

HOUSING

Policy

Article 26 of the Bill of Rights in the Constitution states that “everyone has the right to have access to adequate housing” and that “the State must take reasonable legislative and other measures, within its available resources, to achieve the progressive realization of this right”.

The Housing White Paper of 1994 and the Housing Act of 1997 set out the National Housing Goal as “increasing the housing budget to 5% of the total budget, in order to be able achieve a delivery rate of 350 000 houses a year”, and state that the National Housing Vision is for:

“the establishment and maintenance of habitable, stable and sustainable public and private residential environments to ensure viable households and communities in areas allowing convenient access to economic opportunities, and to health, educational and social amenities in which all citizens and permanent residents of the Republic will, on a progressive basis, have access to: permanent residential structures with secure tenure, ensuring internal and external privacy and providing adequate protection against the elements; and potable water, adequate sanitary facilities and domestic energy supply.”

The key tools of housing policy in working towards this vision are the housing subsidy programmes. The main subsidy programme is the Housing Subsidy Scheme, in terms of which subsidies are provided for households with incomes of up to R3500 per month to assist in acquiring housing. The different types of housing subsidy are:

- Project linked subsidy (project funding for the acquisition of land, and provision of infrastructure and housing);
- Individual subsidy (to purchase an existing house);
- Consolidation subsidy (for households who own serviced sites);
- Institutional subsidy (for rental or co-operative housing owned by housing institutions);
- Rural subsidy (for households with uncontested informal land rights in areas where there is no individual ownership);
- People’s Housing Process establishment grants (for funding the operating costs of projects in which beneficiaries build, or manage the building of, their own houses) are also part of the Housing Subsidy Scheme.

Other Department of Housing subsidy programmes are the Public Sector Hostel Upgrading Programme (for the redevelopment of public sector hostels) and the Discount Benefit Scheme (for the sale of public rental housing). Closely linked to the Housing Subsidy Scheme is the Department of Provincial and Local Government’s Consolidated Municipal Infrastructure Programme, which provides subsidies to local authorities for the provision of bulk infrastructure associated with housing delivery, e.g. main water and sewer lines.

Major policy changes were introduced in April 2002. There was a 27% nominal increase in project-linked and institutional subsidy amounts and a 36% nominal

increase in consolidation subsidy amounts. A new subsidy band, with higher subsidy amounts, was introduced for recipients of the state old age pension and disability grant and for single women household heads with incomes of R800 or less per month. With the increase in subsidy amounts, the maximum amount of the subsidy that can be used for the land, township development and infrastructure costs has been increased to R9400. The minimum standards for the end product provided by the subsidy remain the same: a 30m² house with a ventilated improved pit (VIP) latrine, a yard tap, and graded (i.e. compacted earth) roads.

Although subsidy amounts have increased, beneficiaries are now required to make a financial contribution of R2 479 in order to be able to access a housing subsidy (apart from People's Housing Process Projects, where beneficiaries contribute "sweat equity"). This will potentially result in the exclusion of many poor people, as there is not appropriate support for People's Housing Process projects in all areas. Another significant policy change was the extension of the National Home Builders' Registration Council (NHBRC) building standards, which are considerably higher than previous building standards, to apply to all subsidised housing, other than in People's Housing Process projects. This has meant that it is still difficult to provide the required minimum standard of housing within the subsidy amount.

Housing subsidy amounts

| Monthly joint income (Rands) | Project-linked, individual and rural subsidy (Rands) | Consolidation subsidy (Rands) | Institutional subsidy (Rands) |
|-------------------------------------|---|--------------------------------------|--------------------------------------|
| Old aged, disabled, indigent | 22800 | 13400 | - |
| 0-1500 | 20 300 | 10900 | 20 300 |
| 1501-2500 | 12 700 | - | 20 300 |
| 2501-3500 | 7000 | - | 20 300 |
| 3501+ | - | - | - |

Note that these are the basic subsidy amounts. These amounts can be increased by up to 15% for difficult site conditions (e.g. steep slopes, hard rocky ground or sandy soils with high water tables).

Strategy and initiatives of government and civil society

The only piece of housing legislation on the table at present is the Community Re-investment (Housing) Bill, which proposes that the Minister of Housing set targets for financial institutions with regard to providing housing finance to "low and medium" income households, either directly or through providing funds for micro-lenders. The Department of Housing is also engaged in revising the hostels policy and formulating a programme to deal with emergency situations (as was required by the Grootboom judgement of 2000). A National Housing Summit, at which there will be interaction between the Department of Housing and various stakeholders around housing policy issues is planned for 2003 (the last National Housing Summit was in 1999).

The People's Budget Campaign, a coalition of the Congress of South African Trade Unions (COSATU), the South African NGO Coalition (SANGOCO) and the South African Council of Churches (SACC) is calling for increased social expenditure. Amongst other things, the People's Budget for 2003/2004 calls for government

expenditure on housing and related infrastructure to be increased towards 5% of total government expenditure.

Delivery/progress on implementation of new policies

Since the introduction of the Housing Subsidy Scheme in 1994, over 1.3 million houses have been delivered. Although this is an impressive achievement, the numbers of inadequately housed households continues to grow.

It was estimated by the National Department of Housing that , based on the Census, there were 2.2 million families without adequate housing in 1996 and that the backlog was growing by 204 000 families per year (National Housing Code, page 2UF). The average annual housing delivery rate during 1994-2002 was 167 000, which is less than the annual growth in the housing backlog. The net result has been growing informal settlements and growing numbers of inadequately housed people, especially in metropolitan areas. It is estimated that the number of inadequately housed families increased by over half a million between 1996 and 2001 (Department of Housing, as quoted in the Western Cape Provincial Housing Plan 2001, page 7.4).

The housing delivery rate has been gradually declining over the past few years. There is likely to have been a significant decrease between 2001/2002 and 2002/2003 due to the increase in the housing subsidy amounts and the introduction of the R2479 beneficiary contribution. Housing delivery for the first four months of 2002/2003 was only 23% of the figure for 2001/2002.

Houses completed or under construction per financial year (April-March)

| Province | 1994-1999 | 1999/00 | 2000/01 | 2001/2002 | 2002/2003 (to July) | Total |
|-------------------|------------------|----------------|----------------|------------------|----------------------------|-----------------|
| Eastern Cape | 78 393 | 10 459 | 9 922 | 56 801 | 3 716 | 159 291 |
| Free State | 57 434 | 8 177 | 26 088 | 9 005 | 383 | 101 087 |
| Gauteng | 177 802 | 144 575 | 25 911 | 20 233 | 6 713 | 375 234 |
| KwaZulu-Natal | 149 126 | 28 997 | 28 547 | 14 379 | 5 016 | 226 065 |
| Mpumalanga | 47 595 | 4 808 | 16 457 | 14 584 | 12 373 | 95 817 |
| Northern Cape | 21 256 | 1 558 | 7 623 | 2 720 | 86 | 33 243 |
| Northern Province | 49 750 | 12 401 | 20 996 | 16 667 | 500 | 100 314 |
| North West | 60 631 | 12 944 | 17 609 | 17 385 | 7 434 | 116 003 |
| Western Cape | 103 730 | 26 916 | 17 730 | 16 634 | 2 358 | 167 368 |
| Total | 745 717 | 250 835 | 170 883 | 168 408 | 38 579 | 137 4422 |

Source: Department of Housing website, February 2003. Note that the table on the website for housing delivery from 1994-1997 is wrong - these figures were recalculated by subtracting annual delivery rates from the current total.

The Budget

The main component of the housing budget is the allocation to the South African Housing Fund, out of which allocations to provincial governments for funding housing subsidy programmes are made.

Government expenditure on housing

| Year | Amount allocated to SAHF (R millions) | Total housing expenditure (R millions) | Housing expenditure as % of total national expenditure |
|-----------------------|---------------------------------------|--|--|
| 1997/98 | 3 224 | 4 520 | 2.4 |
| 1998/99 | 3 005 | 3 748 | 1.9 |
| 1999/00 | 2 721 | 3 494 | 1.6 |
| 2000/01 | 2 998 | 3 329 | 1.4 |
| 2001/02 | 3 226 | 3 711 | 1.4 |
| 2002/03 | | | |
| 2003/04 (budgeted) | | | |
| 2004/05 (MTEF) | | | |
| 2005/06 (MTEF) | | | |

Source: National Treasury, 2001, 2002, 2003

There is an increase in the housing budget from an estimated expenditure of R... billion in 2002/03 to a budgeted R... billion in 2003/04. Transfers to the South African Housing Fund increase from an estimated R... billion in 2002/03 to a budgeted R... billion in 2003/04. Although it is encouraging that the housing budget has been increased, it is still only ...% of total government expenditure, compared to the National Housing Goal of increasing the housing budget to 5% of government expenditure in order to be able to effectively tackle the housing backlog. In terms of the MTEF estimates, this proportion is intended to stay constant at about ...% till 2005/06.

The Department of Provincial and Local Government's Consolidated Municipal Infrastructure Programme budget for housing-related bulk infrastructure has increased from an estimated expenditure of R... billion in 2002/03 to a budgeted R... billion in 2003/04.

Relevant policy issues

Some key housing policy issues are:

- The narrow housing subsidy eligibility criteria mean that many inadequately housed people are excluded, e.g. single people, people below the age of 21 with dependents and people evicted from houses they used to own. Another problem is that the income criteria have not been adjusted for inflation since first being introduced in 1994. An increasing number of people above the subsidy income limit are therefore also unable to access adequate housing.
- Some housing projects have poor quality urban environments, lack essential facilities and are located far from job opportunities. Better use should be made of well-located vacant public land and there should be greater integration of different income groups and residential and non-residential activities. A

funding mechanism to provide community facilities such as sportsfields and playgrounds needs to be introduced, as many local authorities lack the capacity to provide basic facilities for new housing projects.

- Unaffordability of ongoing costs of housing. The introduction of some free services (e.g. 6 kilolitres of water per month) and rates rebates for properties worth below specific values in some local authorities has meant that individual ownership can be a relatively cheap housing option in some areas. Most local authorities have not yet introduced these yet, however, so rates and services are still unaffordable for the majority of housing subsidy beneficiaries, and this has resulted in service cuts and evictions.

Tasks/ key questions for discussion

- Assuming that the current housing backlog is 3 million housing units and it is increasing by 200 000 housing units per year, how many houses per year need to be delivered in order to eliminate the housing backlog within 10 years?
- Assuming an average subsidy amount of R20 000 per beneficiary, how much would need to be spent on housing subsidies per year to achieve the above housing delivery rate?
- Assuming that 90% of the housing budget is spent on housing subsidies, what should be the target for the percentage of total government expenditure set aside for housing?