institutions offering a variety of tenure options for residential purposes, in the under- and unserved segments of the housing market
- Mobilise savings into the housing process, through appropriate intermediaries.

Since its inception in 1996, the NHFC has disbursed R1,2 billion and approved facilities totalling R1,5 billion. Through its lending activities more than 82 897 new housing units will be built over the next three years, with over 164 996 loans originated and facilitated through intermediaries. A total of 25 new and emerging institutions will have been set up.

*Speeding up loan financing over the next three years*

The NHFC has been appointed as implementing agent for the Job Summit Housing Project and the pilot phase is expected to provide 15 000 homes in KwaZulu-Natal, Mpumalanga and Gauteng over the next three years. The next phase of the project will provide 35 000 homes, with the intention of stepping up the programme to 150 000 homes if the initial projects prove successful. Substantial private sector funding will be required for this ambitious project and the NHFC has therefore increased the capacity of its treasury department accordingly. The first phase of implementation is expected to begin within the next few months.

*The NHFC is the implementing agent for the Job Summit Housing Project*

### *Social Housing Foundation*

*Setting up social housing institutions that provide low-income housing*

The Social Housing Foundation assists in the delivery of housing to low income communities by offering alternative forms of tenure to immediate ownership. Its specific focus is to assist in setting up social housing institutions that provide housing to low-income households. It works primarily with emerging institutions by offering capacity-building and technical support.

### *South African Housing Trust*

*The SA Housing Trust has been disestablished*

Government disbanded the South African Housing Trust and agreed that the remaining assets and liabilities revert to Government. The NHFC will manage the collection of loan payments on behalf of Government and provision will be made to fund the liabilities of the Trust from the budget of the National Treasury until they are fully paid up or Government directs otherwise. This is in terms of the Disestablishment of the South African Housing Trust Limited Act (26 of 2002), which was proclaimed on 5 December 2002.

### *National Home Builders Registration Council*

*Providing consumers with warranty protection*

The National Home Builders Registration Council (NHBRC) is a Section 21 company established in terms of the Housing Consumers Protection Measures Act (95 of 1998). Its purpose is to provide housing consumers with quality assurance through warranty protection against defects in new homes and to provide protection against any failure of builders to comply with their obligations in terms of the Act. The warranty scheme is now extended to low-cost housing delivered through project-linked government subsidies.

For the year ended March 2002, the Council registered 5 776 homebuilders. Approximately 43 per cent of homebuilders registered in 2001 did not renew their registrations. It enrolled 37 438 houses in 2002, an increase of about 24 per cent, compared to the 30 104 houses that enrolled in the year ending 2001. Complaints received were 2 998 in 2002 - an increase of 39 per cent on the 1 859 complaints received in 2001. The Council's warranty scheme provides for structural integrity in any registered residential buildings for up to five years. It is therefore required to retain funds in reserve to cover these contingent liabilities.

### *Rural Housing Loan Fund*

*Facilitating housing finance in rural areas*

The Rural Housing Loan Fund (RHLF) was incorporated in 1997 as a subsidiary of the NHFC. Its main business is to raise money and or lend money as a wholesale lending institution, to enable retail institutions to provide loans to low income earners to finance housing in rural areas. The RHLF is no longer a subsidiary of the NHFC but has been an entity in its own right since April 2002.

The RHLF channelled funds to homeowners in a number of rural areas in all nine provinces of South Africa, through 20 medium and small retail lenders. Of these, 11 were established and assisted directly by the RHLF: 10 are commercial and the RHLF owns an equity stake

in these, and one is a non-government-organisation. Six are black or women-led. By the end of March 2002, the RHLF had committed R199 million and disbursed R160 million to its retail lenders. The intermediaries on-lent the funds to some 35 000 low-income households for new houses, house extensions, home improvements, repairs and water and electricity connections in all nine provinces.

## Future considerations

Provincial housing departments are tabling better quality strategic plans with their 2003/04 budgets. The strategic plans are still of variable quality and make cross-provincial comparison and performance measurement difficult.

*Housing sector plans to be tabled for the 2004 Budget*

The immediate challenge facing all provincial departments is to ensure that strategic and performance planning is developed and synchronised with the entire planning, budgeting, monitoring and reporting framework that the PFMA is seeking to put in place. Strategic and performance plans must be linked to medium term expenditure budgets. For this reason, the measurable objectives in the strategic plans should be linked to the programme structure of the department's vote. It is expected that more uniform formats will be implemented next year, for the 2004 Budget:

*Ensuring that strategic plans are aligned to planning, budgeting, monitoring and reporting*

- This will also make it possible for annual reports to report on performance. The 2001/02 annual reports for Gauteng, Western Cape, Mpumalanga and Northern Cape made some attempt to provide relevant non-financial performance information, but the following areas were generally neglected: Performance against measurable objectives per programme (main division) and on conditional grants programmes
- Links between past subsidies and current spending, and the multi-year spending on housing projects (for example, how much the 2001/02 expenditure relates to 1996 subsidies, 1997 subsidies, 1998 subsidies, 1999 subsidies, and so on)
- Clear linkages between spending and specific subsidy projects
- New subsidies issued in 2001/02, and the expected expenditure pattern for new and existing subsidy projects
- Subsidy and housing information per municipality
- Stock of old housing stock, rental collections, spending on maintenance of such homes, and progress on transfer of houses
- Co-ordination with CMIP grant programme
- Accreditation of municipalities.

A second area of reform is in the quality of financial management. Whilst the national department and 4 provincial housing departments (Free State, KwaZulu-Natal, North West and Western Cape) received unqualified audit reports for the 2001/02 financial year, five provinces (Eastern Cape, Gauteng, Mpumalanga, Limpopo and Northern Cape)

*Improving financial management in housing*

received severe audit reports. The SA Housing Fund also received a qualified audit.

## **Conclusion**

The chapter shows that Government has made great strides in providing housing with security of tenure and basic services such as electricity and water to needy people and substantial progress has been made in transforming the sector.

Since 1994 Government spent R19 billion on creating housing opportunities and plans to spend a further R13,5 billion over the next three years. Despite not accomplishing its goal of 350 000 houses per year, Government's low-cost housing delivery remains a world first and is commendable.

However, much remains to be done to overcome the housing backlog and to develop sustainable settlements. Looking ahead integrated housing development and co-ordination needs to be strengthened. Local government, particularly metropolitan municipalities, needs to play a much greater role in housing delivery.