

HOUSING

The budget: housing

Budget item	2003/04	2004/05	2005/06	2006/07	Real % change 04/05
TOTAL	4 524	4 849	5 172	5 484	+2.4%
Conditional grant to Housing Funds	4 246	4 474	4 745	5 030	+0.6%
Human Settlement Redevelopment Programme	109	116	122	129	+1.6%

Policy

Section 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”. The National Housing Vision is for the establishment and maintenance of habitable, stable and sustainable residential environments which have convenient access to economic opportunities, and to health, educational and social amenities, and in which all citizens and permanent residents of South Africa 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 minimum standards for the end product provided by the subsidy are a 30m² house with a ventilated improved pit (VIP) latrine, a yard tap, and graded (i.e. compacted earth) roads. 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 main types of housing subsidy are: the project-linked subsidy (project funding for the acquisition of land, and provision of infrastructure and housing); the consolidation subsidy (for households who own serviced sites); and the institutional subsidy (for rental or co-operative housing owned by housing institutions). The rural housing subsidy is a subsidy introduced for households with uncontested informal land rights in areas where there is no individual ownership, but this subsidy has not been used very much as yet (as of June 2003, only 671 rural subsidies had been approved). During 2003 a new emergency housing funding programme was introduced to provide for resettlement or other interventions in the event of natural disasters or evictions. There was also another inflation-linked increase in subsidy amounts in 2003.

Housing subsidy amounts

Monthly joint income (Rands)	Project-linked subsidy/ rural subsidy (Rands)*	Consolidation subsidy (Rands)*	Institutional subsidy (Rands)*
Indigent category: aged, disabled and health stricken earning R800 or less per month	25 580	15 000	-
0-1500	23 100	12 521	23 100
1501-2500	14 200	-	23 100
2501-3500	7 800	-	23 100
3501+	-	-	-

* Note that these are the normal subsidy amounts. These amounts can be increased by up to R3 837 (or R3 375 in the case of consolidation subsidies) for difficult site conditions, e.g. steep slopes, hard rocky ground or sandy soils with high water tables.

Another Department of Housing funding programme is the Human Settlements Redevelopment Programme, introduced in 2000. The programme's main objective is to assist in the development of sustainable urban communities. The programme includes funding for projects and programmes that result in increased opportunities for social and economic development (e.g. informal markets and business hives). The programme currently has a focus on existing dysfunctional areas and on infrastructure, but it is intended to refocus the programme on interventions to create viable human settlements linked to new housing delivery.

Delivery/progress on implementation

South Africa has a large problem of people living in inadequate housing that does not provide adequate access to basic services or a safe, healthy and convenient living environment. The housing backlog is impossible to accurately determine, due both to a lack of reliable and up-to-date statistics and of a commonly accepted definition of inadequate housing conditions (and there is also a lack of consensus over whether or not households in traditional dwellings in rural areas should be regarded as part of the housing backlog).

When the Housing Subsidy Scheme was introduced in 1994, it was estimated that approximately 1.5 million households lived in inadequate housing conditions in urban areas. The urban housing backlog is now more than 2 million households (the 2001 Census showed that 1.8 million households lived in shacks and 0.5 million households shared formal housing or lived in formal structures in backyards; an unknown proportion of households living in formal housing are also living in inadequate housing conditions, for example, because of severe overcrowding or inadequate access to basic services). If households living in traditional dwellings in rural areas (over 1.6 million households) are included, the housing backlog is even greater.

Since the introduction of the Housing Subsidy Scheme in 1994, over 1.5 million houses have been delivered. Although this is an impressive achievement, the numbers of inadequately housed households continues to grow. The number of households living in shacks increased from 1.45 million in 1996 to 1.84 million in 2001, an increase of 27%, which is greater than the 10% increase in population over the same period (Statistics South Africa, 1998, 2003).

The reason for the growing housing backlog, is simply because the delivery rate has not been sufficient. The Housing White Paper (1994) gave the National Housing Goal as increasing the housing budget to 5% of total government expenditure, in order to be able achieve a delivery rate of 350 000 houses a year (which was estimated to be necessary to reduce the housing backlog within a reasonable period of time). In 1997/1998 a peak of almost 300 000 houses was delivered, followed by almost 250 000 houses in the following year. Since then, however, the delivery rate has averaged just under 180 000 housing units per year. The net result has been growing informal settlements and growing numbers of inadequately housed people, especially in metropolitan areas.

Although subsidy amounts have increased significantly over the past few years, beneficiaries are now required to make a financial contribution of R2 479 in order to be able to access a housing subsidy (apart from the indigent categories and People's Housing Process Projects, where beneficiaries contribute "sweat equity"). This has been one of the main reasons behind about R1 billion of housing funds not being spent in 2003/2004.

Houses delivered per financial year

Province	1994-1997	1997/98	1998/99	1999/00	2000/01	2001/2002	2002/2003	2003/04*	Total
Eastern Cape	6 511	32 223	24 659	20 345	34 021	10 816	58 662	18 311	205 548
Free State	13 042	18 001	17 391	7 177	16 088	7 005	9 155	6 799	94 658
Gauteng	56 293	70 924	58 170	45 384	38 547	46 723	24 344	23 637	363 968
KwaZulu-Natal	17 553	78 468	53 105	28 997	28 547	14 379	24 485	21 066	266 600
Limpopo	11 108	15 743	22 899	12 401	20 996	16 667	14 953	2 722	117 489
Mpumalanga	19 884	10 873	16 838	4 808	16 457	14 584	21 649	16 905	121 998
Northern Cape	6 666	4 768	2 378	2 600	4 148	2 588	6 056	2 923	32 136
North West	21 287	20 977	18 367	12 944	14 109	13 885	23 784	9 113	134 466
Western Cape	25 321	43 834	34 575	26 916	17 730	16 634	20 500	8 229	193 739
Total	177 611	295 811	248 391	161 572	190 643	143 281	203 588	109 705	1 530 602

* First two quarters of 2003/2004 (April – September 2003)

Source: Department of Housing, 2003

The Budget

The allocation for housing for 2004/2005 is R4.85 billion, a real increase of 2.5% from the estimated expenditure of R4.52 billion in 2003/2004. Taking the increased subsidy amounts into account, it is estimated that less than 180 000 subsidies will be allocated in 2004/2005, compared to the estimated annual growth of 200 000 units in the housing backlog. The housing budget now forms only 1.3% of proposed total government expenditure, down from 1.4% in 2003/2004 (the National Housing Goal is to increase government expenditure on housing to 5% of total government expenditure). In order to eradicate the urban housing backlog (which is currently approximately 2.4 million housing units) and ensure adequate housing for all by 2014, the housing budget should be at least 3 times greater than it is at present.

The budget for the Human Settlements Redevelopment Programme increases from R109 million in 2003/2004 to R116 million in 2004/2005, a real increase of 1.6%. This is potentially a very important funding programme, that can contribute to the development of sustainable settlements, but its level of funding remains very low.

In general, expenditure on housing has not been up to expectations. In the first ten years of democracy only about R 31 billion was spent on housing, compared to R72 billion worth of tax cuts over the same period. If the revenue lost on tax cuts could have been spent on housing, the urban housing backlog in South Africa could have been eradicated and there would not be millions of people living in shacks in informal settlements.

Government expenditure on housing

Year	Housing expenditure (Rands)	National expenditure (Rands)	Housing expenditure as % of national expenditure	Number of subsidised houses delivered
1997/98	4 520	189 947	2.4%	295 811
1998/99	3 748	201 416	1.9%	248 391
1999/00	3 494	214 750	1.6%	161 572
2000/01	3 329	233 934	1.4%	190 643
2001/02	3 721	262 905	1.4%	143 281
2002/03	4 213	291 529	1.4%	203 588
2003/04	4 524	331 685	1.4%	-
2004/05*	4 849	368 904	1.3%	-
2005/06**	5 172	404 654	1.3%	-
2006/07**	5 484	439 058	1.2%	-

*National budget for 2004/2005

**Medium-term expenditure estimates

Key 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 developed, as many local authorities lack the capacity to provide basic facilities for new housing projects (the Human Settlements Redevelopment Programme should ideally play a role in this regard).
- The ongoing costs of housing are unaffordable for many beneficiaries of the Housing Subsidy Scheme. 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

- Discuss what is adequate and what is inadequate housing. Some headings that can be used are: protection from the elements, space for family life, water supply, sanitation, energy supply, access to facilities and employment opportunities, overall living environment.
- Assuming that the current urban housing backlog is 2 million housing units and it is increasing by about 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 R23 000 per beneficiary, how much would need to be spent on housing subsidies per year to achieve this housing delivery rate?
- Assuming that 90% of the housing budget is spent on housing subsidies and 10% on other expenditure, what should be the target for the percentage of total government expenditure set aside for housing (proposed total government expenditure for 2004/2005 is about R369 billion)? How does this percentage compare with the current proportion of 1.3%?

LAND AND AGRICULTURE

Budget: Land

Budget item	2003/04	2004/05	2005/06	2006/07	Real % change 04/05
TOTAL	1 654 997	1 788 152	2 179 530	2 598 289	+3.2%
Land reform grants	310 211	308 028	443 773	614 399	-5.5%
Restitution grants	701 826	775 236	994 030	1 197 672	+5.7%

Budget allocation: Agriculture

Budget item	2003/04	2004/05	2005/06	2006/07	Real % change 04/05
TOTAL	1 234	1306	1 485	1 632	+1.0%
Farmer settlement	24	234	300	353	+870.2%

Policies

The Department of Land Affairs and Department of Agriculture fall under the Minister of Land Affairs and Agriculture. Although these Departments have many other important responsibilities, such as maintaining South Africa's land registration and transfer system and developing the agricultural sector (e.g. through funding research and technology transfer by the Agricultural Research Council), land reform in rural areas and transforming the agricultural sector can be regarded as the key objectives of these Departments.

The Department of Agriculture's Strategic Plan for South African Agriculture (2001) consists of the following core strategies:

- Equitable access to, and participation in, agricultural opportunities
- Global competitiveness and profitability
- Sustainable resources management

The first of these strategies depends to a large extent on land reform.

Land reform

The overall aim of the land reform programme, set in 2000, is to ensure the transfer of 30% of commercial agricultural land to black South Africans (Africans, Coloureds and Indians) by 2015. The Department of Land Affairs' land reform programme consists of three key strategies:

- Land redistribution
- Land restitution
- Tenure reform

An important complementary strategy, now driven by the Department of Agriculture, is that of agricultural support to the beneficiaries of land reform.

Land Redistribution

The main land reform programme is the Land Redistribution for Agriculture (LRAD) Programme, introduced in 2001. Beneficiaries can access a range of grants (R20 000 to R100 000) depending on the amount of their own contribution in cash, in labour and/or in kind. Beneficiaries must provide an own contribution of at least R5 000. Those who make the minimum contribution receive the minimum grant of R20 000, and those who make a higher contribution of own assets, cash, and/or labour receive a higher grant (an own contribution of R400 000 or more is required to access the maximum grant). Own contribution by beneficiaries in labour can only be to a maximum of R5000.

The grant can be used to cover expenses such as acquisition of land, land improvements, infrastructure investments, capital assets and short-term agricultural inputs. Expenses associated with housing topstructure, however, are not covered.

The LRAD Programme has essentially replaced the Settlement Land Acquisition Grant (SLAG) programme, which was based on the housing subsidy scheme and was aimed at poor people (with a maximum income of R1500 per month) accessing land for subsistence purposes. The SLAG grant was an amount of R16 000 that could be used for the purchase of land, enhancement of tenure rights, infrastructure, housing topstructure and/or on-farm capital items.

Other land redistribution programmes include the Municipal Commonage Programme¹ and the provision of land for residential purposes and other non-agricultural purposes (e.g. eco-tourism). These are fairly minor programmes, however.

Land restitution

The land restitution programme is intended to restore land and/or pay financial compensation to people who were dispossessed of their land rights as a result of racially discriminatory laws and practices (from 1913 onwards). By the end of 2003, 810 292 Hectares of land had been handed over to 105 422 households. Most of this land was in rural areas (most land claims have been in urban areas, but the trend has been for most urban land claims to be settled by financial compensation).

The target for 2004/2005 is for 433 875 Hectares to be allotted to land claimants. It is intended that all land claims be resolved by 2005, but it is unlikely that this target will be met - of the 63 000 claims made by the deadline in 1998, only about 46 000 have thus far been resolved (Department of Land Affairs, 2003; National Treasury, 2004).

Tenure reform

The Department of Land Affairs includes the Deeds Registry and the Surveyor General's Office, which are responsible for maintaining South Africa's land registration and transfer system. The tenure reform programme is aimed at increasing security of tenure for those with insecure tenure rights, for example, people in communal tenure areas in former

¹ Municipal commonages are land owned by municipalities and able to be used by urban residents for agricultural purposes, mainly grazing. The Municipal Commonage Programme acquires land for municipal commonages and transfers the land with certain conditions, e.g. the municipality must ensure the use of property as commonage for the benefit of the residents, with special emphasis on the poor and less privileged (DLA guidelines specify that households earning less than R2 200 per month should be given preference in access to commonages). The Municipal Commonage Programme provided 380 819 hectares of land during 1994-2002, but about 90% of it was in the semi-arid Northern Cape (Anderson and Pienaar, 2003).

homelands and farm workers. Statutory rights have been created through the Land Reform (Labour Tenants) Act of 1996 (LTA) and the Extension of Security of Tenure Act of 1997 (ESTA). The LTA and ESTA protect the tenure rights of people living on farms and provide means whereby farm dwellers can secure long-term rights to land. The Communal Land Rights Bill is intended to protect people with informal rights to land in former homeland areas.

Agricultural support

Most land redistributed under the land reform programme is used for agriculture. If this land is to be used productively, land reform beneficiaries need agricultural support and access to agricultural resources. One of the biggest problems of the land reform programme, however, has been the lack of agricultural support provided to beneficiaries.

The Department of Agriculture provides agricultural support to land reform beneficiaries and emerging commercial farmers through its Farmer Support and Development programme. The Department of Agriculture's Farmer Settlement sub-programme provides emerging farmers with land through the disposal of state-owned agricultural land and facilitates the provision of agricultural support to ensure their commercial viability. During 2003, in recognition of the inadequacy of existing agricultural support, the Department of Agriculture together with the Department of Land Affairs developed the Comprehensive Agricultural Support Programme (CASP). Expenditure on this sub-programme is to increase dramatically with the introduction of CASP conditional grants to provinces. The Farmer Support and Development programme also includes expenditure on flood relief and agricultural disaster management, and the Integrated Food Security and Nutrition programme which implemented a few food security pilot projects.

Another support mechanism is the Khula Land Reform Credit Facility (KLRCF), which is a revolving credit facility established by the Department of Land Affairs for providing loans for beneficiaries of land reform.

Delivery/ Progress on Implementation

Land redistribution (through LRAD, SLAG, the Municipal Commonages Programme, LTA and ESTA)

Year	Hectares
1994	71 656
1995	11 629
1996	60 120
1997	139 849
1998	229 009
1999	239 764
2000	233 426
2001	263 071
2002	203 567
2003	245 484
Total*	1 726 318

Source: Department of Land Affairs, 2003; National Treasury, 2004

* includes 28 743 Ha for which the year of delivery is unspecified

South Africa has approximately 86 million Hectares of commercial agricultural land. The target of redistributing 30% of this land by 2015 is therefore equivalent to about 26 million hectares.

About 1.7 million hectares of land had been distributed through the land redistribution programme by the end of 2003. Although the amount of land distributed every year has remained more or less constant in recent years, the number of beneficiaries has declined markedly with the shift from the SLAG programme, with its emphasis on small-scale subsistence agriculture, to the LRAD programme, with its emphasis on large scale commercial agriculture. Although the area of land distributed in 2002 was almost 90% of that distributed in 2000, the number of beneficiaries in 2002 was only about 12 000, compared to about 35 000 beneficiaries in 2000. Although focusing on larger, more commercially viable pieces of land per beneficiary may make sense from a commercial agriculture point of view, it does not do much for meeting the demand for land by the rural poor.

If the 810 292 hectares of land distributed by the restitution programme by the end of 2003 are included, the total amount of land redistributed through the land reform programme as a whole between 1994 and 2003 is about 2.5 million hectares, equivalent to about 3% of commercial agricultural land. At this rate of delivery it would take a further 90 years to reach the 30% target.

The under-performance of the land reform programme has been caused by a variety of factors, including insufficient funding, lack of institutional capacity, and, to a certain extent, reliance on a willing buyer-willing seller approach.

The Budget

The land restitution budget increases from R 839 million in 2003/2004 to R933 million in 2004/2005 (a real increase of 6.4%), as the land restitution programme continues to be rolled out. The land redistribution programme though, continues to lag behind. The allocation for the land redistribution programme (its official name is the Land Reform Programme) for 2004/2005 is R474 million, a 3% decrease in real terms from the estimated expenditure of R465 million in 2003/2004. The budget for land reform grants decreases from R310 million in 2003/2004 to R308 million in 2004/2005, a 5.5% decrease in real terms. Decreasing levels of funding for land redistribution have had a very real impact on the ground. In the article "It's time to face it: Land reform costs money", in *This Day*, 1 March 2004, the Department of Land Affairs is quoted as telling landless people that "There is a moratorium on new land reform projects – you can apply but your project will not be considered for at least two years"

The Department of Land Affairs has been dogged by underspending in the past, but only underspent by 1% in 2003/2004.

The budget for the department of Agriculture's Farmer Settlement sub-programme increases dramatically from the adjusted appropriation of R24 million for 2003/2004 to R234 million for 2004/2005. This is because of the new CASP conditional grants to provinces which are being implemented as from 2004/2005. R200 million has been allocated for these new grants in 2004/5, and this is expected to increase to R250 million in 2005/2006 and R300 million in 2006/2007.

Land redistribution, tenure reform and agrarian development are critical to transformation and the reestablishment of a stable and thriving economy in rural areas. They should be given higher priority, and their funding levels should be increased so that the necessary capacity for increased delivery can be built up.

Key issues

Some key issues relating to land and agriculture are:

- The total land area of South Africa is 122 million hectares, of which 70% consists of commercial agricultural land and 14% consists of the former homelands, which are largely areas of subsistence agriculture. Although agriculture itself contributed only 3.5% of GDP in 2001, there are many backwards and forwards linkages, and the total agricultural-related sector contributed 14% of GDP and it is estimated that about 40% of the country's total population are mainly dependent on agriculture and related industries (Strategic Plan for South African Agriculture, 2001).
- Access to land can play a vital role in reducing poverty in rural areas. Successful rural projects involving arable farming, livestock husbandry and harvesting of wild resources have shown that rural areas do have the potential to generate additional livelihoods. Programmes and projects need to be appropriately designed, however, there must be sufficient infrastructure, appropriate credit must be available and there needs to be effective training and market support (see "Radical land reform is key to sustainable rural development in South Africa" by Thembelwa Kepe and Ben Cousins, PLAAS Policy Brief No. 3, 2002).
- There has, as yet, been limited redistribution of land and restructuring of agricultural industry: While land reform has speeded up, it remains far short of the promise of the RDP (30% of the land to be redistributed by 1999). It has also not significantly addressed apartheid's distortions in land ownership. As a result, mobilisation of the rural poor around the need for land redistribution is growing, for example, in March 2004 the Landless People's Movement in the Eastern Cape threatened to take over farms forcefully if their demands for land were not met.

Task/Questions for discussion

- Discuss whether you think the change from the SLAG programme, with its emphasis on meeting the basic needs of the rural poor, to the LRAD programme, with its emphasis on commercial agriculture, is appropriate.
- If there are 86.2 million hectares of agricultural land in South Africa, and the target is to distribute 30% of this over a period of 15 years, how many hectares of land must be distributed every year. How does this compare to the target of 240 000 hectares for land redistribution in 2004/2005?
- Assuming an average cost of R1000 per hectare, how much funding is required for land reform grants? How does this compare to the budget of R308 million for land reform grants in 2004/2005?