

GENERAL NOTICE

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DEPARTMENT OF HOUSING

THE WHITE PAPER ON HOUSING IS HEREBY PUBLISHED FOR COMMENT.

All interested persons are invited to furnish written comments to the Director-General, Department of Housing, Private Bag X644, Pretoria, 0001, not later than 31 January 1995.

WHITE PAPER

A new Housing Policy and Strategy for South Africa

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1. PREAMBLE

Housing the nation is one of the greatest challenges facing the Government of National Unity. The extent of the challenge derives not only from the enormous size of the housing backlog and the desperation and impatience of the homeless, but stems also from the extremely complicated bureaucratic, administrative, financial and institutional framework inherited from the previous government.

This White Paper marks the beginning of a process. For the first time in its history, South Africa now has a policy framework for all of its citizens. The approach adopted has been the search for the creation of an enabling environment, and not for the publication of a new set of rules. It aims to contribute to the certainty required by the market, as well as give the Provincial and Local Governments their capacity to fulfil their Constitutional obligations.

Throughout the document, a partnership between the various tiers of government, the private sector and the communities is envisaged. This is seen as a fundamental prerequisite for the sustained delivery of housing at a level unprecedented in the history of this country. It requires all parties not only to argue for their rights, but also to accept their respective responsibilities.

One of the greatest initial challenges facing all roleplayers is the creation of a public environment conducive to attracting the necessary private investment, both of the household as well as that of the institutions. Our collective success in achieving this productive climate will be the essential foundation for removing the blight of homelessness-one of the most visible and destructive legacies of the past. Success in meeting the housing challenge will be one of the cornerstones of rebuilding our social structures and regenerating the economy.

This White Paper also marks the end of a process. From its inception in 1992, the National Housing Forum has played a seminal role in creating the conditions necessary for a national consensus in housing, most visibly evident at the National Housing Summit in Botshabelo on the 27 th October 1994. Out of this consensus, the people of South Africa now have the task of harnessing the skills, resources and energy that the nation has in abundance, and directing it to the task at hand.

We believe that of all of our resources, nothing compares with the latent energy of the people. The housing programme must be designed to unleash that energy, not only to get the houses onto the ground, but also to give meaning to the notion of a people-centred development.

The time for policy debate is now past the time for delivery has arrived

2. HOUSING AND THE ECONOMY

This chapter analyses the housing sector within the context of the macro-economy.

2.1 Introduction

In order to assess the relationship between the housing sector and the macro-economy in South Africa for the purposes of formulating housing policy,

it is necessary to define the general economic context in which that policy will operate. The analysis of the intersection of the housing sector with the broader economy can be desegregated into four interrelated areas:

- Real side linkages: Real linkages include the effects of housing policy on such macro-economic variables as output, employment, income, consumption, savings and investment, prices, inflation, and the balance of payments;

- financial linkages: Financial linkages deal with the relationship between the financial sector-in particular formal and informal institutions providing housing finance-and the demand for, and supply of, housing;

- fiscal linkages: Fiscal linkages cover the contribution of government to the supply of housing through tax and subsidy policy; and

- socio-economic linkages: Housing policy, through the quantum and quality of housing delivered impact on sociopolitical stability, productivity and attitudes and behaviour.

2.2 Macro-economic performance

2.2.1 Economic growth

Growth in the Gross Domestic Product (GDP) has shown a cyclical decline over the past three decades, with the average annual growth rate of the GDP falling below the annual population growth rate. This has resulted in a decrease in real per capita income.

2.2.2 The distribution of income

In South Africa, the effect of previous racially-based policies has left the distribution of income substantially skewed, prompting powerful arguments in favour of economic redistribution. The trend towards equalisation needs to be accelerated. An increased income to lower-income groups could have a major impact on the housing sector by converting latent demand for housing into effective demand. Evidence indicates that while low-income groups have more restricted savings capacity than higher income groups, their savings are more directly targeted towards specific needs, such as education and housing.

2.2.3 Employment

South Africa is characterised by large scale unemployment in the formal sector of the economy. The increasing growth rate of the economically active population in conjunction with a declining or stagnant rate of growth of GDP, implies that the level of unemployment is set to increase still further. The high level of unemployment, coupled with the declining levels of per capita GDP, has a negative effect on demand for and investment in housing and diminishes Government's resource ability to assist the poor and unemployed. A solution to this problem is fundamental to a sustainable solution for the housing problem.

At the same time, it is equally apparent that the housing sector has a potentially enormous role to play in the revitalisation of the South African economy. This point is underlined by the very high direct and indirect economic multiplier effect of housing production. In this regard, the closest possible linkage between the housing and electrification programmes should be sought as one of the primary approaches to satisfying basic needs as well as providing a sound basis for job creation and economic sustainability.

2.2.4 Investment

Low levels of growth and income are associated with low levels of investment. In South Africa the low level of economic growth is not attributed solely to the low general level of investment, but also to the fact that the productivity of capital has declined. In summary, however, the low level of Gross Domestic Fixed Investment (GDFI)-of which housing is a component-means that as the economy begins to grow again, many sectors will be competing for scarce investment funds.

2.2.5 Savings

The aggregate level of personal, corporate and government savings as a percentage of GDP has shown a declining trend over the last decade. The decline in personal propensity to save has occurred as falling per capita income has pushed up the consumption: savings ratio in disposable income.

At the same time, personal savings have shifted towards longer-term, contractual savings, influencing the type of investment financed by these savings. This shift, together with the low level of personal saving, has reduced the availability of savings for investment in housing, especially within the banking (mortgage lending) sector.

In summary, in order to increase the level of housing investment it is first necessary to increase the level of personal savings by increasing the level of disposable income, and secondly, to redirect savings towards mortgage lending institutions.

2.2.6 The fiscal deficit

In recent years the fiscal deficit has grown rapidly, despite government efforts to maintain the deficit at around 3% of GDP, in keeping with International Monetary Fund guidelines. The current size of the deficit (8% of GDP) places serious constraints on economic development.

The greatly expanded housing delivery programme to meet the Reconstruction and Development Programme target of 1 000 000 houses in five years, will necessitate substantially increased fiscal spending on housing. The currently accepted five year targets cannot be achieved on the current housing allocation within the national budget. The size of the budget deficit, however, implies that this additional funding will have to come either from an expansion of the tax base, or from a reallocation of current funds among budget categories. The scope for such reallocations is limited, placing constraints on the level of financial assistance possible through subsidies.

2.2.7 Inflation

South Africa experienced two-digit inflation over the last 20 years excluding 1993 when the rate dropped to a single figure. The level of inflation is of key importance when assessing the viability of a mass housing programme, as it is necessary to determine whether a rapid increase in supply will lead to an increase in the price of housing. This is of particular concern, as the rate of inflation in the construction and building materials sectors has consistently exceeded the consumer price index.

Although studies show that the manufacturing sector is operating well below full capacity at present this, in itself, is too broad a category. Inflationary implications of a mass housing programme, which on preliminary analysis appear to be significant, will require specific monitoring and attention from government.

2.2.8 The balance of payments

Since the mid-1980s, South Africa has run a surplus on the current account of the balance of payments (BOP). This has been necessary to offset the persistent deficit on the capital account, caused firstly by financial sanctions which blocked access to foreign loans, and secondly, by the need to repay existing debt according to a strict debt servicing timetable. Current trends suggest that the BOP constraint will increase in the short term.

2.2.9 Policy implications

In conclusion, a broad economic policy framework which facilitates a significant increase in the delivery of housing, must address the following issues:

- A higher rate of economic growth and, in particular, rising and more equitably distributed real per capita income;
- an increase in the level of employment;
- greater incentives to save;
- a reduction in government dissaving; and
- effective containment of the rate of inflation (especially in construction prices).

These factors, in combination, serve to create an environment conducive to savings for, and investment in housing, and which, in turn, will increase the likelihood that specific housing policy will achieve its objectives.

In light of these facts, Government has taken a policy decision to increasingly promote a savings-based approach to housing credit. This will have the effect of mobilising higher levels of investment from the private sector, particularly from the contractual savings industry. It should, however, be recognised that this is a long-term policy approach, the effects of which will become more perceptible over time.

3. THE CURRENT HOUSING CONTEXT

Presently, there is no comprehensive source of information on housing. Consequently, the statistical information given in this section must be seen as indicative only. Work is already under way to develop a comprehensive Housing and Services Information System, which will allow a much more detailed overview of housing conditions in South Africa.

In the absence of generally endorsed, comprehensive housing information, this chapter sets out to, in quantified terms, as far as this is possible:

- Define the statistical profile of housing in SA;
- describe existing housing conditions in SA;
- identify existing constraints to resolving the housing crisis in the country;
- identify opportunities prevalent in the housing environment; and
- summarise recent and current policy development processes (at a national level).

3.1 Statistical profile of housing in South Africa

3.1.1 Demographic profile of South Africa (1995)

South Africa has a rapidly increasing and urbanising society but population growth will result in a numerically stable rural population. Coupled to this is a large existing and increasing housing backlog, due to very low rates of formal housing provision.

(a) Population size and population growth rate (1995)

South Africa's population is projected to be almost 42,8 million in 1995. The projected average annual growth rate of 2,27% per annum between 1995 and 2000 will increase the total population to approximately 47,4 million by 2000. This implies an average increase of approximately one million people per annum over this period.

(b) Number of Households (1995)

There will be an estimated 8,3 million households in South Africa in 1995. The average household size nationwide is 4,97 people, and it is estimated that there are approximately 2,0 million single people. Given the projected rate of population growth, an average of 200 000 new households will be formed annually between 1995 and 2000. The phenomena of extended households and circulatory migration further add to the complexity of dealing with the housing issue.

(c) Urbanisation Rate (1995)

It is estimated that over 28,0 million people (66%) of South Africa's population are functionally urbanised 1. This implies that approximately 14,5 million people (34% of the total population) reside in rural areas, many of whom will spend part of their working lives in the urban areas.

3.1.2 Income profiles (1995)

The low incomes earned by many South Africans are a major consideration in the formulation of future housing strategy. Table 1 outlines the proportion of households failing into certain income categories.

TABLE 1:

Projected monthly household income distribution figures (1995)

No.	Income category	Percentage	Number of households
1	R 0-R 800	39,7%	3,30 m
2	R 800 - R1 500	29,0%	2,41 m
3	R1 500 - R2 500	11,8%	0,98 m
4	R2 500 - R3 500	5,6%	0,46 m
5	R3 5001	13,9%	1,15 m
	TOTAL	100%	8,3 m

'Functional Urbanisation' includes all people clustered around or in towns, whether such people are included in official local authority boundaries or not (urban and peri-urban), as well as people living in the vicinity of urban areas who are dependent on it for income (semi-urban).

3.1.3 Living conditions, existing housing stock and rate of supply

A relatively small formal housing stock, low and progressively decreasing rates of formal and informal housing delivery in South Africa have resulted in a massive increase in the number of households forced to seek accommodation in informal settlements, backyard shacks and in overcrowded conditions in existing formal housing.

(a) Urban formal housing'

Approximately 61 % of all urban households live in formal housing or share formal housing with other families. The total formal housing stock in South Africa is estimated to be 3,4 million units. This includes formal houses, flats, townhouses and retirement homes.

Formal housing provision for low-income households (houses costing below R45 000) is estimated to have decreased to under 20 000 units during the 1993/94 financial year, from levels of around 45 000 in 1989/1990.

(b) Urban informal housing

Approximately 1,5 million urban informal housing units exist in South Africa at present. These include around 620 000 serviced sites delivered by the old Provincial Authorities and through the Independent Development Trust's (IDT) Capital Subsidy Programme, as well as almost 100 000 unused (sterilised) serviced sites.

Delivery of serviced sites through the IDT's Capital Subsidy Scheme and by the four (old) Provincial Authorities is estimated to have reached levels in excess of 120 000 per annum over the last three years, but has declined this year.

(c) Hostels

An estimated 5,2% of all households presently reside in private sector, grey sector 4 and public sector hostel accommodation.

No new hostel accommodation has been constructed over the last five years. Approximately one third of all public sector hostels (58 in all) housing approximately 1 00 000 people have been or are in the process of being upgraded.

(d) Squatter housing

Approximately 13,5% of all households (1,06 million) live in squatter housing nationwide, mostly in free-standing squatter settlements on the periphery of cities and towns and in the back yards of formal houses.

Low rates of formal housing delivery coupled with high rates of new household formation have resulted in a massive growth in the number of people housed in squatter housing.

2 'Urban Formal Housing' is defined as any housing unit with a housing structure estimated to have a life span of 20 years or longer.

3 'Urban Informal Housing' is defined as any housing unit over which tenure is held, with access to at least basic services (water, sanitation and access routes). Accommodation would generally consist of an informal house which is upgraded over time.

4 'Grey Sector Hostels' are defined as privately owned hostels constructed on public sector land.

5 'Squatter housing' is any housing unit over which no formal tenure is held. Such housing is generally of a poor standard, with minimal or no access to basic services.

This form of housing remains the prevalent means through which urban households are accessing shelter in South Africa at present. It is estimated that approximately 150 000 new households per annum house themselves in this way. The recent rapid increase in the number of land invasions is a further indication of this. In the short-term particularly, policy responses from all tiers of Government will have to be pro-actively responsive to this fact.

(e) Rural housing

Two thirds of the 17,1 million people estimated to live under the poverty datum line (PDL) live in the rural areas. Of the 14,5 million people estimated to live in the rural areas, the far greater part reside outside the commercial farming areas. There is a mix of both formal and informal house structures but what they generally share in common is inadequate access to potable water and sanitation, and a general insecurity of tenure.

(f) Farmworker housing

The estimates on farmworker households vary considerably between one to one and a half million households. Since 1990 farmowners received subsidies towards the building of 20 140 approved farmworker residences. Farmworkers do not have security of tenure, and are therefore reluctant to put earnings into housing. Consequently, the living conditions of farmworkers are among the worst in the country especially the hostel-type accommodation for seasonal workers.

3.1.4 Access to basic services

Many people in South Africa do not have access to basic services, such as potable water, sanitation systems and electricity. Furthermore, many neighbourhoods are inadequately supplied with social and cultural amenities.

(a) Water supply

Approximately one quarter of all functionally urban households in South Africa do not have access to a piped potable water supply (South African Labour Development and Research Unit, 1994).

(b) Sanitation

An estimated 48% of all households do not have access to flush toilets or ventilated improved pit latrines, whilst 16% of all households have no access to any type of sanitation system (SALDRU, 1994). An estimated 85% of rural households have some form of sanitation system whereas an estimated 49% of farmworkers are reliant on the veld for this purpose.

(c) Electricity

It is estimated that 46,5% of all households are not linked to the electricity supply grid in South Africa (SALDRU, 1994).

(d) Sociocultural Amenities

Although no accurate statistics exist, many households do not have access to sociocultural amenities within their neighbourhoods, such as schools, health-care facilities, sports facilities, cultural and community centres, etc. Most informally housed people have poor access to such facilities, whilst many formal housing areas are also poorly served.

3.1.5 Summary

In undertaking its new housing programme, the Government will strive to eliminate previous approaches which effectively separated the provision of housing stock from other services, be they physical or social. The massive damaging effects of this illogical and fragmented policy approach are physically reflected in our urban and rural areas, and socially reflected in the dislocation of our society.

A housing programme cannot be limited to housing, but needs to be promoted in such a manner as to give meaning to the goal of creating viable communities. This simple and self-evident Statement will necessitate the most fundamental and far-reaching conceptual and behavioural changes for all those involved in the housing delivery process, and constitutes one of the primary challenges in effecting the Government's Reconstruction and Development Programme.

3.2 Existing housing conditions in South Africa

3.2.1 Present housing backlog

It is estimated that the urban housing backlog in 1995 will be approximately 1,5 million units. The consequences of this backlog are physically reflected in overcrowding, squatter settlements and increasing land invasions in urban areas, and generally by the poor access to services in rural areas. Socially and politically, this backlog gives daily impetus to individual and communal insecurity and frustration, and contributes significantly to the high levels of criminality and instability prevalent in many communities in South Africa.

Coupled to this housing shortfall are:

- An estimated 720 000 serviced sites in the urban areas that will require upgrading to meet minimum standards of accommodation;
- a large number of rural houses that lack access to basic services; and approximately 450 000 people living in existing public, private and grey sector hostel accommodation that requires upgrading.

Due to the high rates of population growth and low rates of housing provision, it is estimated that the housing backlog is presently increasing at a rate of around 178 000 units per annum.

3.2.2 Conditions of tenure

Many South Africans do not have adequate tenurial security over their homes:

- Approximately 58% of all households (4,8 million households) have secure tenure (ownership, leasehold or formal rental contracts) over their accommodation; whereas an estimated 9% of all households (780 000 households) live under traditional, informal/inferior and/or officially unrecognised tenure arrangements in predominantly rural areas; and an additional estimated 18% of all households (1,5 million households or 7,4 million people) are forced to live in squatter settlements, backyard shacks or in over-crowded conditions in existing formal housing in urban areas, with no formal tenure rights over their accommodation.

This pattern of insecure tenure is undoubtedly one of the salient features and causes of the housing crisis in South Africa.

One of the most significant and short-term interventions required of the Government will be to provide the widest range of options for the rapid attainment of secure tenure. As an invisible intervention, it is likely to have a highly significant and positive impact on the propensity of individuals and communities to commence with the process of investing in their own housing conditions, no matter how modest they may be at the beginning.

3.3 Existing constraints to resolving South Africa's housing crisis

Numerous constraints to housing delivery still remain. During the formative stage of policy development, extensive analyses of the problems facing housing in South Africa were undertaken.

This section summarises some of the key constraints and problems that need to be addressed by new housing policy and strategy in South Africa.

3.3.1 Scale of the housing problem

The large scale of the housing and services backlog, and the rapid growth in housing demand represent a mammoth task for future housing policy. Coupled to the scale of the problem are other key constraints that need to be addressed:

- Geographic disparities: large disparities in housing conditions exist between rural and urban areas, different urban areas as well as between different provinces; and
- low-incomes: low-incomes of large proportions of South Africa's population imply that many people are unable to afford adequate housing using their own financial resources alone.

3.3.2 Structure of South Africa's human settlements

South Africa's history has produced a wasteful settlement structure that has inherent to it specific constraints that need to be overcome:

- Concentrated need: high rates of urbanisation have concentrated housing needs in urban areas:
- inefficient and inequitable cities: the geographic segmentation of living areas according to race and class, urban sprawl, and disparate levels of service provision and access to amenities in different areas make South Africa's cities very inequitable; inefficient and relatively expensive to manage and maintain; and
- dispersed rural settlement structure: the dispersed nature of many rural settlements hamper servicing and make access to sociocultural amenities problematic.

3.3.3 Institutional framework

The past institutional framework governing housing has resulted in numerous constraints to housing delivery in South Africa:

Duplication of housing institutions and funding mechanisms: fragmentation of the housing function racially (between the three previous own affairs

administrations and the Department of Housing) and geographically (with the

TBVC States and homeland areas having jurisdiction for housing in their areas) has resulted in a large amount of overlap, duplication and confusion within and between housing institutions which results in significant inefficiencies and wastage;

- inability to carry out responsibilities: many authorities have been inadequately resourced and politically unable to undertake certain responsibilities, which has resulted in delays to the housing development process and a virtual collapse in the public environment and public administration, in many areas; and

- local government transition: the slow process of local government transition is already resulting in significant delays to the housing process. However, new legislation and procedures are being developed and the problems associated with the collapse of local government in many areas under the previous dispensation are being addressed. Because of the mutually reinforcing or potentially destructive relationship between the housing process and the local government process, a high level of policy-coordination will be essential between the relevant national and provincial Departments.

3.3.4 Policy framework

Apart from duplicated and inequitable policy approaches for different race groups, the housing policy framework in South Africa suffers from the following other key constraints:

- Lack of overall housing strategy: inadequate definition of roles and responsibilities of all role players in the housing sector, as well as the lack of a coherent overall housing strategy have contributed to the present confusion and breakdown in delivery. Specific areas of concern include the exclusion of rural housing needs from the mainstream of housing policy approaches, as well as the continued marginalisation of workers and families effectively trapped within the hostels, especially those within the public sector;

- multiplicity of legislation: there is multiplicity and duplication of legislation governing housing, land and services.

3.3.5 End-user finance and subsidies

Constraints in the structure and availability of end-user finance for housing and housing subsidies have exacerbated the housing problem:

- Poorly focused use of housing funds: statutory housing funds have been used for diverse purposes (such as funding for bulk infrastructure, community facilities, interest rate and rental subsidies), which has resulted in diluted, dispersed and inadequate impact of State expenditure;

- duplicated and poorly targeted subsidies: subsidy systems have been duplicated, racially segmented, poorly targeted at poor households and often inadequately funded and largely unsuccessful in mobilising significant levels of non-State investment; and

- lack of end-user finance: the unavailability of end-user finance, especially for low-income households (due to a complicated set of constraints including the lack of appropriate retail lending capacity as well as the reluctance of formal financial institutions to lend in certain areas and to certain income groups) impedes the ability of many households to access adequate housing, even though they may be able to afford it.

3.3.6 Land and planning issues

The historical and existing patterns of land use and allocation, as well as the legislative and policy framework associated with land, provides an immense challenge and constraint. A fundamentally different approach will be required to make the housing programme a sustainable reality. However, the impact will have to reach far beyond purely legal and institutional matters, which Government can rectify over time.

A wholly new approach to land use and planning is required, impacting both on the professions and the communities. Even today, South Africans tend to view land as an infinite and cheap resource, whereas the opposite is generally true. The country's extremely wasteful approach to land will have to change, allowing for higher densities and innovation in its use. A different approach to land use not only promises the possibility of social cohesion, but can also have a dramatic and beneficial impact on costs and the efficiency of other resource utilisation such as energy and water.

The inability and unwillingness to release sufficient suitable land and housing continues to be a constraint to timeous housing delivery:

- Lack of coherent policy on land: no clear outline of responsibilities for the identification, assembly, planning and release of land for low-income housing exists, and inconsistent positions exist between different government departments and tiers of government;

land identification: previous racial zoning practices, reluctance of certain authorities to accept responsibility for low-income housing, resistance of many existing communities and various legislative constraints have impeded the identification of sufficient, suitable land for low-income housing;

constraints to land assembly: due to legislative controls and the fact that land was previously assembled according to ability to pay rather than need, insufficient land has been assembled for low income housing;

land planning: present planning legislation and approaches are burdensome, inappropriate in the South African context and resource-intensive;

- land invasions: increases in informal land invasions hamper efforts to timeously release adequate, suitable land for human settlement in a planned manner, and may result in certain people attempting to jump the housing/subsidy queue; and

land title: many different tenure arrangements (many of which are not officially recognised) complicates the registration of secure tenure. Furthermore, notwithstanding the sophistication of South Africa's land registration system, most citizens are forced to acquire accommodation outside this formal system.

3.3.7 The housing construction sector

The building materials supply, building and civil sector also face significant constraints:

- Inadequate development framework: the lack of identified land, poor access to bulk infrastructure networks and confused and lengthy planning procedures hamper developers' ability to undertake housing development expeditiously;

- limited capacity: at present, South Africa's construction sector and building materials supply industry are emerging from an economic recession and production slump: significant capacity will have to be built to enable It to deliver the number of houses required: competition from other development programmes will further dilute this capacity. Certainty around the future housing policy and strategy to be adopted by Government has become essential to initiate the necessary sustained capacity growth and mobilisation, and to release the job creation and employment potential latent within this sector. This will most markedly be felt within the marginalised sector of small and largely black builders, through whom a great deal of the challenge should be met;

- potential bottlenecks: significant potential bottlenecks exist in certain subsectors of the construction and building materials supply industries: the lack of basic and managerial skills and building material production and supply constraints are but two examples;

- incompatibility of demand and supply: geographic distribution of demand does not match present location of construction capacity and building materials suppliers.

3.3.8 Sociological issues

Many social features of South African society pose important constraints and challenges to future housing policy:

- High expectations: the high expectations of many people from a new democratic order have to be tempered by fiscal and practical realism, if this is not to become a major constraint to housing development in South Africa;

- crime and violence: continuing high levels of crime and violence often hamper or derail development processes;

- lack of consumer protection: inadequate protection for consumers against fraudulent and exploitative practices and behaviour by suppliers of housing products and services, currently characterises the housing environment;

- poor consumer education: low levels of consumer education increase misunderstanding of developmental and housing issues and the number of unscrupulous operators in the housing environment;

- perceptions of housing: many households still have a limited view of housing, and have not realised its full potential as a means of increasing equity and security. While this is undoubtedly partly a function of the backlog itself, increased housing production will provide an opportunity for the creation of a viable secondary housing market;

- non-payment: non-payment for services constrains the long-term viability of the public environment and sustained housing production, as well as limiting the amount of resources available for new housing provision. Linked to the breakdown in law and order and the due process of civil and criminal law in many areas, private housing finance has effectively been withdrawn from large sectors of South African Society;

- special needs housing: prevalent social problems in South Africa have increased the need for special needs housing, such as old age homes, homeless shelters and frail care facilities; and

- other important sociological considerations: specific sociological factors complicate the ability of housing policy to reach all targets, such as:

- > Circular migration and dual households;
- > hostel accommodation;
- > the prevalence of single (often female-headed) households;
- > cultural and legal impediments to access for women to housing; and
- > traditional tenure systems.

3.3.9 Economic issues

A number of factors militate against a massive increase in effective demand for, and supply of housing:

- A low rate of growth;
- declining per capita income;
- a highly unequal distribution of income which penalises low-income groups;
- mass unemployment;
- low levels of gross domestic investment and fixed capital formation;
- declining personal domestic savings;
- a high consumption: savings ratio among low-income groups;
- a high level of government dissaving;
- persistent inflation; and
- a persistent balance of payments constraint.

3.3.10 Summary

All of the constraints above are able to only provide a brief sketch of the scope and extent of the challenge. However, all of them are dwarfed by the single most significant constraint to the housing delivery process, that of affordability.

In policy terms, affordability is conceptualised here as having two essential components. The first relates to State affordability, and is understood in terms of the very real and accepted limitations imposed by the State fiscus and macro-economic realities. This constraint is further tempered by the realisation that housing has to compete with other national priorities such as health, water and education.

Of more significance and concern is the grinding poverty of such a large proportion of the South African population. This provides the single most important limitation on the housing programme. The resolution of this problem is something that a sustainable housing programme can significantly contribute to, but cannot remotely seek to solve on its own.

These two affordability constraints have important policy consequences. In broad terms, it confirms the need to focus limited State resources on the poorest sections of our population. In more specific terms, it requires the State to constantly seek new ways of supporting the poor to mobilise complementary support through which our housing goals can be achieved over

time.

In political terms, these facts must serve as an important corrective to the temptation to promise that which is not achievable in the short to medium term. While the nation's expectations may be deemed in certain quarters to be high, they are also eminently reasonable. The manner in which such expectations are to be achieved becomes the critical policy question.

3.4 Opportunities prevalent in the housing environment

3.4.1 Participative policy development processes

An important opportunity for the future of housing in South Africa has been the open and honest process of policy formulation that has been embarked upon. Joint deliberations between the State and civil society interest through the National Housing Forum/Government process over the last two and a half years, with full participation from all affected parties and the utilisation of all relevant expertise, has forged a new approach to housing policy formulation. The many constructive relationships that have emerged from this process augur well for the future of housing in South Africa.

3.4.2 Acknowledgement of importance of housing in the RDP

The recognition of housing as a key and priority component of the Reconstruction and Development Programme under a new democratic order should secure the necessary political will and fiscal support to enable the successful launch of sustainable housing programmes meeting the needs arising from inherited backlogs and new family formation. This will require two main approaches: first, securing for housing an adequate contribution from the national budget and, second, establishing multi-sectoral and multi-departmental coordination as an urgent matter of policy and reality.

3.4.3 Well developed infrastructure

South Africa has a relatively well developed infrastructure as a basis upon which future housing policy can develop-

- a diversifying and growing economy;
- a relatively well developed settlement hierarchy that can form the skeleton for future development and growth;
- a sophisticated financial sector with well developed infrastructure although this infrastructure is inappropriately distributed due to past policies and constraints;
- an internationally renowned land surveying and tenure registration system;
- a well defined legal system; and
- technical capacity and innovation.

3.4.4 Potential resources for housing

Although South Africa does not have an abundant supply of resources, significant amounts of resources could be mobilised for housing development:

- There is general acknowledgement that State resources for housing can and should be increased substantially over time through budgetary reallocations;
- significant resources in the private sector can and should be mobilised

for development, given the correct policy framework;

- there is a high likelihood that international aid could be mobilised towards housing and related development; and
- individuals themselves have the capacity to mobilise important resources for housing.

3.4.5 Economic factors

A number of positive economic trends for housing are identified:

- The economic growth rate is projected to increase faster than the rate of growth of population during the [after half of the 1990s;
- as a result, real per capita income is set to increase;
- the need to reduce the level of unemployment, and the scope for job creation in a mass housing programme, should encourage investment in housing;
- to the extent that the rate of savings among low-income groups does increase and these savings, in turn, are invested in housing, this does not represent an opportunity cost in terms of investment in more productive sectors. Rather, this investment represents consumption expenditure foregone by these groups;
- there is significant spare capacity in segments of the manufacturing sector, which may diminish the inflationary impact of a rapid increase in demand for housing; and
- the BOP constraint may ease in the short term thanks to increased foreign borrowing, foreign investment, and inflows of foreign aid funds. Furthermore, the perception that housing places little direct strain on the balance of payments makes investment in housing an attractive option, especially given its high employment: investment ratio.

3.5 Recent and current policy development processes in Housing

3.5.1 Housing in the interim phase

(a) Relationship between Department of Housing (DOH) and the National Housing Forum (NHF)

The NHF was established in 1992 as a forum for all major stakeholders in the housing sector to develop a new housing strategy and policy for South Africa. Policy positions were developed through a process of bilateral negotiations between the Department of Housing and the NHF, representing the most inclusive process of policy development ever undertaken in South Africa in respect of housing.

(b) Housing Arrangements Act (No. 155 of 1993)

In November 1993, the Housing Arrangements Act (Act No. 155 of 1993) was passed by Parliament, after extensive negotiations between the Department of Housing and the National Housing Forum.

This Act aimed to ensure that housing provision could proceed in the interim phase, while detailed future policy was being developed and implemented. This Act set out the following:

- The establishment of a National Housing Board (with representation from

housing suppliers, consumers and regulators) to advise government on issues of national policy;

- the establishment of four Regional Housing Boards in the four (previous) provinces, to adjudicate the allocation of fiscal resources to projects at the provincial level; and

- the amalgamation and joint operation of housing funds and certain housing institutions of the old own affairs administrations, by April 1994.

(c) Housing Amendment Act (No. 8 of 1994)

In March 1994, the Housing Amendment Act provided for:

- The replacement of the four existing Regional Housing Boards with nine Provincial Housing Boards, again as an interim measure pending a comprehensive new housing strategy and institutional arrangements; and

- extension of subsidy availability to previous Self Governing Territory and TBVC Areas.

3.5.2 Present National Housing Forum/Department of Housing relationship: Joint Technical Committees

In May 1994, the DOH and the NHF agreed to establish eight Joint Technical Committees (JTC's). The JTC's have representation from both parties, and each was tasked with developing policy on a specific priority area of future housing strategy. These priority areas are:

(a) Overall Housing Strategy;

(b) Housing Subsidies;

(c) Retail Lending Initiatives and the provision of Housing Credit;

(d) Institutional Arrangements, Fund Mobilisation and the National Housing Budget;

(e) Land and Planning;

(f) Hostels;

(g) Sector Efficiency and Effectiveness; and

(h) Rural Housing Policy and Programmes.

All key housing policy recommendations are then referred to the National Housing Forum and National Housing Board for comment.

Substantive proposals developed by these JTC's and the Department of Housing/National Housing Forum process to date underly many of the proposals in this document.

3.5.3 Relationship with the provinces

An extensive process of consultation with the nine new provincial governments was undertaken in order to reach consensus on the new housing policies and overall housing strategy, outlined in this White Paper.

Given the nature of housing and its constitutional positioning (as a Schedule 6 matter), consensus on the broad national approach between national

and the provincial governments, is essential. The evolution of housing policy and delivery over time will only become a success if it is underpinned by the continued and programmatic empowerment of the provincial governments and their respective administrations.

4. PROPOSED NATIONAL HOUSING STRATEGY

This chapter provides, in summarised terms, the overall strategy Government intends to pursue, in order to attack the housing challenge in the country. It deals with:

- The basic trade-offs facing South Africa in housing;
- the National Housing vision and goal;
- some basic points of departure underlying the strategy;
- underlying policy approaches and considerations;
- the overall approach to be adopted in relation to:
 - > stabilising the housing environment,
 - > supporting the housing process,
 - > mobilising housing credit,
 - > mobilising savings,
 - > subsidisation, to alleviate affordability constraints,
 - > institutional arrangements,
 - > land, and
 - > the coordination of development efforts and fund allocation within the State.

4.1 Introduction

In devising a national housing strategy, the State inter alia has to reconcile the following key factors:

- Existing backlogs in housing requiring approximately 150 000 households to be housed annually in order for the backlog to be eradicated over a period of 10 years.
- New household formation requiring a further approximately 150 000 households to be housed annually if backlogs are not to increase.
- A current State housing budget (new allocation) of R1,4 billion per annum (approximately 1 % of the total State budget).
- approximately 45-55% of households in need of housing, unlikely to be able to afford or access credit and therefore entirely dependant on own (limited) resources and State subsidisation to satisfy their basic housing needs.

The required annual delivery rate (of approximately 350 000), relatively high proportion of poor households and budgetary constraints do not allow sufficient subsidy money per household to enable the construction, at State expense, of a minimum standard complete house for each household not able to afford such a house. Only a limited State subsidy contribution towards the cost of a house is possible.

The fundamental requirement to address the challenge is the economic growth and employment to be created through the comprehensive programme of economic reconstruction and development embarked upon by Government. It has, however, to be recognised that this will require time and that relatively

high levels of unemployment and poverty will prevail for a considerable period in the future.

Appropriate housing policies and delivery systems can contribute to employment creation and economic growth, but cannot be the only primary drivers of such growth. Housing policy will therefore favour the involvement of small and medium sized businesses and labour intensive approaches, in order to maximize the economic growth and employment impact of such policy.

There is no single formula for solving South Africa's housing dilemma. It is only by mobilising and harnessing the full diversity of resources, innovation, energy and initiative of individuals, communities, the State and the broader private (non-State) sector, that the challenge can be met effectively. It is this belief that most significantly underpins the approach to housing that has been adopted by the Government of National Unity.

A national housing policy and strategy therefore has to be a multi faceted approach towards serving all segments of the market with particular emphasis on the poor and should essentially be driven at a local and provincial level.

Households access housing at a level commensurate with the means at their disposal at the time and thereafter continuously strive to improve their circumstances with whatever further means come at their disposal. The more limited the ability of a household to be self sufficient, the more the responsibility on the State to support the endeavours of such a household to house themselves.

The South African context requires an approach of assistance to households in need in a way that will maximise the options available to enhance and strengthen their own efforts and initiative to improve their housing situation as quickly as possible.

Past inappropriate site and service approaches through which the poor were accommodated have to be left behind for good.

4.2 National housing vision

Housing is defined as a variety of processes through which habitable, stable and sustainable public and private residential environments are created for viable households and communities. This recognises that the environment within which a house is situated is as important as the house itself in satisfying the needs and requirements of the occupants.

Government strives for the establishment of viable, socially and economically integrated communities, situated in areas allowing convenient access to economic opportunities as well as health, educational and social amenities, within which all South Africa's people will have access on a progressive basis, to:

- A permanent residential structure with secure tenure, ensuring privacy and providing adequate protection against the elements; and
- potable water, adequate sanitary facilities including waste disposal and domestic electricity supply.

Despite the constraints in the environment and the limitations on the fiscus, every effort will be made in order to realise this vision for all South Africans whilst recognising the need for general economic growth and employment as well as the efforts and contributions of individuals themselves and the providers of housing credit, as prerequisites for the realisation

thereof.

In order to meet the housing challenge in the country, Government aims to establish a sustainable housing process which will eventually enable all South Africa's people to secure housing with secure tenure, within a safe and healthy environment and viable communities in a manner that will make a positive contribution to a non-racial, non-sexist, democratic and integrated society, within the shortest possible time frame.

4.3 National housing goal

Government's goal is to increase housing's share in the total State budget to five percent and to increase housing delivery on a sustainable basis to a peak level of 350 000 units per annum, within a five year period, to reach the target of the Government of National Unity of 1 000 000 houses in five years.

4.4 Basic points of departure

In developing a new housing policy and strategy for South Africa, the following points of departure are believed to be fundamental.

4.4.1 Sovereignty of the Constitution

In terms of Section 126 of the Constitution of South Africa Amendment Act, No. 2 of 1994, a provincial legislature has concurrent competence with parliament, for making laws for the province with regard to all matters which fall within the functional areas defined in Schedule 6 of the Act. These include housing, as well as areas relevant to housing, such as consumer protection, public transport, regional planning and development, and urban and rural development.

A provincial law will prevail over the national law except where an Act of Parliament:

(a) Deals with a matter that cannot be regulated by provincial legislation; or

(b) deals with a matter that, to be performed effectively, requires to be regulated or coordinated by uniform norms or standards that apply generally throughout the Republic; or

(c) is necessary to set minimum standards across the nation for rendering of public services; or

(d) is necessary for the determination of national economic policies, the maintenance of economic unity, the promotion of inter provincial commerce, the protection of the common market in respect of the mobility of goods, services, capital or labour or the maintenance of national security; or

(e) a provincial law materially prejudices the economic, health or security interests of another province or the country as a whole.

The critical policy challenge for housing is to facilitate maximum devolution of functions and powers to provincial and local government tiers through concurrence between national and provincial governments, while at the same time, ensuring that national processes and policies essential to an effective and equitable housing sector are in place. Recognition of the principle of subsidiarity will ensure effective empowerment at second and third tiers of government.

4.4.2 Housing as a basic human right

Government is under a duty to take steps and create conditions which will lead to an effective right to housing for all. It is also under a duty to refrain from taking steps which promote or cause homelessness. It is held that a person has a right to live in dignity, in habitable circumstances. Government therefore will vigorously promote an effective right to housing for all, within the resource and other limitations applicable to it. The challenge facing South Africa in housing, is to develop a strategy in the short term to direct scarce and insufficient State housing and other resources together with private, non-State resources, to ensure that all those in need (and particularly the poorest sector of society) are able to progress towards the realisation of an effective right in housing.

4.4.3 The role of the State

The harsh socioeconomic realities and sometimes despair faced by the relatively large proportion of poor people in South African society have to be recognised. The State has a fundamental role and responsibility to implement policies and strategies that will redress this imbalance in the distribution of wealth in the country.

Where people, due to socioeconomic adversity, are not in a position to afford access to secure tenure, basic services and basic shelter, society in general and the State specifically has the responsibility to address this situation within the resource and other constraints applicable to it. In doing so Government's aim will have to be to, in the medium to long term, reduce levels of dependency and increase levels of independency from State financial assistance and support. This approach is consistent with the RDP of which housing is an integral part.

It is the responsibility of the State to ensure conditions conducive to the delivery of housing. Delivery should take place through the widest possible variety of mechanisms. It is incumbent on the State to assist particularly the poor to enable them to be adequately housed whilst the State at second or third tier government can, through appropriate structures, act as deliverer.

4.4.4 People-centred development

Government is committed to a development process driven from within communities. Through its policies and strategies it will encourage and support initiatives emerging from communities or broader local social compacts aimed at equipping and empowering people to drive their own economic empowerment, the development of their physical environment and the satisfaction of their basic needs. Policies must recognise and give effect to this approach.

In order to convert these laudable sentiments into reality, government will be required to actively provide support for this process. This will include not only financial resources, but the creation of appropriate institutional frameworks and support structures. In addition, communities as well as government must be constantly alert to people and organisations who abuse this developmental approach for their own ends, and turn development into a contest for influence.

4.4.5 Freedom of choice

The right of the individual to freedom of choice in the process of satisfying his or her own housing needs is recognised. At the same time it is recognised that people should be able to access and leverage resources on

a collective basis. The State should promote both the right of the individual to choose and encourage collective efforts (where appropriate) by people to improve their housing circumstances.

4.4.6 Non-discrimination

Given past and present regulatory and statutory discrimination in South Africa, it is essential that new policies, strategies and legislative actions by the State should be particularly sensitive to the removal of entrenched discriminatory mechanisms and conventions in respect of gender, race, religion and creed. Government has particularly identified the need to support the role of women in the housing delivery process. In addition to its positive individual and social consequences, such an approach is internationally recognised as being essential to the success of any housing programme.

4.5 Underlying policy approaches and considerations

The following approaches and considerations inter alia underly government's housing strategy:

4.5.1 Housing and economic empowerment

Housing as a process represents more than a simple economic activity but constitutes the foundation for the establishment of continuously improving public and private environments within which stable and productive communities can grow and prosper.

Government housing policies and strategies will therefore be directed at enabling and supporting communities to mobilise towards participating in the satisfaction of their own housing needs in a way that maximises the involvement of the community and the private sector and leads to transfer of skills to and economic empowerment of members of the community.

Policy emphasis will be placed on supporting local initiatives including small or medium sized companies in partnership with larger, established companies committed to providing appropriate support and training.

In order to do this, future housing strategy will place specific emphasis on-

- Promoting the participation of affected communities in the planning and implementation of new developments;
- maximising job creation in the construction and allied sectors (in particular, the role of labour based construction and the use of local labour in housing development);
- improving economic linkages, particularly with the national electrification programme;
- programmes for skills transfer, capacity building and upward mobility for both skilled and unskilled labour in the housing field;
- the role of small and intermediate enterprises in housing construction, as well as in backwardly linked (materials supply), forwardly linked (household businesses) and sideways linked (school construction) economic sectors;
- mechanisms to stimulate entrepreneurial development in creating new housing environments and maximize the participation of historically disadvantaged, emerging entrepreneurs; and

- constantly evaluating and supporting the role of women in the housing delivery process.

4.5.2 Sustainability and fiscal affordability

It is critical that housing delivery as a process be initiated at scale on a sustainable basis. This requires the essential short term action should be structured in order not to frustrate medium to longer term interventions.

The State has insufficient resources to meet the needs of the homeless on its own and recognises that sustained, substantial investment in housing from sources outside the national fiscus will be required. Housing policy will therefore need to recognise the fundamental pre-condition for attracting such investment, which is that housing must be provided within a normalised market and thus attract maximum private investment. The challenge is achieving a balance between State intervention and the effective functioning of the housing market with vigorous and open competition between suppliers of goods and services to end users.

The housing process must be economically, fiscally, socially, financially and politically sustainable in the long term. This implies balancing end-user affordability, the standard of housing, the number of housing units required and the fiscal allocations for housing. It is important that-

- the contribution of housing to the overall success of the Reconstruction and Development Programme and the Government of National Unity be recognised;

- a long-term housing programme be outlined that meets the housing needs of all South Africans within the shortest possible time frame;

- the maximum possible sustained investment is mobilised from the State, private sector and individuals if the housing programme is to be sustainable, requiring the State to continuously ensure level playing fields between the broader public sector and the private sector. This does not preclude the State from vigorously intervening to correct distortions and imbalances in the marketplace;

- projected fiscal allocations to housing should form a part of such a long-term housing strategy;

- the housing programme must take cognisance of constraints to its implementation, if such a programme is not going to lead to distortions in the housing market (such as high inflation, poor quality workmanship and a higher proportion of housing starts to finishes);

- programmes should make provision for skills transfer; and a primary aim of the housing strategy must be to build viable and sustainable communities: to this end, responsibility for and affordability of the costs of longterm maintenance and development of housing environments and services must be recognised in planning and implementation.

4.5.3 Hostels

All functional policies and strategies should take due cognisance of the complexities of and potential implications for the upgrading and redevelopment of hostels in order to create sustainable humane living conditions in State and privately owned hostels country wide and to ensure the re-integration of these hostel communities into the surrounding communities.

It must be honestly acknowledged that the stated desire to end the marginalisation of hostels and their residents has not yet been given effect. Government undertakes to constantly review its approach to hostels, both public and private, and to do so with the assistance of the residents and workers living in conditions that are often inhumane.

4.5.4 Special needs housing

State housing policies and subsidy programmes must reflect a constant awareness of and provision for the special needs of the youth, disabled people and the elderly. To this end, special attention will be paid to the possible modification of the subsidy programme to give effect to this approach.

4.5.5 Urban and rural balance

Historically, the relationship between urban and rural housing and their respective needs has been paid scant attention. The Government has already initiated a process of institutional review that seeks to bring the question of rural housing into the mainstream of national housing policy. State housing policy and strategy should achieve balance in emphasis between urban and rural and take cognisance of the particular characteristics and requirements of rural communities.

Special cognisance needs to be taken of -

- the dilemma facing farmworkers reaching the end of their working life or contemplating a change in employment, in terms of the linkage between their employment and home;
- the different composition of rural households;
- the effects of circulatory migration;
- the pre-dominance of female headed households;
- the non-saleable nature of the rural home; and
- the diversity of tenure arrangements and the impact thereof on especially the accessing of credit and subsidies.

4.5.6 Housing and the Reconstruction and Development Programme (RDP)

The Reconstruction and Development Programme sets out a clear vision for housing in the future. It is therefore imperative that future housing policy and strategy be developed in accordance with this vision and guidelines.

The provision of housing and services is a key component of the Reconstruction and Development Programme. Apart from being seen as a national priority in its own right, future housing strategy has a direct bearing on the success of all five key programmes of the RDP. These programmes are-

- meeting basic needs;
- developing human resources;
- building the economy;
- democratising the State and society; and

- implementing the RDP.

The implications of a successful housing programme, or of its relative lack of success, are the subject of constant interaction between the Department and the RDP unit. Because of its consequential impact on the question of hard and soft services, as well as on local government, the role of housing needs to be correctly located within the overall framework of the RDP.

4.5.7 Consumer protection and education

Adequate measures to protect the rights of and inform housing consumers on the technical, legal and financial aspects of housing is a critical priority and should support the regulatory and delivery framework for housing. Many of the problems characterised with the current housing impasse stem from the fact that the State had previously failed to intervene on behalf of the consumer. This Government undertakes to improve its capacity in this regard, to ensure that ordinary people, driven by the desperation of homelessness, will not be at the mercy of unscrupulous operators in the market.

Experience over the past few years has indicated that there are landlords willing to exploit the desperation of the homeless, and to charge exorbitant rents without taking responsibility for the conditions of the buildings under their control. As a consequence of this, Government will be reviewing the composition and effectiveness of the Rent Boards currently under its control and will investigate mechanisms to combat such exploitation, especially on government subsidised housing stock.

4.5.8 Accountability and monitoring

It is of vital importance that appropriate monitoring mechanisms should be implemented for all key interventions and at all levels of government and that responsible authorities should account fully for performance against agreed performance standards.

4.6 Overall approach to ensuring housing delivery

The level of poverty in South Africa is significant. In excess of 40% of all households in the country have a joint household income of less than R800 per month.

To impact on poverty a coordinated, multifaceted approach towards initiating and maintaining sustainable socioeconomic development is necessary. Housing interventions by Government can at the most be seen as part of integrated approach by Government to resolve the problem of poverty.

Government's overall approach to the housing challenge is aimed at mobilising and harnessing the combined resources, efforts and initiative of communities, the private, commercial sector and the State. It seeks to do this through pursuing seven key strategies:

- Stabilising the housing environment in order to ensure maximal benefit of State housing expenditure and mobilising private sector investment;
- facilitating the establishment or directly establishing a range of institutional, technical and logistical housing support mechanisms to enable communities to, on a continuous basis, improve their housing circumstances;
- mobilising private savings (whether by individuals or

collectively) and housing credit at scale, on a sustainable basis and simultaneously ensuring adequate protection for consumers;

- providing subsidy assistance to disadvantaged individuals to assist them to gain access to housing;

- rationalising institutional capacities in the housing sector within a sustainable long term institutional framework;

- facilitating the speedy release and servicing of land; coordinating and integrating public sector investment and intervention on a multi-functional basis.

4.6.1 Stabilising the housing environment

A stable public environment is required for viable private investment. At the same time the creation of a stable public environment is dependent on and requires the incentives and benefits associated with the improvement of the private living environment of people, created by private investment and access to credit. It is essential that the various and degenerative cycle of despair in many areas of the country be turned into a cycle of reconstruction and development, through joint and simultaneous action by both the public and private sectors in consultation with affected communities. This will require action by the State as a whole and cannot be dealt with by the housing departments in isolation.

In this regard government intends to pursue an incentive based approach to stabilize the living environments for many communities living in unstable and degenerating residential areas.

The approach is envisaged to be two pronged namely:

- a general governmental strategy, consisting of an unprecedented national and provincial campaign aimed at the resumption of payment for goods and services, combined with coordinated multifunctional public investment and management focus in areas where the public environment has collapsed; and

- simultaneous, equally vigorous engagement by the private sector (by agreement with the State), in areas where the public environment has substantially stabilised, in terms of identified criteria. Housing credit will be the main focus, although private investment across the full spectrum of business activities will be sought.

4.6.2 Supporting the housing process

Delivery of housing to lower-income earning people and especially the poor has come to a virtual stand still. Environmental conditions, political transition, economic adversity and a range of other complicating factors have lead to virtual market failure in many areas in the country.

It is incumbent on government to take the necessary steps in order to not only restore a level of delivery but also enable increases in sustainable delivery to a level where backlogs as well as requirements flowing from new family formation, are being dealt with.

It is government's first and foremost priority to deal with the problem of housing for the poor.

The biggest challenge facing government is dealing with households in need of proper housing who currently cannot access credit or accumulate significant savings in order to acquire access to housing. Until such time

as the Reconstruction and Development programme has started to make inroads on the problems of poverty and unemployment, the State has to accept the responsibility to meet at least the basic needs of these households.

International experience indicates a large degree of resilience, ingenuity and ability in households to look after their own housing needs with appropriate institutional support and financial assistance from government.

Government's approach to housing support therefore centres around promoting a wide variety of delivery approaches, ensuring access to well located land, basic services, secure tenure and the ongoing construction and upgrading of the public environment, services and homes.

Assisted through State subsidies and appropriate technical and institutional support, a process of consolidation and upgrading must form an integral part of subsidised housing projects in order to ensure that the housing situation of all but especially the poor, continuously improves.

4.6.3 Mobilising housing credit

A significant number of households in need of housing in South Africa can afford to access housing credit, provided that this is available. Such credit is currently not readily accessible by most of such home seekers. Unlocking housing credit is therefore seen as a fundamental requirement in order to facilitate the ongoing improvement of the housing circumstances of such households.

Credit supplemented with savings can enable a large proportion of people in need of housing and eligible for State housing subsidies, to acquire access to formal starter housing under a range of tenure options. This will ensure progressive consolidation on and integration of initially less formal areas into the formal urban environment.

Extensive investigations have indicated the need for both short as well as medium to long term intervention by the State in order to facilitate the sustained mobilisation of housing credit.

4.6.3.1 Short-term mobilisation

In order to mobilise credit at scale in the short term, a code of conduct, targets, reporting and monitoring mechanisms and a range of risk interventions and incentives aimed at mobilising the considerable capacity and resources of the major banks have been identified. At the same time the establishment of a defect warranty scheme and a national housing education fund are seen as vital interventions to assist in unlocking housing credit.

Short-term interventions to mobilise credit under consideration include:

Redlining and discrimination

An agreed code of conduct for mortgage lending will require banks to ensure that credit criteria for granting loans to individuals and area criteria on which security value is determined will be non-discriminatory and will not differ based solely on the geographic area in which the property is situated.

Mortgage Indemnity Scheme (MIS)

In terms of this proposed scheme, Government will indemnify financial institutions for losses (within certain limits), where normal contractual rights to beneficially access and attach securities provided for mortgage

loans, cannot be exercised due to a breakdown in the due process of law. This scheme will require concentrated effort from government to deal firmly with illegal occupation of residential properties in such areas.

Existing Properties in Possession (PIPs)

Financing institutions currently hold thousands of properties foreclosed against in many areas in the country. These securities, against which mortgage loans have been provided, cannot be attached and nor can vacant, beneficial occupation be achieved, due to a breakdown in the due process of law. No payments are being made by the occupants of these houses and financiers are unable to obtain relief in accordance with court orders and contractual stipulations.

It is essential that this situation be normalised, if new housing developments are to take place in these areas, and that actions taken are consistent with the approach adopted under MIS.

Rightsizing

The need for appropriate institutional capacity at a local level, to assist borrowers who have fallen on hard times, has been identified. A proposal for the establishment of a service organisation(s) jointly by the mortgage lenders and government, which will assist such borrowers to downsize/rightsize their accommodation to suit their affordability, is under consideration. The linkages between this proposals and proposals for a housing support programme will also be investigated.

This service organisation is envisaged to also be utilised by MIS to assist occupants of properties bought in by the MIS to vacate the properties voluntarily and by banks on an ongoing basis, to assist in dealing with cases of hardship related default. This will allow for the release and refinancing of such residential properties so released.

Home Builder Warranty Fund

Negotiations for the introduction of a comprehensive home builders warranty fund by the construction sector, are at a very advanced stage. Although financial involvement by Government is not anticipated, Government may have to be involved in the regulatory aspects of the scheme. In order to ensure the participation of emerging, largely black contractors, a mechanism whereby Government may assist financially to enable the scheme to accredit such contractors despite a lack of resources and adequate track record, is under consideration. Such assistance will only be contemplated on a limited basis linked to a probationary programme.

4.6.3.2 Long term mobilisation (National Housing Finance Corporation)

A range of longer term interventions are under consideration in order to facilitate ongoing mobilisation of appropriate credit to the lower end of the housing market. This will include specific programmes to facilitate the development (and if necessary rationalisation) of the capacity of non-traditional retail lenders to make an increasing contribution at the lower end of the market.

Because of the range and complexity of shortand longer-term interventions required, the establishment of a National Housing Finance Corporation (NHFC) which will have a focused mandate to promote and facilitate the mobilisation of all types of housing credit, is contemplated. This is envisaged to be a wholesale institution and in essence is the "National Housing Bank" originally envisaged in the RDP, and will establish a relationship with

existing or future State corporate structures created in the provinces. Given the nature and scope of its envisaged functions the term "Bank" is clearly no longer appropriate.

4.6.4 Mobilising savings

Personal savings represents a potentially large source of fund mobilisation for housing purposes and can act as a powerful tool to leverage credit through increasing the individual's ability to contribute to equity in the property and demonstrating a willingness and ability to regularly set aside money for housing purposes.

It is therefore intended to implement a savings linked credit scheme (SCS) in collaboration with accredited mortgage lenders, through which individuals will be able to secure credit through participation in the scheme. This is a policy approach taken with a long-term view, and is likely to become one of the most significant features of delivery over time. In addition, international experience has comprehensively demonstrated that such an approach will have the effect of empowering the role of women in the housing delivery process.

At the same time mechanisms through which communal/collective savings efforts can be harnessed to mobilise and unlock credit, will be pursued.

4.6.5 Subsidies

Given the skewed income profile of the South African population and the severe affordability problems at the lower end of the market, the targeted provision of end user subsidies constitutes one of the cornerstones of the Government's approach to the housing challenge.

A capital subsidy approach, based on the current subsidy scheme will be maintained, not least for the benefit of providing fiscal certainty in the national housing programme. The aggregate need for subsidies measured against fiscal constraints determines the level of subsidy benefits payable to qualifying beneficiaries, and government remains committed to a subsidy approach favouring width over depth in the provision of financial assistance. Given the dire need at the lower-income levels a fourth (increased) subsidy level at the lowest end of the market, will be implemented with immediate effect.

Subsidy policy is envisaged to be as flexible as possible in order to accommodate a wide range of tenure and delivery options and enable the flexible application of subsidies at the delivery (provincial and local) level in order to obtain maximum gearing with private investment, savings and sweat equity.

Subsidy programmes already introduced or under consideration for introduction include-

- Ownership subsidies aimed at assisting individuals to acquire ownership of residential property by either accessing such subsidies on approved projects or individually;
- collective ownership subsidies aimed at facilitating the application of collective housing models through which individuals acting in cooperation with others on a collective basis, can access appropriate housing;
- social Housing subsidies aimed at providing subsidies to institutions created to supply affordable social housing to the lower end of the market;

- rental subsidies, anticipated to be aimed at institutions created to provide affordable, subsidised rental accommodation to the lower end of the market; and

- subsidies directed at redressing anomalies created by previous policies implemented by Government, including Consolidation subsidies aimed at site and service schemes implemented under previous subsidy regimes.

4.6.6 Institutional arrangements

A rationalised governmental, statutory and parastatal institutional framework within which the national housing strategy will be implemented is a priority to government.

Fragmentation, overlap, wastages and inefficiencies in the institutional set up for housing must be removed wherever present, in order to establish an institutional basis from which a sound long term strategy can be launched.

The process of institutional rationalisation already initiated will therefore be dealt with as a matter of priority in order to establish an institutional and funding framework within which the envisaged Government programmes can be implemented with success. Government's strategy on institutional reform for housing will focus on -

- finalising the restructuring of statutory and advisory structures in terms of legislation already introduced, in line with government's commitment to introduce appropriate national and provincial representation into the processes of policy development and fund allocation;

- re-focusing, rationalising, consolidating and re-positioning (where appropriate) parastatal housing bodies at national and provincial level;

- establishing appropriate linkages and relationships between national and provincial/local governmental, statutory and parastatal corporate institutions in order to achieve maximum efficiency and effectiveness of governmental housing programmes; and

- rationalising the assets and liabilities of the various statutory housing funds in line with the new constitutional situation and institutional dispensation for housing envisaged.

4.6.7 Land

4.6.7.1 Facilitating speedy delivery

Efficient assembly and release of appropriately located land for housing is critical to achieving the desired rate of delivery of housing.

The present regulatory framework within which land is delivered is fragmented, complex, inadequate and in contradiction with the aims and objectives of the proposed housing strategy and the RDP.

Short-term intervention in order to facilitate the speedy delivery of land for development purposes is believed to be essential for the launch of the envisaged housing programme. Under these circumstances the proposed Development Facilitation Act was drafted as a bridging measure in the short term. This proposed Act sets out to establish -

- nationally uniform norms and standards in relation to land development;

- national legislation in parallel to provincial (inherited) laws as an

alternative, more appropriate mechanism for rapid land delivery; and

- an option for Provincial Administrations to adopt and continue to utilise the Act, once all considerations have been taken into account.

A feature of the proposed Act is the legal requirement for structured interaction and consultation between various departments of Government.

Future efforts in respect of land delivery will focus on influencing land policy processes as outlined in Chapter 5.

4.6.7.2 Publicly owned land for housing

Land held by public authorities represent a significant national asset and therefore its disposal and/or application should be undertaken within a coherent policy approach. It is believed to be essential that the potential use of appropriately located and suitable land for affordable housing should be considered for such use on an equal basis with other competing uses.

It is therefore envisaged that suitable mechanisms through which such consideration can be achieved will be pursued in conjunction with the relevant national and provincial/local authorities.

4.6.8 Coordinated development

As an integrated process, housing delivery requires coordinated and integrated action by a range of players in the public sector and the non-State (private) sector. Inadequate coordination and integration of efforts between the housing function and functions such as education, health services, transport and local government in the past, lie at the root of the breakdown in the housing process in many areas of the country.

Mechanisms at provincial and local government level which will ensure coordinated planning and budgeting on a multi-year basis between all relevant government functions and the non-State (private) sector are to be instituted. These mechanisms must, eventually, result in the necessary coordination and integration of planning and budgeting at the national level.

Housing, as the sector most adversely affected by the absence of such coordination and integration is envisaged to take the lead in this process. This approach will require the most dedicated and structured approach to such inter-sectoral coordination, and is likely to provide one of the most significant contributions to the attempts of Government to redevelop our society.

5. KEY SUBSTANTIVE APPROACHES AND INTERVENTIONS

Chapter 4 summarised Government's overall approach to the housing challenge. This chapter sets out in greater detail the envisaged substantive approaches, policies and interventions.

In terms of the national housing strategy set out in Chapter 4, the following policy approaches and interventions are envisaged in order to enable the attainment of the country's housing vision and goal in respect of-

- stabilising the housing environment;
- institutional arrangements;
- subsidies;

- savings;
- housing support;
- housing credit;
- land and the housing development process; and
- infrastructure, service standards and tariffs.

5.1 Stabilising the housing environment

5.1.1 General strategy

Government will launch a vigorous and unprecedented national and provincial campaign aimed at the resumption of payment for goods and services received and the reinstatement of the due process of law. This campaign will, however, only have the desired effect if matched by a simultaneous and equally vigorous campaign of engagement and investment by the private sector, ending their effective withdrawal from many affected areas over the last few years.

This national campaign will require intra-governmental agreement on the need for focused and priority attention on a multi-functional basis to areas where the public environment has substantially collapsed, and a concomitant commitment from the private sector to, once the level of stability of the public environment in these areas has substantially improved, invest and provide credit in such areas.

5.1.2 Prioritisation of reconstruction areas

In areas where the public and private environment has deteriorated and to a large extent collapsed, conditions are not conducive to private investment by either individual members of the communities or the private commercial sector. It is recognised that the reinstatement of a habitable public environment has to be a precursor to a resumption of private investment and sustained development, and that the process of turning such situations around should as far as possible be initiated and driven from and by the communities and local governments involved.

Government will therefore recognise, against identified criteria on the basis of a series of incremental steps or classification, those areas where conditions are progressively becoming conducive to viable development and will at an identified stage signal to the private sector that investment and the provision of credit for housing purposes is viable and required, through making housing subsidies and mortgage indemnity cover available in such areas. Criteria to be considered inter alia include whether or not and to what degree-

(a) a Local Authority duly constituted under the Transitional Local Government Act, 1993, exists;

(b) effective exercise of primary Local Government functions is taking place;

(c) reciprocal performance by communities measured against agreed objectives is evident;

(d) an acceptable level of civil responsibility and behaviour as well as civil and criminal law enforcement is being achieved;

(e) there is an acceptable level of performance in meeting commitments in respect of -

- service charges,
- rates,
- rental and
- instalments to mortgage lenders.

It will be incumbent on the communities and/or local governments involved to establish appropriate mechanisms/structures, inclusive of all stakeholders involved or affected, through which -

initial and subsequent evaluations will be sought in order to establish a classification or re-classification;

the coordination and formulation of plans and budgets to improve the local situation through rectification of identified deficiencies, with appropriate State support and incentives can be achieved;

the required resources and interventions from various State departments can be sourced on a competitive basis, in terms of the classification obtained;

the implementation of such plans can be monitored and coordinated; and

recommendations can eventually be made when adequate stability has been achieved in the affected area to the subsidy and mortgage indemnity authorities. It is envisaged that subsidies and finance for low-income housing will become available at identified stages in the stabilisation process, with mortgage finance backed by the envisaged Mortgage Indemnity Scheme. This is believed to be a critical component of a successful stabilisation process, but cannot take place before a substantial degree of stability is achieved.

5.2 Institutional arrangements

Current institutional arrangements for housing within government and in the parastatal sector are still fragmented, inconsistently funded and is characterised by a lack of clear role definition and defined lines of accountability.

A significant degree of overlap, duplication and confusion is still evident, despite the implementation of interim adjustments which has resulted in some rationalisation during late 1993 and early 1994.

It is believed that rationalisation of existing institutional capacity within a coherent long term strategic framework can significantly improve efficiencies and ensure enhanced and sustainable housing delivery at the levels required to deal with backlogs and new family formation.

Taking due cognisance of the basic points of departure outlined in Part 4, the following framework within which the restructuring of the housing sector will be undertaken, is envisaged:

5.2.1 Government

5.2. 1.1 The National Ministry and Department of Housing

Schedule 6 of the Interim Constitution of South Africa determines that

provincial legislatures and national government have concurrent competency to legislate, inter alia in respect of housing, regional planning and development as well as urban and rural development. The intent, however, is clearly that appropriate housing functions and powers should be devolved to the maximum possible extent, to the provincial level.

Against this background the National Housing Ministry and Department are envisaged to fulfil the following functions:

- Setting broad national housing delivery goals and negotiate provincial delivery goals in support thereof;

- determining broad national housing policy, in consultation with relevant other national departments and provincial governments where relevant, in so far as it relates to -

- > Land development and use (especially in respect of State land holdings),

- > land title and registration systems,

- > minimum national norms and standards,

- > national subsidy programmes,

- > fund allocation to provinces,

- > fund allocation to national facilitative programmes,

- > mobilisation of funds for land acquisition, infrastructural development, housing provision and end user finance,

- > guidelines for the spatial restructuring of cities and towns and rural settlement patterns;

- adopting or promoting legislation to give effect to national housing policies;

- establish a national institutional and funding framework for housing;

- monitoring national and, in liaison with provincial governments, provincial performance against housing delivery and budgetary goals and accounting to the national parliament in this regard;

- overseeing and directing the activities of national statutory advisory and facilitative institutions and accounting to national parliament in this regard;

- negotiate for the systematic increasing of the national apportionment of State budget to housing; and

- account to national parliament for the performance of the sector against set targets and efficiency/effectiveness parameters.

5.2.2 Role of provincial government

Provincial government has a critical role to play in ensuring effective and sustained housing delivery at scale.

Within the overall institutional and constitutional framework it is envisaged that the following housing functions will be executed at a provincial level:

- Setting of provincial housing delivery goals and performance parameters within the context and in support of national delivery goals;

- determining provincial housing policy (within broad national guidelines), so far as it relates to 6-

> minimum housing norms and standards in the province,

> development priorities and programmes,

| 6. In consultation with other departments where appropriate. Delineation of jurisdiction both horizontally and vertically must at all times be considered and respected.

> urban and rural development,

> land identification and planning within the province, including performance criteria,

> urban spatial restructuring,

> rural settlement restructuring;

- monitoring provincial housing delivery and accounting to the provincial legislature in this regard;

- overseeing and directing the housing activities of provincial statutory advisory and executive bodies, local authorities as well as the activities of provincial facilitative institutions, and accounting to the provincial legislature in this regard;

- liaising and negotiating with the National Ministry and Department as well as national statutory and facilitative bodies in respect of -

> fiscal transfers for housing to the province,

> provincial priority status in respect of national facilitative programmes for housing, and

> national housing policy and programmes.

It is recognised that provincial governments are accountable to the people who have democratically elected them in the provinces, for the delivery of housing. A leading role for these governments in enabling sustained delivery of housing in the provinces, within broad national housing policy guidelines, is envisaged.

At the same time, it has to be recognised that the Minister of Housing is accountable to Parliament for overall sectoral performance. A balance between the functions and powers at national and provincial level to reflect these accountabilities, will be vital to success.

5.2.3 Role of local, rural and metropolitan government

The physical processes of planning and housing is very much a local community matter. The role of metropolitan and especially local government in enabling, promoting and facilitating the provision of housing to all segments of the population in areas under their jurisdiction, can therefore not be over emphasised. The absence of legitimate, functional and viable local authority structures will jeopardize both the pace and quality of

implementation of housing programmes.

The following housing functions are envisaged to be performed at metropolitan and/or local level:

- Setting metropolitan/local housing delivery goals;
- identification and designation of land for housing purposes;
- the regulation of safety and health standards in housing provision;
- the creation and maintenance of a public environment conducive to viable development and healthy communities;
- the mediation of conflict in the development process;
- the initiation, planning coordination, promotion and enablement of appropriate housing development;
- facilitative support to housing delivery agencies;
- planning, funding and provision of bulk engineering services;
- provision and maintenance of revenue generating services (if not provided by specialised utilities/suppliers);
- provision of community and recreational facilities in residential areas;
- welfare housing;
- land planning in areas under their jurisdiction (in terms of laid down performance criteria, possibly at provincial and even national level); and
- regulation of land use and development.

5.2.4 Statutory advisory and policy execution bodies

Government is committed towards the creation of statutory advisory and policy execution/overseeing bodies for housing, which introduce key stakeholder representation into the processes of policy development and fund allocation. To be effective it is believed that membership of these bodies should be determined on a representative (nominated) basis, through an inclusive transparent and democratic process.

The participation of stakeholder groupings and structures of civil society in the process of policy development and public fund allocation is believed to be of critical importance to secure the necessary commitment of all relevant parties for strategies and policies adopted. By informing the deliberations of these structures with inputs from nominees of the various stakeholders and civil society groupings in the housing sector, balanced and practical advice and decision making can be achieved.

(a) National Housing Board (NHB)

A new national statutory advisory body to the Ministry for Housing is envisaged (similar in function to the current National Housing Board). This body will fulfil the following functions:

- Advise the Minister on housing policy, strategy and related matters;
- recommend to the Minister housing budget allocations to national facili-

tatory institutions and parastatal housing bodies and the provinces;

- monitor and evaluate the performance of the housing sector, review policies and strategies accordingly and advise the Minister on an ongoing basis; and

- oversee the execution of national housing policy.

Members of this Board should comprise competent persons with expertise and knowledge in the field of housing, but it is believed imperative that they should at the same time be representative of and nominated by the following stakeholder groupings representing national interests in the housing and related sectors in the urban and rural areas of the country:

One third of the members by consumer organisations and community based groups with an interest and involvement in housing on a national basis and representing the interests of consumers of housing goods and services.

One third of the members by suppliers and financiers of housing goods and services, at a national level.

One third of the members by Government interests in housing (both national and provincial), having due regard for the need for separation of the legislative and executive arms of government and inter alia, including organised local government and the State corporate housing sector.

In addition, Provincial Housing Boards will be represented by their Chairpersons, in an ex officio capacity, on the NH B.

The NHB will be expected to assume a proactive role in fulfilling its advisory function and to have a distinct impact and influence in government policy on housing and will replace the current National Housing Board which was created as an interim measure in the process of rationalisation.

(b) Provincial Housing Boards

Given the importance and constitutional placement of housing at a provincial level, Provincial Housing Boards, constituted along the same lines as the proposed new national advisory body, are already being established in each of the provinces. These Boards are to be established by and accountable to the Provincial Legislatures.

In addition to advising provincial governments on provincial housing policy, these Boards will also deal with the approval of projects in terms of both national (as agents of the NHB) as well as provincial housing programmes.

Similarly constituted bodies may also be justified in the larger metropolitan and local authority areas or in rural districts in order to devolve the decision making and fund allocation processes to the closest local level.

(c) Rationalisation of statutory assets and liabilities

The process of rationalisation of statutory assets and liabilities was initiated under the Housing Arrangements Act (No. 155 of 1993), in terms whereof the five statutory (previously own affairs) funds were brought under central control.

Government will proceed with this process and will apply the following guidelines:

- Assets and liabilities will follow the devolution of functions and authority to provincial and local/metro level or the transfer to other national departments.

- Assets which are revenue-generating but do not belong in the housing function (such as infrastructure loans to local governments) will be transferred to appropriate governmental or parastatal institutions with the aim to realise realistic capital values for application in the housing effort.

- Retail loans (to individuals) will, after application of the extended R7 500 benefit (subsidy) and upon conversion to commercial interest rates, be sold to appropriate private sector or State corporate entities active at the retail level.

- Liabilities within the statutory housing funds but inconsistent with the institutional and funding framework will be transferred to appropriate institutions/departments to the extent that agreement can be reached.

5.2.5 The State corporate and parastatal sector

For a wide range of historic reasons the housing market in South Africa currently is distorted and abnormal. It is incumbent on government, on a short term temporary and longer term permanent basis, to intervene to ensure that the imbalances, distortions and anomalies in the housing market are overcome. Such facilitative intervention by Government is envisaged to be primarily aimed at creating an enabling environment for delivery by the non-State sector but may, where necessary and desirable, include direct State involvement in delivery.

It is believed that, to be effective, such facilitative interventions should be performed by institutions structured, funded and targeted through unambiguous mandates, to fulfil specific facilitative functions. These functions are not the normal functions of a civil service department but should be structured on business principles within parastatal corporate entities, fully and transparently accountable in terms of managerial performance and financial responsibility to government and the public at large.

Parastatal organisations in the housing sector are currently characterised by overlap, inconsistencies in policy and approach, mandates conflicting with those of other organisations or with the policies and strategies of government and a distinct lack of transparency and accountability.

It is envisaged that all housing funding functions fulfilled by all parastatal organisations will be rationalised and restructured into clearly mandated, accountable and streamlined new or restructured parastatal bodies, focused on specific mandates in the housing process. Where such housing functions are being fulfilled by organisations under the control of other government departments, the cooperation and agreement of such departments in such rationalisation and restructuring processes will be sought.

Government's objective with the process will be to rationalise and restructure within a coherent long term institutional framework which will serve the best interests of housing in the country and will enhance overall cost effectiveness, efficiency and sustained delivery in the sector.

Restructuring and rationalisation will be planned and undertaken with the full involvement and participation of all affected institutions.

5.2.6 The private sector

State resources and capacity to deal with the massive housing backlogs and the process of reconstruction and development in the housing sector are severely limited. It is recognised that South Africa cannot address this massive challenge without the mobilisation of the collective resources, capacity, knowledge and skills in the broader non-State (private) sector.

Government housing policy and strategy is essentially directed at utilising limited State resources in order to achieve maximum gearing of such efforts and resources with nonState investment and delivery.

The concept of a broad partnership between the State and the non-State sectors in addressing the housing challenge in the country is central to Government's approach. As far as the specific stakeholders in the non-State sector is concerned the following approaches are envisaged:

5.2.6.1 The suppliers of materials and services to the housing sector

The housing sector is emerging from a prolonged depressed period of low activity. It is of critical importance that the material and services supply sector to the housing industry impose effective measures of self regulation and control in order to contain inflationary pressures on the prices of goods and services. It is recognised that direct government intervention in this regard is undesirable and likely to be less effective but this will be undertaken if this sector is unable to impose the necessary self regulation, timeously and effectively.

Vigorous and open competition on level playing fields by a wide range of suppliers is believed to be the most effective mechanism to secure the maximum possible stability and restraint in pricing.

5.2.6.2 The construction sector

This sector obviously is a key link in the chain of delivery. The stark dichotomy between the resource and skills base of the largely white controlled and owned formal construction sector and the relatively disadvantaged less formal and predominantly black small construction sector, is detrimental to the effective mobilisation of all non-State resources in the delivery effort required.

Government housing subsidy policy, tender procedures and procurement policies will increasingly be directed towards facilitating and encouraging a bridging of this gap. It is essential that an equitable and comprehensive partnership between the large and small contracting sector be established which will enable the sustained upliftment, integration and growth of the less formal sector within the main stream construction industry. Although the growth and support of the emerging (black) construction sector is not seen as a primary housing responsibility and therefore does not justify the allocation of housing funds, housing policies and strategies should pro-actively seek to facilitate the participation of this sector in the housing process.

As with the suppliers of material and services to the housing sector, self regulation within the construction sector of construction prices will be a critical element to the success of a large scale national housing delivery programme. Uninhibited escalation of construction prices will inevitably destroy any benefit to be attained from State subsidies and will unavoidably lead to the necessity for government imposed measures to counteract such a threat.

As with the supply industry, Government is committed to the promotion of

vigorous competition between as many as possible delivery agencies in the housing construction sector.

5.2.6.3 The financial sector

The extremely low (almost insignificant) level of end user finance provision to people in the income categories below R3 500 is cause for great concern. Given the limitation on State resources, the mobilisation of private credit for housing purposes is a central aspect of government approach to housing.

Government recognises and accepts the responsibility to create and maintain a lawful environment in which contractual rights and obligations are respected and enforceable. At the same time it is believed that there is an obligation on the private sector to support Government in its efforts to stabilise an environment which has become increasingly destabilised over the past few years as apartheid structures broke down.

The effective withdrawal of private sector finance from low-income communities causes a further deterioration in physical and environmental conditions in these areas which in turn leads to conditions resulting in even further withdrawal of investment. If this cycle is not broken the situation cannot be expected to improve.

A number of incentives and measures in order to create a more conducive environment for private investment and the provision of credit in these areas are under consideration and more fully dealt with later. These incentives and measures are aimed at facilitating structural adjustments within the major banks in order to enable their sustained and viable involvement in the provision of housing finance at the lower end of the market. At the same time measures are also introduced to stimulate the sustained growth of specialised lenders to supplement and compete with the efforts of the major banks.

The contractual savings industry in South Africa controls vast savings of the nation of which very little currently finds its way into housing. It is essential that ways and means be found to channel a significant proportion of these resources into housing investment. This is a task of which the proposed National Housing Finance Corporation will be specifically mandated to focus from this and other appropriate sources. The NHFC is envisaged to constitute a central conduit which will implement the necessary mechanisms to create institutional and financial framework in the housing sector which will attract the required level of investment in housing.

5.2.6.4 Employers

The housing circumstances of employees have a material influence on their health and productivity. The housing crisis facing South Africa requires the mobilisation of every effort, including those of employers in relation to their employees. It is incumbent on employers to know the housing circumstances of their employees and to, within their means, provide advisory, administrative, financial and other material assistance in order to improve the housing circumstances of their employees. This process and challenge would be undertaken in consultation with the affected workers and the representative trades unions.

5.2.7 Community and civil society

South Africa's housing inheritance can largely be attributed to top down and ideologically driven development approaches. It is held that, by making housing development peoplecentred, the major disadvantages resulting from these past approaches will be overcome.

As is already evident in Government subsidy policy' meaningful and structured participation by communities in the processes of needs identification, prioritisation, planning and the implementation of housing development projects will increasingly become central requirements of Government policy and subsidy assistance.

With increased involvement in the decision making process, the accountability of communities in the process of housing delivery will also increase. An environment conducive to all parties meeting their obligations must be created, if sustainable development is to be achieved.

5.2.8 Non-Governmental organisations

5.2.8.1 Fora of civil society

Organisations such as the National Housing Forum and various emerging Provincial Housing Fora have an important role to play in facilitating the involvement of broader civil society in the housing debate and in voicing the views of broader civil society on housing.

Past experience has clearly indicated that, without the active involvement and participation of broader civil society in the design of housing policies and strategies, these policies and strategies are likely to fail in their objectives. Government will therefore continue to encourage the activities of these fora and will remain accessible for inputs from these fora in order to inform its processes of decision making.

5.2.8.2 Non-Governmental Service Organisations

Non-Governmental Service Organisations or NGO's have played and are playing a significant role in supplementing and building capacity at community level. It is believed that these organisations have a very important role to play in this respect. In particular, such NGOs should continue to provide valuable support and assistance to communities, especially those faced with the challenges of engaging in a sustainable development process for the first time.

5.3 Subsidies

High levels of unemployment, relatively low average wage levels and the levels of costs in the provision of housing, contribute to a major affordability problem in South Africa. The ability to contribute to the cost of housing is severely limited in most families in the country. Given the constraints imposed by the need for fiscal discipline, it is clear that the State will not in the foreseeable future be able to provide levels of subsidisation at the lower end of the market which are sufficient to cover the costs of delivering a formal house to every South African in need of housing.

It is therefore central to Government's approach to the provision of housing to utilise a combination of the provision of subsidies within the fiscal abilities of the State to those most in need and least able to contribute to the costs of their own housing and, through various mechanisms, mobilising individual savings as well as private/non-State credit in order to supplement subsidy assistance provided by the State.

5.3.1 Eligibility

Legal RSA residents with monthly household (joint spouse) incomes below R3 500 (in 1994 terms) are envisaged to remain eligible for State subsidy

assistance for the foreseeable future. Subsidy programmes are envisaged to continue to focus on family housing.

5.3.2 Focus on the poor

Government remains committed to a system of subsidisation which is biased in favour of those most in need of Government assistance. It is essential that the bulk of State housing resources be utilised to assist the poorest of the poor and the introduction of a fourth (higher) category of subsidy, for the lower end of the market, has been decided upon.

5.3.3 Tenure

Security of tenure is a key cornerstone of Government's approach towards providing housing to people in need. In this regard, Government rejects the elevation of the individualised private home-ownership above other forms of secure tenure. Subsidy policy will therefore be designed to provide for the fullest range of tenure options, on the basis of a limited State contribution to be geared by private (individual) investment, credit/finance and, where possible, the sweat equity of the owner. Ensuring that subsidies can be made available in areas where traditional tenure arrangements apply is essential and this issue is currently under investigation.

5.3.4 Market anomalies

Government recognises the fact that, for a variety of historic reasons, a range of historic subsidy anomalies are currently existent in the housing market. To the extent that it is affordable within fiscal constraints applicable and the need for balance between total State funds available for new housing and needs for housing in the country, it is Government's intention to address some if not all of these historic anomalies in order to level the playing fields for a sustained take-off in housing delivery at scale.

5.3.5 Subsidy mechanism

The capital subsidy approach adopted under interim arrangements implemented recently meets the criteria of transparency, ease of budgeting, fiscal discipline and the ability to provide the individual with the maximum freedom of choice and benefit. It is therefore envisaged that this subsidy mechanism will be retained as a national subsidy approach, and be subject to a constant process of evaluation.

5.3.6 Subsidy programmes

It is recognised that an appropriate balance between project based and individual subsidy allocations is essential in order to-

- enable scale delivery; and
- the development of a diversified primary and secondary demand for housing by individuals, groups or communities exercising maximum freedom of choice.

Government will not introduce hidden subsidies over and above the basic capital subsidies being made available to the end user. It is regarded as essential that financial equity with regard to all types of State assistance should apply throughout the Republic. In addition to the project based subsidy programme already in place, Government will introduce a range of specifically designed lump sum subsidy instruments to support a broad and innovative housing delivery process in the country. Aspects already covered or to be covered include inter alia:

- individually accessible as well as project based allocations of subsidies for individual ownership purposes which will be either:

> Non-credit linked and therefore attract limited gearing with private resources

In these instances subsidies will be available directly from the subsidy authorities [Provincial Housing Boards (PHBs)], either to individuals applying on approved projects (where the PHB has reserved a specified number of subsidies for the project), or directly to the PHB to acquire a property not situated on an approved project.

> Credit and savings linked and therefore attract significant gearing

In these instances individuals will be able to, at the time of applying for a loan with an accredited financial institution apply for a subsidy and at the same time register for a special, government endorsed, savings linked credit scheme (or prove an adequate savings track record and accumulation). Once savings requirements in terms of the scheme are met the applicant will be ensured of a subsidy and, provided eligibly still applies, a housing loan. Financial institutions have agreed to reduce deposit requirements for loan applicants under this Savings Scheme.

- Subsidies for collective social and rental housing, directed at institutions supplying such housing.

Government believes that it has a significant role to play in actively developing and supporting new and innovative approaches to social housing, especially where these provide for the self-management of housing stock within the ambit of such institutions. This is an area of housing opportunity that has long been neglected in this country, and may well require significant engagement with international expertise and experience.

Subsidies under these programmes will be provided to the institutions involved (not to an individual beneficiary) and will go towards subsidising the capital cost of new housing units built or existing units acquired by approved institutions, to be made available in the market under the rules of the Subsidy scheme. Units can only be made available to beneficiaries eligible in terms of the normal requirements of the subsidy scheme. The institutions involved will be subject to restrictions to prevent subsidies from being utilised for private gain. Individual beneficiaries leasing such stock will not be disqualified for purposes of ownership subsidies and, provided eligibility criteria are met will be able to access such subsidies provided that the subsidized (social) stock is vacated.

- Subsidies specifically designed and targeted at redressing anomalies created by past Government subsidisation interventions.

It must be noted, however, that the State's ability to deal with these anomalies, given their magnitude, is extremely limited and that, to the extent that subsidisation under these circumstances will be considered, this will by necessity be done at the expense of new housing delivery.

The project based consolidation subsidy to be implemented will make available a supplementary grant to the amount of R5 000 per beneficiary, on approved projects where serviced sites only were previously provided by the State or with State grants (including capital subsidies made available by the Independent Development Trust).

This subsidy can be applied towards -

- > the acquisition of building materials;
- > building a starter top structure;
- > expanding an existing starter structure;
- > off-setting in part or in full, a housing loan obtained by the beneficiary; and
- > paying a deposit in order to gain access to a housing loan.

5.3.7 Levels of subsidy

Government's primary aim with the introduction of subsidies is to, in the first instance, provide security of tenure and access to basic services as well as possibly a rudimentary starter formal structure to the poorest of the poor.

In recognition of the severe financial constraints faced by the relatively large proportion of households with monthly incomes below R800, it has been decided, in anticipation of a substantially increased 1995/96 housing budget, to introduce a fourth (higher) level of subsidy at this level in the market. The following subsidy levels will apply to new subsidy applications with immediate effect under project allocations by the Provincial Housing Boards established under the Housing Arrangements Act (No. 155 of 1994):

Joint spouse monthly income (R)	Subsidy* (R)
0 - 800	15 000
801 - 1 500	12 500
1 501 - 2 500	9 500
2 501 - 3 500	5 000

Adjustable by up to 15% (on an area, not project basis) at the discretion of the relevant Provincial Housing Board, for locational, topographical or geotechnical reasons.

In order to maintain financial equity, subsidy levels may be varied for geotechnical, topographical or locational reasons, in the various provinces (on an area rather than project basis) within these guidelines. It is also proposed to allow for the application of the variation in cases where special needs apply, as in the case of the disabled.

5.3.8 A national subsidy standard

The level of subsidisation provided by the State has to be perceived as equitable by all communities. It is essential that financial equity is perceived by all beneficiaries in as far as State assistance for housing is concerned, across the nation. Significant disparities in subsidy approach and value between provinces will affect housing standards and have the inherent potential to prejudice the economic interests of provinces perceived to be providing inferior/lesser benefits. In terms of section 126 of the Constitution Amendment Act, No. 2 of 1994, an Act of Parliament in respect of matters requiring minimum standards to be set across the nation and/or in which provincial disparities may prejudice the economic interests of another province, will prevail. A national subsidy standard is believed to be such a

matter and it is therefor not envisaged that subsidy mechanism or level variations on a provincial or local/metropolitan basis, will be possible. It will, however, be imperative to allow maximum flexibility with regard to provincial and local innovations in the application of the subsidy, provided that no hidden subsidies should be provided in the process.

5.3.9 Subsidies and rural housing

Present subsidy policy deals with urban circumstances with freehold or leasehold tenure arrangements as well as with housing provision in formal towns in the rural area where such tenure can be achieved. Areas where traditional tenure regimes apply are still effectively excluded, which is an undesirable situation. Government is currently investigating the feasibility of providing subsidies in these areas linked to a set of criteria which will evaluate the security of residential tenure of applicants, and particularly the case of women in this regard. Farmworkers are effectively excluded as secure tenure is rarely achievable and because of the linkage between employment, the place of employment and the home. Subsidies for farmworker housing (currently provided by the Department of Agriculture to the farm-owner) are envisaged to be replaced by end user subsidies to be provided via the Department of Housing.

Mechanisms to de-link farmworker housing from the specific farm/employer are under investigation and several schemes such as the possibility of the establishment of Agrivillages (where secure tenure will be available) on a pilot basis, sectional title and security of investment, are under consideration.

5.4 Savings

For a variety of reasons there is a general declining in trend in personal savings and investment in housing in South Africa. Government regards personal equity in housing as a corner stone of a sustainable housing delivery process. Savings can also be used to gain access to credit in order to gear State subsidy assistance and own equity in acquiring housing. It is therefore Government's intent to allocate a portion of the national housing budget towards individually directed subsidies to be linked to a programmed savings and housing credit scheme (savings linked credit scheme). In exchange for a consistent and regular pattern of savings by the individual over a prescribed minimum period of nine months and the individual being eligible for credit at the time of completion of the savings cycle, accredited lenders in terms of this scheme, will undertake to make available a mortgage loan or other housing finance to such a client. This mechanism is intended to have the effect of increasing control in the hands of individuals with regard to access to housing credit, provides mortgage lenders with an enhanced ability to assess credit worthiness and a level of comfort with regard to the ability and willingness of the individual to repay. It is anticipated to mobilise a significant amount of private, personal investment in housing in the country, as well as have a significant impact on gender relations within the household. These effects are expected to be vital components of stability and sustainability in the sector.

5.5 Housing credit

The availability and accessibility of credit for housing purposes has been identified by Government as a key cornerstone in a sustainable housing delivery process. After an extensive process of consultation, research and investigation the conclusion has been reached by Government that short and medium to longer term intervention by Government is essential to enable a resumption of lending at scale and to ensure sustained capacity mobilisation and growth as well as expansion of lending activities to lower-income people.

5.5.1 Major banks

It is essential that housing credit for low-income people should become available at scale in the shortest possible time frame and the conclusion has been reached that an important part of the solution in the short to medium term is the mobilisation at scale of the major banks (mortgage lenders) into the lower end of the market. Only these institutions have the infrastructure, resources and expertise to make the necessary impact in the short term. A banking code of conduct for housing finance, general lending considerations and an agreement on lending targets, disclosure and monitoring mechanisms have been negotiated with the Association of Mortgage Lenders. The historic agreement will result in large-scale resumption of lending on a transparent, accountable and sustainable basis, starting off with a target of 50 000 loans during 1995/6 at the lower end of the market (down to loan size of R10 000) and growing to exceed 1 000 000 loans per annum by 1999.

5.5.2 Non- Traditional Lenders (NTRLS)

Various parastatal and non-Governmental organisations involved in the provision of housing credit, play an important role in the provision of credit and especially in developing innovative new approaches to such provision. The capacity of this sector, however, is currently relatively limited and, although Government intends to provide specific support in order to grow and expand this sector, focus will in the short term, also have to be on the major banks if the availability of credit is to be enhanced. The need for special purpose lending vehicles as pioneering and innovating institutions is, however, recognised and programmes to ensure the sustained growth and expansion of this sector are envisaged to be part of the mandate of the National Housing Finance Corporation.

5.5.3 Facilitating the provision of housing credit It is recognised that, for large scale provision of housing credit to be sustainable, such credit provision has to be viable and profitable for the lending institutions, while affordable and accessible for the target market. Against this background, Government is currently implementing a number of facilitative measures aimed at creating an environment within which sustainable housing credit provision will be possible.

5.5.3.1 Immediate measures The effective withdrawal of finance to the lower end of the market in large areas in the country, necessitates extraordinary steps in order to facilitate a resumption of lending activities. Having identified the major banks as the most significant short term source for such finance, government has engaged in negotiations with the banks in order to determine the requirements for a re-engagement in the market. As a result of these negotiations the following short term interventions are envisaged in order to enable the banking sector to engage on a sustainable basis, given a substantially abnormal lending environment in many areas in the country:

(a) Mortgage Indemnity Scheme Financial institutions have, over the last few years, suffered significant losses as a result of a situation in many areas where factors largely outside the control of these organisations, have prevented the exercising of normal contractual rights and the beneficial accessing of underlying securities of loans foreclosed upon. As a result of this, financial institutions have identified a requirement to be indemnified against a re-occurrence of such a situation where lending has to take place in areas where such a risk may exist. As a temporary measure to overcome these concerns of the financial institutions and enable an immediate scale resumption of lending at the lower end of the market, government will implement an indemnity scheme in terms whereof the State will indemnify accredited financial institutions against losses incurred under circumstances

where beneficial vacant access to underlying securities cannot be obtained, due to the breakdown in the due process of law. The scheme will be introduced for an initial three year period only and cover will be provided for all existing performing mortgages as well as new mortgages granted by accredited financial institutions. Claims will only be met where loans were made in terms of lending considerations approved by the mortgage indemnity scheme and will be subject to defined limitations. Cover will be phased out after year three with cover only remaining in place after the end of year three on mortgage loans in those areas where the risk covered is still material. It will be essential for the State to act decisively against continued occupation (without due arrangements and payments being made) of properties bought in under MIS.

(b) Existing Properties in Possession (PIPs)

Large portfolios of properties, involving approximately 16 000 properties, are currently held in possession by financial institutions where a breakdown in the due process of law is preventing the execution of court orders and beneficial, vacant attachment of the properties.

This situation has to be normalised, if new development is to resume. Of specific importance will be the necessity for dealing with these properties and the occupants in a manner consistent with approaches adopted under the MIS.

In terms of the understanding reached with the mortgage lenders, existing PIPs will be individually assessed on a programmed basis over the three year MIS cover term.

If the breakdown of the due process of law is assessed to be the partial or sole cause of an inability of the financier to secure beneficial, vacant possession, part or all of the holding costs on such PIPs will be taken over by the State for the remainder of the three year MIS cover term. Firm steps will be taken against occupants refusing to vacate or pay for occupation, while efforts by both the financier and State will continue to dispose of the property.

Should a PIP not be disposed of by the end of the three year MIS cover term and the breakdown in the due process of law still prevails, MIS will purchase the affected property from the financier in terms of normal MIS claims procedures.

(c) Rightsizing

One of the major contributing factors to the large property in possession holdings of financial institutions where beneficial vacant occupation cannot be obtained and people are remaining in houses illegally, stem from the fact that limited alternative accommodation for such households exist. There are no appropriate mechanisms through which these families can be assisted to either down-size in terms of debt and move into more affordable accommodation or to move into starter schemes in cases of severe economic hardship, exist.

Government and participating mortgage lenders are jointly establishing a service organisation (SERVCO). This organisation will specialise in providing assistance to individuals experiencing difficulties in continuing to meet their obligations under existing loans. The service organisation will, in addition, also provide an ongoing service to the mortgage indemnity scheme and financial institutions with regard to new properties purchased under the MIS or new loans experiencing difficulties under cover of the MIS. The possibility of linking the Consumer Protection Programme into these

service centres, is also under investigation.

(d) National Home Builder Warranty Fund

Defective workmanship and other product defects have, in the past, compromised housing consumers and contributed to payment stoppages and consequent losses by financial institutions. Government is of the view that contractors should be obliged to stand behind products delivered to vulnerable consumers without the necessary knowledge and expertise to assess the technical integrity of the product received. It is further believed that the construction industry as a whole should create a mechanism through which an accredited contractors' warranty will be backed by a central warranty mechanism in the event of such a contractor failing or not being able to meet his/her warranty obligations.

The construction sector has responded positively to a proposal for self regulation and the creation of such a warranty mechanism within the industry. A high level task team appointed by the construction and material supply sectors as well as the affected professionals are currently working on proposals in order to design a warranty scheme which will comply with criteria jointly developed between the Department of Housing and various affected parties. Of specific importance will be to ensure that such a scheme does not, by virtue of qualifying requirements exclude small and emerging building contractors from participation in the provision of housing. The possibility of special mechanisms to enable such participation without compromising the right of the consumer to a proper standard product, is currently under investigation. It is envisaged that consumers will given the choice to either contract with an accredited contractor or to deliberately waive cover under the proposed warranty fund, under which circumstances there will be a legal obligation on the contractor to disclose this fact to the buyer.

(e) Consumer protection Many instances of malpractice around advertising and marketing of lower cost housing as well as fraud and the theft of deposits, have occurred in the recent past. It has become clear that relatively unsophisticated consumers have become the easy prey of the many unscrupulous operators in this market, not all of whom can be described as small or 'fly-by-night'. This situation is exacerbated by the relatively low entry barriers to the home building industry which attract opportunists who in many instances do not last long. In the process of their demise they often deprive families of vital savings accumulated for deposit purposes. The effects of this practice are compounded by the fact that such deposits are not considered as trust money (such as money paid to an attorney or registered Estate Agent). An investigation into this matter has commenced under section 8 (4) of the Harmful Business Practices Act, No. 71 of 1988, and a Notice to this effect has been published in the Government Gazette. Pertinent legislation to regulate such activities, proposed by the Department of Trade and Industry, is currently under consideration. It is Government's intention to fully explore all current legal remedies and determine their adequacy and to implement appropriate measures to provide adequate protection to consumers, should current measures prove to be inadequate.

(f) National education programme Many of the problems associated with the provision of finance and the exploitation of consumers relate to the very low levels of awareness and understanding of the technicalities around housing and housing finance amongst the majority of the population of South Africa. This historic disadvantage founded in the limited exposure that people in the past were afforded to these issues, has to be addressed vigorously. A proposal for the creation of a National Housing Education Fund which will fund appropriate national and provincial educational programmes aimed at informing and educating the general public about housing matters, is

under consideration. Such a drive will be implemented in conjunction with the envisaged political campaign aimed at the resumption of payment for services received and is seen as a vital component of an overall strategy to stabilise the housing environment.

(g) Fixed instalment mortgage instruments The ability of borrowers to absorb the impact of fluctuations in instalments is severely limited at the lower end of the market. Large fluctuations in interest rates have in the recent past resulted in significant numbers of foreclosures as a result of instalments suddenly becoming unaffordable. The Association of Mortgage Lenders have indicated that the banking industry intends to introduce fixed instalment mortgage loans by the end of 1994. This initiative is encouraged by Government as it is believed that the introduction of such instruments will contribute significantly to meeting the requirements of the market. The principle of pricing for risk and cost is likely to result in a higher interest rate on such bonds than the prevailing bond rate. Accordingly, possible ways to reduce the cost of administration of such loans will be investigated by Government, with the private financial sector.

5.5.3.2 The establishment of a National Housing Finance corporation The possibility of a "National Housing Bank" was raised in the Reconstruction and Development Programme. Following extensive investigations, including international expertise from a number of countries, it was concluded that an institution tasked with unlocking housing finance at the wholesale level at scale and on a sustainable basis, has become necessary. Given the nature of its envisaged activities the name "Bank" is believed not to be appropriate, and the proposed institution will rather be known as the National Housing Finance Corporation. The range of interventions identified to be necessary to mobilise credit are believed to require the efforts of a focused agency which will have to be seen to be transparently accountable and whose performance can be objectively measured in terms of effectiveness and efficiency. Government therefore is currently finalising the detailed design of a National Housing Finance Corporation with the mandate to promote and facilitate sustainable provision of credit at scale, predominantly in the government subsidised housing market. Work is being undertaken in order to determine the exact nature of the functions to be performed by this corporation which may, inter alia, include: - As agency of Government:

- > The accreditation and monitoring of lending patterns and performance of lending institutions,
- > the identification, encouragement and support of viable, people-driven, innovative approaches to mobilisation of savings and credit,
- > the management of the national housing education fund,
- > the management of the proposed (temporary) Mortgage Indemnity Scheme,
- > overseeing and monitoring the activities of the proposed SERVCO;

As agency for the National Housing Board:

- > The administration of credit linked subsidies and the credit-linked savings scheme;

As parastatal business corporation:

- > The possible partial underwriting of fund mobilisation by lending institutions involved in experimental lending activities at the lowest end of the market,

- > the funding or partial underwriting of the funding of rental and social housing retailing institutions,
- > the introduction of securitisation instruments into the market,
- > providing a conduit for international investment earmarked specifically for housing in South Africa,
- > the issue of own paper in the market for purposes of funding activities or the partial underwriting of paper issued by retail lending institutions,
- > the management of a proposed equity assistance fund for specialised lenders, including specialised (national or provincial) State corporate retail lending entities,
- > the monitor/regulation of the national home builders warranty fund, and
- > research and development activities around the promotion and facilitation of credit provision in the country, both at the wholesale (funding) and retail levels.

The work currently being undertaken will determine the final functions, institutional positioning and the capitalization needs of this organisation. It is intended that a corporate institution which is self sufficient in terms of operating costs and eventually capitalization will be established and, if possible and desirable, an existing institution will be rationalised/ converted into the new entity.

The new entity will be given a clear and unambiguous mandate and will be required to fully and publicly account for costs, income and risk exposures.

Regular efficiency and effectiveness audits as well as performance audits with full public accounting to Government and Parliament will be required in terms of legislation enabling the establishment of the National Housing Finance Corporation. It is Government's firm intention to establish the Corporation as a matter of the most extreme urgency.

With regard to short term (temporary) interventions to be introduced and managed by this Institution, specific sunset provisions requiring parliamentary review will be built into the design, in order to establish the necessity to continue with these interventions at regular intervals as well as evaluate their effectiveness and efficiency.

5.5.3.3 Rural housing finance

Similar to subsidies, finance for housing outside formal towns in rural areas is virtually impossible to access.

The National Housing Finance Corporation will have, as explicit part of its mandate from government, the responsibility to investigate, design and introduce/promote mechanisms through which access to credit for housing purposes can be substantially broadened.

This aspect will also form an integral part of the envisaged Agri-village pilot programme as well as other approaches under consideration for subsidy purposes.

It is further anticipated that the issue of rural credit is to be the subject of a Presidential Rural Finance enquiry, which is likely to provide greater clarity on the status quo and way forward in this regard.

5.6 Housing support

Households access housing at a level commensurate with what they can afford at the time. Given the subsidy approach outlined earlier. South Africa can only afford to provide limited financial assistance to beneficiaries in the lower-income segments of the housing market. In order to assist individuals and communities in the housing process, Government is currently considering the establishment (in conjunction with the private sector where possible) of housing support mechanism throughout the country. These mechanisms are envisaged to, inter alia, provide

- advice and support to communities in the planning and funding of new housing developments and their continuous upgrading;
- advice to prospective home owners/tenants on technical, legal and financial as well as consumer protection aspects;
- planning assistance including the quantification and costing of material and other requirements;
- assistance and advice in respect of contracting and supervision;
- assistance and advice in terms of material procurement at affordable prices; and
- advisory support during the implementation/construction process.

Such mechanisms will have to be subsidized from State sources but should, as far as possible, involve contributions and participation of the private sector, and are seen as essentially instruments in the hands of local government, to support local communities in their quest to satisfy their housing needs. New housing developments must therefore be undertaken on a programmed basis to ensure that projects are public investment priorities until the necessary levels of social services and development of the public environment have been achieved. Apart from multi-functional public investment in order to achieve this, the mobilisation of credit for housing purposes for those who can afford it, will be a critical success factor in such ongoing upgrading processes.

5.7 Land and the housing development process

The land delivery process, that is the identification, allocation and transformation of undeveloped land into serviced land for residential settlement (land development) is a critical component of the housing supply process. The effectiveness of land delivery has a fundamental impact on -

re the rate and scale of housing supply; the potential for housing supply to contribute to the socioeconomic development and environment of poor communities; and the potential for housing supply to contribute to the racial, economic and spatial integration of South Africa.

It is recognised that policies for most of the issues in land delivery fall outside of the authority of the national and regional housing authorities. However, given the key role of land delivery in housing supply, it is essential that a housing perspective informs the future development of land delivery policy at the national and regional levels. This approach is in line with the emphasis placed in the Reconstruction and Development Programme on the coordination across various government departments involved in development.

Within the objective of providing the context for the future formulation of

detailed policy (comprising policy, administrative practice and legislation), this White Paper proposes policy approaches for a number of components that fall within the land delivery process. The approaches proposed are those which best serve the overall housing strategy outlined earlier.

The components included in the scope of proposed land delivery policy are:

- Land Use Planning;
- Land Development and Land Use Control;
- Land Registration and Tenure Systems;
- Infrastructure, Services Standards and Tariffs;

Urban Mechanisms for resolving conflicts in the Land Delivery Process; and
Alienation of State owned Land.

The fundamentally important issue of land restitution is explicitly excluded from the scope of land delivery policy. This is because restitution is a specific programme within land reform policy and not necessarily part of development-oriented land delivery policy.

Clearly once communities have been allocated land through a restitution process, the policies relevant to the transformation of that land into serviced land for residential settlement will apply.

It is expected that detailed land delivery policy will be formulated at the national and regional levels in the medium term, that is over the next one to two years. However, in the short-term, the National Housing Ministry and Ministry of Land Affairs jointly tabled in Parliament this year, a Development Facilitation Act. The Act proposes to give legislative effect to land delivery policy. In addition, the Development Facilitation Act provides the enabling legislation to set up appropriate institutions that would formulate comprehensive and detailed land delivery policy at national and regional levels in the medium term.

Land delivery processes, i.e. land identification, land assembly and land development, are processes that are relevant to a variety of land uses other than housing or residential settlements. It is recognised that detailed policies, administrative practices and legislation developed over time within the ambit of land delivery policy will have to be informed by the requirements of sectors other than housing.

What is therefore presented in this document is a policy perspective on land delivery informed by the need for South Africa to address the housing challenge within the overall approach outlined earlier.

5.7.1 Overall policy approach

The following points of departure should inform detail policy formulation in all areas that fall within the scope of land delivery policy.

5.7. 1.1 Comprehensive approach

Policies, administrative practice and legislation should address both urban and rural settlement needs, should facilitate all forms of housing as envisaged in the overall housing delivery approach and should facilitate both new residential settlements and the formalising of existing settlements.

5.7.1.2 Equity in products of land delivery processes

Notwithstanding the use of a variety of different procedures in land assembly and land development, to suit different circumstances, no one form of human settlement should be accorded less legitimacy and permanence than any other form. To do so would marginalise communities and undermine their economic, social, physical and institutional integration.

5.7.1.3 Effective and integrated development

Policies, administrative practice and legislation should promote efficient and integrated development, in that they -

- Promote integration with respect to social, economic, physical and institutional aspects of development;
- promote the integrated and balanced development of rural and urban areas in support of each other;
- promote the location of residential and employment opportunities in close proximity to or integrated with each other;
- optimise the use of existing physical and social infrastructure;
- provide for a diverse range of land uses at all levels (local and regional);
- discourage urban sprawl;
- contribute to the development of more compact settlements, towns and cities;
- contribute to the correction of the historically distorted racial and spatial pattern of South African towns, cities and rural areas; and
- facilitate and encourage environmentally sustainable development.

5.7.1.4 Housing as a desirable land use

While recognising the extent of the development challenge in the RDP and therefore the competing claims for the utilisation of land, housing as a land use should not be subordinated to other land uses (e.g. mining, industrial).

5.7.1.5 Non-discrimination

The principle of non-discrimination should be upheld in all policies, administrative practices and laws relating the land delivery process. This is of particular importance in the rural context and in respect of gender equality.

5.7.1.6 Presumption against homelessness

Policies, administrative practices and laws should be such that their implementation does not render people homeless.

5.7.1.7 Participation

In the administration of land delivery process, the maximum degree of public participation should be sought. The absence of such an approach will merely serve to continue and exacerbate the ignorance, anger and emotion surrounding

the release of land, and land use.

5.7.1.8 Sustainability of land delivery

Policies, administrative practices and laws should promote the sustainability of land delivery in that they should -

- result in the ongoing delivery of developed land at the required scale and rate and on an ongoing basis;
- be within the fiscal, institutional and administrative means of the country;
- promote the development of viable communities;
- promote environmental sustainability and deal sensitively and responsibly with the impact of land development on the environment; and
- be suitable for the affordability levels of South African communities.

5.7.1.9 Expeditious processes Policies, administrative practices and laws should promote expeditious processes for the identification of land, the assembly of land and land development (the transformation of undeveloped land into serviced land for residential settlement).

5.7.1.10 Transparency Policies, administrative practices and laws relating to land delivery should be transparent in that they should-

- be clearly and simply described;
- be made available generally to all interested parties;
- serve as guidance and information not merely as regulatory measures; and
- facilitate the promotion of trust and acceptance.

5.7.1.11 Accountability Public sector administration of land delivery processes should be open and accountable.

5.7.2 Substantive policy approaches

5.7.2.1 Land use planning

Role of land use planning

Land use planning is a specific public sector intervention that creates the framework for managing the allocation of land uses among competing development needs. As such it is a basic precondition for facilitating housing supply. As a key public sector intervention land use planning should serve a range of objectives.

The objectives relevant to housing are -

- to redress the spatial inequities and distortions that have resulted from planning according to apartheid and segregation policies of the past;
- to ensure that housing is developed on well-located land which promotes physical social economic and institutional integration of South African society;
- to translate national and regional reconstruction and development policies

into appropriate on-the-ground development;

- to provide the framework of certainty necessary to mobilise investment into development from both government and non-government sectors; and
- to ensure that well-located land is allocated specifically for affordable housing alternatives.

5.7.2.2 Development and Planning Commission

The Development Facilitation Act provides for the establishment of a Development and Planning Commission. This statutory Commission will be responsible for, inter alia, the formulation of policy, administrative practice and legislation with respect to land use planning. In effect, the Commission will be charged with the sensitive and long-term challenge of reviewing all planning and related legislation in South Africa, with a view to the amendment, repeal and replacement of inappropriate legislation.

5.7.2.3 Urgent identification of land for housing

Given the urgent need for housing it is undesirable that the identification of land for housing is delayed while the planning and development commission is established, the performance criteria are set and land use planning processes are set in motion.

Provincial, metropolitan and local authorities are to identify specific parcels of land that can be developed in the short-term. This identification process is to override existing guideplans, structure plan, zoning schemes or other statutory plans.

The identification of land in the short-term should be guided by the overall policy approaches outlined earlier.

5.7.3 Land development and land use control

Policy on land development and land use control affects all types of development. As such, approaches taken have important implications for housing delivery. As a major development thrust will be the provision of housing, it is appropriate that the policy orientation to land development and land use control accommodates needs from a housing perspective.

The land development process is, by its very nature, a highly complex administrative procedure which requires detailed and fair regulatory frameworks. Within a housing context, the development process should accommodate and legitimise all valid housing processes, including formal and informal housing delivery, new residential settlements, the upgrading of existing settlements in-situ and redevelopment, for example, of inner city areas. Existing regulatory frameworks do not accommodate all of these in a balanced way and may even render some of the processes invalid or unlawful. In developing new systems or amending old ones, it is necessary that policy direction be provided at the national level. This section sets out this broad national approach. It is anticipated that detailed approaches will be developed through other processes, such as that prepared in the Development Facilitation Act.

5.7.3.1 Objectives of land development and land use control

A national policy approach to land development and land use control should from a housing perspective, have the following objectives:

- The land development process should accord equal status to all valid

housing processes;

- the land development process should provide the best possible security of tenure for individuals, families and groups, development agencies and businesses and others who have investments in the land;

- the land development process should deliver housing at the required rate and scale through optimising the contributions of all sectors active in housing;

- the land development process should limit the cost of and the time taken for developing and holding land;

- the land development process should be sustainable;

- the land development process should be transparent;

- the land development process should lead to the establishment of adequate land use control systems for new residential settlements; and

- public sector administration of the local development process should be open and accountable.

5.7.4 Land registration and tenure systems

5.7.4.1 Introduction

Policy on land registration and tenure systems falls within the ambit of the ministry for Land and Regional Affairs.

There are, however, important implications for housing delivery that flow from the policies and legal frameworks that are established nationally for registration and tenure systems. It is therefore appropriate for national housing policy to detail the orientation, from a housing perspective that are required in registration and tenure system.

5.7.4.2 The key requirements of a registration and tenure systems from a housing perspective

Any policy regarding land registration and tenure systems which fails to recognise the enormous importance of the informal land transfer systems operating in South Africa would be incomplete.

Informal tenure systems operate outside of the formal land registries and are based either upon customary tenure or upon existing freehold sites. The informal systems tend to perpetuate themselves in circumstances where the entry barrier into the formal land registration system remains high. Essentially, security of tenure depends upon the community's will and capacity to sanction those who do not conform, from the community. The system leads to abuse in a number of respects:

- Members of a community are unable to enforce an abstract right to property in the face of community pressure, i.e. they are not empowered to maintain their fundamental rights to security of tenure as contained in the Interim Constitution;

- informal tenure systems based upon the sanction of banishment often degenerate into patronage systems which can be very negative for families in a community; and

- customary tenure systems tend to discriminate against women.

However, customary tenure has been historically important in providing a social safety net wherein the moral land ethic to provide to those in need ensured many a displaced person of a place to stay.

The land registration and tenure system must cater for the variety of different housing delivery approaches as envisaged in the overall strategy.

The system must be such that end-user finance in the form of mortgage finance and housing subsidies can flow early on in the development process so driving down the costs of development and ensuring the mobility of developers, particularly in the NGO sectors.

The existence of parallel land registration systems has created unnecessary and unjustifiable complications and distinctions between various forms of title. In most cases, these systems developed in parallel to the mainstream land registration system of the country for ideological reasons, based upon the principle of creating separate, racially based administrations. It is clearly in the interests of institutional simplicity that the administration of land registries currently existing in various jurisdictions comprising the area of South Africa as constituted in 1910, should be unified by incorporating parallel systems into the mainstream Deeds Registry system governed by the existing Deeds Registries Act.

The policy orientation is to further develop informal and customary tenure systems into a formal and registered social contract. The State maintained registration system will be simultaneously developed to accommodate such contracts and hence both the needs of the State and the preference of communities are met.

5.7.5 Mechanisms for resolving conflicts in the land delivery process

5.7.5.1 Introduction

The government's policy position on conflict resolution in the land delivery process has been developed within the context of the Development Facilitation Act (DFA).

Two key needs have been identified in the area of governmental decision-making in relation to land developments:

(a) The need to ensure expeditious and binding decisions of government in difficult cases where bilateral or multi-lateral disputes exist between various stakeholders in the context of a development; and

(b) the need for an approach to 'public sector management' which expedites the traditional cumbersome and time consuming process of gathering comments and approvals in respect of a proposed development, from a range of government departments and public enterprises, without which a development can normally not proceed.

Bilateral and multi-lateral disputes have much potential for dealing and even frustrating projects, in relation to a number of issues, e.g.:

(a) Land development generally (eg. the 'N.I.M.B.Y.' syndrome);

(b) non-linear developments specifically (for example, upgrading projects, where sequential steps traditionally associated with cadastral development have not been adhered to prior to settlement);

(c) engineering services responsibilities of various sectors (eg. local

government and developers);

(d) levels and standards of engineering services, where there is a fundamental difference of interest between the developer and government body (low input cost for internal services, leading to high levels of required maintenance, vs the opposite interest of the public authorities); and

(e) local government jurisdiction.

5.7.6 Policy approach to the disposal of publicly-owned Land for low-income housing

Land held by public authorities represents a significant national asset and the allocation and disposal of it should be undertaken within a policy approach.

5.7.6.1 Points of departure for a policy approach

- The approach is a short-term one to encourage the development of low-income housing;
- it is largely an urban approach, targeting land within and adjacent to local authorities;
- the emphasis is on promoting positive development expeditiously;
- the success of the approach will rely on commitment from local governments and all land-owning public authorities;
- the approach does not attempt to audit all public land; and

the approach does not address the land claims and restitution issue but should not conflict with it.

5.7.6.2 Definition of publicly-owned land

Land that will be subject to the policy approach must include all land currently owned by a public authority that was acquired at some point with public funds or was donated for public use. The authorities included in this definition are central State departments, provincial and local authorities, former self-governing territories and TBVC States, in the first instance. Although more difficult to access, former State but now privatised or commercialised institutions holding former public land, parastatal institutions and State-sponsored institutions should be included.

5.7.6.3 Definition of disposal of land

The disposal of land includes all acts which have the effect of making the land concerned available either for development by that same authority or another party including sale (by tender, auction etc.), donation, land availability agreements and long leases.

5.7.6.4 The proposed approach

Consistent with a housing approach, all publically-owned urban land is ultimately destined for either housing or non-housing uses. Using these two broad distinctions, a two-pronged approach is envisaged:

Approach to non-housing public land

- Where land is destined for non-housing uses, there is the need to

determine whether any of this land is suitable for low-income housing;

- any public land to be alienated or developed by the authority should notify the local authority who will bring these intentions to develop/alienate to a review body;

- a review body should assess the applications and make a decision timeously;

- where land is found to be suitable for low-income housing the review body should notify the appropriate Provincial MEC who shall instruct the authority not to proceed with the non-housing use;

- as a short-term measure, it is proposed that land which is not already zoned in terms of a town-planning or zoning scheme and land subject to rezoning fall within the ambit of this policy; and

the review body should make its decisions based on guidelines developed by national housing, planning and reconstruction and development and on the merits of each application. They should also act in conjunction with institutions adjudicating urban land claims which may be considering similar tracts of land.

Publicly-owned land destined for low-income housing

- Each local authority must make public notification of public land within their area which has been earmarked for low-income housing;

- this identified land will either be disposed of to a developer for low-income housing development or be retained by the authority for development by the authority;

- where land is to be developed by a developer, the methods of disposal of the land must be transparent, fair and open. Current methods used such as public tendering, land availability agreements or long leases must be reassessed to meet these requirements; and

- where land is to be developed by the authority itself for low-income housing, checks are required to ensure that it reaches that destiny. As this land was subject to a public notice, any party may monitor the development and lodge a complaint. The complaint should be lodged with the local authority for land other than local authority land and additionally with the provincial minister where it is local authority land.

Monitoring

- All publically-owned land which has been advertised for low-income housing must, in addition to public 'watchdog' monitoring, be monitored by the local authority. A quarterly progress report must be submitted by the local authority to the Provincial Minister concerned.

5.8 Infrastructure, service standards and tariffs

The policy approach outlined below applies to the provision of water, sanitation, roads, stormwater drainage and domestic energy to housing developments. The question of institutional arrangements in respect of energy is currently being dealt with by the Department of Mineral and Energy Affairs, and is not addressed here.

The policy approach covers four main focus areas:

- Institutional framework and role of sectors;
- standards;
- technology choice and infrastructure choice; and
- cost-recovery and tariffs.

5.8.1 Institutional framework and role of sectors

The current institutional arrangements for the provision of water and sanitation has resulted in the lack of provision of these services in many instances. There is fragmented responsibility at national level, an absence of authorities at provincial level and varying degrees of functionality at local government level. Before proposing institutional reform in this area, certain important principles need to be included in new national legislation to enable effective institutional structures. These principles include-

- institutional arrangements should cover the whole area and population of South Africa;
- national bodies should be responsible for setting and enforcing compliance with minimum standards;
- appropriate water management systems, preferably catchment-based, should be created;
- services should be provided and operated on a sustainable basis with regard to both fixed investment, operation and maintenance and the natural environment. The general consumer must be responsible for paying for the service;
- institutions should be accountable to the communities they serve. There should be clear roles and responsibilities for service provision; and
- responsibility for the provision of water and sanitation services must be devolved to the lowest institutional level where adequate competence and capacity exists.

5.8.2 Standards

There are always cost implications for the setting of standards. As a general rule it should be stated that the higher or more restrictive the standard, the higher the cost to the community as a whole. Sensitivity to regional variation is also important and there may well be instances where, in the national or regional interest, alternative standards that do not meet the accepted standard in the short-term, may have to be considered. The policy approach to the standards issue covers two broad categories of standards -

- environmental standards;
- physical or engineering standards.

(a) Environmental standards

There is a need for a set of national standards for the provision of water and sanitation services and the management and control of human activities on the country's water resources.

Existing standards in terms of the following legislation should be used as

the point of departure in writing new legislation:

- SABS 241 (1984) Water for Domestic Supply: for water quality standards;
- Water Act (Act No. 54 of 1956), as amended: for sewerage effluent quality for discharge into water courses;
- Health Act (Act No. 63 of 1977) for the maintenance of public health; and
- Environment and Conservation Act (Act No. 73 of 1989), as amended: for solid waste.

In respect of electrification, insufficient attention has been paid to the relationship between the thermal efficient qualities of housing, and the generating needs with the energy sector. For example, the provision of basic insulation, including the installation of ceilings, can have a real and quantifiable beneficial impact on our society. This is equally true at the point of consumption as well as at the point of production.

The departments of Housing and of Mineral and Energy Affairs have already had preliminary discussions about the need for, and potential benefits of, a much closer coordinated approach to this issue.

(b) Physical or engineering standards

Due to structural tensions (between authorities developers and consumers) in the provision of services to housing developments, there is the need for a conflict resolution mechanism:

The respective financial and other responsibilities of developers, township applicants and local government bodies to provide internal and external engineering services to a particular housing development; and

the levels and standards of engineering services to be provided in a particular housing development.

Appropriate engineering standards should be formulated at provincial government level. They should be clearly documented and publically available. Significant work has already been done in this area and it is suggested that Chapters 6 to 10 of the so-called "Red Book" produced by the Division of Building Technology of the CSIR, be used as a basis for determining these standards.

5.8.3 Technology choice and infrastructure costs

The policy approach taken in this regard is that provincial authorities should define a service level matrix for use by local authorities. It is important to recognise that the choice of service level is influenced by a range of interactive factors, such as-

- the nature of the housing development eg: greenfield, in-situ upgrading, innercity infill etc.;
- access to and availability of bulk-infrastructure;
- on-site conditions;
- site layout, site sizes and densities;
- community needs and priorities and the need to ensure basic health, safety and welfare;

- ability of local authority to administer and maintain services;
- the ability to upgrade services where necessary; and
- impact of technology choice on the environment.

5.8.4 Cost-recovery and tariffs

The structure of the tariff for both water and sanitation should be set at the national level in terms of the national framework or strategy proposed. This does not imply the changing of nationally uniform tariffs as regional variations must be accommodated.

Underlying the approach set out below, is the principle that communities should pay for the operational and maintenance costs of the service provided. Hence, water and sanitation services should not be provided free.

However, in the case of the destitute, there should be a form of State subsidy administered through the State welfare department, or alternatively creatively applied within the tariff structure itself. As distinct from the destitute, the poor also need to be identified as a target market for policy regarding cost-recovery and tariffs. The category of "poor" should be defined at provincial level and applied consistently across that region.

External bulk and connector services to residential areas must be provided by local authorities and this cost recovered through charges raised on users of the service. This policy position is likely to imply the need for rationalisation of various State corporate structures, so that local authorities are able to access appropriate loan finance for the provision of such bulk and connector services.

Internal infrastructure must be provided by developers at their cost excluding internal revenue generating services.

Water:

The poor should pay a life-line or social tariff, which is transparently subsidised. Other users will have to cross-subsidise this through a tariff structure which rises with increased consumption and includes a subsidy portion, while the possibility of contributions from provincial and even national fiscuses cannot be ruled out, given the potential magnitude of such subsidies.

Sanitation:

Where there are dry, on-site systems the tariff is based on the cost emptying the system. In wet, off-site systems there is a very close link between water supply and sewage disposal hence a cross-subsidy approach similar to that for water is proposed, based on 60% of the water consumption per household per month. A higher percentage may need to be used for flats and other high density areas where more water is discharged to the sewer. (Revise in accordance with recent White Paper on Water.)

Solid waste disposal, roads and stormwater:

For the provision of these services to the poor it is considered most equitable to raise a monthly service charge per household based on the historical operation and maintenance costs of each service.

All other uses should pay the full cost for the disposal of solid waste and

the maintenance of roads and stormwater drainage.