

# 18: HOUSING

## AIM

*The aim of the Department of Housing is to determine, finance, promote, co-ordinate, monitor and communicate policy in respect of housing and human settlement.*

## EXPENDITURE ESTIMATES

**Table 18.1 Expenditure by programme**

R million	Expenditure outcomes			Preliminary outcome	Medium term expenditure estimates		
	1995/96	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02
Administration	17,2	19,1	21,1	27,6	30,5	27,2	29,7
Policy development <sup>1</sup>	42,9	51,1	46,8	83,1	49,9	23,8	24,8
Housing performance <sup>1</sup>	49,7	545,5	1 815,8	610,8	470,1	359,0	100,6
South African <sup>1</sup> Housing Fund	821,3 <sup>2</sup>	1 453,2 <sup>2</sup>	2 634,9 <sup>2</sup>	3 019,1	2 971,1	2 905,3	3 417,0
Communication	1,0	1,2	1,4	7,5	8,8	8,0	9,0
RDP projects	55,0	—	—	—	—	—	—
<b>Total</b>	<b>987,1</b>	<b>2 070,1</b>	<b>4 520,0</b>	<b>3 748,1</b>	<b>3 530,4</b>	<b>3 323,3</b>	<b>3 581,1</b>

<sup>1</sup> Spending by programme has been reclassified where possible to correspond to the current programme structure.

<sup>2</sup> Authorised losses added: 1995/96 R0,2 million; 1996/97 R0,6 million and 1997/98 R0,1 million.

- ◆ *Administration* comprises financial management, personnel and provisioning administration, legal and other office support services and the formulation of policy by the Minister and management of the Department.
- ◆ *Policy development* involves developing, integrating and building capacity for implementing the national housing and human settlement policy and strategy.
- ◆ *Housing performance* monitors housing sector performance, manages housing information, administers special projects, renders secretarial support services and provides support to housing institutions.
- ◆ The *South African Housing Fund* programme finances the national housing programmes in terms of the Housing Act of 1997.

- ◆ *Communication* comprises liaison with the media, co-ordinating provincial communication and planning and implementing national communication strategies.

**Table 18.2 Economic classification of expenditure**

R million	Expenditure outcomes			Preliminary outcome 1998/99	Medium term expenditure estimates		
	1995/96	1996/97	1997/98		1999/00	2000/01	2001/02
Current							
Personnel expenditure <sup>1</sup>	12,5	16,7	19,6	25,4	28,3	29,7	30,8
Other current expenditure	19,8	13,6	17,4	45,6	39,2	33,5	37,8
Transfer payments	151,3	98,1	2 605,8	3 084,8	3 141,9	3 024,4	3 426,7
Capital							
Transfer payments	801,8	1 940,4	1 872,9	590,3	319,8	235,1	85,3
Acquisition of capital assets	1,7	1,3	4,3	2,0	1,2	0,6	0,5
<b>Total</b>	<b>987,1</b>	<b>2 070,1</b>	<b>4 520,0</b>	<b>3 748,1</b>	<b>3 530,4</b>	<b>3 323,3</b>	<b>3 581,1</b>

<sup>1</sup> Departmental personnel expenditure includes employer's contributions to pension funds at a rate of 17 per cent of basic salary in 1998/99 and 15 per cent of basic salary in subsequent years.

## DEPARTMENTAL RECEIPTS

### Funds for RDP projects

During 1995/96 R55 million from the Reconstruction and Development Programme (RDP) was spent on special integrated urban development projects, among others. These were subsequently incorporated into departmental programmes.

### Donor funding

During 1997/98 R6,7 million was received from the Government of Switzerland for the City Council of Port Elizabeth for the Bloemendal Block 23 South project. An amount of R255 000 was also received from the Netherlands for the Phola Park Project.

Last year R7,4 million was received from the European Union for the Cato Manor housing project. The Government of Switzerland again donated R6,3 million for water and sanitation in the Bloemendal Block 23 South project. USAID donated R958 000 to cover the cost of two consultants for the Department.

## OUTPUTS AND SERVICE DELIVERY TRENDS

The Department of Housing strives to provide South Africans with access to a permanent residential structure with secure tenure, ensuring privacy and providing adequate protection against the elements. Housing subsidy assistance to the very poor is one of the cornerstones of the Department's approach.

**Distribution of housing subsidies by gender**

The Department of Housing surveyed 200 000 new housing subsidy allocations in seven provinces for its Housing and Urbanisation Information System (HUIS). The HUIS sample suggests that by August 1998, 37 per cent of all approved subsidies were registered in the name of women. In the Eastern Cape, Northern Province and Free State approximately 45 per cent of subsidies were registered to women.

**Subsidies approved to August 1998 (excluding Gauteng and KwaZulu-Natal)**

	Number of women	% women	Number of men	% men	Total number
Eastern Cape	20 385	45	24 551	55	44 936
Free State	12 709	44	15 932	56	28 641
Mpumalanga	6 109	20	24 786	80	30 895
North West	11 713	37	19 831	63	31 544
Northern Cape	3 838	26	10 734	74	14 572
Northern Province	7 017	45	8 646	55	15 663
Western Cape	13 510	37	22 979	63	36 489
<b>Total</b>	<b>75 281</b>	<b>37</b>	<b>127 459</b>	<b>63</b>	<b>202 740</b>

**Monitoring trends in the low-income housing market**

The *Housing Monitor* tracks housing units priced below R15 000 on project and project-linked subsidies. By late 1998, 1 000 housing projects were active in this price range. The number of units per projects has also increased under the influence of the government's project-linked subsidies. In November 1994 only 108 of more than 500 projects were subsidised.

A detailed sample of 241 projects reveals that in 1998 about 93 per cent of the projects provided housing packages and the remainder serviced sites. By contrast, in mid-1996, over 40 per cent of the projects provided serviced site.

**Achievements in respect of the housing subsidy scheme**

The aims of the housing subsidy assistance scheme have largely been met. Introduced in 1994 on a project-linked basis only, the scheme evolved into a comprehensive instrument providing an array of housing subsidies to a broad spectrum of beneficiaries. It allows several tenure options on an individual or group basis in urban areas. The scheme is to be extended to rural families with functional security of tenure in terms of the Interim Protection of Informal Land Rights Act of 1996.

The scheme's successes include:

- ◆ From April 1994 to September 1998, 936 754 housing subsidies were approved.
- ◆ During this period 629 449 housing units were built.
- ◆ Approximately R7,5 billion has been spent on housing delivery since 1994.
- ◆ A delivery target of 300 000 units a year was reached during 1997.

**Housing support centres**

The government supports the establishment of community-based, housing support centres. Working through existing community structures, these support centres empower the community to set up an association to apply for subsidies. This greatly enhances the tempo of delivery. During the

	pilot phase 25 housing support initiatives or centres were established, reaching 21 082 families.
<b>First-time home buyers subsidy scheme</b>	About 33 000 beneficiaries of the former scheme will be supported until the scheme has been completely phased out.
<b>Homeowner saving scheme</b>	The state-assisted homeowner saving scheme was terminated in June 1995, but obligations to existing participants will continue until 2005.
<b>Hostels</b>	About R150 million was allocated to the public sector hostels redevelopment initiative in 1996. By 1997/98, only 32 of the 182 public sector hostels had been upgraded and 25 are under construction. At the remainder of the complexes, negotiations are underway to determine upgrading and re-development needs.
<b>Special Integrated Presidential Projects</b>	The special integrated presidential projects and urban renewal projects (SIPPs) upgrade services to selected communities. Examples include primary schools, child-care centres, skills training, street lights, water and sewerage, road upgrades and police units. Undertaken in all nine provinces and initially funded from RDP services, these projects are now performing extremely well and the backlogs of the initial implementation stages have largely been overcome. The programme as a whole may be concluded during 1999/00, as originally envisaged.

## POLICY DEVELOPMENTS

<b>Amendments to housing legislation</b>	The Housing Amendment Act of 1994 introduced a new approach to housing. The Second Housing Amendment Act of 1994 provides for the payment of housing funds and assistance to natural persons; executive committees of provincial housing development boards; and the delegation of certain powers. The Housing Amendment Act of 1996 further regulates housing finance through establishing and regulating the South African Housing Fund.
<b>New housing legislation</b>	<p>The Housing Act of 1997 came into effect in April 1998. It facilitates a sustainable housing development process, provides general principles for all spheres of government and defines the housing development functions of each sphere. Provincial governments are currently finalising provincial housing legislation required by the Housing Act of 1997.</p> <p>The Prevention of Illegal Eviction from Unlawful Occupation of Land Act of 1998 was enacted in June 1998. The National Homebuilders Registration Council Bill was accepted by Parliament at the end of 1998. The Rental Housing Bill was published for information and comment during September 1998.</p>
<b>Important function shifts</b>	The funds allocated under the Bulk Connector Infrastructure Grant (BCIG) were shifted from the Department of Housing to the Department of Constitutional Development during 1998/99.
<b>Spending trends</b>	In August 1998 Cabinet approved an inflation-related adjustment of the subsidy amount from R15 000 to R15 920. The budget allocation now allows for about 188 000 subsidies a year, taking into account the adjustment and the allocation of about R3 billion. Medium term expenditure estimates accommodate the higher subsidy amount, new initiatives such as the Urban Development Programme, funds required to

close down the South African Housing Trust and additional capital for other housing institutions.

**Housing subsidy policy**

Several enhancements to the subsidy policy have been introduced since 1995:

- ◆ The payment process for project-linked subsidies now accommodates staged payment to developers, based on progress made.
- ◆ Housing subsidies were zero-rated for purposes of value added tax.
- ◆ The condition that the product price should not exceed R65 000 has been rescinded, and Provincial Housing Development Boards can now decide whether a beneficiary can afford a housing product.
- ◆ The institutional subsidy instrument has been enhanced to increase affordability in the R30 000 to R70 000 price range.
- ◆ The lowest two income categories of the scheme were merged, enabling families earning R1 500 or less per month to qualify for a maximum subsidy of R15 000. Previously, only families earning R800 or less per month qualified for this subsidy amount.
- ◆ Provincial Housing Development Boards may reduce the selling price of state-financed serviced erven to a market or replacement cost valuation.
- ◆ The consolidation subsidy instrument gives these Boards the discretion to increase the subsidy by a maximum of 15 per cent to compensate for adverse geophysical conditions.
- ◆ A bank guarantee system can replace the existing up-front basis of payment to lenders and conveyancers who administer the payout of approved individual subsidies. Bank guarantees may be issued and funds released against such guarantees only when certain conditions have been met.

**Subsidy policy issues under consideration**

The Department has identified further issues for consideration:

- ◆ Fully extending the subsidy to rural areas.
- ◆ Defining basic levels of services to be financed from the housing subsidy and determining minimum national norms and standards.
- ◆ Increasing subsidy amounts for disabled people.
- ◆ Promoting innovative finance and higher-density housing developments through the National Housing Finance Corporation (NHFC) campaign, which attracted international financial and technical assistance.
- ◆ Reviewing the institutional housing subsidy instrument on rental accommodation, to ensure an increase in rental housing opportunities.
- ◆ Extending the subsidy to include farm workers (pilot project).
- ◆ Extending the subsidy to provide “adequate housing” to those who already have rudimentary fixed residential property.

## DISCUSSION OF PROGRAMMES

### Programme 1: Administration

R million	Budget estimate	Adjusted appropriation 1998/99	Preliminary outcome	Medium term expenditure estimates		
				1999/00	2000/01	2001/02
1998 Budget	28,8	28,1	27,6	28,4	29,5	—
<b>1999 Budget</b>	—	—	—	<b>30,5</b>	<b>27,2</b>	<b>29,7</b>

### Programme 2: Policy development

R million	Budget estimate	Adjusted appropriation 1998/99	Preliminary outcome	Medium term expenditure estimates		
				1999/00	2000/01	2001/02
1998 Budget	<sup>a</sup>	84,6	83,1	<sup>a</sup>	<sup>a</sup>	—
<b>1999 Budget</b>	—	—	—	<b>49,9</b>	<b>23,8</b>	<b>24,8</b>

<sup>a</sup> Due to the new programme structure introduced in 1999/00, comparable numbers with the 1998 MTEF are not available.

The *Policy development* programme involves:

- ◆ Research on national housing policy and strategy.
- ◆ An effective human settlement policy and strategy promoting international co-operation and interdepartmental co-ordination.
- ◆ The national housing subsidy scheme.
- ◆ A capacity building programme to improve delivery by both public and private housing sectors at provincial and local levels.
- ◆ A housing subsidy database for provincial governments and a housing hotline for provincial and local governments implementing the housing subsidy scheme.

#### Provincial capacity building

A provincial capacity-building programme was implemented in September 1996, and a framework for a multi-year housing capacity-building programme approved in 1997. This will be driven nationally for three years after which the provinces will take over.

The programme is divided into two phases. During Phase 1, short-term capacity needs at provincial and local government spheres will be addressed through the transfer of knowledge and skills. Phase 2 will address longer-term capacity needs by training housing managers and administrators through classroom tuition. A conditional grant of R10 million has been allocated on the 1999/00 budget for capacity building, with further allocations of R10 million in each of the subsequent two financial years.

#### Rent control

The Department has also introduced various initiatives to improve service delivery in the private sector. The Rent Control Act of 1976 prevents exploitation of lessees by unscrupulous landlords.

**South African Homeless Peoples' Federation**

The South African Homeless Peoples' Federation is a nation-wide movement involving nearly 65 000 households from more than 1 500 savings collectives in over 750 homeless communities. Approximately 85 per cent of the Federation's members are women with an average household income below R700 per month.

Federation members started constructing houses from their own savings long before receiving any government assistance. In 1994 the Department made a grant of R10 million to the Federation. This was to be used as bridging finance for housing subsidies and for housing loans. The grant is overseen by a trust on which the government has 50 per cent representation.

**Peoples' housing processes**

The *Policy development* programme contributes R6 million over three years to the Peoples' Housing Partnership Trust to raise awareness of peoples' housing processes. The Trust assists owner-builders to access subsidies and obtain technical, financial, logistical and administrative support. Contributions are also made to the Habitat Foundation of the United Nations Commission on Human Settlement and to Urban 21, an African regional conference.

**Phasing out of some subsidy schemes**

Subsidy programmes inherited from the previous dispensation, such as the first-time home buyer interest subsidy scheme and the state-assisted home-owner saving scheme, are being phased out.

**Programme 3: Housing performance**

R million	Budget estimate	Adjusted appropriation	Preliminary outcome	Medium term expenditure estimates		
		1998/99		1999/00	2000/01	2001/02
1998 Budget	<sup>a</sup>	621,6	610,8	<sup>a</sup>	<sup>a</sup>	—
1999 Budget	—	—	—	470,1	359,0	100,6

<sup>a</sup> Due to the new programme structure introduced in 1999/00, comparable numbers with the 1998 MTEF are not available.

The aim of the *Housing performance* programme is to monitor housing sector performance, manage housing information, administer special projects, render secretarial support services and support housing institutions financially.

**South African Development Board**

The South African Development Board was established in 1997 to advise the Minister, to ensure that the national policy is executed throughout the country and to address the needs of the homeless.

**National database**

The information process is managed and a national housing databank and information system maintained. This system aims to provide timeous, comprehensive, reliable housing and human settlement data for policy formulation, monitoring and delivery.

**Special projects**

Special projects under this programme include the Special Integrated Presidential Projects and the urban development programme. The special projects are all approved in terms of business plans and a letter of allocation issued by the Department of Finance. The scope of each project, terms and conditions and key performance indicators are set out clearly and regular reporting is done by provincial project managers. Notes on the projects in each province are given below.

### Special integrated presidential projects

Province	Description
Eastern Cape	Duncan Village – RDP budget of R140,7 million. Ibaya – The RDP allocation is R72,5 million.
Free State	Thabong – Water reticulation; sewerage; roads; storm water and traffic; community facilities; institutional capacity; refuse removal; and electricity. Most projects are either completed or near completion. About R35,7 million has been allocated to this SIPP.  Other Free State projects – Projects in Bultfontein, Harrismith, Allenridge, Bloemfontein and Botshabelo are to be completed during 1998. The RDP budget is R35,6 million.
Gauteng	Katorus – Some 354 projects have been approved with 203 projects completed, 120 in progress (construction and implementation stages), and 31 in a planning stage. About R544,2 million of the allocated RDP amount of R644,9 million has been spent.
KwaZulu-Natal	Natal Disaster Fund – This project has been completed and the total RDP funds expended during 1998/99.  Cato Manor – RDP budget of R130 million. Most projects will be completed during 1999.
Northern Cape	Galeshewe – RDP budget of R21 million. Most projects have been completed.
North West	Molopo River Basin – RDP budget of R13 million. The largest projects in this SIPP are the World Centre for Youth and Scouting (R1,8 million) and the Mafikeng CBD stormwater project (R3,7 million).
Western Cape	ISLP – The allocation to this SIPP is R592,1 million. Contracts already completed amount to R23 million.

### Financial contributions to housing institutions

The Department contributes to housing institutions, including the Mortgage Indemnity Fund, National Housing Finance Corporation, Servcon Housing Solutions (Pty) Ltd, South African Housing Trust, the Social Housing Foundation and the National Home Builders Registration Council. In 1999/00 R297,5 million is allocated to these institutions.

### Servcon

Servcon was established in June 1995 as a joint undertaking (50:50) of the Department of Housing and the participating banks to implement the payment normalisation programme agreed to in the 1994 Record of Understanding (RoU). Under the revised RoU, Servcon's portfolio of approximately 22 500 properties was extended to 35 500 properties, to include defaulters between June 1995 and August 1997. Servcon will manage the full portfolio of properties out of the system over an eight-year period.

### South African Housing Trust

The Government, as the major shareholder of the South African Housing Trust (SAHT), has decided to wind down the affairs of the company and its subsidiary over a maximum of three years, effective from 1 July 1998. This has direct financial implications of R259 million over this period.

**Programme 4: South African Housing Fund**

R million	Budget estimate	Adjusted appropriation 1998/99	Preliminary outcome	Medium term expenditure estimates		
				1999/00	2000/01	2001/02
1998 Budget	<sup>a</sup>	3 072,7	3 019,1	<sup>a</sup>	<sup>a</sup>	—
1999 Budget	—	—	—	2 971,1	2 905,3	3 417,0

<sup>a</sup> Due to the new programme structure introduced in 1999/00, comparable numbers are not available.

**Housing subsidies**

The *South African Housing Fund* manages the funding of national housing programmes in terms of the Housing Act of 1997. It is the largest programme on the Housing vote and provides subsidy payments via the provincial housing boards. The Department administers the allocation, which averages R3 billion per year during the MTEF period.

This programme also funds the interest and redemption of private loans of the former National Housing Board.

**Housing support centres**

Housing support centres enhanced the delivery of housing units. The centres established during the pilot phase and the number of beneficiaries are given in the table below.

**Table 18.3 Housing support centres**

Province	Number of centres	Number of families
Eastern Cape	7	4 700
Free State	3	4 700
Gauteng	2	800
KwaZulu-Natal	4	3 740
North West	4	1 992
Northern Cape	1	2 000
Western Cape	4	2 650

**Project-linked subsidies**

The project-linked subsidy, introduced in March 1994, provides housing opportunities for individuals on an ownership basis in projects approved by Provincial Housing Development Boards. Most subsidies are administered through developers. They identify the land and beneficiaries, set up a social compact, obtain agreement on the product, and then apply for subsidies on behalf of the beneficiaries.

**Individual subsidies**

The individual subsidy was introduced in June 1995 to enable people to acquire existing properties or properties not located in a project approved by a Provincial Housing Development Board. A person may also buy a serviced site and erect a structure with this subsidy.

**Consolidation subsidies**

People who have already received housing assistance on serviced sites (including Independent Development Trust serviced sites) can apply for a further benefit to build a structure on the site or upgrade the existing structure.

<b>Institutional subsidies</b>	Institutional subsidies are available to institutions that create affordable housing stock to enable people who qualify for individual ownership subsidies to live in subsidised residential properties on the basis of secure tenure. The properties are often leased, but tenure forms based on a share block, deeds of sale or full ownership are not excluded.
<b>Relocation assistance</b>	Relocation assistance provides an alternative option to defaulting borrowers who were three months in arrears on 31 May 1995 and where the option of rehabilitating the mortgage loan was not affordable. This programme has since been phased out.
<b>Residual of subsidies</b>	The “residual of subsidies” aims to award individual qualifying beneficiaries, who obtained ownership of serviced sites by means of the non-credit linked individual subsidies, or the recipients of individual consolidation subsidies, the opportunity to build dwellings of their choice on an owner-builder basis. Many beneficiaries agree that they can build their own houses more cost effectively.

#### Programme 5: Communication

R million	Budget estimate	Adjusted appropriation	Preliminary outcome	Medium term expenditure estimates		
		1998/99		1999/00	2000/01	2001/02
1998 Budget	7,6	7,6	7,5	7,7	7,7	–
1999 Budget	–	–	–	8,8	8,0	9,0

The objective of the *Communication* programme is to ensure effective communication in the housing sector through greater interaction with provincial housing structures and a general improvement of communication in the sector. It focuses on streamlining functions, enabling directorates to communicate policy decisions as they are processed, and supporting the Minister. Its three elements are Provincial and media liaison, public relations and communications.

## NON-DEPARTMENTAL AGENCIES AND ACCOUNTS

The Department of Housing supports various non-departmental agencies to provide services on Government’s behalf. Some of these institutions are winding up their activities and will no longer be involved in housing delivery. The National Housing Finance Corporation (NHFC), as wholesale financier, plays an important role in the housing delivery process as it mobilises funds for social housing. This company is described below.

### National Housing Finance Corporation

The NHFC was established in May 1996 as a public company fully owned by Government. It had to mobilise private finance for housing in partnership with a range of organisations.

**Mobilising funds for housing to low-income groups**

The NHFC creates housing opportunities for low to moderate income groups by:

- ◆ Funding intermediaries to promote broader access to housing.
- ◆ Building adequate and sustainable capacity within the organisations it funds.
- ◆ Entering into partnerships with organisations to pioneer new finance and housing delivery mechanisms.

**Group structure**

The NHFC manages, under fund management agreements, three Section 21 companies:

- ◆ Housing Institution Development Fund of R150 million.
- ◆ Housing Equity Fund of R50 million.
- ◆ Rural Housing Loan Fund of R150 million.

**Key financial information**

The total assets of the NHFC increased from R540 million in 1997 to R1 131 million in 1998. The gross turnover for 1998 was R128 million and the net income after tax and interest amounted to R66,9 million.

**National Urban Reconstruction and Housing Agency**

The National Urban Reconstruction and Housing Agency (Nurcha) is an initiative created by Government to provide guarantees to small and emerging contractors to enable them to acquire working capital.