

# Housing

## Introduction

South Africa's housing programme was redirected when the comprehensive plan for sustainable human settlements was introduced in October 2004. The plan builds on the 1994 White Paper on Housing, but shifts the focus of the national housing programme from simply ensuring the delivery of affordable housing units to qualifying beneficiaries, to making sure that adequate housing, in settlements that are both sustainable and pleasant, is available for all.

By the end of 2004/05, approximately R32,4 billion had been spent on housing delivery since 1994/95. This includes constructing 1,8 million new houses and transferring 549 597 units of old housing stock to poor households. Including the replacement costs of the housing stock created and transferred to occupants, it is estimated that property assets worth over R37 billion have been transferred to South African households since 1994.

In response to the criticisms that the national housing programme has not transformed apartheid settlement patterns or promoted functional housing markets, the comprehensive plan is aimed at upgrading informal settlements. This involves formalising tenure arrangements, providing municipal engineering services (including roads, water, electricity, and sanitation), providing social amenities and community facilities (including health, education and recreation facilities), and upgrading housing. The need for affordable housing is often temporary, and is linked to people's need to live close to temporary jobs. Poorer households also move around more. This means that informal settlement upgrading projects need to provide affordable rental accommodation as a priority over individual units for qualifying beneficiaries.

*1,8 million new units have been built for poor households since 1994*

*Housing markets are still very skewed*

This chapter:

- looks at the institutional arrangements in the housing sector
- focuses on the different types of housing grants available
- examines the shift in housing policy, expressed in the comprehensive plan for the development of sustainable human settlements.

## **Institutional arrangements**

The Constitution establishes housing as a concurrent schedule 4A function between national and provincial governments, with no role for local government. The Housing Act (Act No. 107 of 1997) clarifies 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 the policy framework and allocates budgets to provincial governments*

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. In terms of section 17 of the 2005 Division of Revenue Act, they also have to complete the accreditation of municipalities within six months of the municipality applying to take over the administration of national housing programmes. Provincial governments are then responsible for monitoring the performance of accredited municipalities.

*Municipal integrated development plans identify local housing priorities*

Municipalities make sure 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, aiming to ensure safe and healthy living areas. The 2005 Division of Revenue Act also defines the minimum responsibilities and obligations for accredited municipalities as having:

- the authority to administer housing programmes, including administering all housing subsidy applications
- the authority to grant subsidies and approve projects in line with provincial and national criteria for prioritising and targeting expenditure on projects
- an obligation to comply with the capacity and system requirements prescribed by the province
- an obligation to provide monthly reports on housing delivery

- an obligation to provide information on the levying and collection of rental for all municipal owned houses.

In addition to managing housing development, where there are no other service providers, municipalities provide bulk engineering services, like roads, water, sanitation and electricity. 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 the local housing strategy and housing delivery goals.

*Accredited municipalities can administer any national housing programme*

### **Budget and expenditure trends**

Expenditure in terms of the conditional grant for housing subsidies, which is transferred to provincial housing departments, has grown steadily from R3,1 billion in 2001/02 to R4,5 billion in 2004/05. This is because of the activities aimed at unblocking construction in stalled housing projects. The housing subsidy grant is spent on the whole housing delivery cycle, from the acquisition of land, through planning and service installation, to the construction of top structures.

*The housing subsidy grant covers the whole housing delivery cycle*

A second grant, the human settlement and redevelopment grant, aims to rebuild dysfunctional human settlements by investing in planning, infrastructure and amenities. This has also seen a growth in expenditure from R25,2 million in 2001/02 to R162,8 million in 2004/05.

*The human settlement and redevelopment grant rebuilds dysfunctional human settlements*

From 2005/06, the two grants, which make up approximately 85 per cent of provincial housing budgets, are consolidated into a single integrated housing and human settlement development grant. This will allow for a more flexible approach to housing development to facilitate complex projects such as upgrading informal settlements and implementing the new comprehensive plan for developing sustainable human settlements.

*The new integrated housing and human settlement development grant will take up 85 per cent of provincial housing budgets*

### **Expenditure on the housing subsidy grant**

The allocation of the housing subsidy grant between provinces is determined on the basis of an agreed formula, which takes into account the housing need usually determined by the backlog and population data. This means that provinces with larger housing backlogs, like Gauteng, KwaZulu-Natal, Eastern Cape and Western Cape, receive larger allocations for housing subsidies. These four urban provinces were responsible for 65 per cent of the total expenditure on housing subsidies in 2004/05.

Table 5.1 shows that provincial expenditure on the housing subsidy grant has increased substantially, at an average annual rate of 12,6 per cent from 2001/02 to 2004/05. The steady increase in spending was maintained in 2004/05 as provinces were able to spend all the allocated amounts (totalling R4,5 billion) plus approximately R130,0 million of the rollovers from the previous year.

*Provincial expenditure on the housing subsidy grant increased by an annual average of 12,6 per cent*

**Table 5.1 Housing subsidy conditional grant expenditure, 2001/02 to 2007/08**

	2001/02	2002/03 Outcome	2003/04	2004/05 Preliminary outcome	2005/06	2006/07	2007/08
R million					Medium-term estimates		
Eastern Cape	305	465	793	573	581	679	830
Free State	252	191	325	448	399	466	569
Gauteng	560	1 147	970	1 104	1 341	1 567	1 915
KwaZulu-Natal	665	755	912	727	800	934	1 142
Limpopo	387	413	424	313	398	465	568
Mpumalanga	309	246	276	302	321	375	459
Northern Cape	65	50	104	90	80	93	114
North West	259	322	263	372	468	547	668
Western Cape	329	348	282	511	457	534	652
<b>Total</b>	<b>3 132</b>	<b>3 938</b>	<b>4 349</b>	<b>4 441</b>	<b>4 843</b>	<b>5 660</b>	<b>6 918</b>
Percentage growth (average annual) <sup>1</sup>	2001/02 – 2004/05		2004/05 – 2005/06		2004/05 – 2007/08		
Eastern Cape	23,3%		1,5%		13,2%		
Free State	21,1%		-10,9%		8,4%		
Gauteng	25,4%		21,4%		20,1%		
KwaZulu-Natal	3,0%		9,9%		16,2%		
Limpopo	-6,8%		26,9%		21,9%		
Mpumalanga	-0,8%		6,4%		15,0%		
Northern Cape	11,3%		-11,4%		8,1%		
North West	12,8%		25,8%		21,6%		
Western Cape	15,9%		-10,6%		8,5%		
<b>Total</b>	<b>12,3%</b>		<b>9,1%</b>		<b>15,9%</b>		

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

Source: National Treasury provincial database

**Housing subsidies and housing delivery capacity have increased**

This increase in expenditure is due to the expansionary allocation for housing subsidies, as well as increases in housing delivery capacity because provinces and municipalities have improved their project management. The annual inflation-linked increase in the value of housing subsidies has contributed to the overall growth in expenditure. Provinces have also improved their capacity to plan spending over the MTEF period and manage cash flows for projects with varying implementation schedules. The national Department of Housing's intervention to help provinces unblock and complete stalled housing projects also helped to absorb increased budgets in 2003/04 and 2004/05.

This trend has been led by Western Cape, showing an increase in housing subsidy expenditure of 81,3 per cent between 2003/04 and 2004/05. Over the same period, North West increased housing subsidy expenditure by 41,4 per cent and Free State by 38,2 per cent. In the case of Western Cape and North West, it should be noted that this recent growth is largely because of underspending in 2003/04 rather than a general increase in expenditure.

**There has been a decline in spending in Eastern Cape, KwaZulu-Natal and Limpopo**

In contrast, there has been a decline in spending in three provinces. Between 2003/04 and 2004/05, Eastern Cape saw a decline of 27,7 per cent, Limpopo of 26 per cent, and KwaZulu-Natal of 20,3 per cent. The drop in Limpopo continues a pattern of declining

expenditure over the last four years, from R387 million in 2001/02 to R313 million in 2004/05, in part reflecting the movement of people from rural to urban areas. The drop in expenditure in Eastern Cape and KwaZulu-Natal is explained by abnormally high expenditure in 2003/04 because of the national intervention to unblock stalled projects. In that year, both provinces spent their annual allocation as well as funds that had been rolled over from the previous financial year.

The MTEF allocations for the integrated housing and human settlement grant are set to increase from R4,5 billion in 2004/05 to R6,9 billion in 2007/08, an average annual increase of 15,9 per cent. This is because of an additional R2,0 billion allocated over the two outer years of the MTEF. The provinces that show the most notable growth in expenditure from 2004/05 to 2007/08 are Limpopo (21,9 per cent - as a result of underspending during 2004/05), North West (21,6 per cent), Gauteng (20,1 per cent), KwaZulu-Natal (16,2 per cent) and Mpumalanga (16,2 per cent). The increase in allocations reflects the anticipated growth in the need for housing over the MTEF period. Population growth in North West, Gauteng, KwaZulu-Natal and Mpumalanga is expected to rise faster than in other provinces.

*MTEF allocations for the housing subsidy grant grow by an annual average of 15,9 per cent*

### **The human settlement redevelopment grant**

The human settlement redevelopment grant has funded projects aimed at improving the quality of the environment and correcting dysfunction in urban communities by: identifying and addressing the nature and underlying reasons for the dysfunction; providing a source of funding to correct dysfunction and serving as a catalyst to gear other funding and resources where necessary; co-ordinating sources of development funding to ensure co-ordinated development; and adding value to projects that can be funded through other processes and programmes. To align the objectives of the human settlement redevelopment grant with the objectives defined in the comprehensive plan for sustainable human settlements, the allocations for this grant will be consolidated with those of the housing subsidy grant from 2005/06. Only projects with existing commitments, totalling R24,4 million, will be funded from this grant in 2005/06.

*The human settlement redevelopment grant works through funded projects to correct dysfunction in urban communities*

Table 5.2 shows the significant increase in expenditure on the human settlement and redevelopment grant, from R90,7 million in 2003/04 to R162,8 million in 2004/05. This was due mainly to the project preparation and approval process becoming more streamlined and increased project management capacity within municipalities.

**Table 5.2 Human settlement and redevelopment grants expenditure<sup>1</sup>, 2001/02 to 2007/08**

	2001/02	2002/03 Outcome	2003/04	2004/05 Preliminary outcome	2005/06	2006/07 Medium-term estimates	2007/08
<b>R thousand</b>							
Eastern Cape	–	10 007	17 085	11 485	–	–	–
Free State	–	1 569	1 905	16 007	9 475	–	–
Gauteng	2 102	38 198	23 259	27 187	4 130	–	–
KwaZulu-Natal	3 203	19 611	14 970	67 128	–	–	–
Limpopo	9 269	140	11 912	5 072	1 418	–	–
Mpumalanga	–	320	9 208	7 263	–	–	–
Northern Cape	1 000	371	1 467	3 709	–	–	–
North West	7 758	12 505	504	8 779	–	–	–
Western Cape	1 861	5 805	10 378	16 179	9 373	–	–
<b>Total</b>	<b>25 193</b>	<b>88 526</b>	<b>90 688</b>	<b>162 809</b>	<b>24 396</b>	<b>–</b>	<b>–</b>

1. This conditional grant is phased into the newly reconfigured Integrated Housing and Human Settlement Grant.

Source: National Treasury provincial database

### Integrated housing and human settlement development grant

*The new grant consolidates the housing subsidy grant and the human settlement redevelopment grant into a single funding mechanism*

The new integrated housing and human settlement development grant, which consolidates the housing subsidy grant and the human settlement redevelopment grant into a single funding mechanism, was introduced from 1 April 2005. The purpose of the new grant is to enable the development of habitable, stable and sustainable human settlements where all residents will have access to social and economic amenities. The new grant will also result in all informal settlements being progressively formalised.

*The new integrated housing and human settlement development grant will focus on nine large pilot projects*

The grant will initially focus on implementing nine large pilot projects. The first includes Cosmo City in Johannesburg (a large mixed income, mixed use greenfields project with 15 000 new housing units to the North of the city) and the N2 Gateway project in Cape Town (where 22 000 new houses will be constructed to accommodate households living in informal settlements along the N2 highway). Both projects will involve a mix of rental housing and housing for ownership. The challenge will be to ensure that an optimal mix of housing types is delivered so that a sustainable housing market emerges.

#### Allocation formula for the integrated housing and human settlement development grant

A formula which is consistent with the principles and provisions contained in Section 214 of the Constitution has been applied in housing for provincial allocations. The formula recognises the following factors:

- The needs of each province as measured by the housing backlog. Backlog is a function of people who are homeless or staying in inadequate housing, and is assigned a weight of 50 per cent.
- A poverty indicator as measured by the number of households earning less than R3 500 per month in each province, which is weighted at 30 per cent.
- A population indicator, weighted at 20 per cent, as measured by each province's share of the total population according to 2001 census data.

## Service delivery trends and policy developments

As housing delivery involves multi-year projects, there is very little correlation between service delivery numbers – measured as houses completed or under construction – and expenditure. One of the challenges facing the national Department of Housing is the improvement of the monitoring system for the housing subsidy programme. Limitations of the existing system means that there is no information for performance indicators such as the average construction time for subsidised housing projects, or the project management costs compared to the value of subsidies in housing projects. In the context of the new approach to housing delivery, which focuses on upgrading neighbourhoods rather than just new housing construction, there is an urgent need to revisit the monitoring system and performance indicators. It would not be appropriate to continue measuring performance only on the basis of houses constructed.

*There is not enough information for crucial performance indicators*

Currently the single-most important service delivery indicator is the number of houses completed or under construction. Table 5.3 shows that delivery dropped from 193 615 units in 2003/04 to 178 612 units in 2004/05.

**Table 5.3 Houses completed or under construction, 1994 to 2005<sup>1</sup>**

Number	1994/95 – 1999/00	2000/01	2001/02	2002/03	2003/04	2004/05	Total
Eastern Cape	83 738	34 021	10 816	58 662	27 119	37 524	<b>251 880</b>
Free State	55 611	16 088	7 005	9 155	16 746	16 447	<b>121 052</b>
Gauteng	230 717	38 547	46 723	24 344	49 034	28 002	<b>417 367</b>
KwaZulu-Natal	178 123	28 547	14 379	24 485	33 668	36 734	<b>315 936</b>
Limpopo	62 151	20 996	16 667	14 953	15 810	16 514	<b>147 091</b>
Mpumalanga	52 403	16 457	14 584	21 649	21 232	18 000	<b>144 325</b>
Northern Cape	16 421	4 148	2 588	6 056	3 787	3 598	<b>36 598</b>
North West	73 575	14 109	13 885	23 784	10 484	10 037	<b>145 874</b>
Western Cape	130 646	17 730	16 634	20 500	15 735	11 756	<b>213 001</b>
<b>Total</b>	<b>883 385</b>	<b>190 643</b>	<b>143 281</b>	<b>203 588</b>	<b>193 615</b>	<b>178 612</b>	<b>1 793 124</b>

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 brings the total to 1,8 million houses built since 1994. Gauteng has built the most houses (417 367 since 1994), although delivery in 2004/05 was down to 28 002 from 49 034 in 2003/04. This decrease of 42,9 per cent in a single year must have had a detrimental effect on the housing construction industry in the province. Mpumalanga, North West and Western Cape also saw significant declines in delivery outputs as they also experienced declining expenditure.

*Gauteng has built the most houses (417 367) since 1994*

Another measure of service delivery relates to the planned housing delivery for each province. Table 5.4 shows the number of subsidies approved since 1994 by each type of subsidy. In total, 2,6 million subsidies have been approved, most of which (1,9 million) are project-linked subsidies, meaning new developer-built, mostly greenfields housing projects. Since 2003/04, there has been a

*Most of the 2,6 million subsidies approved since 1994 are project linked*

proportional increase in the number of institutional subsidies approved, particularly in predominantly urban provinces. As institutional subsidies provide capital funding for social housing projects, this reflects the growing importance of social and rental housing as a result of the comprehensive plan.

**Table 5.4 Housing subsidies by province and category of subsidy, 1994 to 2004**

	Project-linked	Individual	Consolidation	Institutional	Informal land rights (rural)	Hostel redevelopment	Emergency housing	Total
Eastern Cape	208 526	27 653	9 357	5 710	1 050	–	–	<b>252 296</b>
Free State	105 770	14 120	8 127	1 300	1 300	516	–	<b>131 133</b>
Gauteng	738 475	52 639	91 911	20 407	563	162 282	–	<b>1 066 277</b>
KwaZulu-Natal	243 314	17 468	30 077	23 270	12 648	–	–	<b>326 777</b>
Limpopo	104 993	4 348	3 252	–	61 606	1 780	–	<b>175 979</b>
Mpumalanga	85 845	16 862	46 546	5 450	1 476	885	–	<b>157 064</b>
Northern Cape	37 657	8 465	384	1 000	–	–	–	<b>47 506</b>
North West	139 462	8 419	7 326	1 154	18 794	1 273	–	<b>176 428</b>
Western Cape	194 221	11 200	51 539	6 998	44	4 866	283	<b>269 151</b>
<b>Total</b>	<b>1 858 263</b>	<b>161 174</b>	<b>248 519</b>	<b>65 289</b>	<b>97 481</b>	<b>171 602</b>	<b>283</b>	<b>2 602 611</b>

Source: National Department of Housing data to December 2004

*To date, 549 597 government-owned houses have been transferred under the discount benefit scheme*

The total number of houses transferred since 1994 in terms of the discount benefit scheme (housing subsidy assistance to allow for the transfer of government housing stock to tenants – particularly municipal housing stock) amounts to 549 597. This includes a range from 1 594 units in Limpopo to 255 018 in Eastern Cape. While 136 299 government-owned units were transferred to beneficiaries in 2004/05, there is a need to speed up this process.

The key constraints to transferring stock are the condition of the houses, the difficulty in valuing the properties, and municipal debt due to unpaid rates and utilities bills.

### **Policy developments: the comprehensive plan for the development of sustainable human settlements**

*The comprehensive plan for the development of sustainable human settlements for the poor was approved in September 2004*

Government has a constitutional responsibility to make sure that every South African has access to adequate housing. In accordance with this, the national housing programme aims to guarantee that there is a supply of affordable permanent residential structures providing secure tenure, which give access to basic services, privacy and protection against the elements. In 2003/04, the national Department of Housing went through a comprehensive policy consultation process, which culminated in the national housing summit in November 2003. The policy gaps and new policy and research needs identified from this consultation process have been drawn into the department's comprehensive plan for the development of sustainable human settlements. This new housing strategy shifts the focus of housing delivery from adequate housing units for qualifying beneficiaries to making sure that housing in sustainable settlements is available to everyone.



The plan outlines the following broad objectives:

- speeding up the delivery of housing as a key strategy for leveraging economic growth and creating jobs
- reducing poverty and improving quality of life for the poor by making sure that poorer households can use their residential property as a financial asset
- improving the functioning of the entire residential property market to reduce duality between the booming residential property market in the first economy and the stagnant, limited property market in the second economy
- using new residential development as an instrument for spatial restructuring and integrating human settlements.

*The comprehensive plan marks a shift from previous policy*

### **Reasons for the changes in housing needs**

The type of demand for government-subsidised housing has changed significantly in recent years. The average population growth of 2,1 per cent per year translates into an increase of over 4,2 million people between 1996 and 2001. If this growth has been sustained since 2001, the estimated population for 2004 is 47,5 million people. There has also been a 30 per cent increase in the number of households between 1996 and 2001, against the 10 per cent increase expected, caused by a drop in average household size. This means that the rate of growth in households requiring subsidies is faster than the population growth rate.

*Housing needs are rising faster than population growth*

Despite the delivery of 1,8 million new subsidised houses since 1994, the housing backlog has grown. This is because of the increased demand and the pace of urbanisation, with urban populations growing at 2,7 per cent per year. The 2001 census indicated that there are over 1,8 million dwellings that can be classified as inadequate, meaning mostly shacks in informal settlements and back yards. This is up from 1,5 million in 1996, which represents an increase of 20 per cent.

*Over 1,8 million dwellings can be classified as shacks in informal settlements and back yards*

Urban populations have increased because of urbanisation and natural population growth. Population growth trends also show significant regional differences and increasing concentrations of people in metropolitan regions. Over one-quarter of the households in the country's nine largest cities lived in informal dwellings in 2001.

Despite increasing levels of construction in all housing markets, a spatially integrated residential property market has not emerged. The repeal of the Group Areas Act (1950) in 1991 created a greater demand for housing in well-serviced and well-located neighbourhoods. This has led to an increase in prices, sales and investment, while investment in large parts of the middle to lower end of the property market has declined. While property values in approximately 30 per cent of the market have soared, the stagnation in township and inner city areas has been made worse by 'red lining' by financial institutions. This means the institutions are unwilling to lend money for housing in geographic areas such as townships or inner cities.

*Despite increased housing construction, a spatially integrated residential property market has not emerged*

## **Key policy developments embedded in the plan**

### *Informal settlement upgrading*

*Upgrading means a new phased approach to housing delivery, starting with formalising services and tenure arrangements*

A policy that will guide the progressive upgrading of informal settlements is being developed. This new approach will allow for phased projects to improve municipal services, regularise tenure arrangements, and provide community facilities for all households living in informal settlements. The provision of formal housing with a broader range of tenure options will then follow. The integrated housing and human settlement grant accommodates this responsive, area-based approach to housing delivery. Additional funding amounting to R500 million in 2006/07 and R1,5 billion in 2007/08 has been allocated to speed up the housing programme. Nine pilot projects will develop the informal settlement upgrading programme further.

### *Land for housing*

*Public land is to be released for low cost housing projects*

A housing land policy will make the release of public land and the acquisition of private land for low cost housing projects a priority. When this policy is implemented it will be aligned with government's other land acquisition programmes over time.

### *Social and medium density housing*

*Social housing is important for improving urban efficiency and promoting urban renewal*

Social and medium density housing policies and programmes will be introduced in 2005/06. Social housing policy and legislation is being developed to support social housing institutions and to introduce a social housing regulatory unit. These policies are important because of their role in improving urban efficiency and promoting urban renewal.

### *Accreditation of municipalities*

*Municipalities are to be accredited to administer national housing programmes*

Capacity building initiatives will include programmes to accredit municipalities to administer national housing programmes and to help municipalities develop the housing chapter of their integrated municipal housing development plans. The capacity building programme managed by the national Department of Housing will be expanded to: provide the support required for institutional reform (including accrediting municipalities to administer housing programmes); unblock housing delivery constraints; and guide the provincial and local spheres of government in their implementation of national housing programmes.

### *Housing finance*

*The housing subsidy initiative will help to develop integrated and viable communities that contribute to the tax base of local governments*

The housing delivery sector is actively involved in discussions with financial institutions about implementing projects to meet the banks' commitments of the financial services charter.

The housing subsidy programme will see the consolidation of the subsidy bands (based on household income) so that all qualifying

beneficiaries (households earning less than R3 000 per month) will receive the same subsidy benefits. The subsidy programme is also to be extended to households in the R3 501 to R7 000 monthly income band so that they can access housing loans in the market. This initiative will help to develop integrated and viable communities that contribute to the tax base of local governments. A new credit-linked subsidy will be developed and introduced in 2006/07.

### *Aligning institutions to the new plan*

To support the implementation of the comprehensive plan for the development of sustainable human settlements, the institutional architecture for housing delivery is being revisited, and roles and responsibilities aligned. Likewise, the mandates of the housing support institutions will be more closely aligned with the plan's requirements.

## **Future challenges**

The housing sector will be breaking new ground in 2005/06 as the new approach to housing delivery is introduced and the sector starts meeting the target for upgrading informal settlements.

*The proposed shifts in housing delivery come with many challenges*

Key challenges facing the sector in this new era of delivery include:

- speedily building municipal capacity to administer national housing programmes and making sure that municipalities are accredited to take on this function
- resolving some of the contradictions in the comprehensive plan at the intergovernmental interface. This includes the need to clarify funding responsibilities between the different spheres. It will also be necessary to synthesise conflicting objectives, such as the municipal intention to formalise existing informal settlements on the one hand, and the national policy objective of developing functional housing markets on the other.

## **Conclusion**

The current focus of housing delivery is on large-scale projects that upgrade and restructure existing settlements, heralding a new and bold approach to satisfying people's constitutional right to adequate housing. Within this context, co-operation between the three spheres of government is necessary. Municipalities need to be adequately capacitated, equipped and funded to take over the administration of national housing programmes; they need to comply with national housing and financial management legislation; and they need to drive delivery from integrated development planning through to the management of rental housing stock.

The 1,8 million subsidised houses that have been built since 1994 have not become economic assets in the hands of the poor, nor have they contributed positively to the rates base of municipalities. This experience has shown that there is a need for the housing delivery

sector to develop projects that conform with the vision of sustainable human settlements: projects that include a variety of land uses, adequate community facilities, adequate municipal infrastructure and a range of housing options so that residents are able to make real choices about the type of housing they can afford.

Without a shared perspective on how best to upgrade informal settlements for the benefit of existing residents, while reshaping settlements and making housing markets work, the ideal of sustainable human settlements will be hard to realise.