

Housing

Introduction

South Africa's housing programme has resulted in the delivery of housing to the poor at a rate that is unprecedented in global terms. In the 10 years of democracy, 1,6 million new housing units¹ have been built for households earning less than R3 500 per month. In addition, 413 006 houses, built with public funds before 1994, have been transferred to occupants through the discount benefit scheme. To date, the total cost of housing delivery to government is approximately R27,6 billion. Taking into consideration the replacement costs of the publicly funded houses transferred to occupants, it is estimated that property assets worth over R30 billion have been transferred to South African households since 1994.

Notwithstanding these achievements, many of the challenges that were facing the housing sector in 1994 still remain. The housing programme has not achieved the stated policy objective of transforming apartheid settlement patterns by developing integrated human settlements, nor has it drawn sufficient private sector investment into the lower end of the housing market. As a result of the predominant delivery pattern of new housing in greenfields projects on peripheral land, the value of the assets transferred to poor households through the housing programme cannot be fully realised. Subsidised houses are generally not recognised by the banking sector as a valid form of collateral for loan financing. These houses are also seldom traded on the formal market, so it is impossible to measure their market value. Looking forward, the Department of Housing will continue to deliver new housing to poor households, but it will also focus on strategies to unlock the value of the housing it has delivered in the past 10 years.

This chapter presents:

- an overview of institutional arrangements pertaining to housing delivery, focusing on the roles and responsibilities of each sphere of government
- an outline of expenditure and budget trends
- service delivery trends and policy developments
- future challenges.

In 10 years of democracy, 1,6 million new housing units have been built for poor households

Apartheid settlement patterns have not been transformed

There is insufficient private sector investment in the lower end of the market

Strategies are needed to unlock the value of housing that has been delivered

¹ Prior to the introduction of minimum standards (in 1999) for the size of subsidised housing units, the subsidy-only product was regarded as a 'housing opportunity' as not all projects delivered an adequate house.

Institutional arrangements

In terms of the Constitution, housing is a concurrent schedule 4A function between national and provincial governments, with no role for local government. The Housing Act (1997) elaborates on this by defining key national and provincial responsibilities, and assigns a role for municipalities that are accredited in terms of the Act.

The national department defines policy framework and strategy

The national Department of Housing is responsible for establishing and maintaining a sustainable national housing development process. It does this by developing policy and strategy, determining delivery goals, monitoring and evaluating the housing sector's performance, establishing a national funding framework for housing development and allocating the budget to provincial governments.

Provinces co-ordinate and implement delivery

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

Municipal IDPs identify local housing priorities

Municipalities ensure that, within the framework of national policy and provincial guidelines, constituents within their jurisdictional areas have access to adequate housing. Municipalities set aside, plan and manage land for housing and development in line with the housing priorities identified in their integrated development plans (IDPs). They initiate, plan, co-ordinate and facilitate appropriate housing development within their boundaries with the objective of ensuring safe and healthy living areas.

New legislation places responsibility for housing development with municipalities

The Department of Housing introduced a new housing development process in April 2002 that is aligned with the legislative requirements regarding procurement of goods and services by organs of state. In line with the role of municipalities defined in the Housing Act, the new procurement compliant housing delivery process places the responsibility for housing development with municipalities. The full implementation of the new approach is hampered by the lack of municipal capacity to assume the responsibilities.

Municipalities also provide bulk infrastructure

In addition to managing housing development, municipalities are instrumental in providing bulk-engineering services, such as roads, water, sanitation and electricity, where there are no other service providers. When officially accredited, municipalities can administer any national housing programme in their area 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 in line with a local housing strategy and housing delivery goals.

Expenditure and budget trends

Government's spending of R27,6 billion on the delivery of housing since 1994 has been through the conditional grant for housing subsidies, which is transferred to provincial housing departments. This has been used to acquire sites and build top structures. The national housing department also manages the human resettlement and redevelopment grant, which aims to rebuild sustainable and functional human settlements.

R27,6 billion has been spent on housing since 1994

Housing subsidy grants

Housing subsidy grants make up the largest portion of the budget of the provincial departments of housing. The allocation of the grant between provinces is determined on the basis of an agreed formula, which takes need (backlog and population data) into account. This means that provinces with larger housing backlogs, such as Gauteng, KwaZulu-Natal and Eastern Cape, receive the larger allocations for housing subsidies.

Housing subsidy grants take up 85 per cent of provincial housing budgets

Table 9.1 shows that provincial expenditure on the housing subsidy grant has increased substantially at an annual average rate of 14,9 per cent from 2000/01 to 2003/04. All provinces reflect significant growth in actual expenditure with the exception of Western Cape, where expenditure declined by 6,2 per cent over the period. The levels of previous underspending exaggerate this growth in most provinces. There has been consistent underspending on the annual allocation, though this has declined significantly in the last two years. Rollovers declined from R885 million in 2002/03 to about R500 million in 2003/04. The spending rate reached a peak in 2003/04, as provinces were able to spend all the allocated amounts plus part of the rollovers from the previous years. This increased spending by approximately 43 per cent between 2001/02 and 2003/04. The increase in expenditure is not mirrored in an increase in the number of houses delivered over the same period (see table 9.4), indicating that a significant portion of the expenditure in 2003/04 is associated with the completion of stalled housing projects with units that have already been reflected in the delivery numbers.

Expenditure on subsidies increased by an annual average of 15 per cent

Since 2001/02 the value of housing subsidies has been escalated annually to allow for inflation in building costs. This also contributed to the growth in expenditure, as did provinces' improved capacity to absorb increased budgets and spend rollovers.

Expenditure is budgeted to increase only marginally (less than 1 per cent) in 2004/05, with four out of nine provinces showing a decline in projected spending from 2003/04. This results from the higher expenditure in 2003/04 as a result of funds that were rolled over from 2002/03. Provinces that have significantly improved their level of expenditure since 2002/03 are Eastern Cape, Free State and Mpumalanga. The extent to which this spending has translated into the delivery of housing is not clear, as sometimes transfers are made to municipalities as prepayments in anticipation of housing construction. The Division of Revenue Act (2004) requires that

The limited projected growth in expenditure in 2004/05 is due to the high level of spending in 2003/04

provinces should reconcile the amounts actually spent by municipalities with transfers over the past years.

Table 9.1 Housing subsidy conditional grant expenditure, 2000/01 to 2006/07

	2000/01	2001/02 Outcome	2002/03	2003/04 Preliminary outcome	2004/05	2005/06	2006/07
R million				Medium-term estimates			
Eastern Cape	470	305	465	793	599	569	604
Free State	218	252	191	325	386	391	414
Gauteng	610	560	1 147	970	1 117	1 314	1 392
KwaZulu-Natal	560	665	755	912	748	783	830
Limpopo	272	387	413	442	370	390	413
Mpumalanga	153	309	246	275	296	315	333
Northern Cape	58	65	50	105	89	78	83
North West	262	259	322	364	421	458	486
Western Cape	341	329	348	282	446	447	474
Total	2 945	3 132	3 938	4 468	4 474	4 745	5 030
Percentage growth (average annual)¹	2000/01 – 2003/04		2003/04 – 2004/05		2003/04 – 2006/07		
Eastern Cape	19,0%		-24,4%		-8,7%		
Free State	14,2%		18,5%		8,4%		
Gauteng	16,7%		15,2%		12,8%		
KwaZulu-Natal	17,6%		-17,9%		-3,1%		
Limpopo	17,6%		-16,3%		-2,2%		
Mpumalanga	21,6%		7,6%		6,6%		
Northern Cape	21,8%		-14,7%		-7,5%		
North West	11,6%		15,8%		10,1%		
Western Cape	-6,2%		58,2%		18,9%		
Total	14,9%		0,1%		4,0%		

1. These growth rates must be viewed against significant underspending and rollovers in previous years.

Source: National Treasury provincial database

MTEF allocations for the housing subsidy grant grow by an annual average of 4 per cent

The medium-term expenditure framework (MTEF) allocations for the housing subsidy grant increase from R4,5 billion in 2004/05 to R5,0 billion in 2006/07, an annual average increase of 4 per cent. This will increase total government investment in housing by R14,3 billion. It is envisaged that the department will continue with campaigns to speed up expenditure, primarily by unblocking housing projects that have stalled. Some of the reasons for historical patterns of underspending include: the impact of the implementation of the compulsory beneficiary contribution as a condition for accessing a housing subsidy; administrative problems relating to the progress payment system; problems with implementing the new procurement regime; constraints associated with the assembly of land; and the absence of dedicated capacity in the local government sphere to deal with housing delivery.

Human settlement redevelopment grant

The human settlement redevelopment (HSRD) grant funds projects aimed at improving the quality of the environment and correcting dysfunctionalities in urban communities by:

- identifying and addressing the nature and underlying reasons for the dysfunctionality

- providing a source of funding to correct dysfunctionalities and serving as a catalyst to gear other funding and resources where necessary
- coordinating sources of development funding to ensure co-ordinated development
- adding value to projects that can be funded through other processes and programmes.

The HSRD grant promotes urban regeneration by funding projects and activities that cannot be funded through other government programmes. Provinces identify and prioritise projects that facilitate access to infrastructure and services, upgrade the environment and increase opportunities for social and economic development. Examples include the provision of informal trading facilities, detailed planning initiatives through which integrated development is facilitated, and urban regeneration initiatives, such as the upgrading of public open spaces.

The HSRD grant facilitates urban regeneration

Table 9.2 shows that the spending on the HSRD grant amounted to R228,6 million between 2000/01 and 2003/04, increasing by an average of 71,4 per cent over this period. Initially, spending was slow as a result of the delays associated with planning and preparing prioritised multi-year projects. The significant increase in expenditure in 2002/03 (from R25,2 million to R89,4 million) and the very erratic expenditure patterns within provinces, reflect the stop-start nature of initial implementation, followed by a step-up in expenditure as projects gathered momentum. Over the MTEF period, expenditure is expected to increase steadily at an annual average of 10,9 per cent.

Allocation for the HSRD grant increases by an average of 10,9 per cent over the MTEF

Table 9.2 Human settlement and redevelopment grants expenditure, 2000/01 to 2006/07

	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07
		Outcome		Preliminary outcome	Medium-term estimates		
R thousand							
Eastern Cape	482	–	10 007	17 085	11 660	14 697	15 579
Free State	1 200	–	1 569	1 905	9 010	10 079	10 684
Gauteng	2 019	2 102	38 198	23 259	22 260	33 900	35 934
KwaZulu-Natal	650	3 203	19 611	15 703	27 560	20 220	21 433
Limpopo	7 783	9 269	140	11 911	11 660	10 055	10 658
Mpumalanga	449	–	350	9 208	7 420	8 120	8 607
Northern Cape	1 000	1 000	–	5 176	3 180	2 021	2 142
North West	100	7 758	13 720	504	8 480	11 831	12 541
Western Cape	5 203	1 860	5 804	10 379	14 310	11 549	12 243
Total	18 886	25 192	89 399	95 130	115 540	122 472	129 821

Source: National Treasury provincial database

Service delivery trends and policy developments

In order to assess the degree to which government is fulfilling its constitutional obligation to progressively realise people's right to adequate housing, a review was undertaken during 2003/04. The following conclusions were drawn:

Satisfying the right to adequate housing in South Africa

- the emphasis in housing policy on co-ordination and policy alignment, improving the quality of the end product and urban environment, increasing the delivery rate, and the People's Housing Process fit well with a rights-based approach
- the participation of citizens and civil society in housing-related decision-making at all levels is not given enough emphasis in the implementation of the housing programme
- on the whole, in quantitative terms, South Africa has made good progress in realising the right to adequate housing. The biggest shortcomings are:
 - insufficient delivery to address the backlog of adequate housing
 - a lack of integrated development (which, in many cases, has resulted in unsustainable settlements)
 - insufficient programmes to deal with specific housing needs and vulnerable beneficiary groups. Most of the criticisms of housing policy by courts and the South African Human Rights Commission (SAHRC) are related to the lack of programmes to deal with vulnerable groups, such as children
 - the lack of a national land release through which serviced land in greenfields projects can be released for rapid settlement
 - the absence of an informal settlement upgrading programme suitable for the needs of the poor.
- In terms of housing quality, the Department of Housing's minimum norms and standards for permanent residential structures (namely, the minimum standards for housing infrastructure for subsidised housing) are generally higher than the suggested international norms (as defined by the United Nations Human Settlements Programme). There is some scope to strengthen the extent to which these standards are enforced. In terms of overcrowding, for example, South Africa's performance is less than adequate, in that overcrowding is not monitored nor are there guidelines to match household size to house size.

Subsidies

Over 2,4 million subsidies have been approved since 1994

Since the inception of the housing subsidy scheme in 1994, the delivery of housing has been mainly developer-driven, with most housing projects being funded through the project-linked subsidy mechanism. Table 9.3 shows that over 2,4 million subsidies have been approved over the 10-year period since 1994. The developer-driven, project-linked subsidies account for 70 per cent of these. Gauteng accounts for 42 per cent of approved subsidies, followed by KwaZulu-Natal at 13 per cent.

Table 9.3 Housing subsidies by province and category of subsidy, 1994 to 2004

	Project-linked	Individual	Consolidation	Institutional	Informal land rights (rural)	Hostel redevelopment	Total
Eastern Cape	201 051	27 635	9 305	5 710	1 050	–	244 751
Free State	79 920	15 364	8 127	1 300	2 459	516	107 686
Gauteng	709 352	52 639	84 161	19 105	563	162 282	1 028 102
KwaZulu-Natal	234 574	14 353	28 477	21 197	10 248	–	308 849
Limpopo	91 425	4 348	3 252	–	61 606	353	160 984
Mpumalanga	85 615	16 362	46 046	5 450	1 476	885	155 834
Northern Cape	37 631	7 688	384	1 000	–	–	46 703
North West	118 624	8 419	7 326	1 154	17 492	1 273	154 288
Western Cape	157 984	10 998	48 343	6 998	–	4 866	229 189
Total	1 716 176	157 806	235 421	61 914	94 894	170 175	2 436 386

Source: National Department of Housing

Table 9.4 shows that the number of houses completed amounts to R1,6 million to date, which accounts for 67 per cent of approved subsidies. The balance between approved subsidies and houses delivered mostly represents houses planned for construction in the outer years of the MTEF period. The number of houses completed a year declined from 190 643 in 2000/01 to 143 281 in 2001/02, and peaked at 203 588 in 2002/03, followed by a decline to 193 615 in 2003/04.

There are more subsidies than houses, because some houses are still under construction

Table 9.4 Houses completed or under construction, 1994 to 2004¹

Number	1994/95 – 1998/99	1999/00	2000/01	2001/02	2002/03	2003/04	Total
Eastern Cape	63 393	20 345	34 021	10 816	58 662	27 119	214 356
Free State	48 434	7 177	16 088	7 005	9 155	16 746	104 605
Gauteng	185 333	45 384	38 547	46 723	24 344	49 034	389 365
KwaZulu-Natal	149 126	28 997	28 547	14 379	24 485	33 668	279 202
Limpopo	49 750	12 401	20 996	16 667	14 953	15 810	130 577
Mpumalanga	47 595	4 808	16 457	14 584	21 649	21 232	126 325
Northern Cape	13 821	2 600	4 148	2 588	6 056	3 787	33 000
North West	60 631	12 944	14 109	13 885	23 784	10 484	135 837
Western Cape	103 730	26 916	17 730	16 634	20 500	15 735	201 245
Total	721 813	161 572	190 643	143 281	203 588	193 615	1 614 512

1. Historical delivery figures have been adjusted since 2003 as a result of audits carried out in the provinces.

Source: National Department of Housing

This could represent the completion of projects which started years back, but experienced delays and blockages that were resolved during 2002/03. Gauteng is the only province that recorded a significant decline in the number of houses, from 46 723 in 2001/02 to 24 344 in 2002/03.

Although Gauteng accounts for 42 per cent of approved subsidies, it only accounts for 24 per cent of completed houses. The correlation may be distorted by the fact that Gauteng is one of the provinces that approves subsidies, accounting for the greater proportion of available subsidy funds over the MTEF period, while other provinces reserve a

greater proportion of available subsidy funds unallocated. Provinces are being encouraged to allocate the forward estimates after providing for emergency funding, to facilitate planning by municipalities.

There has been a shift from developer-driven, project-linked subsidies to PHP projects

There are indications that the introduction in 2002/03 of the requirement that beneficiaries contribute to the costs of their housing has shifted the focus from developer-driven, project-linked subsidies. This is because many of the households that qualify for housing subsidies cannot afford to make the contribution in cash. Most provincial housing departments are gradually shifting to housing development through the Peoples' Housing Process (PHP). PHP projects are excluded from the beneficiary contribution requirement. There has been a significant increase in the number of individual subsidies approved in terms of PHP projects in 2003/04.

The number of houses transferred in terms of the discount benefit scheme amounts to 413 298 to date, ranging, provincially, from 1 594 in Limpopo to 121 998 in Eastern Cape.

Survey of housing subsidy beneficiaries

Security, independence and pride are significant

A survey of housing subsidy beneficiaries was commissioned by the Department of Housing during 2003. The aim was to find out how beneficiaries of government's housing subsidy scheme view their new homes and settlements and the housing process, and to analyse the implications of these views for housing policy. The survey revealed that there is a significant sense of security, independence, and pride in relation to home ownership. Despite a range of problems with their new homes, including poor location and the increased costs associated with home ownership, most beneficiaries indicated that they are better off than before.

Poor quality, lack of access to services and amenities, and lack of development are problems

Many beneficiaries are not entirely satisfied with the quality of their houses and believe that contractors have short-changed them. In addition, few settlements offer convenient access to the full range of urban services and amenities, and most settlements have not been improved or developed beyond the basic delivery of housing. Many beneficiaries reported a failure by developers and municipalities to repair defective houses or maintain settlements. There is a widespread sense that communities experience a lack of responsiveness by local authorities. While most respondents aspire to make improvements to their dwellings, relatively few had done so at the time of the survey. Lack of money was cited as the major stumbling block, and very few beneficiaries are prepared to borrow money for home improvements.

Widespread and acute poverty has implications for the paying for services

Experiences of the process of applying for and receiving a subsidised house are generally positive. However, few beneficiaries had any choice in terms of their houses, sites, or settlements. Some commented on a lack of equity between projects, and there are significant perceptions of corruption in some areas. There are few indications of skills transfer and economic empowerment, and little evidence of linkages to further jobs after the housing project is completed. The location of projects near work opportunities and the ability of projects to sustain income-generating activities are often poor. A clear message of widespread and acute poverty emanated

from all the focus groups targeted by the survey. Many respondents said they were unable to pay for the services they were receiving. This has implications for free basic services and the sustainability of services for indigent households.

Backlogs

The 1994 Housing White Paper estimated that the housing backlog was 1,5 million units. *Census 2001* estimated it at 2,4 million units. Table 9.5 shows that the largest housing backlog is in Gauteng at 36,5 per cent of the total backlog, followed by KwaZulu-Natal (13,4 per cent) and North West (10,2 per cent). Average household size is 3,8 persons, translating into a total number of approximately 9,1 million people – or 20,3 per cent of the total population of 44,8 million – who are not adequately housed.

2,4 million households lack adequate housing

Table 9.5 Housing backlogs

R thousand	Backlogs	Percentage of total
Eastern Cape	220 524	9,2%
Free State	219 191	9,1%
Gauteng	877 492	36,5%
KwaZulu-Natal	323 429	13,4%
Limpopo	112 503	4,7%
Mpumalanga	145 857	6,1%
Northern Cape	34 185	1,4%
North West	244 526	10,2%
Western Cape	229 040	9,5%
Total	2 406 747	100,0%

Source: National Department of Housing

Between 1996 and 2001, the South African population increased by 2,1 per cent a year, a total increase of just more than 4,2 million people. The household formation rate is 4,7 per cent a year, more than double the population growth rate. This divergence is due to the sharp and still unexplained decline in household size. In 1996, the average household size was 4,5 people; by 2001 it had dropped to 3,8. As a result, the number of new households formed between 1996 and 2001 was 2,1 million, adding significantly to the housing backlog.

A reduction in household size has increased the size of the backlog

Types of housing

Table 9.6 shows that between 1996 and 2001 most provinces had an increase in formal housing that exceeded the national population growth rate of 2,1 per cent. This means that a greater percentage of people are now living in formal housing. Northern Cape had a 7,3 per cent increase and KwaZulu-Natal a 4,9 per cent rise. The national average increase was 3,3 per cent.

The increase in formal housing has exceeded the population growth rate

Table 9.6 Percentage change in housing types, 1996 to 2001

	Formal housing	Traditional housing	Informal housing	Backyard shacks
Cross-border municipalities	4,65%	-9,96%	1,88%	-7,48%
Eastern Cape	3,25%	-1,62%	0,89%	-8,02%
Free State	2,75%	-6,95%	2,99%	-8,05%
Gauteng	2,08%	18,72%	2,26%	-7,22%
KwaZulu-Natal	4,92%	-3,12%	0,55%	-10,43%
Limpopo	3,87%	-6,79%	2,13%	-9,94%
Mpumalanga	1,96%	-3,97%	-3,33%	-8,26%
Northern Cape	7,27%	-9,99%	12,11%	-8,35%
North West	2,90%	-6,22%	0,86%	-8,59%
Western Cape	0,96%	35,67%	-1,66%	-6,74%
Total	3,30%	-4,77%	1,69%	-7,64%

Source: National Department of Housing

Informal housing has increased in urban centres

There was a concurrent growth in informal housing, particularly in the urban centres in Northern Cape, Gauteng and Free State. Only Mpumalanga and Western Cape saw a reduction in the proportion of households living in informal settlements. Surprisingly, the proportion, nationally, of households living in informal backyard shacks has decreased by over 7 per cent.

Traditional housing is decreasing

Traditional housing is a significant housing type in only three provinces – Eastern Cape, KwaZulu-Natal and Limpopo. All three of these provinces saw a decline in the proportion of households living in traditional housing. There were increases in Gauteng and Western Cape, but off a very low base.

Partnerships

Housing policy encourages the participation of the private sector in the low-income market

At the national housing summit held in November 2003, the then Minister of Housing confirmed that government remains committed to the principles of partnership that have underpinned the housing programme from the outset. The 1994 Housing White Paper acknowledges that government cannot undertake the task alone. Housing policy involves a range of enabling measures to encourage greater participation by the private sector in the delivery of housing to low-income households on a sustainable and equitable basis. The 1994 National Housing Accord defined these partnerships with the objective of fostering greater collaboration and building more enduring partnerships between government, the private sector and communities. Key partnerships take place through self-help processes, the construction industry and other private sector initiatives.

The housing programme has led to emergence of new finance sector

Initially, the housing subsidy scheme was premised on the principle of public subsidies matched by private finance. To date, very few credit-linked subsidies have been allocated (less than 1 per cent of all subsidies). Despite low levels of bank lending, a dynamic new housing finance sector has emerged since 1996 in response to the opportunities created by the housing programme. This sector is made up of niche market and micro-lenders, and has quickly gained experience in originating and servicing loans for affordable housing.

Innovation in this sector relates to new loan products or new facilitation processes, for example:

- the National Housing Finance Corporation's attempt to securitise loans in the affordable housing sector
- partnerships between formal banks and micro-lenders (Standard Bank and African Bank)
- the emergence of specialist service providers, such as loan administrators, use assessors, and loan guarantors
- the introduction of covering bonds secured through other assets, and savings for credit.

As government's contribution to promoting access to housing finance, through the 1994 record of understanding between government and the private sector, a number of housing institutions were established. These were to contribute towards the stabilisation of the housing environment by encouraging and attracting the private sector into the low-income housing market. These institutions were listed and explained in the *2003 Intergovernmental Fiscal Review*.

Housing institutions were established after 1994

With the implementation of the Financial Services Sector Charter, the South African housing credit sector is on the threshold of change. At this moment, it is critical for policy makers to understand that the debate is no longer about the accessibility of housing finance, but about the suitability of specific types of housing finance products and institutions. There is considerable evidence that poor households avoid taking on long-term debt to finance investment in housing, preferring to use their own savings or short-term micro-credit. Government is expecting the implementation of the Financial Services Sector Charter to result in a range of new housing finance instruments, innovative credit enhancement strategies, and the transformation and deepening of the financial services offered to poorer households. An immediate priority is the introduction of a model for scrutinising mortgage loans in poorer neighbourhoods, supported by a loss limit insurance mechanism that allows government to share some of the risk associated with lending in this sector.

The Financial Services Sector Charter may result in new housing finance instruments

Township residential property markets

A new study on township residential property markets focused on understanding the dynamics of township property markets in South Africa and the factors that contribute towards their functionality. The purpose of the study was to inform policies and strategies that could lead to a more efficient housing market and maximise the asset-creation potential of the housing programme. Preliminary findings indicate that:

Most township home owners are unwilling to sell their houses

- 60 to 90 per cent of households living in townships are unwilling to sell their houses, especially people living in Reconstruction and Development Programme (RDP) houses (84 per cent unwilling to sell) and old township stock (90 per cent unwilling to sell)
- there is very little secondary market activity in township areas. Only 19 per cent of households had owned a house other than the

one they currently owned, compared to 41 per cent of medium-income earners

- informal exchanges of houses are most common in informal settlements and site-and-service projects compared to informal exchanges in townships.

Options for the development of township property markets

The township residential property markets study recommends that:

- a consolidated and comprehensive process should be established to ensure that registered title is available
- property transfers are effected by formalising informal settlements
- general plan approvals should be sped up
- township registers should be opened
- first-generation transfers (the first transfer of a property from the state to a private household) should be treated as special cases.
- The study also suggests that administrative and legal limitations to the trade of residential property in townships should be reduced by: repealing the statutory limitation on the sale of subsidised housing; developing a consistent approach to dealing with local government service arrears; and reducing property transaction costs for low-income households.

Policy developments

The second national housing summit reviewed the housing programme

The first national housing summit in 1994 followed an intensive multi-stakeholder negotiation process over a number of years prior to the first democratic elections. Close on 10 years later, the second summit was held in November 2003 with the purpose of reflecting on the implementation, outcomes, successes and shortcomings of housing policy and the housing programme. The theme was 'Re-establishing partnerships for sustainable human settlements'. The event was the culmination of a series of consultations on housing policy and strategy, and presented an opportunity for stakeholders to make inputs on future policy directions.

A new policy and research agenda is being developed

A policy and research agenda reflecting the priorities for the next decade is being developed as an outcome of the summit. These priorities include:

- a focus on improving settlement efficiency through an informal settlement upgrading programme
- integrated human settlement development
- strengthening partnerships for housing delivery
- social housing and rental options
- greater support for municipalities.

A review of housing subsidy mechanisms is needed

Clearly, a review of the housing subsidy mechanisms will be required to accommodate the new areas of focus. In particular, subsidies should be more precisely targeted towards, for example, social housing, informal settlement upgrading, and special subsidies for people with disabilities and child-headed households.

In his state of the nation address in 2004, the President confirmed the housing policy focus when he announced that a comprehensive programme dealing with human settlement and social infrastructure, including rental-housing stock for the poor, would be presented to Cabinet within three months. He also emphasised that government would address the slow-down trend in housing delivery in some provinces as well as the broader question of spatial settlement patterns.

A programme for human settlement and social infrastructure was announced in 2004

Future challenges

Since 1994, housing policy and practice have evolved steadily through large-scale delivery, the development of a coherent legislative and regulatory framework, and extensive institution-building and capacity-building. Looking forward, the housing programme will maintain its focus on meeting the basic needs of households living in poverty and, at the same time, address market distortions in the broader housing sector, so that the right to access to housing for all is satisfied equitably.

The housing programme will maintain its focus on meeting basic needs

Housing policies and programmes have been systematically reviewed in the past year. Government is now faced with the challenge of adjusting and enhancing policy instruments, structuring the institutional architecture to address the scale of the challenge, and then reviewing systems and procedures to shift the culture and practice of housing delivery towards the achievement of more sustainable human settlements.

Government will focus on the institutional and administrative environment

In the next five years, government will focus its efforts on improving the institutional and administrative environment in the housing sector through the following activities:

- initiating the redesign of the institutional architecture required to allow the housing sector to respond efficiently and effectively to new housing policy and programmes. This includes the housing education and training environment, the mandate and capacity of housing support institutions, and the roles and responsibilities of housing administrators, delivery agents, civil society and consumers
- investigating ways to address fraud, corruption and maladministration
- introducing capacity-building programmes for local authorities in partnership with the Department of Provincial and Local Government, including creating a provincial housing support unit to help provinces fulfil their daily administrative responsibilities for housing
- promoting urban efficiency and renewal, and racial integration, through sound spatial planning, support for medium-density residential development and increasing rental opportunities for the poor.

Conclusion

Municipal capacity needs to be developed

With the growing recognition of the central role that local government plays in the implementation of housing delivery, it has become critical that there is a more focused approach to capacity-building for municipalities. The introduction of a new housing procurement process and the potential for the accreditation of many municipalities requires that municipalities are adequately equipped to take on their responsibilities, especially regarding housing administration and project management. The Department of Housing has identified the need to include capacity-building as a critical component in enhancing the implementation of housing programmes and processes. However, education and training programmes should not be seen as the only capacity-building interventions required to support housing delivery. Just as important is the need to establish and support appropriate institutional arrangements and systems.