

***AN EVALUATION OF THE IMPACT
OF THE NATIONAL HOUSING
POLICY IN THE WESTERN CAPE***

By

SARAH THURMAN



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101 Lower Main Road, Observatory, 7925, Cape Town

Tel. : (021) 448-7886, Fax. : (021) 447-1987

E-mail : dag@dag.org.za

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1. INTRODUCTION

1.1 Rationale

South Africa's national housing policy has been implemented for nearly 5 years. As the country approached the June 1999 election and a new era, DAG felt it was appropriate to reflect on the effectiveness of the policy to date with a view to influencing its further development and refinement at a national level.

The main objective of the research is to examine what has been achieved on the ground in the Western Cape in relation to key goals of the housing policy. Secondly, it aims to identify blockages and problem areas experienced by different parties involved - directly or indirectly - in housing delivery and to make recommendations with regard to their resolution.

With these goals in mind, the following questions were asked:

- What is being delivered and to whom?
- How does the product and process relate to the key goals of the housing policy?
- How effective or appropriate is the implementation strategy and what are the obstacles to the delivery of decent housing?
- And finally, does the policy require fundamental restructuring or minor changes in certain areas to render it more effective?

1.2 Methodology

Methodologically, the research involved a review of government policy documents, including the Housing White Paper (1994) and the Housing Act (107 of 1997) in order to identify key objectives and strategies of the housing policy, a brief literature review, and collection of data from the Western Cape Provincial Housing Development Board (PHDB). This was followed by interviews with people involved in the support and/or implementation of housing delivery. These **key informants** included developers (including utility companies), project managers, local government and provincial officials, NGOs and CBOs.

The second part of the field research involved the identification of 14 sample housing projects across the Western Cape. These **case studies**, outlined below, were selected according to the following criteria: a range of subsidy forms, a range of developer types, and geographic distribution (small/large town, metropolitan/provincial). Visits were carried out to each of the case studies, and semi-structured interviews conducted with local authority officials and/or councillors, and developers or project managers involved in the project. In each of the projects discussions were also held with beneficiaries, in focus group interviews.

The study, including the compilation of the report, was carried out over a 4 month period between December 1998 and April 1999.

Appendix i lists the key informants and case study interviewees.

1.3 Outline of case studies

1. Kayamandi, “Costa Development”, Stellenbosch

The local authority is the developer and CSM the project manager. The project comprises 248 units in phase 1, using a project linked subsidy. 70% of the units are built by a large contractor and 30% are self-complete by beneficiaries. It is situated adjacent to the existing black township¹ on former farm land on the outskirts of the town.

2. Site B, Khayelitsha

The private sector company, Build For Africa, is both developer and contractor on the project. There are 40 units in total, secured the individual route using the consolidation subsidy on site and service plots. Construction is carried out by local builders/sub-contractors who are remunerated per house, using materials purchased in bulk by and supervised by the developer. It is situated in the township of Khayelitsha on the outskirts of Cape Town.

3. Overhills, Hangklip, Kleinmond

The developer is a private sector utility company, NEWHCO. The project comprises 201 units using the project linked subsidy. 100% of the construction is carried out using a large contractor and some local labour. The project is situated on the edge of Kleinmond, a small town on the East Coast, approximately 80 km from Cape Town, between an informal black settlement and former coloured designated area.

4. Paternoster

The local authority is the developer and BKS is the project manager. The project comprises 150 units using the project linked subsidy. 100% of the construction is carried out with a large contractor and some local labour. It is situated on the outskirts of Paternoster, a fishing village on the West Coast on former farm land.

5. Avian Park, Phases 1 and 2, Worcester

The local authority is the developer with CSM as project manager. The first phase of the project comprises 339 units and is 100% self-help/self-complete by beneficiary. The second phase is 350 units with Kupido as project manager and a combination of small and large contractors. Both phases use the project linked subsidy. The project is situated on the outskirts of the town adjacent to a former coloured designated area.

¹ The terms “black”, “coloured” and “white” are utilised for the purposes of analysis and discussion.

6. Southern Delft, Cape Town

This is a Presidential Lead Project where the Provincial Administration is the developer, using Caleb Consulting (formerly Holistic Settlements) as the main consultant. PAWC is in the process of handing over development responsibility to the City of Tygerberg. There are 4 874 units built using large and small contractors and local labour. It is situated on the Cape Flats on the outskirts of Cape Town on land owned by the Provincial Administration.

7. Zwelihle, Phase 2, Hermanus

The local authority is the developer with Gibb Africa as project manager. There is a total of 283 units using the project linked subsidy. Most construction is carried out using large contractors and local labour using a pre-cast steel frame assembled on site. A handful of beneficiaries chose a self-help/self-complete option. The project is situated in the existing black township on the outskirts of Hermanus, a medium-sized town on the East Coast, approximately 100 km from Cape Town, on local authority owned land.

8. Ocean View, Kommetjie, Cape Town

This project has a community based developer, Ocean View Development Trust. It comprises 486 subsidies secured through the consolidation subsidy route with self-organised construction. The Trust provided “building support” in the form of technical assistance, community organisation and encouragement. Some mutual help “building clubs” have been established between beneficiaries. The project is situated on the peninsula within the CMA, on a former coloured site and service area.

9. Botriver

The local authority is the developer, with BKS the project manager. It comprises 250 units using the project linked subsidy. Construction is carried out the conventional, contractor build route, using a large contractor with small or emerging sub-contractors and local labour. It is situated adjacent to the existing coloured area in a very small town, approximately 90 km inland from Cape Town.

10. Thembaletu, Phase 2, George

This large project has a private sector developer/contractor, Power Development. It comprises 2 005 units in Phase 2, using the project linked subsidy. Construction is carried out by local builders/sub-contractors who are remunerated per house, using materials purchased in bulk by the developer. The project management and site supervision is carried out by the developer. It is situated on the outskirts of George on local authority land.

11. Marconi Beam/Joe Slovo Park, Cape Town,

This project has a community based developer, the Marconi Beam Development Trust. It comprises 1 000 units using the project linked subsidy. Most of the units were built by large and small (emerging) contractors, using local labour. A handful of beneficiaries chose the self-help, self-organised build route. It is situated adjacent to an industrial area and informal settlement, approximately 10 km from the centre of Cape Town, on former Telkom land.

12. Lusuko, Khayelitsha, Cape Town

This project has a private sector developer. It is a speculative development, with completed houses with landscaping and full infrastructure/services for an average cost of R78 000. The target group are lower-middle income black civil servants, the idea being that they secure individual subsidies and a bank loan. Construction is carried out using a large, known contractor with some local labour. It is built on private land, adjacent to an iSLP development. There are 1 400 units in Phase 1, and 2 200 units in Phase 2.

13. CapeTown Hostels Redevelopment Programme

The local authority is the developer and Africon is the project manager. The pilot phase comprises 350 units. The project involves the conversion of local authority owned single sex hostels using the Hostels Redevelopment Grant. The new construction and conversion is carried out using small, emerging contractors, using 100% local labour. The project is situated in the townships of Nyanga, Langa and Gugulethu in Cape Town, 6-12 km from the city centre.

14. Greenville East, Darling

This project has a private sector developer, Asla Construction. It comprises 485 units in 3 phases using the project linked subsidy. Most construction is carried out by large contractors and local labour using a pre-cast steel frame assembled on site. A handful of beneficiaries took a self-help/self-complete option. It is situated adjacent to the existing coloured area in a medium/small town, approximately 80 km from Cape Town, on local authority land.

2. THE NATIONAL HOUSING POLICY

2.1 Summary

The South African Housing Policy is based upon a system of one-off capital subsidies for lower income groups. In order to balance need with resource limitations the chosen focus of the policy was width rather than depth. As such, the policy can be seen as an incremental approach to housing development and all policy documents stress the “progressive” nature of the policy and strategy.

The principles, goals and strategies of the policy are encapsulated in the White Paper of 1994. In 1997 the policy was transformed into legislation in the form of a Housing Act (107 of 1997). The Act defines what is meant by housing development and defines the roles of the 3 tiers of government in its implementation.

Acknowledging the existence of legislation that complements housing development², this paper has, of necessity, concentrated on policies that focus specifically on housing.

2.2 Key goals

For the purposes of evaluation, the following goals of the policy were identified from the Housing White Paper and the Housing Act.

In quantitative terms, the overarching goal of the housing policy is to reach the target of 1 million houses in 5 years.

In qualitative terms, the policy aims to support “housing development” which is defined as “the establishment and maintenance of habitable, stable and sustainable public and private residential environments” and the creation of viable households and communities. This involves promoting progressive access to economic opportunities, health, educational and social amenities; permanent residential structures with secure tenure and privacy and providing adequate protection against the elements; and potable water, adequate facilities and domestic energy supply.

In addition, the Housing Act calls for housing development to be economically, fiscally, financially and socially sustainable; ensure economical utilisation of land and services and to discourage urban sprawl, in particular through the promotion of higher densities; be based upon integrated development planning, promoting integration with respect to social, economic, physical and institutional aspects of development; and contribute to redressing the historically distorted racial and spatial patterns of towns, cities and rural areas.

In terms of the process, housing development must allow for options in the form of tenure; be the outcome of choice; be carried out in consultation with individuals and communities affected; be a process that encourages and supports skills transfer and empowerment of the community.

² Such as the Development Facilitation Act

The target group is all citizens and permanent residents, but priority is given to the needs of the poor and previously marginalised, including, women, youth and disabled.

The Housing Act also talks of facilitating the effective functioning of the housing market and taking steps to achieve equitable access for all to that market.

For the purpose of evaluation, the following goals were summarised from the above:

- Mass delivery
- A people centred process and the outcome of choice
- Prioritised towards poor and previously disadvantaged groups
- Decent standard of product with access to public services and amenities
- Conveniently located; racially, socially and economically integrated
- Housing that is financially and socially sustainable
- Economic and community empowerment through delivery.

2.3 Key strategies

2.3.1 The Subsidy Scheme

The cornerstone of the policy is a system of one-off capital subsidies to households earning less than R3 500 per month. The amount is provided on a sliding scale in relation to income, and ranges from R5 000 to R15 000 (R16 000 from April 1999). A discretionary additional subsidy of 15% applies in areas with abnormal geo-technical or topographical conditions. This has been applied to the whole of the Western Cape.

There are 5 subsidy forms³. The **Project Linked Subsidy** is applied to housing projects and provides for individual ownership. The **Individual Subsidy** gives individuals access to a housing subsidy to acquire ownership of, or upgrade an existing property, or to purchase or build a new property that is not the product of a Provincial Housing Development Board (PHDB) subsidy. It can be used on a non-credit linked or a credit linked basis. **Institutional Subsidies** are allocated to an institution as opposed to an individual and provide for alternative forms of tenure. Unlike most other subsidies, the full subsidy amount applies. **Consolidation Subsidies** are available to individuals who have received housing assistance under the previous government, either directly or through the IDT, in the form of a serviced site. The subsidy provides up to R7 500 (now R8 000) for the provision or upgrade of a top structure and can be acquired through the project linked or individual route. The **Discount Benefit Scheme** promoted home ownership for long term tenants of public rental stock with tenants receiving a maximum discount of up to R7 500 on the historic cost of a property. It has now been phased out. And finally, the **Hostel Upgrading Programme** provides assistance for the upgrading of publicly owned hostels. The subsidy is received by the owner of the buildings - the local authority. The upgraded units can either be managed by the local authority as rental stock or sold to residents. The same amount as the project linked subsidy is applied, with provisions for individuals as well as households.

Refer to Appendix ii for a more detailed description of subsidy forms.

2.3.2 A partnership between the state and other parties

The implementation of the policy is based upon the concept of a partnership between the state and non-state sector to facilitate housing developments. The White Paper calls for the housing challenge to be met through “mobilising and harnessing the combined resources, efforts and initiatives of communities, the private, commercial sector and the state.” The signing of the Botshabelo Accord in 1994 ratified, in very general terms, the commitment of the range of players - from financial institutions and civics to construction firms and NGOs - to play their part.

As outlined in the Housing Act (107 of 1997), the role of **National Government** is to set policy, norms and standards; set and monitor delivery goals; assist provinces and municipalities to carry out their roles; mobilise and distribute funds to provinces and municipalities for housing, land acquisition, and infrastructure development; and to take steps to create an environment for all parties to realise housing goals.

The role of the **Provincial Government** is to promote the delivery of housing through the administration of national and provincial housing programmes and the adoption of legislation when necessary, supporting municipalities to carry out their responsibilities, approving and allocating subsidies and other funds through a Provincial Housing Development Board (formerly Provincial Housing Board).

Local Government must “take all reasonable and necessary steps” to ensure that its inhabitants have access to housing on a progressive basis; ensure that water,

³ Adapted from Behrens, Watson and Wilkinson, May 1998

sanitation, electricity, roads, storm water drainage and transport facilities are provided; identify and designate land for housing; and to initiate, plan, co-ordinate, promote and enable housing development. The Housing Act also enables local authorities to proactively engage in housing provision either by acting as developers, promoting or entering into partnerships with developers, setting up separate business entities to undertake housing development, or by administering national housing programmes by applying for accreditation.

2.3.3 Mobilisation of savings, credit and private sector investment

Another central tenet of the policy is that additional resources be leveraged to supplement the government subsidy. It is stated that these resources should include private investment, formal credit, and the contributions of individuals to housing development. To this end, a variety of initiatives aimed at extending the availability of home loans to the lower income market from the formal financial sector have been established⁴. These include the Mortgage Indemnity Fund, the National Housing and Reconstruction Agency, the National Housing Finance Corporation, and the latest initiative, Gateway.

2.3.4 The speedy release and servicing of land

In the Housing White Paper, facilitating access to land for housing is identified as a “critical component” of the housing supply process. Legislative provision for the same is addressed primarily in the form of the Less Formal Township Establishment Act (1991) and the Development Facilitation Act (1995). The latter provides the legal framework for all levels of government to assist in securing access to freehold land for development and provides for the establishment of tribunals in each province to resolve disputes in favour of development.

2.3.5 Complementary grants

National government grants for the provision of bulk infrastructure and services are provided through the Consolidated Municipal Infrastructure Programme (CMIP).

⁴ Behrens, et al, 1998

3. THE EXTENT TO WHICH HOUSING DELIVERY RELATES TO THE KEY GOALS OF THE POLICY

3.1 Mass Delivery: the scale and distribution of housing delivery

The national housing goal set in 1994 was to reach a target of 1 million houses in five years and to realise a peak delivery of 350 000 units per annum by the end of the five years. The Western Cape's allocated share of the national target is 114 000 units.

Table 1 below shows the number of capital subsidies that have been approved by the Western Cape Provincial Housing Board between 1994 and February 1999. It also shows the allocation of different subsidy types and the progress made with the "housing opportunities" that have been supported. The figures do not reflect any subsidies that were approved under the previous dispensation.

Table 1: Subsidies Approved 1994 - 1999

<i>Subsidy Forms</i>	<i>Approved to Feb. 1999</i>	<i>% of total</i>	<i>Top structure not started</i>	<i>% of total</i>	<i>Top structure under construction</i>	<i>% of total</i>	<i>Top structure completed</i>	<i>% of total</i>
Project linked	100 330	83	-	-	-	-	-	55.5
Institutional	1 494	1.2	1 494	100	-	-	-	0
Consolidation	6 083	5	-	-	-	-	-	-
Subtotal	107 907	89.5	59 854	55.5	6 813	6.3	41 236	38.2
Individual	9 837	8	-	-	-	-	-	-
Hostel grant	2 990	2.5	0	0.0	173	5.8	2 817	94.2
Total	120 734	100						

Source: Derived from Provincial Housing Development Board (PHDB), Department of Housing Projects List (February 1999)

3.1.1 Numbers and progress

The figures above reveal that the PHDB has approved 6 734 subsidies above its quota of 114 000. However, while 120 734 subsidies have been approved this is not an accurate reflection of what has actually been delivered which is significantly less than that figure; for 55.5% of the project linked, institutional and consolidation subsidies that have been approved, construction has not yet started. The reason that the figures appear high is that the numbers are determined by the finances that have been allocated and not by what has been delivered on the ground.

It appears that while subsidies have been allocated, delivery is extremely slow, and in some projects delivery is actually not taking place. Discussions with key informants reveal that one outcome of this is that problems are now being experienced in accessing subsidies for new housing projects.

3.1.2 Geographical distribution

Of all the project linked, consolidation and institutional subsidies, 43.5% are currently allocated to projects within the Cape Town Metropolitan Area (CMA). However, until October 1998, the number of projects approved for the CMA was only 20% of the total. In recognition of this distorted allocation and delivery pattern, towards the end of 1998 the PHDB gave priority to projects in the CMA. Closer investigations reveal that of the 45 approved CMA projects, only 33% of top structures are complete; delivery in the Cape Town Metropolitan Area is extremely low relative to the small and medium towns. Indeed two local authority representatives from provincial towns who were interviewed during the course of the research claimed to have “solved their housing problem”.

Reasons suggested for the provincial⁵ bias by project managers and developers are that the local authorities in these areas underwent elections and restructuring earlier than in the CMA and were more prepared to move with projects. They also said that for bureaucratic and political reasons it is simpler to work in the more manageable small and medium towns.

3.1.3 Subsidy type patterns and trends

83% of all subsidies are going the project linked route, predominantly greenfields development and home ownership.

The number of individual subsidies approved comprises 8% of the total. The majority of these are credit linked and obtained for “second hand” houses with employer assistance and/or formal bank bonds. Individual subsidy applications not taking the credit linked route have proved problematic for the PHDB in terms of control. A recent, well publicised case of embezzled funds when individual subsidies were channelled through attorneys led the PHDB, in February 1999, to drop all individual subsidies not taking the credit linked route.

Institutional subsidy approvals - at only 1.5% of the total - have also proved problematic, and until the end of 1998 only one institutional project application had been approved in the Western Cape. Several applications have been rejected by the PHDB for “sustainability” reasons, according to officials. In order to avoid this blockage, an application for an institutional housing scheme recently made by Blaauwberg Municipality in Cape Town was submitted as a project linked subsidy. Subsequent to the approval it was converted to an institutional subsidy.

3.2 A people centred process and the outcome of choice

In terms of the process and product, the policy stipulates that housing development must be the outcome of choice, be carried out in consultation with individuals and communities affected, and allow for options in the form of tenure. In order to ascertain the extent to which the process was influenced by the community, we

⁵ For the purposes of this discussion, “provincial” refers to areas beyond metropolitan Cape Town and surrounding towns

asked beneficiaries of the case study projects how they came to hear about the project; if they were satisfied with the role played by the social compact or equivalent; the level of choice and how much they were able to influence the process and the product.

3.2.1 Beneficiary information about projects

The ways in which people were informed about the housing subsidy and/or the project ranged from announcements in the media (Kayamandi and Darling), to information from councillors or council officials (Botriver), from street committees/community leaders (Worcester, Marconi Beam and the Cape Town Hostels) from the developer (George) to chance in Site B:

“Nomonde used to stay here [she worked with the developer] and she told us about the possibility of getting the new house.” Beneficiary, Site B

“I heard about my house from there, in the Power office.” Beneficiary, George

In Paternoster, one interviewee knew nothing until he was informed that he must move:

“I used to live with my mother over there - my grandparents lived in that house too. I did see the HOP⁶ houses going up... then one day I received a letter saying I must leave my house and move in here.” Beneficiary 1, Paternoster

3.2.2 Knowledge of the committee and members

The extent to which beneficiaries were familiar with the social compact or committee varied. In 6 of the case studies, interviewees were familiar with the committee and its members but in Botriver the interviewees did not even know of its existence. Beneficiaries in Paternoster knew of the existence of, but had no contact with the social compact which, they said, came from another area:

“I think there was a housing committee, but they are not living here, they live up there [another side of the town]. All the people who organised this project, the people you want to talk to are up-town, in the previous housing.” Beneficiary 2, Paternoster

In terms of the members of the representative committee, typically we were told that the representative committee comprised of existing “community leaders”:

“... the community leaders formed the committee and informed people about the project.” Delft

“We elected a committee. The chairperson was the chair of the street committee.” George

⁶ Heropbou en Ontwikkelings Program (HOP)/Reconstruction and Development Programme (RDP)

Or Marconi Beam/Joe Slovo Park:

“Initially there were street committee representatives who formed a Board of Trustees...”

3.2.3 Performance and representivity of social compact or equivalent

When asked about the role of the “social compact”, beneficiaries in only 2 cases where they were aware of the committee cited serious problems:

“We are not happy with the committee. It did not represent us... they never held meetings to inform us. It was a dead loss.” Beneficiary, Darling

In the other projects, the committee was considered to have carried out its role, although lack of information and feedback was often raised as a problem:

“We have no problem with the committee... community leaders work well with residents. The problem is the people from the squatter area who derail meetings.” Kleinmond

“We received no information” [about the subsidy, the house design or the contractors]. Beneficiary 1, Paternoster

3.2.4 Consultation, choice and influence

While most beneficiaries were aware of the social compact or committee, their ability to influence the process and product was limited in most cases. For example, in Darling, we were told that there were workshops, but “no consultation” i.e. people could not influence decisions, they were just informed.

“During meetings people were informed about all important matters.” Darling

In Botriver, the beneficiaries told us that they were not able to make decisions about important matters, but they had a choice of house *“if they could add something”*.

In all of the case study projects, however, people were given the opportunity to view show houses. In George, 3 different houses were built before the beneficiaries were happy. We were informed that this is unusual, and in most cases only minor modifications were made.

In the majority of the case study projects, people were given the option of a larger house - or larger plot and self-build - if they contributed financially. There was no choice of product within the subsidy amount.

In most cases, there was no effective choice because people could not afford the extra payment. For example, in Marconi Beam/Joe Slovo Park, people were offered either a small house or a larger plot but some said they could not afford the plot because it meant a contribution of around R10 000 for the self-help.

In theory, the speculative development for higher income groups (Lusuko) gives “clients” more choice. The developer develops the area and employs salespeople to promote the product. The developer then sits with the client and draws up the house size and design (within parameters) according to financial capacity and preference.

The extent to which those who are representing “the community” are actually representative is questionable, particularly in the more socially and politically complex metropolitan area:

“That’s how we are managing communities... and in other areas, for example xxx, the gang leader, I get on well with him, I don’t get on with his gang’s activities, but where there is conflict we actually go for the leaders and we win them over. He sits here in my office... I am meeting one of the war lords of xxx tomorrow... he is a taxi owner and owns a shebeen and a shop, a couple of houses and he threatened to kill one of our staff the other day. But I win the people over... so you must interact with the community.” Local authority X

3.2.5 Responsibility for project initiation

It was not clear from our discussions with beneficiaries as to who actually initiated the projects, most did not know. Our discussions with project managers and developers, however, indicated that in the majority of cases they are the catalysts of housing projects. Project manager 2 described a typical entry strategy:

“Yes [we have always initiated the project by ourselves]... We try to go through the municipality to the community. If you go direct to the community the municipality doesn’t like it. If the municipality agrees to the project then we go to the community to see if they are happy. Then the social compact is formed... this takes the form of an agreement about what is going to take place in the project - that’s all it is... First you find out who the leaders are of the community and have a meeting with them. Then a huge meeting where everyone is present. Then we set up an office which will be running for about a week or whatever, where everyone will come and fill out their forms. Councillors are involved at this stage. They are the first step through to the community.”

3.2.6 “Professional” approaches and responses to consultation

90% of the developers and project managers talk of the importance of community consultation and workshops but most of them add that they cannot afford the associated costs, for example:

“In our programmes there is a lot of social interaction needed, say 100 hours, but because of the way we are funded, we know we can only put in 30 hours, so you are really getting the thing half cooked. This is one of the reasons some of our projects fail, because we have not been able to spend much time with the community.”

Developer 5

3.3 Prioritised to the poor and previously disadvantaged: beneficiary profiles

3.3.1 Income groups

The majority of the recipients of the housing subsidies fall into the lowest income bracket purporting to earn below R1 500 a month. The 12 project linked⁷ case studies show that 96.9% of beneficiaries are in this category (see Table 2 below). In several of the earlier projects, such as Worcester (phase 2) the beneficiaries fall into the R0 - R800 category (a category that was subsequently merged with the higher category). Our discussions with key informants confirm that this focus on the lowest income group is consistent across the Province.

The individual subsidy - 8% of total subsidies approved - tends to serve the higher income category of R2 501 - R3 500. However, even in Site B which comprises of consolidation subsidies secured the individual route, 100% of the beneficiaries are in the R0 - R1 500 income group (by definition as consolidation subsidies).

The developer of Lusuko (developer 7) is one of very few developers in the Western Cape targeting the middle income black population - including the R2 500 to R3 500 income earners who qualify for a housing subsidy.

Table 2: Beneficiaries of project linked case study projects, by income group*

<i>Project</i>	<i>Income Bracket 1 R0 – R1 500 %</i>	<i>Income Bracket 2 R1 501 – R2 500 %</i>	<i>Income Bracket 3 R2 501 – R3 500 %</i>
Kayamandi**	95	5	-
Kleinmond	99.5	0.5	-
Paternoster	94.8	4.5	0.7
Worcester	100	-	-
Delft, South	97	3	-
Hermanus**	99	1	-
Ocean View	100	-	-
Botriver	84	15.6	0.4
George	99.8	0.2	-
Marconi Beam/Joe Slovo Park	95.8	3.7	0.5
Cape Town Hostels	100	-	-
Darling**	98	2	-
Average	96.9	3	0.1

* Table excludes Site B and Lusuko, the individual subsidy projects, one of which is 100% income bracket 1, the other combines non-subsidy qualifiers with those in income bracket 3.

** Denotes projects where only estimates of income groups were available. Those not marked are the exact figures.

3.3.2 Age, race and gender

⁷ Project linked also refers to institutional and consolidation subsidies, but excludes individual subsidies and hostel grants which are excluded from the PHDB projects list.

Details on beneficiary profiles such as age, gender and race were not easily obtained from either the PHDB or individual case study projects. However, in each of the case studies, we were informed that there are many women title-holders. Developer 3 informed us that the number of women headed households in their project (Khayelitsha, Site B) is 70% of the total, in other projects, estimates are around 10%.

In only 2 of the 14 case studies (Cape Town Hostels and Darling) are disabled people being accommodated, but the percentage is less than 0.5% of the total. In terms of the nebulous issue of race, much depends upon geography and the historical presence of different “racial groups” in that particular area; thus it is not possible to conduct useful analyses or draw firm conclusions. However, of the case studies, the figure is approximately 60% black to 40% coloured beneficiaries. In at least 3 of the projects, there are 1 or 2 white beneficiaries.

The ages of beneficiaries also vary in the different projects. In two of the small towns in the farming areas (Botriver and Darling) there are significant numbers of elderly beneficiaries. According to a Councillor in Darling, upon reaching retirement age, many are forced to leave the farms where they have worked all their lives to find a place to live out their retirements in the nearest towns.

In some of the projects, beneficiaries are drawn from council waiting lists and in others a beneficiary list is drawn up. Typically, many of the coloured beneficiaries in the provincial towns were previously living in backyard “hokkies”⁸ or with relatives, and the black beneficiaries are from informal settlements. In the CMA, where projects are relatively few, the main beneficiaries seem to be the largely black population from informal settlements.

3.3.3 Trends and influences over beneficiary profiles

Apart from the fact that they are in the most need, a major reason that the lowest income groups (R0 - R1 500) form the bulk of the beneficiaries is because they qualify for the whole subsidy amount and additional finance does not have to be sought from other, currently elusive, sources:

“Because other credit is not often available, it is to the advantage of the private sector to work only with the R0 - R1 500 income bracket in order to qualify for the full subsidy.” Project Manager 1 (Refer to Section 4.2 below)

However, the very high number falling into the lowest income category may not be a completely accurate reflection of reality as there is a tendency for applicants to put low income on their application forms in order to qualify for the full subsidy house. When people work in the informal sector or on short term contracts, as is typical in many of the projects, income is also difficult to assess. As several of the developers and project managers admitted, it would be far too time consuming and complicated to verify the validity of all the information provided by beneficiaries. There is now, however, a move to cross check incomes against a national data base.

⁸ Informal structures, literally “cages”.

A significant implication of the above is that people with formal jobs earning between R1 501 and R3 500 are having a difficult time accessing subsidy housing. In some projects they have been excluded, in others they are given a much smaller house (George) or a serviced plot which they must develop themselves (Darling).

In terms of who is not directly benefitting from the subsidy, some tentative comments are necessary. Single people (often migrant workers with dependants in the rural areas) are also excluded from most projects (apart from the relatively few hostel or institutional ones) because to qualify, one must be either married or “cohabiting habitually with another person as if they are husband and wife” or “have one or more dependants”.⁹ On the one hand, obviously many people are quick to “find” a partner or dependants:

*“I was told the other day... we went to look at one of our projects, and one guy [beneficiary] came up and he told me that it’s my mistake that he’s married because the community told him that he must get married in order to get a house. So now he’s got a s**t house and a s**t wife... it’s not my fault!”* Project Manager 2

But on the other hand, seemingly deserving people are inevitably excluded:

“I had an elderly black lady in my office this morning who has a pension, she’s lived in a shack all her life, her children have grown up and left home. And I had to tell her that because she does not have a family, she is not entitled to a house... and there were tears rolling down her cheeks.” Local authority official, Worcester

Looking at the geographical distribution of subsidies across the Province, other people who do not seem to be benefitting from the subsidy at present appear to be rural and farm workers, with most housing projects situated in the medium-small towns. By definition, non-citizens and non-residents are excluded.

3.4 Decent standard of product with access to public services and amenities

The Housing Act (107 of 1997) and White Paper (1994) define housing development as “the establishment and maintenance of habitable, stable and sustainable public and private residential environments...”. This includes the progressive development of permanent residential structures with secure tenure and privacy that provide adequate protection against the elements, access to potable water, adequate facilities and domestic energy supply. The following section looks at the product that is being delivered, the extent to which the developments accommodate access to public services and amenities, and beneficiary satisfaction.

3.4.1 Size, materials and design

Refer to Table 3.

⁹ Application form for project linked or individual subsidies, General Guidelines, June 1995

In all the greenfields project linked case studies, the basic subsidy product, without beneficiary contributions of labour or finances, was very similar in terms of materials, structure and design. This consists of a single skin blockwork, sheet metal or asbestos roof, 1 - 3 windows with either steel or timber frames and a timber door. In terms of size, the units range from 14m² - 31m² (average 25 m²). They are of a simple square or rectangular design, free standing on plots that range from 120 m² to 300 m². There are no internal partitions except for the toilet/shower area, with no ceiling or insulation. Usually, but not always, there is a door to the toilet and shower. The blockwork is seldom plastered but in 3 projects the contractors are using a specialised paint with waterproofing qualities.

In two of the projects, a prefabricated concrete or steel frame has been used. This is assembled on site and "filled". The rest are conventionally constructed with no prefabricated structure or alternative materials.

Where beneficiaries opted for a superior house by adding their own finances (for example, in Worcester, Botriver and Darling), the improvements primarily took the form of an increase in size (between 3m² and 18m² extra), the provision of internal partitions and additional windows.

3.4.2 Services and infrastructure

The level of internal services provided does not differ substantially between case study projects, with the exception of Lusuko, which is a speculative development that targets lower-middle income groups. All have internal water supply, flush toilet and pre-paid electricity meters (or will have on completion). Only in Lusuko is hot water provided.

The level of external infrastructure, such as roads, storm water drainage and street lighting does differ between projects, with a notable impact on size of the top structure. 7 out of the 12 greenfields case study projects have tarmac roads, and 5 are graded only. Landscaping and greening of the immediate environment is only taking place in Lusuko.

3.4.3 Provision of community facilities

The provision of public facilities such as parks, clinics, schools or churches as a component of a project is rare, although in the majority of the case study projects, their provision is accommodated within the overall spatial plan. Nevertheless, the necessary finances - often cited as a local authority responsibility - are seldom available.¹⁰

Community centres are more often provided - in 6 of the case study projects. In two instances they are provided by the developer, and in two, with RDP/Olympic bid funds. Only in the large scale metropolitan project (Delft) are a range of other facilities being provided as an integral part of the project.

¹⁰ According to Provincial Administration of the Western Cape officials, the construction of health care facilities is currently a joint responsibility of the three tiers of government, and the provision of educational facilities is the responsibility of the Province.

In Marconi Beam/Joe Slovo Park, where a well established informal settlement previously existed, privately run facilities, including crèches, churches and even a school are serving the community, having moved from the old settlement to the new. In the same project, the department of welfare has provided containers for health clinics, and a nearby sports field provided by Telkom, is available for use by the community.

3.4.4 Trends and influences with regard to services, facilities and infrastructure

Our discussions revealed a tension between local government and developers/project managers with regard to service and infrastructure levels. According to several interviewees, the local authorities have insisted on higher levels of servicing, with tarmac roads and full storm water drainage which reduce the longer term maintenance costs. The developers and project managers would generally rather have lower levels, allowing more resources for the top structure. There is, however, a trend towards lowering service standards, with the recent national government ceiling on R7 500 for land and servicing costs,¹¹ and changing attitudes on the part of the local authorities:

“Civil services are reducing in cost per house - from R11 000 to R5 800. This has been managed by playing with town planning - densifying the layout and services... and local authorities are less rigid about service standards now.” Project Manager 2

With the exception of the large scale explicitly integrated Delft, which has a range of RDP and other funds for this purpose, the provision of public facilities such as schools, clinics and crèches in housing developments is ad hoc. There is no co-ordination of such provision by different government departments (at all tiers), and no integrated funds for this purpose. Profit making services such as crèches and even schools are more often set up and provided by individuals, but the provision of space for such things is also rare.

3.4.5 Trends and influences with regard to product differentials

The 14 case studies indicate a clear correlation between size of house and level of external services. A more extensive survey is necessary to identify patterns between the nature of the developer, construction management form and end product. From the case studies, there is no obvious connection between size and quality and the form of developer, except that the self-organised or self-complete approaches result in a significantly larger - and often higher quality - house.

It may be significant that although the projects where the local authorities have acted as developers have generally received more in terms of local authority subsidies, the projects carried out by private sector developers have resulted in a larger house. However, it is dangerous to draw simplistic comparisons between end products

¹¹ National Norms and Standards in Respect of Permanent Residential Structures, December 1998

without conducting in-depth investigations into project finances and costly “external” influences such as geo-technical conditions or social conflict.

From the case studies and discussions with project managers and developers, it is possible to identify the following influences on project costs and therefore the size and quality of the end product:

- **Hidden subsidies** such as municipal contributions to services, land or top structure, contributions from outside donors, CMIP or other grants for bulk services. Hidden subsidies are prevalent in all the case studies, but to different degrees.¹²
- **Economies of scale** and securing the whole development package rather than purely construction. For example, taking on the whole package - civil works as well as construction - is efficient and cost effective, allowing for a better product.
- **Lower levels of services and infrastructure**, rendering the serviced land cost less expensive. For example, tarmac as opposed to graded roads increase the land value and eat into the subsidy.
- **Geo-technical conditions** reduce or increase the cost of services and construction. For example, in Hermanus, where the ground rock had to be blasted in order to lay services, this significantly increased the project costs.
- **Purchasing building materials in bulk** (for large projects) makes good savings.
- **Cutting down on labour costs** by using “self-regulating” local entrepreneurs as sub-contractors, an approach carried out by Developer 1 and 3, or by self-organised or self-build approaches.
- **Professional or consultant’s fees** differ significantly and often eat into the subsidy. For example, in the current phase of Worcester, project manager fees alone amount to R1 000 per unit. The extent to which profit for the commercial developers eats into the subsidy was not possible to assess, but is inevitably a matter of concern.

3.4.6 Satisfaction with the product

Beneficiaries

In order to assess beneficiary satisfaction, case study beneficiaries were asked how their new houses compared to their former place of residence in terms of security of tenure, level of services, quality of house, size and security.

In most instances, beneficiaries say that their new houses are better than what they had before:

“We used to live in “hokkies” in backyards. It’s better than what I had before... now I am my own boss.” Botriver

“Where we used to stay it was dirty and unkempt.” Delft

¹² CMIP or other funds are usually applied for bulk services. Sometimes the full amount is forthcoming, and at other times it is not. The financial impact of receiving or not receiving the funds is felt by the developer or local authority which must then cover the cost of bulk service provision. In turn, the local authority may or may not be willing or able to provide other subsidies.

In 4 cases, the preference was based on the fact that shacks were prone to fire:

“Living in your own house is better than living in a shack, where we used to have many fires... though I am not happy with the size.” Kayamandi

With the exception of the higher income development and those who had opted for self-organised build or self-complete (either the People’s Housing Process or the partially completed structure), all beneficiaries interviewed complained about the poor finish of the structure:

“I was living in the shack before. My new house is bigger than my shack and the quality is better apart from the bad bricks because there is no building inspector. My door does not fit - when it is cold it expands and when it is hot it gets small again, so I cannot close my door... they do not come [and fix it], now I will have to fix my house myself.” George

“Rain water flows right through the house and it gets flooded and messy... The house needs plastering because when it rains the walls become damp. The dampness from the walls causes the bed and blankets next to the wall to become damp.” Kayamandi

“The bricks become damp and wet when it rains.” Kleinmond

“The walls are so brittle, you can just knock a nail right through.” Delft

“There are no bricks and there are cracks on the walls... In the winter, the house becomes moist inside, a grey cloud forms which results in mould spots on the wall. The house is built badly, with a strange cement mixture and wire...” Hermanus

The (small) size is the other recurrent complaint amongst those who took completed structures. For approximately 1/3 of the beneficiaries, their new house is smaller than their former shack:

“It is much worse than what we had before... this house is so small, we are 8 people staying here, tonight we have to pack up the furniture just to make space for everyone.” Paternoster

“We are not happy with the size, it is too small and there’s no privacy... I have children and we cannot even undress or sleep in front of them.” Hermanus

Interviewee 1: *“You see, for instance, he was living with his mother in a 3 room, 4 room house... he can’t even move all his stuff here. This is the same size as a garage, heh?”*

Interviewee 2: *“My mother’s stuff is down the road.”*

Interviewee 1: *“His mother has actually to stay in somebody else’s house over there [in a nearby town].” Paternoster*

Complaints about poor security were raised in all the projects with the exception of the Cape Town Hostels and Lusuko. In two of the projects, the matter was made worse by the fact that the door locks on all the doors can be opened by the same key.

The positive responses usually relate to the issue of ownership - and having something of one's own:

"I am very happy, very very happy, it was the first in my life to get a house. I highly appreciate the government for doing that... you know, free houses for the people. And soon I will get electricity." George

"... The houses were the best gift that we could receive. It's better than what I had before... now I am my own boss." Botriver

Despite the problems, people are glad to have a free house:

"It's small and the work was not done properly, but we got it for free, so we will manage." Paternoster

"I have no complaints, it's a free house." Site B

The beneficiaries who opted for the full self-organised build option (or PHP) - the whole of Ocean View and a handful in Marconi Beam/Joe Slovo Park, as well as those who chose the self-complete option, are significantly more satisfied with the finish and size of their house, for example:

"I am happy with the design and my house... it is bigger than what I had before, and better..." PHP resident, Marconi Beam/Joe Slovo Park

Responses of the "professionals"

90% of developers and project managers are - to varying degrees - critical of what is being delivered.

"... you have to do something. The something ranges from a 20m² to a toilet. So we've done a toilet and we've done a 20m² structure. Neither of them can classify as houses. The 20m² is close, but it certainly does not allow for decent family living." Delft

"Five years ago we wouldn't have believed we could build such rubbish - houses that are totally technically inferior... single skin blockwork and not suitable to our conditions. Why, because we don't have an option. The government has a fixation with size not quality. Should be enough money to create a product of the right technical standards." Local authority 4

Some added that the product should be seen, and marketed, as a starter home rather than a house.

“... I don't call these top structures houses, they are just starting top structures.”

Project manager 3

“I am very happy with the idea of starter housing. It is a practical solution to solving the housing problems of the poor, by people incrementally improving their houses. I don't go around saying this isn't a house, it is a starter house. What they are getting is very much better than what they had and it is costing them nothing... We have never had any complaints from our beneficiaries, only from politicians.” Consultant, Delft

There was concern from 2 local authorities that because the product is often inferior, beneficiaries come and complain to them (see below, section 4.1)

3.5 Conveniently located, racially and economically integrated

The Housing Act (107 of 1997) prescribes “housing development” based upon integrated development planning and promoting social, economic and physical integration in order to address the historically distorted racial and spatial patterns. It also refers to the need to ensure the economical utilisation of land and services and to discourage urban sprawl, in particular through the promotion of higher densities.

3.5.1 Restructuring of the city

Only 5% of the total number of approved subsidy projects in the Western Cape are consolidation projects that seek to upgrade existing sites and service plots. While such information is not readily available at the PHDB, it appears that there are currently no projects that seek to upgrade existing informal areas. In each of the projects where beneficiaries came from informal settlement areas, they were required by the local authority to pull down their shack prior to taking up residence in their new house. There is often resistance to this.

In only one of our discussions, did a local authority broach the option of upgrading in the form of the provision of basic services to an informal settlement, and this was only in desperation and as a temporary measure:

“... But we are now accepting as a policy matter the permanence of this camp - because we thought earlier that the camp would disappear as people move into their houses but it didn't happen. Now we feel rather, let's formalise this camp, give everyone a stand, have water on that stand, toilet - let's see if we can manage that - and they also have to pay “rent” - your basic fees. And this will be a transit camp, and we will have 200 stands or less. The idea is that you stay there until you get a house.” Local authority, Kleinmond

Reflecting the larger picture, all of the project linked case study projects (apart from the consolidation projects) are greenfields developments. With the exception of the iSLP project in the CMA, all are located adjacent or nearby to existing informal or overcrowded areas, the Group Area designated coloured and black parts of town. Marconi Beam/Joe Slovo Park is the only project in the CMA that is well located in terms of work opportunities and proximity to the city centre.

3.5.2 Densification

The development of higher density, or even medium density, housing, apart from the hostels redevelopment projects, is generally not taking place. The only exceptions appear to be an ongoing Homeless People's Federation development in the CMA that is experimenting with 2 storey houses, and some "quad" show houses now on view in a project in the Blaauwberg Municipal area.

3.5.3 Levels of social and racial integration

Only 3 of the case study projects (Kleinmond, Delft and Darling) are significantly racially integrated, and this is largely between the black and coloured population. In two of the projects there are a couple of white beneficiaries.

There has been an explicit attempt to encourage racial integration in Worcester by encouraging black households into the better positioned coloured part of town where the new project is located. This has not been a great success, with only a handful of families prepared to make the move despite the related economic advantages. According to the local authority officials involved there was resistance to this integration from the coloured community as well, and the few households who did move have experienced degrees of racism.

In the smaller towns' racially integrated projects, the approach is working relatively well. However, in Delft (within the CMA), racial division, verging on conflict, was noticeable. For example, the black beneficiaries complained that their coloured neighbours refuse to co-operate with the community policing forum and react strongly to their approach to "community justice".

The NIMBY¹³ issue was raised as a problem in 2 projects and by 2 local authorities, even though the projects are not being developed in particularly new parts of town:

"On the other side of the main road, in the suburb, they are complaining quite a lot [about the subsidy housing] because of social problems - an increase in crime, and things like that. And they don't like to see the people beating their wives." Local authority official, Kleinmond

"I'm not sure that the political will is there [amongst politicians] to even make the land available [for housing "black squatters"]. But I get the impression that it would be considered "too near to the whites". I'm not of the opinion that we should bring down property prices but we need to find a balance. They are not applying their mind to the issue." Local authority 2

3.5.4 Convenience of location and economic integration

Feedback from key informants and discussions with case study interviewees reveals that "economic empowerment" is addressed to differing degrees in almost all

¹³ Not In My Backyard

projects (see below, section 3.7.) but only in the construction phase through the use of local labour and/or local contractors. In only 1 of the case study projects (iSLP, Delft) is the issue of economic development, post housing development, being addressed - through the provision of support to small business.

However, as noted above, most of the case study projects are situated in existing black or coloured designated areas. Consistent with the incomparable logic of apartheid planning, these tend to be near to places of industry and work. In the one large integrated project (Delft), where beneficiaries were relocated to a completely new area from a variety of relatively distant settlements, there were many complaints on the part of beneficiaries about the costs of transport, and the dearth of job and income generating opportunities compared to what they had before.

“There is no work here... we are far from the city and it is expensive to travel and look for work.” Beneficiary, Delft

In the smaller and medium towns, while job opportunities may be scarce, the problem of not being centrally located is not such a big problem.

In 8 of the case studies the beneficiaries residents raised, unsolicited, the issue of jobs - or lack thereof.

“The only factory that is still in work is Paternoster Fisheries. I don’t know how many workers they have - just a few... Others work on the sea. A few work with Saldanha Steel - maybe 10 people. Other people just go from day to day. Most of the people are unemployed.” Beneficiary, Paternoster

3.6 Housing that is affordable and sustainable

A goal that is explicitly referred to in both the White Paper (1994) and the Housing Act (107 of 1997) is the promotion of housing that is “economically, fiscally, socially and financially affordable and sustainable”. While a longer term evaluation is necessary, it was considered valuable to identify the capital and ongoing costs being carried by national government, local authorities and beneficiaries in the delivery of housing and to assess the extent to which they are able “to afford” those costs.

3.6.1 Costs borne by different parties

National government

In terms of capital contributions, national government contributes the one-off housing subsidy as well as grants for bulk services and infrastructure. According to figures released by the Department of Housing, R10bn has been spent on housing delivery since 1994¹⁴. In the Western Cape, R1.3bn worth of project linked subsidies have been approved and R686m of payments made.

¹⁴ With 700 000 units built or under construction

On an ongoing basis, there are intergovernmental transfers to local authorities, predominantly taking the form of the “equitable share” of the national cake. The principle underlying this grant is to allow lower income groups access to basic services but at present it is not targeted and can be used at the discretion of the local authorities.

Local authorities

Table 5 below identifies the capital project costs being carried by the local authorities in the 14 case study projects. Section 4.2 deals in more detail with finances, but it is important to note that the extent to which local authorities are contributing to the projects, in the form of either land or straight finance, is substantial.

In Kleinmond and Worcester the municipalities have taken Development Bank loans to provide the additional finance for delivery of bulk infrastructure and services. In the Cape Town Hostels and Worcester, specific project loans are repaid directly by tenants and beneficiaries. In other case studies, the subsidies are secured from the respective local authority’s capital funds. In all cases some degree of the cost (repayment) is spread across the municipality through the rates base. Wherever the local authorities are acting as developers, they are covering the costs of the bridging finance.

For the home ownership units, the ongoing costs to the local authorities are primarily the maintenance of services and infrastructure, and delivery of ongoing services.

Beneficiaries

In terms of capital costs for beneficiaries, only in Worcester, Lusuko and the Cape Town Hostels are the fully qualifying beneficiaries required to make additional payments for their units. Elsewhere, less than 4% have had to make up the deficit (or take a smaller house) and even fewer have contributed something upfront for a superior unit. In 90% of the greenfields projects, beneficiaries must also pay a water supply deposit to the local authority. This varies between R100 and R150. Beneficiaries choosing to go the self-help or People’s Housing Process (PHP) way, contribute both sweat equity and capital to the construction. In the majority of instances, according to the case studies as well as discussions with key informants, beneficiaries are not contributing to the capital cost of the housing.

Ongoing costs for most home owners are payments to the local authority and Eskom for rates and services (such as water and electricity). In the converted hostels residents also pay monthly rent to the municipality.

3.6.2 Affordability and financial sustainability

In order to assess affordability, attempts were made to identify the levels of defaulting on service charges and rates and the incidents of downraiding taking place amongst project beneficiaries.

Levels of defaulting

In all the case study areas with the exception of Lusuko, officials and developers cited problems with regard to payments of rates and/or service charges.

“The municipality is getting about 10% back on water... there are rates [about R20 per calendar month], but they don’t pay it... There were 68 meetings just in our council last year to sort out the non-payment of rates and water... if they don’t get their act together the council is not going to spend a cent more on Kayamandi. At this stage, the council is spending about 90% of its income on the undeveloped areas and is only getting 1% of income from that area.” Kayamandi, Stellenbosch

In George - a municipality that has received almost 5% of the total PHDB subsidy budget - an official in the housing department responded to the question about levels of payments in the following way:

“In certain areas there is payments... I don’t know, we are just providing houses... you must ask the finance department.”

The developer in George had the following to say:

“The government is giving these people houses because they don’t own anything and then they expect them to pay - for water for example - but most people here cannot pay.”

This was supported by evidence from the field where a young woman was seen collecting water with containers from an overflowing mains pipe. When asked why, she responded that she could not afford to pay the municipality the R150 water connection fee. We were also informed that problems with blocked toilets are prevalent because people cannot afford the deposit for the water connection but still use the toilets.

The situation is similar in Worcester, another area where housing delivery is very high:

“We do have that problem [of non-payment], but we have one advantage, the workshops that people were taken through in preparation for the project.” Councillor, Worcester

And to a lesser extent in Darling where approximately 150 out of 485 beneficiaries are in arrears. The councillor responded in the following way:

“They got the houses free, so [they think] why do they have to pay for services... some of them can pay, they’re just not used to paying. Others they can’t pay I suppose, they don’t have any income.”

The following reasons for non-payment are suggested by officials, councillors and developers:

- A lack of familiarity with such payments and lack of understanding of what people are paying for:
“Some of them have never, ever before in their lives received an account and they are suddenly confronted with this issue. They don’t know how to deal with it.”
 Council official, Kleinmond
- Lack of affordability because of low or no incomes:
“Many people are getting about R800 a month but not more than a thousand and they are struggling to keep up.” Council official, Kleinmond
- That the “free” houses are perpetuating a hand-out mentality, also refer to the quotation from Darling, above:
“There’s people who are hundreds and nearly thousands of rands in arrears, but then they have a video contract, or they pay anything else but not for their house...”
 Council official, Paternoster

However, it also appears that in some cases the problem rests with the billing systems. For example, in Kleinmond no post boxes were provided on the houses and residents consequently did not receive the first month’s bill. In Site B, Khayelitsha, Botriver and even Victoria Mxenge in Cape Town¹⁵, residents have never received an invoice for services rendered, despite several visits by Masakhane campaign officials!

Downraiding

Incidents of downraiding¹⁶ were noted in 3 case study projects and by 2 key informants. The problem of people not even taking transfer of their units was also cited. In one project, approximately 100 of 2 000 applicants never took up residence:

“Sale or abandonment is a real problem. One guy sold his house for R200. Others just move on before even signing their “happy letter”¹⁷. [When houses are sold in this way] no proper procedures are followed, no transfers, because people simply do not understand... and houses get vandalised when no-one moves in.” Developer, George

One of the reasons suggested for the above is the fluidity of the communities involved, with a lot of people who are in effect migrant workers, or who are frequently on the move in the search for employment. It also implies, however, that some beneficiaries do not view their property as an asset.

“It comes down to affordability. We have one scheme... now you are asking those families who were not paying rates and other charges to make a contribution. And you also get a lot of people who will come out of a housing scheme and re-squat -

¹⁵ As noted in our interview with Patricia Matulingwe of the Homeless People’s Federation.

¹⁶ When people who do not qualify for the subsidy through, for example, misdeclaration of income get the subsidy. The term is also used to refer to the gentrification of an area.

¹⁷ The “happy letter” is signed by beneficiaries prior to taking transfer of the property, to confirm their acceptance of the house and its condition.

the village has simply got too expensive for them. This has happened in [project x] where people have a site allocated to them and they have a residual subsidy and access to a building society... and they just sell their plot and go and squat..."
Worcester

Beneficiary responses

Beneficiaries were asked whether their household costs have increased since moving in to their new house and if so, whether they - or other people in the community - are able to afford those costs. In most cases (except where invoices have not been delivered) people said that the costs had increased with an initial deposit required (often for water supply) and subsequent service charges.

While no-one said they could not, or did not, pay the charges, many interviewees were of the opinion that others in the community are not able to afford the charges:

"Many families are unemployed and cannot afford to pay." Paternoster

"Some people don't have the money to pay. There is a lot of people unemployed - you see many people who go to the road and they wait for people to give them jobs..." George.

Complaints of a high "water tariff" were cited in 7 of the case studies (Kayamandi, Kleinmond, Paternoster, Delft, George, Marconi Beam/Joe Slovo Park and the Cape Town Hostels). In 4 of these, residents hypothesised that the builders were using the water during the construction and that residents were picking up the cost upon moving in. Many residents appeared to be under the impression that service charges and rates were actually water charges.

Local authority responses

When local authorities were asked about strategies and policies to deal with defaults in payments, the responses were varied. In Kleinmond and Worcester, officials referred to the forthcoming "indigent grant"¹⁸ as a means to cover the costs of all registered indigent households, thus relieving the burden for the municipality.

"We do have that problem [non-payment]... [but] as part of the Project Viability, we have R85 per household for the poor for poverty relief." Councillor, Worcester

Most other officials stressed the need to institute punitive measures for persistent non-payment. For example, the official responsible for Paternoster, whose local authority has developed - or is in the process of developing - over 4 000 subsidy houses, acknowledged the very high levels of defaulting amongst beneficiaries and added: *"... if they don't pay their taxes we are going to sell those houses, that's for sure..."*

¹⁸ A policy is currently being developed by the Department of Constitutional Development to provide local authorities with guidelines for establishing indigent relief (for the supply of basic services) in their jurisdictions. The policy, however, is not accompanied by increased funds from central government, and finance will be derived from the existing "equitable share" grant.

3.7 Economic and community empowerment through housing delivery

The Housing White Paper emphasises the need to maximise job creation, skills transfer and capacity building through the housing delivery process. The following section attempts to evaluate to what extent empowerment is taking place through the construction process itself. It briefly examines the involvement of local labour and local contractors in the different case study projects and the opinions of different parties as to their role. It also provides a snapshot of some opinions and experiences with regard to the self-help option. Unfortunately there was inadequate time to carry out in-depth discussions with workers or contractors themselves, something that would have contributed significantly to the discussion.

3.7.1 Building approaches

Self-help: self-complete

In three of the case study projects where the local authority was the developer, beneficiaries were offered the self-complete option whereby they took responsibility for completing the top structure themselves. This does not mean that the beneficiary personally builds the structure (although this can be the case) but that the construction was organised by him or her. In Darling, this involved the provision of a 54 m² slab and a plan; in Kayamandi and Stellenbosch, a slab, ablution facilities, a steel frame, roof, and training was provided; and in Worcester, a slab, a plan and some materials.

Self-help: self-organised build (the People's Housing Process)

A few beneficiaries in Marconi Beam/Joe Slovo Park and all 486 in Ocean View chose the full self-help approach whereby households fully organise their own building. This has been termed the "People's Housing Process" by the Department of Housing and, particularly over the last year, explicit attempts have been made within the housing policy to support this approach. In Marconi Beam/Joe Slovo Park, beneficiaries choosing this option received assistance and advice from the Homeless People's Federation. In Ocean View, the community trust provided advice, encouragement and building support.

Contractor build

Most developments not opting for the self-help approach are carried out using a single contractor who takes responsibility for his or her own financial and people management, including organising and supervising the services of sub-contractors. Small - or emerging - contractors are likely to work in the same way as the large, more established contractors, the only difference is that they are often relative newcomers and from previously disadvantaged communities.

Developers 1 and 3 (Site B and George) act as contractors as well as developers but use local, often informal, sub-contractors to carry out the full house construction. A

costing is carried out by the developer and the sub-contractors agree on a figure to complete the full unit. Building materials are purchased in bulk by the developer, and the process works in the following way:

“All builders come from the immediate community. They work on a chitty system: we give them a slip of paper commissioning them to do the work, then they enter into a contract with the owners. When they have finished the work, we pay them. We give them a test run, by demonstrating that they can do the job. Some we keep, others we drop, others we give a bit of help to so they can complete the job. We have a magic relationship with these guys.” Developer 3

In this approach, the project or construction management is carried out by the developers themselves and the work of “the subbies” is supervised on site by employees of the developer. In most cases, these sub-contractors contribute labour only, they are not involved in financial management relating to the project.

In all of the case study projects not carried out the self-help route local labourers are employed for the unskilled work. In 80% of the cases, we were informed that this is for ethical or empowerment reasons. In 20% of the cases, the reason was to avoid any “problems” with “the community”.

3.7.2 Experiences and opinions with regard to the various building approaches

Self-help: self-complete and self-organised build

In the case study projects the self-complete and self-organised build options have resulted in the production of a larger and often a superior quality product, particularly where the beneficiary has people with building skills in his or her family. However, in each of the projects using the self-complete option, approximately 20% of the structures have not been completed - and some not even started - 3 years on; beneficiaries tend to move at their own speed, from extremely fast to not at all.

The construction process is inevitably more ad hoc and sporadic than in conventional build, hence the inconsistent delivery:

“So I slept in the car and my wife slept with her family. Then I literally built a shack with scrap board - like a jigsaw puzzle. We then started trenching. I was given the spare concrete by the guys [up the road]. A guy I used to do some work with offered me his truck and machine to excavate. He said R300 an hour, and they were working for 4 hours so I got worried because I couldn't pay. Then the owner came back and he said, don't worry Albert, just give me R100. So I had luck. I had luck all the way, plus old contacts and friends...” Beneficiaries/builders in Ocean View

The self-help approach allows for greater innovation and initiative, and a much more imaginative end product than is being produced by the contractor build approach. For example, one family in Ocean View, where the whole community has organised the construction of their own houses, built their house almost entirely from second hand materials:

“... the window frames are made from a hull from an old yacht that someone had dumped. We stripped the keel - it is pure mahogany - and used it. Concrete was free from the first contractors on the project... The trouble with our people is that if they have some money, they go to Edgars or Woolworth’s and they spend lots of money, instead of making something themselves. I believe in searching and looking, and if you find something that is reasonable, fine, but if not, make it yourself.” Beneficiaries/builders in Ocean View

Experience in Ocean View and Victoria Mxenge demonstrates that the self-help and PHP approach both depends upon social networks and helps to build healthy and sustainable communities, with groups of people joining forces to solve their own housing problems.

Local authorities and private sector developers tend to be sceptical about self-help approaches. While several local authority officials interviewed recognise that it can result in an improved structure, there is concern that it is an “uncontrolled” and slow process. The following responses are typical:

“In the 339 [project] we allowed people to build their own houses but I’m telling you it was a hell of a nightmare... people not doing their things on time, and it was not financially viable. We had to ask the project manager to go in the end.” Councillor, Worcester

“... it hasn’t really worked anywhere. People are riding on Victoria Mxenge in Phillipi, but look at the subsidies that goes in. It looks good, but look at the time it takes, and they’ve waited so long.” Local authority, Hermanus

“... and the PHP, not everyone wants to do it, and it is not an option for mass or fast delivery and you can’t control it.” Local authority 4

The other reason that the self-help approach is not popular is that it is very much a process, involving training and patience. This tends to be more costly for the profit-driven private sector (and local authorities, by default), as noted above and below:

“The best approach is for self help schemes to get off the ground, but these must be managed by non-profit organisations and/or local authorities who are subsidised. They cannot be implemented by the private sector.” Project manager 1

The result is that many local authorities and even the PHDB are not supporting self-help approaches. In 1997, the PHDB declared that all structures must be enclosed, thus removing self-complete as a construction option.

Unsurprisingly, therefore, beneficiaries, CBOs and NGOs involved with self-organised construction raised problems with regard to the role being played by local and provincial government in [not] supporting the process. Most notably, the release of land for such housing is not taking place. We were informed that despite years of negotiations, the Homeless People’s Federation (HPF) has not been able to access any state owned land in the Western Cape for housing projects. Ironically, this is

despite the fact that the HPF's Victoria Mxenge project in Cape Town is much vaunted by the government as a demonstration of the success of its housing policy.

In Ocean View several other problems relating to the role of the state with regard to the PHP approach were raised. For example, the cost for a formal building plan approval by the local authority is debilitating at over R1 500. And for some people the local authority building inspectors are still imposing restrictions that are inappropriate to self-help:

"The local authority sent a building inspector who didn't help. This guy came along and said to people they must stop building. I said to him "Look here, don't discourage the people, they are trying to do something for themselves". In one of these houses the inspector gave the guy a fine and he said "You can't move in there, you haven't got a ceiling"." Beneficiary, Ocean View

There is also concern that the newly released central government guidelines for supporting the PHP are overly bureaucratic, and that the Building Norms and Standards cannot be applied to self-help.

"You cannot impose quality on a people's housing process... People are going to do it whenever and however they want." NGO 1

It was argued by several interviewees that self-help is not appropriate in all instances. For example, 2 of the project managers argued that the self-complete approach has proved to be more acceptable and successful in black rather than coloured communities.

"You can't do it [self-help] with everyone... Blacks will go for it, the coloureds... some will go for it, some won't go for it. They want a house they can move into... and they mostly come from better circumstances themselves, often they don't live in shacks, they live in backyard structures, it's a different set-up." Project manager 2

According to several interviewees - beneficiaries and project managers - the success of the self-complete approach depends upon the beneficiary's access to building skills and additional finances.

Local labour and small contractors

There is a polarity of views with regard to the use of small or emerging contractors and local labour. One local authority and one project manager argued vociferously that using inexperienced contractors or builders (and even the self-help approach) is detrimental to the project in terms of quality and cost, and thus unfair to the end-users:

"At the end of the day you must try to give the beneficiaries a house that is as big as possible. It is a very nice story about empowerment of people - training them in building - but it doesn't work on the ground. You take so much longer to build, you've got to check, the wall is askew, and in the end of the day the cost of construction is so expensive, and that is the beneficiary's money... You should

have empowerment and housing delivery as two separate goals, you only get that grant once in your life, it is not fair to use that money for people to practise on."
Local authority, Hermanus

The issue of "walk-outs" being a problem when using local labour is commonly raised.

"Care has to be taken [when using local contractors and labourers], walkouts are common and quality can suffer. Local contractors can cost the project." Project manager 2

The result is a rough 50/50 split between the developers and project managers as to who would support local contractors and local labour and others who will not do it again.

"... There has been a move away from local labour because the project costs have gone up... we try to encourage the use of local labour but we certainly don't insist."
Project manager 1

Some beneficiaries even supported this view:

"Choose a credible builder, not because he is black... even if he is black he should be someone qualified and skilled. A black builder was chosen for the project and the result is bad workmanship." Beneficiaries, Cape Town Hostels Redevelopment

With regard to this last point, it is important to note that concerns about quality were raised by nearly all of the beneficiaries interviewed (as well as local authorities), not only those using local labour and emerging contractors. For example, in Paternoster, where the top structures have been built by a large and established contractor with only minimal use of local labour, quality is the main gripe:

"The problem is that the work done was not done so properly... the doors just isn't right, the plaster is falling off, the houses leak because they were in such a hurry to build, it took them one day to build a house." Beneficiary, Paternoster

A representative of NGO 1, however, argued that the problem lies not with the use of local labour or emerging/local contractors *per se* but with the provision of appropriate and well-timed training to support and improve the skills of those people. She argues that "on the job" training is not effective as it slows construction and negatively affects productivity. One of the problems has been the limitations of the private sector in supporting training which tends to be both costly and time consuming.

Informal or local sub-contractors

The use of local sub-contractors to construct the top structure is proving to be an effective way of reducing costs and simultaneously building entrepreneurial spirit according to the 2 developers using this approach. Part of the reason it cuts costs, however, is because this approach circumvents the issue of the minimum wage,

BIFSA regulations and labour laws. Thus, while the economic benefits to the immediate community are likely to be higher, the possibility of exploitation of “subbies” and/or their workers is also open.

Problems in this regard were noted in George, where, in order to drop the costs of the top structure, the community demanded that the local sub-contractors reduce their construction cost per house by R300. The developer admitted to being not happy about the decision, but added that it was a community decision and out of his hands. In turn this has led to extremely low amounts being paid to the sub-contractor’s labourers, many of whom (in George at least) are women who are prepared to accept even lower wages than men.

“The community’s main objective was to get the houses as big as possible. They [the community] decided they would sacrifice the wash trough, the toilet door and the sealant paint. Then what they did, seeing as we were using local people from the community, they said that they must also make a sacrifice and they cut the labour content of the house by R300.” Developer, George

Similarly, in Botriver we were informed by the local councillor that the local sub-contractors, who were inexperienced in issues of financial management and the negotiation of contracts, had accepted unviable (or unsustainable) contracts with the main contractor. The result is severe financial loss for them.

In the case studies, the quality of work where the emerging and informal contractors are involved does not appear to be any different than what is being delivered by the more conventional and established contractors. From our discussions with the developers in both case studies 10 and 2, it appears that effective and constant on site supervision is essential to ensure quality control when using the informal contractor approach.

4. EFFECTIVENESS OF THE IMPLEMENTATION STRATEGY

The previous section (Section 3) examined the extent to which the policy is realising its key goals. Section 4 looks at the effectiveness of the implementation mechanisms: the partnership for delivery, the mobilisation of finance and speedy land release.

4.1 A partnership for delivery: effectiveness of the various parties in the support and delivery of housing

Fundamental to the government's policy is the concept of "a partnership between the state and non-state sectors in addressing the housing challenge" as outlined in the White Paper. The following section examines both the level of involvement, the experiences and the effectiveness of the various parties in the delivery of housing in the Western Cape.

Table 4: Who are the developers?

	<i>Private Sector Developers</i>	<i>Employers</i>	<i>Utility Companies</i>	<i>Community/NGO</i>	<i>Provincial Administration</i>	<i>Local Authority</i>
% approved subsidies*	15	0.9	2.8	3.2	18	60.7

* Excludes individual subsidies and hostel redevelopment grants

Source: Derived from Provincial Housing Development Board, Department of Housing Projects List, February 1999

4.1.1 Trends and influences in terms of who is delivering

As indicated in Table 4 above, almost a third of housing developments are being carried out with local authorities as developers, using private sector project managers to manage the projects. The level of day to day engagement on the part of the local authorities varies in different areas, generally depending upon capacity.

Although the development role played by the Provincial Administration appears relatively large at 18% of the total project linked subsidies, its involvement applies to only one project - the presidential lead, Integrated Serviced Land Project in Cape Town. The Province is currently phasing itself out of the project, with the two local authorities, Cape Town and Tygerberg, poised to take over the reins.

4.1.2 Effectiveness of the various institutions in supporting/carrying out housing delivery

Representatives of private sector and community based organisations were asked about the nature of their experiences with the PHDB and local authorities, and in particular whether they are playing an effective enabling role in supporting the

delivery of housing. Representatives of the PHDB and local authorities were asked about their experiences with the private sector.

Effectiveness of the PHDB

All but one of the developers were negative about the role played by the PHDB in supporting the delivery of housing. The most common complaints are summarised below, in order of frequency with which they were cited:

1. Slow turnaround of project applications, although the speed has lately improved, and slow approval of individual beneficiaries prior to transfer of the property:

“We can look at the whole process of trying to get 900 persons’ subsidy applications approved... the guidelines say 28 days - rarely has that ever happened... and if you are going to have the contractor’s construction programme determined by the rate at which subsidies are approved, he is just going to leave site because there is no way he can stay on site and build half a house a week.” Project manager 1

2. Poor cash flow and financial management resulting in inconsistent availability of subsidies:

“We go the credit linked route, which means that every time a person applies to buy a property we have to make an individual subsidy application. Now that is an absolute disaster... it starts and it finishes, it’s up and it’s down, they have money, they don’t have money... It is an absolute abomination, it’s a shambles, it’s disgusting.” Developer 7

3. Lack of communication with applicants and developers with regard to progress of applications and changes in the policy or procedures:

“... you have to fight for information... and when policies come out, or amendments, they never even forward the stuff... and good communication is critical otherwise people on the ground will get left behind.” NGO 1

4. Personalisation of the application process. At least 5 interviewees, directly or indirectly, noted that the processing of subsidy applications has a tendency to become personalised, with success depending more on relationships rather than systems:

“Handling people well helps. And I’m not trying to be big-headed or anything, but it is the way you deal with them [PHDB officials]. Other people rub them up the wrong way. You’ve got to treat them right...” Developer 3

5. Too much interference with projects when they have inadequate capacity to do so effectively:

“... if you look at the Provincial Housing Development Board, they feel they should be doing something and they get in there as a watchdog and they slow the whole process down. I’ve just come from the PHDB... and they are saying that they feel that the cost of those materials are too expensive. So we said to them “well when

did you last buy it?”... so they have stopped the whole process while somebody sits on the Board and says “Well in my day we used to buy that material for R50...”
Developer 5

While expressing extreme frustration with the performance of the PHDB, a majority of the interviewees added that the cause of the poor management and slow approvals was largely the result of the loss of skilled personnel within the Province because of the large number who have taken packages. By and large, they were sympathetic to the officials “left behind”:

“The officials [at the PHDB] used to be very helpful, very co-operative, but we do find, with the rate that people are leaving, it is really becoming a problem. I get the impression that they haven’t got adequate or competent staff to prepare the agenda items.” Developer 2

“... they have no capacity. They’ve lost some of their key personnel... which leaves them with just about nobody. But as far as finances is concerned, that is not lack of manpower, that is lack of know-how... people have been pushed into jobs they cannot do, and it’s not for lack of trying, they just can’t do it.” Project Manager 2

Effectiveness of local authorities

The effectiveness and capacity of local authorities to support housing development appears to be significantly greater in the rural and small towns rather than the CMA, according to interviewees. This is reflected in the distribution pattern of housing developments across the province pre-1999, with 80% of all housing projects of the first 4 years located in the small and medium towns.

Opinions as to the effectiveness of the local authorities in the provincial areas is positive, but of the 6 municipal local councils (MLCs) in the CMA, very negative. The most commonly cited problem is that of the crippling bureaucracy, including unhelpfulness of officials, inflexibility and lack of co-ordination between the relevant departments:

“We are dealing mainly with the smaller local authorities where we get things done. I mean this is a perfect example [of incapacity] in [municipality x] one person doesn’t know what the next person is doing. You have discussions with one guy and you submit stuff, then you get other queries, it’s a shambles. In the rural areas you don’t have that problem, you sit down, have a meeting, get an answer and carry on.”
Developer 2

“As far as the outside [the CMA] areas are concerned, that’s going well... that’s where most of the projects are on the go or starting up. That’s because [the local authorities] are small and can take decisions very quickly. To get the council together, that’s just a question of getting on the phone and calling everyone together to have a council meeting – it’s not that difficult, in the metropole it just doesn’t happen that way.” Project manager 2

Another issue that was commonly raised was the lack of understanding of how to actually provide a supportive, enabling environment for the private, non-governmental and community sector to operate:

“The local enabling environment is not there... where I work with the local authorities, I just find that there is a lack of capacity, lack of understanding, most of them have not done this kind of development before, they are from the old divisions of council.” Developer 6

As with the PHDB, two interviewees expressed sympathy with the MLC officials because they recognised that the restructuring was playing a part in the lack of capacity:

“The other problem is the lack of enthusiasm and lack of co-operation... I think that the local corporate politics [play a part], those guys are fighting for their jobs, not for production, and now you’ve got the mega-city coming up, it’s all going to happen all over again.” Developer 5

Effectiveness of private sector developers

Opinions of local authority officials as to the effectiveness of developers varies. A fairly widespread complaint on the part of local authority officials is that when there are quality problems with a particular development (which is often the case), by default, the local authorities bear the brunt of the problems when the developer has left:

“The problem with consulting a developer is that once there is problems, the community runs to the municipality and not to the developer... the local authority has to pick up the pieces.” Local authority 2

Two local authorities also accused private sector developers of not making sufficient effort to try to find additional resources to top up the subsidy.

4.1.3 Opinions on the increased responsibility of local authorities as outlined in the Housing Act

The Housing Act (107 of 1997) defines a more proactive role for local authorities in the delivery of housing, to the extent that they are now able to apply for accreditation to allocate subsidies and administer housing projects. Opinions on this changing role differed significantly between the private and public sector.

All local authority representatives interviewed welcomed an increased role and responsibility in housing delivery. However, they simultaneously expressed concern that an increase in resources was not concomitant with the policy, and this makes it difficult for them to carry out their new role, as outlined by local authority 1:

“Institutionally we will accept the responsibility, and I think that it is a good thing that it is being devolved to this level, but the ability to actually act on that depends upon the kind of staff and resources that you have... and the capacity to handle a lot of

those responsibilities has been severely diminished. The problem is that the council is being told every step of the way to cut costs and cut staffing and cut operational costs.” Local authority 1

Three of the private sector developers expressed consternation with regard to the increased role being recently taken up by local authorities, in particular, in the local authorities playing developer. One reason is because this encroaches on their territory and makes it impossible for them to carry out the whole cost effective package:

“Four, five years ago, the government requested the private sector to get involved in housing delivery. So we took up the challenge and we built up a structure to deliver houses. Our company believes we deliver the absolute full spectrum of delivery, from A-Z. Now all of a sudden they are acting as developers... their role must be support, not to act as developers. My question is “Why did the government ask us to build up structures to deliver housing if I can only now do construction?” Local authorities act as developers... they will build 10 houses in the same time as we would do 1 000, including the services. We deliver quicker because we do it to make money.” Developer 1

Another concern raised is that local authorities are not well positioned either financially or in terms of expertise to act as developers:

“I don’t think you should allow local authorities to act as developers, because you have so many hidden subsidies... you have taxpayer’s money paying for office space and for all different things. And it [being a developer] is about taking risk... You cannot risk taxpayer’s money and you cannot speculate with Table Mountain. They must be involved in the projects but in supporting the developers, for example by giving rates clearances and sorting things out so you don’t get blockages.” Developer 4

4.1.4 Differentials in product and process between different developers

Of the case study projects, there is relatively little difference between public and private sector in terms of quality or size of what is being delivered. Neither is there a difference with regard to end-user satisfaction. The largest units being delivered, and those resulting in the greatest satisfaction, are when beneficiaries are organising their own building.

In terms of process, there is also little difference between the private and public sector. Perhaps community consultation is marginally deeper under the local authorities, but to a large extent it depends upon the individuals and project management companies involved.

4.2 Mobilisation of savings, credit and private sector investment

The mobilisation of savings, credit and private sector finance to supplement the government capital subsidy is a central tenet of the housing strategy. The following section examines the extent to which additional finance is being mobilised in the

Western Cape and from what sources. This is done by looking at financial profiles of the 14 case studies and with feedback from the key informants who are familiar with the broader picture.

Table 5: Form and source of additional resources in case study projects

	Projects	“Hidden subsidy”	Source	Top up contributions	Source
1	Kayamandi	Land, contribution to services and BI*	Local authority, RDP, Dept. of Water Affairs	Materials & labour for self-complete option (30%)**	Beneficiaries
2	Site B	None	-	None	-
3	Kleinmond	Land, contribution to services and BI	Local authority own capital and CMIP	Bond for 1 municipal employee (0.5%)	First National Bank/Boland
4	Paternoster	Contribution to BI, capital contribution	Local authority Saldanha Steel	None	-
5	Worcester	Land, major contribution to services/BI	Local authority (DB loan & own capital)	Materials & labour for self-complete option Bond/loan repayment for full house (100%)	Beneficiaries Local authority
6	Delft, South	None	-	None	-
7	Hermanus	Land (R1 erf), services/BI	Local authority	Some bonds (<10%)	Commercial banks
8	Ocean View	Labour and materials, NGO support to community	Beneficiaries International donors	Labour, materials (100%). Some bonds (<5%).	Beneficiaries. Commercial Bank
9	Botriver	Land, contribution to services and BI	Local authority CMIP	Up front financial contribution for larger house only (<5%)	Savings and/or employer contributions
10	George	Contribution to services & BI, subsidised land	Local authority and CMIP	None	-
11	Marconi Beam/Joe Slovo Park	Contribution to services and BI, NGO support to community	BCIG Developer cross subsidy International donors	Materials & labour for self-complete option (c.1.5%) Some financial contributions (<1%)	Beneficiaries and Utshani Fund. Some employer contribution
12	Lusuko	None	-	Bond on purchase (100%)	Buyer secures
13	Cape Town Hostels	Low interest capital loan, some services	Local authority	Low interest loan to repay through rent (100%).	Local authority
14	Darling	Subsidised land, doors, electricity fittings, contribution to BI	Local authority BCIG	Materials & labour for self-complete option Loan/bond (1-2%)	Beneficiaries Employer provident fund

* BI = bulk infrastructure.

** Percentage in brackets refers to percentage of total beneficiaries affected

4.2.1 Extent to which resources have been mobilised over and above the subsidy

While detailed information on project finances was not readily available, Table 5 indicates, in general terms, the extent and sources of beneficiary and other contributions (“top ups”) in the case study projects, as well as the more “hidden” subsidies.

If income exceeds R1 500, households are not entitled to the full subsidy. In the case study projects there were typically two options for these households - either to find the finances to make up the deficit and obtain the finished unit, or to take a starter structure with a self-help or self-complete option. The numbers in this category amount to less than 4% of the total in the project linked schemes. In most of the project linked schemes, beneficiaries in all income categories were offered superior houses if they were able to add their own finances. Worcester is the only project where beneficiary contributions are obligatory. In the other projects, only a handful of people voluntarily contributed finances to obtain a superior house. Interviews with key informants indicated that this pattern is consistent across the Province.

Hidden subsidies are more common. The term “hidden subsidy” refers to the often less obvious contributions such as capital, land, labour or even technical skills. These subsidies come from various different sources and can contribute to land costs, the housing development process, services or top structure.

4.2.2 Sources of additional resources

Financial institutions

Of the case study projects, only in Kleinmond and Ocean View have beneficiaries managed to secure bonds from commercial banks. In Kleinmond, the one person involved was a municipal employee and the bank agreed by using his provident fund as security. In Ocean View, approximately 4 beneficiaries have secured bonds from commercial institutions. In Lusuko, where the development is speculative, the buyer secures his or her bond independently on purchase of the unit. However, because of interest rate hikes and changes in bank procedures and calculations for civil service employees, this is not happening at present.

90% of the key informant interviewees confirmed that securing additional credit from financial institutions is extremely difficult and generally not taking place. Many experiences are cited with early attempts to bring the banks on board. Project Manager 3 describes the typical scenario:

“We have had no luck with the banks. We tried to get them around a table to finance a couple of projects... but they all pulled out. There is a lack of interest.”

However, Developer 1 and Project Manager 1 said that in their experience beneficiaries are unwilling to take loans:

“We introduced them to the banks... it was funny that those in the higher income bracket were prepared to accept a smaller house [rather than take a larger unfinished structure and take a loan from the bank to finish it].” Project Manager 1

Beneficiary contributions are evident, however, in places where work is carried out on the project following construction. In the case study projects, this was happening in about 20% of completed units on average.

Local authority contributions

In Worcester and Cape Town, the municipalities themselves have provided low interest loans to the project from either their own capital funds or with Development Bank loans. These are repaid over time; over 1 year period in Worcester, and over a 10 year period as a component of rent in Cape Town.

With the exception of Site B and Lusuko (the individual subsidy projects) all the projects receive varying degrees of local authority subsidies. These typically take the form of subsidised land (in 2 of the projects it has been effectively donated at R1 an erf) and/or contributions to the provision of bulk infrastructure. In all the projects where the local authority has acted as developer, the council itself has carried the often substantial cost of the bridging finance. Some contributions are made to internal service provision, although it is more common for these to be covered by the housing subsidy.

Beneficiary contributions

Beneficiary savings - as up front contributions - are rare. Only in Worcester, where all beneficiaries MUST contribute, is the use of savings evident. On the other hand, with the exception of the Cape Town Hostels where the units are for rental and Lusuko, whereby a large, complete house is purchased through a bond, in most of the other projects beneficiaries are adding to their units, either formally or informally after the completion of the subsidised project.

The degree to which beneficiaries are adding on to their units varies significantly between projects. In Paternoster only one person has added anything, but in Darling at least 30% have added substantially. In all projects apart from Lusuko, the Cape Town Hostels and Paternoster, beneficiaries said that they would add on, if and when they have the resources to do so. The extent to which beneficiaries do add on seems to be influenced by the following, in order of influence: available resources (steady income); length of stay in the unit; beneficiary involvement in the project planning; and length of stay in the particular area.

Employers

In 4 case studies, a small number of employers have contributed loans to those beneficiaries who are formally employed and do not qualify for the full subsidy. The loans were derived either from or against the security of employee provident fund contributions. In most cases they were secured with the assistance of either the developer or the municipality. Developer 3 also cites cases where employees such as gardeners or chars have managed to obtain loans from employers. In Ocean

View, grants were secured by a small number of beneficiaries from one particular employer.

Government Grants

Various national government departments have provided grants to cover costs of installing bulk infrastructure in the case studies. These included the Bulk and Connector Infrastructure Grant Programme (BCIG), RDP funds, transport grants and CMC infrastructure grants. The Consolidated Municipal Infrastructure Programme (CMIP) has consolidated most of the above into one fund.

Bulk infrastructure grants were obtained in a majority of the projects when required, although the amount secured varies considerably between projects (and what is available varies considerably between Provinces). Interviewees informed us that securing the finance depends upon funds available and set priorities, and that the full infrastructure cost is seldom covered by these grants:

“... it works on the basis of first come, first served. Services are sometimes provided free of charge by the local authorities... but the connection fees can be high.” Project Manager 1

Use of NHFC and other state and parastatal funds

NURCHA guarantees and bridging finance have been useful to 2 developers and 1 local authority interviewed. The usefulness of the NHFC as a tool to obtain affordable credit for housing institutions is contested strongly by one developer:

“[NHFC] got R400m [from the government] for nothing, and they cannot give us a better interest rate than 17%. We have battled for a year and a half to get money out of them... NURCHA has proved useful for bridging funds, but we need affordable end-user finance.” Developer 6

4.2.3 Experiences and trends with regard to mobilising finance

The role of commercial finance institutions

There is a great deal of anger and frustration with what many interviewees refer to as the unwillingness of banks to serve the lower income market, even those in the higher income bands. When some banks agreed to come on board, as they did in a few projects, the interest rates, administrative and “risk factor” insurance rendered the bonds unaffordable:

“The group earning between R1 500 and R2 500 just cannot get loans... they must get a cash contribution... and they have enormous problems getting that money. If their employer does not help, they really have problems and in many cases they are excluded.” Project Manager 3

The one developer targeting the middle income black population (including the R2 501 - R3 500 group) is extremely frustrated with what he sees as the reluctance of

the banks to serve this market. He identified a recent (1998) change in banking procedures relating to bonds for civil servants which effectively renders it impossible for these people to obtain an adequate size bond:

"[A civil servant] used to get a subsidy in addition to their salary of between R700 and R900 giving them a R1 300 repayment ability which qualified him/her for a R70 or R80 000 bond. A year ago this changed... they [the banks] said that they wanted everyone to qualify on the same basis. So that was the end of that... sales fell on their head, then the interest rate went up from 18-25% and that killed them. In 4 months we have probably sold 4 houses - that is the whole middle market. The banks just do not want to lend to that market, it's a hassle. So the only option is micro-credit which is currently running at between 40 and 50% interest rate."

Developer 7

The same developer adds that while initially his company was concerned about affordability, in all the developments that they have carried out nobody is defaulting on payments: *"... that is why I am so angry about the banks pulling out of the lower income market."* Developer 7

The institutional subsidy as the panacea

One local authority, one developer and one project manager hailed the institutional subsidy as a potentially effective mechanism for leveraging additional finance into housing development as it offers more security and less risk for a finance institution. However, Developer 6 has all but abandoned its institutional subsidy scheme on the basis that interest rates on all loans, including NHFC render the end project unaffordable to those earning less than R3 500.

Beneficiary contributions and additions

In the Worcester case study 100% of the beneficiaries had to contribute financially or in terms of their own sweat equity. In both instances, they have demonstrated that they can, indeed, contribute, although they are all from the lowest income band of R0 - R1 500.

"xxx was probably the first project in the Western Cape and it was a self-build scheme. We spent all the money on materials and services, nothing went to labour. We had guys on site that was actually giving them training and they were supposed to build their houses themselves. In the end about 80% didn't build their own houses, they paid outsiders to come in and finish the houses, so they've got money. In the end I think they paid about R4 000 for labour." Project manager 2

Some local authorities are setting down regulations and conditions with regard to construction additions in order that the development will retain its formal character. For example, in Kleinmond, Worcester and Darling, beneficiaries who wish to add to their units must submit plans to the local authority for approval and are not allowed to build with informal materials.

Hidden subsidies

The existence and extent of hidden subsidies has a major impact on the size - if not quality - of the top structure in different projects. For example, where land is free and bulk infrastructure costs are largely covered by grants and the local authority, the serviced land cost does not eat into the top structure.

The presence of hidden subsidies depends largely on local authority policies, financial status, land supply and availability of government grants. More than one developer or project manager identified trends that imply a decrease in such subsidies in the future: local authority land supplies are diminishing; national government grants are decreasing (at least becoming more difficult to secure); and local authorities are financially bereft.

“Some municipalities that have the money are carrying the cost of the services... a lot of the time they don’t have the money. A lot of the municipalities can’t even borrow the money. They may not be bankrupt at this stage, but they can’t afford to spend so much money on external services.” Project Manager 2

4.3 The speedy release and servicing of land

It is written in the Housing White Paper that the assembly and release of appropriately located land for housing is “critical to achieving the desired rate of delivery of housing”. The following section seeks to assess the extent to which land is being released for housing, and the extent to which availability of well located and affordable land is an impediment to housing delivery and the realisation of other key goals.

Table 6: Land ownership prior to development in case study projects

<i>Projects</i>	<i>Location</i>	<i>Previous owner of land</i>
1 Kayamandi	Provincial medium town	Farmer, compulsory purchase for the project by local authority
2 Site B	Metropolitan	Beneficiaries (consolidation of site and service plot)
3 Kleinmond	Provincial small town	Local authority
4 Paternoster	Provincial village	Provincial Administration.
5 Worcester	Provincial medium town	Local authority
6 Delft, South	Metropolitan	Provincial Administration
7 Hermanus	Provincial medium town	Local authority
8 Ocean View	Metropolitan	Beneficiaries (consolidation of site and service plot)
9 Botriver	Provincial small town	Local authority
10 George	Provincial medium town	Local authority
11 Marconi Beam/Joe Slovo Park	Metropolitan	Telkom (private)
12 Lusuko	Metropolitan	Private
13 C.T. Hostels	Metropolitan	Local authority
14 Darling	Provincial medium town	Local authority

4.3.1 Extent to which land release and servicing is proving a problem

In all case studies in the provincial areas, whether small or medium town, the land has been provided to the projects by the local authorities, either as existing local

authority land or through purchase. Of the 6 metropolitan projects, 4 are on land which was previously privately owned.

According to most interviewees, land release for low cost housing has proved to be a major problem in the metropolitan area, with a consequent negative impact on housing delivery:

“In the metropolitan areas land is a real problem, in the rural areas, it isn’t... there it is less expensive and more readily available. Up to now, apart from Paarl, all our projects have been outside the metropolitan area.” Developer 2

As noted in the previous section, despite ongoing efforts, the Homeless People’s Federation has not been able to secure state land for their housing developments in Cape Town or elsewhere.

Political infighting and the high competition for valuable urban land are cited as one of the main reasons for land release being a problem (according to developers, project managers and 3 of the metropolitan local authorities):

“... most of the politicians might not have the political will to move in and really initiate housing delivery. In terms of the identification of land, for example, I have not seen the will there to identify land and commit themselves... And it also seems as if they [“coloured politicians”] in terms of developing a little piece of land for their people... we have identified a farm which we would like to move our last squatter community on to, and we were told in no uncertain terms that that farm is earmarked for my people.” Local authority 2

The “politics” referred to includes party and colour politics between local politicians as well as politics and competition between the different sub-structures. Two of the substructures called for a metropolitan wide land release programme in order to address the needs of the whole city and mitigate imbalances in land supplies within the MLCs.

Non-functioning bureaucratic systems are also responsible for the non-release of urban land. For example, there is significant confusion as to the actual ownership of state land, in particular whether it is owned by the Provincial Administration or the local authority. Four interviewees recalled instances where they have even got so far as negotiating for a piece of land, only to be informed (in once instance, 2 years later) that the particular piece of land belonged to another tier of government:

“We started the negotiations [with the local authority] for land and everything was good between us, we have a good relationship but the delivery is just not there. The bureaucracy is stopping everything that we have done all these years. You go back and the people have gone and there is no communication, you have to start afresh... We have been negotiating with Tygerberg for some land in Khayelitsha [for a long time]. Imagine, this year on the 15th of last month, they told us that it belongs to Province... The same applies to the Cape Town City Council.” Patricia Matulingwe, Homeless People’s Federation

There are also no co-ordinated policies with regard to land release for housing in most of the local authorities that were interviewed. This is compounded by a lack of communication between different departments within the bureaucracy, in particular, between Estates, Planning and Housing Departments.

The fact that there is no land release system within the metropolitan area yet in place is cited as a major barrier to land release in the CMA:

“One does not see a process in place to address the issue of land. There is no integrated attempt to deal with the land issue in the city as a whole. There are huge tracts of land opposite Khayelitsha that have not been developed.” NGO1

The high cost of land in and around the metropolitan area and its detrimental impact on low cost housing projects was raised by 2 project managers and 1 developer:

“Just outside the metropole land is expensive and we can’t get hold of it. And if it belongs to the province they will say that all the land has gone over to the local authorities and at the next meeting if you want to get hold of the land, they want to sell it to you at market prices which kills the project.” Project manager 2

One of the large developers said that low cost housing is simply not affordable if land is not provided (or subsidised) by the local authority:

“Land that does not belong to local authority or province is not affordable. The only land we can develop is local authority or government.” Developer 1

We were informed by most of the local authorities in the provincial areas, but to a lesser extent with those further from Cape Town, that their own land supply for low cost housing use is diminishing. In Stellenbosch, where land is valuable and in high demand, the local authority is actually purchasing land for low cost housing and cross subsidising by sale of other council assets. The intention is the same in Hermanus.

4.4 Other impediments to housing delivery and realisation of key goals

4.4.1 Social or community conflict

Problems with housing delivery in the first two years of implementation were often said to be linked to social conflict, in particular, issues relating to the “social compacts” established in order to ensure beneficiary and stakeholder consultation. In response to the problems, modifications to the social compact requirements were made and it is no longer set policy to draw in a range of stakeholders as a consultative body. We asked key informants and those involved with the case study projects whether “social conflict” is still proving to be an impediment to housing delivery.

Most private and public sector interviewees said that social conflict will always exist. They added, however, that changes in the social compact arrangement have helped

avoid the problems as it is now only necessary to involve immediate beneficiaries - by definition those who have a vested interest in seeing progress:

“There have been factional problems around the social compacts which keep collapsing, then you have to start again.” Project manager 1

“Every project has experienced problems. I suppose there is less of a chance of it happening with the new social compact arrangement.” Developer 4

At least 50% of the “professionals” said they have learnt how to negotiate social problems over the years:

“I don’t have a problem any more, because we have picked up the experience and it is easier to do now. We have also learnt how to deal with communities, but it wasn’t easy. There are many times when we have said to ourselves, we’ve tackled the wrong thing here... we must stay out of this.” Project manager 3

“It is always about clamouring for the [limited] resources. But we are getting better at being able to pre-empt and manage the problems... social dynamics are always an issue and it is always a challenge to make sure that you are dealing with the right people who are really representing most people in a project.” NGO 1

Conflict is obviously a lot less of a problem in the provincial small towns than in the CMA:

“This is a massive problem as it takes a very small group of people to screw up a project [but] there are less problems in the rural areas with politics and less social problems because of greater community cohesion.” Project manager 1

There were several suggestions as to how to negotiate and manage community consultation and involvement:

“This is a team effort between developer, local authority and community. If you have all three you can work well. Generally, it’s not a problem [conflict]... if you keep the community informed through a committee and public meetings.” Developer 2

“One of the biggest reasons projects fail is because there is no feedback to the community.” Project manager 1

The representivity and responsible action of community representatives is a major issue of concern from implicit and explicit statements of the “professionals” interviewed, as follows:

“The power dynamics are critical and a problematic area. In one area we are working... the 2 people who were mandated to carry though the day-to-day stuff didn’t ever report back. Eventually they saw themselves as being employed. They didn’t report back because they were trying to keep a piece of the pie for themselves. But when resources come into an area, it is inevitable to have problems.” NGO 1

Two project managers and one local authority argued that it should not be necessary to conduct such extensive consultation with “the community”:

“I’m not convinced (talking not as a person with my hard engineering hat on), that to involve the community all the way, is necessary. Our financial resources are limited and we want to provide as many houses as possible as soon as possible...” Project manager 3

“The whole thing about consultation has to be very carefully relooked at. You look at countries such as Singapore, Hong Kong, England... with the most successful housing organisations in the world... they do almost zero consulting. I’m not saying you must not consult, absolutely not, but we must change the culture of consultation - how we do it.” Local authority 4

Three private sector interviewees said that the area of community participation and training was “where you NGOs should come in” (Developer 5) because, while very necessary, it is expensive for them.

Interviews held with the case study beneficiaries highlighted major social problems in only 2 of the projects: Kleinmond and Stellenbosch.¹⁹ In Kleinmond, a group of people in the original informal settlement rejected the new project on the grounds that the houses are too small. They consequently attempted to prevent others from taking up residence:

“The problem is with the people from the squatter camp who derail discussions.”
Beneficiary, Kleinmond

In Stellenbosch, the conflict concerned allocations. In neither of the projects has progress on the project been severely affected by the problems.

4.4.2 The role of politics

As one interviewee argued, *“politics and community dynamics go hand in hand”* and it is not possible to differentiate the two (Project manager 1). However, the following section looks at the extent to which the actions of politicians, specifically, are contributing positively or negatively to housing delivery.

All interviewees talked of the significant role - both positive and negative - that politics are playing in housing delivery. The negative role was more commonly raised, particularly insofar as progress is delayed as a result:

“Political point scoring is hampering the process. Each person wants to be seen as the driving force providing housing to the people.” Project manager 4

¹⁹ Beneficiaries were asked whether anyone, or any organisation, from the community had caused problems for the project.

“Housing is such an emotional issue, and it can make or break a councillor. The personal agendas of so many stakeholders make it a political problem.” Project Manager 4

“... [politics is] our major problem in the metro area. This is local politics more than party politics, and we are really battling. The politics are in the settlement and the politicians themselves. I just get the impression that everybody wants the glamour for it - if they cannot get the glamour, they sabotage.” Developer 2

Politicians raising false expectations is cited as a major problem by 3 project managers and 1 developer.

“The thing they [politicians] do is to tell people that in other projects they’ve got a 30 m² house, don’t accept this 24 m² one. But [the other project] was heavily subsidised and different technical, geological conditions, and they will delay the project for months and months...” Developer 1

“My criticism of the whole subsidy scheme concept is that somehow the politicians raise expectations, and people in the field who must make it work can’t meet those expectations. And by the time the community discovers that “we’ve been misled” they can only tackle us, the politicians have gone.” Project manager 3

Three key informants said that the reluctance of (mostly local) politicians to accept the product is problematic, leading, for one thing, to reluctance of beneficiaries to accept it:

“Because of the controversial nature of the product being produced most politicians are not rushing to cut the ribbons on housing developments and to claim responsibility (for a toilet with an en-suite room).” CMC

“Politicians will not openly support incremental housing... they feel they are committing political suicide... We have never had any complaints from our beneficiaries, only from politicians.” Delft

Politics is most disruptive in the metropolitan and peri-urban areas as opposed to the provincial small and medium towns:

“In the metropolitan area party politics are severe. All parties want the credit for the housing project, and others do not want a low cost housing project on their doorsteps. In the rural areas it exists to a much lesser extent.” Developer 2

“Politics is the biggest reason nothing is happening in the metropolitan area.” Developer 6

Local government officials in the CMA all expressed frustration with the role and attitude of individual councillors. They say that the action of councillors is responsible for the slow (or no) progress with the release of land, housing delivery and in the management of publicly owned (rental) housing:

“Politics is very much an impediment... One has to take away the political control [from housing] and I think they are beginning to accept that... When politics are involved, housing will not take place.” Local authority 3

“But to me the big drawback is political. Although local authorities identify housing as their main priorities, they don’t act in that way. It is in-house politics, infighting. The problem is that everyone wants to gain something out of it, which is not the purpose of housing development. They [politicians] are not committed, that’s the problem. They argue about the little issues and side-track the whole thing.” Local authority 2

Some reference was made to options by these local authorities to remove housing from the realm of politicians. Two of the MLCs are setting up housing companies to “depoliticise” housing and to speed up delivery.

The involvement of councillors is, however, as much a positive as a negative thing:

“... a very important thing [to success] is councillors. I have seen some who are really prepared to stand up and make a point. He won’t always say the popular thing, but then there are less lies. A typical example is councillor xxx in George. Before any steering committee meeting he wants a private meeting with us, to know what the issues are, then he has a pre-meeting with his committee - so they are prepared.” Developer 1

In 3 of the case study projects (Worcester, Botriver and Darling), the driving forces have been 3 dynamic politicians (of different political parties), who have been integrally involved in the whole development, working day, night and weekends to ensure progress. Apart from problems with bankrupt builders and sub-contractors, these projects have not been stalled by political or social conflict. Colleagues of the ex-councillor in George who is now head of the housing department, say that having him in this position has made all the difference to resolving conflict and ensuring delivery.

4.4.3 Technical impediments to housing delivery

Technical issues refer largely to regulations and procedures that relate to settlement development such as building and services norms and standards, planning regulations, by-laws and the subsidy application process.

Several interviewees complained of the complexity of the subsidy application process and requirements. Even one of the project managers said that it took him a week to get through the policy and application procedures, and called for the whole package to be simplified:

“People must find a technical agent in order to fill in an application... Should be less complex and there are regulatory guidelines that also should be dropped.” NGO 1

“They put in these policies and developers must implement them and it does not make sense. For example, the documentation that people must provide [to get the

subsidy] and who actually qualifies for the subsidy. I do think that when you work in the squatter camps people must provide you with documentation, but it's unbelievable the kind of problems you have implementing all these things within those communities. For example, Cape Town is not home. You say "Where is this child?" and they say "Oh it's at home" and you say "Has this child been registered?" and they say "No". "Where is your wife?" "Oh she is at home" "So who's this then?" "Oh that's my girlfriend." Fieldworker, Developer 4

National Home Builders Regulation Council (HBRC) regulations as to what constitutes a bondable house are outdated and inappropriate according to one of the developers who has experienced problems with securing bonds for subsidy housing because of the standards applied.

The NHBRC also determines standards for all home-building which at least 3 of the interviewees argued are simply not viable - either for self-build or in situations where local builders are carrying out the work.

"The new home consumers council, the Home Builder's Registration Council... that document looks like two telephone directories. I think it's criminal how the whole market is being complicated by things like that." Local authority 4

"... there are regulatory guidelines that also should be dropped. "You cannot impose quality on a people's housing process". People are going to do it whenever and however they want." NGO 1

"The other problem is building regulations, and expecting the houses to conform to national building standards which makes the housing even more unaffordable." NGO 1

There is an ongoing tension between local government and developers with regard to norms and standards and service levels. The local governments are accused of setting service and infrastructure levels and standards too high given the limited money available, resulting in less for the top structure. They, on the other hand, argue that lower levels of infrastructure such as graded roads, require constant maintenance and ongoing costs.

"The standards are still retained at a very high level... you know, the fire trucks can't come in because the roads are too narrow." Developer 5

"There is scope to lower standards, but if you do that, provision must be made for ongoing maintenance." Developer 4

The Department of Housing has recently called for limitations on costs (and therefore standards) of land and services to a maximum of R7 500 per unit, with provision for difficult conditions²⁰ and the delivery of a minimum 30 m² house. One

²⁰ National Norms and Standards in Respect of Permanent Residential Structures, 11 December 1998

of the local authorities interviewed argued that this drop in standards will result in the proliferation of poor quality settlements.

“When it comes to norms and standards I think the government has gone mad... They are densifying the townships to such an extent that it is like putting a whole load of rats into a little box... The width of the roads is very problematic, and the amount of public open space... You see if you had a larger subsidy you could get better layouts. The government seems to think that if it sets very low standards like gravel roads, pit latrines and high mast lighting that the local authorities must pay... but technically 80% of local authorities are bankrupt.” Local authority 4

On the other hand, some interviewees called for a change in standards and outdated by-laws to create more appropriate low cost housing settlements:

“The same municipal by-laws were being applied in the 100 m² Marconi plots as were applied in the enormous plots in the rest of Milnerton. Your house has to be xx distance from the boundary line, your pavement has to be wide enough to allow a car to park, etc. We need separate legislation for low income housing developments so that people can benefit more.” NGO 1

A difference in opinions between national government and the private sector was also noticeable, with the government demanding a product that the private sector argues is impossible to deliver within the current subsidy amount:

“And even today, you probably have noticed the conflict between BIFSA and the minister, with BIFSA saying that with the subsidy, you must provide services and it is only possible to build a house 10-15 m², and the Minister says no, 30 m² and it confuses everybody... particularly the ignorant people. And we are just engineers, we are here to do the job, but we have to explain to communities how these things work and what you can get... and you can show them a picture, but until you have built a show house, until they can have a look, and they compare it to other houses and they say “Hell, no this is not what we expected”.” Project manager 3

As noted above, in section 3.7, beneficiaries involved in self-build through the people’s housing process complained about the local authority building regulations (and scrutiny fees) imposed by the local building inspector that are inappropriate when applied to a self-build process.

5 OPINIONS ON THE EFFECTIVENESS OF THE HOUSING POLICY

Each of the key informants - developers, project managers, NGOs and local authorities - were asked whether they think that the current housing policy requires fundamental restructuring or merely changes in certain areas to render it more effective. **Table 7** summarises the responses of some of the interviewees.

6 ANALYSIS AND CONCLUSIONS

The review indicates that, to an extent, the housing policy is working in the Western Cape. Large numbers of houses have been - or are in the process of being - delivered in the small and medium provincial towns. In the metropolitan areas, however, where the need is probably greatest, delivery is inadequate. This is due to the fact that in the provincial areas land is less valuable, the smaller local authorities have more readily assumed the development responsibility and risk, making it easier for the private sector to participate, and the politics are relatively simple. The reverse situation is true in the metropolitan areas.

The majority of units are being delivered with the local authority acting as developer and employing outside consultants. Private sector developers, NGOs and beneficiaries themselves are playing a relatively small role. Where beneficiaries have not taken responsibility for the organisation of their own housing, the product does not differ significantly between the various delivery agents but it does differ according to the amount of hidden subsidies involved.

Consultation with beneficiaries is frequently inadequate and is decreasing because the cost is high. This is particularly true where the private sector is involved. In terms of satisfaction with the product, for a majority of beneficiaries the bottom line is that their house is better and safer than what they had before although sometimes smaller and the quality bad. Most people are very happy to have a secure home of their own, and although it has problems, at least it was free.

Problems or blockages experienced by the various delivery agents are similar and include the following: lengthy and inconsistent approval of subsidies by the Provincial Housing Development Board; high levels of bureaucracy and lack of co-ordination at provincial and local levels of government; and local politics. Beneficiaries and organisations involved in the self-organised or self-help approach are experiencing additional obstacles, notably in obtaining land for housing, the application of inappropriate local regulations and building standards, and difficulties obtaining adequate resources to support capacity building processes.

With the exception of the product produced by the self-help route, in general the quality of the housing being produced is poor and the size very small. In many cases roofs are leaking, walls are cracked and the durability is questionable. Reasons for this include the low level of the subsidy, the high cost of service installation (exacerbated by low density layouts), the share lost to private sector profit and the fact that additional resources are not being mobilised to supplement government funds. It is also a result of the subsidy being used to create a complete unit rather than an incremental structure, and frequently of poor workmanship.

While not suitable in every circumstance, the self-help or self-organised build approaches are resulting in a superior product and increased beneficiary satisfaction. The relative "success" of this approach seems to depend upon community cohesion and organisation, access to additional resources (including resources for capacity building support), and/or the central involvement of one or more dynamic individuals. What is certain is that it helps to consolidate social

networks and to build “community capacity” to help themselves, creating more socially and economically sustainable communities. As noted above, effective institutional support for this process is not generally forthcoming. Reasons for this include the fact that this approach is relatively uncontrollable, and thus a problem when the politics of numbers are at stake. There is also a lack of understanding at local government level of the nature of support required.

Most subsidy housing is being developed on land that is far from city centres and job opportunities. In most instances developments are positioned adjacent to or in existing black or coloured areas, and/or on land without a high value. New housing is not contributing to the restructuring of South Africa’s towns and cities. Housing projects are also being carried out in isolation, not as the integrated living environments necessary to support healthy communities and to combat poverty. For example, they are generally without income generating opportunities, recreational, educational or other social facilities. There is precious little innovation and experimentation with regard to unit design and planning layouts. Reasons for the above include the problem of land release (well located or otherwise) in the metropolitan area, the continued emphasis on individual tenure and low density housing, and the lack of consolidated institutions or funds to ensure the delivery of the full range of needs. It is also the result of housing being developed as a number of independent projects and not as part of a larger process of development and urban management.

While the subsidy is working to a degree in providing for the poor, in general, the housing market is not functioning effectively. Even the low to medium income households experience problems accessing housing - through subsidised projects or otherwise. This is caused by several things, including the failure of the financial sector to enter the low cost housing market, even where beneficiaries are formally employed. This is despite the presence of parastatal institutions such as NHFC or NURCHA. This situation will be made worse now that the PHDB has ruled out the non-credit linked subsidy as an option for use in the secondary housing market.

In terms of “community empowerment”, jobs are indeed being created through the housing delivery process. Most developers and contractors make efforts to employ local labour and several projects have engaged emerging contractors. There are, however, precious few initiatives to develop longer term economic development and income generating activities beyond the lifespan of the projects. The issue of job opportunities is paramount in the minds of beneficiaries.

Affordability for the beneficiaries and financial sustainability for local authorities is a problem. The main beneficiaries of the capital subsidy are the lowest income groups and it is not surprising that many are unable to afford the costs concomitant with a formal house. This situation varies depending upon circumstances, but there is evidence from all sides to suggest that downraiding is taking place, large numbers of beneficiaries are defaulting on rates and service charges, and some people are unable even to pay connection fees for basic services. The cost of the non-payment is being carried by local authorities and in some cases there is the impending threat of eviction. All too often the local authorities are not linking the ongoing costs of service delivery with housing delivery.

A problem that was commonly raised by medium town and metropolitan local authorities is the maintenance and management of publicly owned housing stock. For many this is an administrative nightmare and financial drain. The number of units still in public ownership is quite considerable, but in most cases the units are not well maintained and there are few resources available in this regard; people do not pay rent and even outside the CMA gangsterism is prevalent in these estates. All affected local authorities are desperate to find a solution.

Given the scenario outlined above, in order to inform the further development of the housing policy it is appropriate to pose a number of key questions.

- Firstly, is the housing that is being delivered at the present time actually providing the poorest members of our society with a **long term asset or a future liability**? By giving as many people as possible a small and poor quality house in areas where income generating opportunities are few and access to public facilities difficult, are we not just consolidating existing inequities and the structure of the apartheid city?
- Would it, perhaps, be more useful to provide the same people with **secure tenure on a piece of well located and serviced land** albeit with a higher subsidy? Or to support the **upgrading of informal settlements** for the lowest income groups with basic services provision?
- The housing subsidy is one of the few sources of funding from national government being channelled directly towards making tangible improvements to the lives of poor households. It is a valuable tool for the poor themselves as well as for local government. Nevertheless, the subsidy could be utilised with a more strategic and long term vision by looking at **how it is possible to contribute to the creation of equitable and functional towns and cities in South Africa through housing developments. Is it now time to move beyond the framework of the capital subsidies and isolated housing projects** in order to support housing and development in the broader sense and in the longer term by developing complementary funds, legislation and institutional capacity?
- The Housing White Paper talks explicitly of the need to establish a functioning housing market. While many of the lower income groups are benefitting from the subsidy, there is no sign that the housing market is functioning effectively. In fact, many of the middle income groups with greater affordability levels are experiencing severe problems getting access to housing. **So what action is needed to stimulate the housing market into functioning more effectively?** Is it by focusing on the higher of the lower income groups (in this way one could realise a better quality product)? Is it dependent upon the greater participation of local or provincial authorities in creating the right conditions, and/or, in securing credit for the higher income of the qualifying income groups, or building a more effective construction sector?
- Proactive local and provincial government action is critical to ensure the successful implementation and sustainability of the housing policy through associated activities such as sound urban and land management (including the

creative management of land markets) and the linking of housing to a set of broad anti-poverty strategies. In turn, this requires effective and efficient institutions, systems and policies. **Is it time to stop focusing on numbers and projects but instead begin to build effective institutions and systems through the housing delivery process?**

- Because most beneficiaries are not contributing to their unit in terms of finance or sweat equity, the subsidy system has a tendency to perpetuate a hand-out mentality. This has negative repercussions in other spheres of people's lives. Related to the last point vis-à-vis building institutional capacity, it is also critical to look at **how housing delivery can be used to enhance beneficiary capacity**, for example, through the promotion and support of self-organised building processes (see below).
- The promotion of integrated development is critical in order to create long term living environments and sustainable housing. **Is it reasonable or practical to expect sustainable housing development to take place without the concomitant funds and systems for ensuring land release and development, the provision of other necessary social facilities and job creation initiatives?**
- Apart from the development of related funding and legislation, the more immediate roles for central government in this regard could include the promotion of cross sectoral co-ordination as well as co-ordination between different spheres of government investment, with integrated budgeting for complementary provisions and facilities.
- **Will the “housing problem” be solved through the delivery of formal houses with individual tenure for everyone?** Is it time to start questioning the design of low cost housing, the appropriateness of prevalent tenure forms and to experiment with some new approaches? Cultural acceptance will only be won through experimentation and demonstration.
- **How is it possible to improve the quality and size of what is being delivered?** The most obvious answer is to leverage additional resources to complement the housing subsidy. Sources of additional resources that could be investigated include combining savings, subsidy, credit and sweat equity, increasing the subsidy amount and investigating the pros and cons of splitting the services and housing components of the subsidy.
- In order to improve the delivery of housing it may be useful to look at **what measures must be put in place to assist the various different parties - from the private sector to the low income households themselves who wish to organise their own construction?** Things that would help include more effective administration, strategic and large scale land release, improved co-ordination and more enabling support from local and provincial governments.
- If the self-organised and self-help approaches are resulting not only in a larger and higher quality product but in more healthy communities less dependent upon

hand-outs, then **what is needed in order to support the process?** Is it a change in the nature of support at provincial and local government level to providing an enabling framework, from control to flexibility and support? Or is it by co-ordinated local government departments and the short-circuiting of debilitating bureaucracy, or increased understanding of what the People's Housing Process involves?

- And finally, **would increasing the flexibility of the way the subsidy can be used increase its effectiveness in addressing the housing and development challenge?** For example, by allowing the upgrading of backyard shacks. This would certainly assist in promoting the much needed densification of South Africa's towns and cities. Increased flexibility would also open the door to address the needs of those presently excluded from the policy such as single people and migrants.

Appendix i. Case study interviewees and key informants

Key informants

Developer 1: Stefan Bothma, Power Construction
Developer 2: Deon Kock , Asla Construction
Developer 3: Greg Spriggs, Build for Africa
Developer 4: Chris Millar, NEWHCO
Developer 5: Nigel de la Rosa, Cape Utility Homes
Developer 6: Mike Louw, Communicare
Developer 7: Mike Vietrie, Faircape Developments

Project Manager 1: Sean Molloy, Gibb Africa
Project Manager 2: Dolf Mohr, CSM
Project Manager 3: Schalk van der Merwe, Ninham Shand
Project Manager 4: Jo Maartens, Leon Kemp, BKS

Local authority 1: Mervyn Bregman, City of Cape Town Municipality
Local authority 2: Chris Van den Heever, Gideon Van Zyl, Helderberg Municipality
Local authority 3: Eddie Samuels, Blaauwberg Municipality
Local authority 4: Hans Smit, South Peninsula Municipality

Other key informants

Rob Gordon, Bill Pick, Communicare
Anthea Houston, Astrid Wicht, Development Action Group
Michael Hoffmann, People's Dialogue
Patricia Matulingwe, Homeless People's Federation
Andre Steyn, Stellenbosch Farmer's Winery
Jo Maartens, Leon Kemp, BKS
Charls Niewoudt, Africon
Peter Dick, Provincial Housing Board
Billy Coetzee, Provincial Housing Development Board, Chairperson
G. Erasmus, Provincial Housing Development Board
Basil Davidson, Cape Metropolitan Council

Case Study Interviewees

Francois van Dalen, Stellenbosch Municipality
Justice Magwaza, Build for Africa
Fanie Krige, Kleinmond Municipality
Doreen Van Wyk, NEWHCO
Kris Fairall, Construction Manager, Kleinmond
Mr Veldsman, West Coast Peninsula District Council
Harold Baxter, Worcester Development Forum
Mohammed Majid, Gavin Greenhalgh, Councillor Alice Titus, Worcester Municipality
Gerry Addlard, Caleb Consulting
Bobby van Doring, Hermanus Municipality
Trevor Edwards, Ocean View Development Trust
Councillor Arthur Williams, Botriver Municipality
Johannes Jordaan, Power Development
Patrick Nyuko, Thys de Beer, George Municipality

Anthea Houston, Development Action Group
Mike Vietrie, Juliette Walker, Faircape Developments
Dieter Rossouw, Karen Strom, Architects Associated
Councillor Abe Johnson, Darling Municipality

Table 3: Profile of case studies

	Case Study	House size	Road finish	Public facilities	Organisation of construction	Developer
1	Kayamandi	24 m ² complete 54 m ² open	tarmac	crèche (clinic, hall, sports facilities planned for later phases)	established contractor, some local labour + self organised construction	local authority
2	Site B	25 m ²	existing	-	local sub-contractors	private sector developer
3	Kleinmond	22 m ²	narrow tarmac	crèche	established contractor, local labour	utility company
4	Paternoster	21, 28 or 35 m ²	tarmac	community hall	established contractor, some local labour	local authority with project manager
5	Worcester	28, 36 or 45.6 m ²	graded	none (multi-purpose centre planned)	local contractors, local labour + self-organised construction	local authority with project manager
6	Delft, South	25 m ²	tarmac	community hall school, crèches	established and local contractors, local labour	province
7	Hermanus	14 to 16 m ²	tarmac	school, crèches, clinic community hall	precast structure: established contractor, local labour	local authority with project manager
8	Ocean View	figures not available	existing	multi-purpose centre, sites for churches	PHP: self-organised construction	community organisation (section 21)
9	Botriver	26 m ² or 29 m ²	graded	none	established contractor & local sub-contractors	local authority with project manager
10	George	30 to 31 m ²	graded	community hall, existing school	developer & local sub-contractors	private sector developer
11	Marconi	23 to 27	tarmac	clinics,	local & established	community

	Case Study	House size	Road finish	Public facilities	Organisation of construction	Developer
	Beam/Joe Slovo Park	m ² or up to 54 m ² for self-build	c	sports field, sites for churches & commerce, existing school	contractors, some local labour	organisation with project manager
12	Lusuko	40 m ² to 100 m ²	tarmac	community hall	developer's regular contractor, some local labour	private sector developer
13	Cape Town Hostels	7 m ² (single room with shared facilities to 51.65 m ²)	existing/graded	none	local contractors and local labour	local authority with project manager
14	Darling	ph.1-3: 26 m ² 54 m ² self-build or 34 m ² comp	graded	none (but space allocated)	pre-cast structure developer, local sub-contractors & local labour	private sector developer

Table 7: Reflecting on your experiences with the housing policy over the past four years, do you think fundamental changes are required in the policy itself or is it necessary to make changes in certain areas?

Key Informants	Responses*
Deon Kock Asla Construction	Change is necessary, but not a fundamental restructuring. One of the problems is getting housing to people who cannot afford it. An unemployed guy is getting a house but cannot afford the costs. We must therefore look at alternatives for these hostels, where you can reduce the costs.
Greg Spriggs Build for Africa	Tweak the policy, but don't restructure it. There will always be a problem. One way to do this is to increase the availability of subsidies at the PHF. The PHF needs to be improved.
Jo Maartens BKS	The housing subsidy is not the route to take. The beneficiary must be able to pay for services, maintain the house, but without a job, this is not the case. The solution is job creation. People should be able to buy their own house and build their own house creatively.
Eddie Samuels Blaauwberg Municipality	I think they have to rethink it. They need to understand that they cannot just build houses which is what they are doing. There also needs to be a different approach to housing.
Mike Louw Communicare	I think that it can just be adapted. They have to define who they are helping and how they are helping those people - or putting a noose around their necks. I don't know if the policy, maybe there's something wrong with the operation but it will be different tomorrow.
Dolf Mohr CSM	It is too early to tell about the policy but there is a need for more money for the PHDB administration and for them to get their financial systems in place. The policy works fine.
Nigel de la Rosa Cape Utility Homes	I think it can be adapted. But the change is not to come so much through the PHF [but more implemented, particularly with regard to the role of local authority and perhaps more supportive].
Sean Molloy Gibb Africa	The housing policy is changing all the time, within a few years the subsidy system must begin and nothing has been done for the R1 500 and the private sector engineers, the subsidy system works fine, but the creation of a self-help approach is for self-help schemes... but these must be managed by local authorities who are subsidised. They cannot be implemented by the private sector.
Chris van den Heever Helderberg Municipality	It is the role of the government to provide houses to every qualifying citizen. Local authorities can get more options such as rental, serviced land and houses onto the market. Local authorities [through new staff and training] to deliver.
Chris Millar NEWHCO	Inherent in any policy is the grey area in terms of how to implement it. It's not the implementation that they need to get stuck into. It's not that the officials are inherently bureaucratic in their approach... you need people with energy to deal with the complexity.
Stefan Bothma Power Construction	I don't think there is anything wrong with the policy but at the moment it's difficult to afford a bond, and the unbankables, but then there is a grey hole of the policy. The solution is to streamline the administration - financial planning and approval process at the government level. Local authorities must put whole developments out to tender.
Mike Vietrie Faircape Developments	The subsidy does not help us because of the stop-start issue, the inept criteria of the banks. It would be more useful to have no VAT on house construction. It would be more of a difference and would be easier to administer.

Key Informants	Responses*
Schalk van der Merwe Ninham Shand	The policy document needs to be simplified. Certain aspects have changed. The payment of the subsidy [which] have facilitated matters... And the issue is in what people [consultants] charge... it should be a fixed fee.
Billy Coetzee PHDB, Chairperson	I think we are concentrating too much on turning people into home-owners, they don't necessarily want to be homeowners, they just want to live. We should have much more rental stock... and maybe we should be spending money on opportunities and upgrading squatter settlements and spending money on turning people into homeowners that we are missing the whole proper vision. We agree that everyone should have water, electricity and decent sanitation like the people have got when it comes to housing... they will look after themselves. We should be creating work opportunities.
Basil Davidson Cape Metropolitan Council	Someone once said, "There's no such thing as a housing problem, there is a problem". Now clearly if the degree of people located in the less than formal economy was higher, one could begin to embark on a housing programme. Housing needs to be integrated into a broader economic context. The economy is beginning to produce jobs and one can detect a declining unemployment rate. We begin to look at a sustainable way to invest in housing.
Trevor Edwards Ocean View Development Trust	[There should be] changes in certain areas. Housing should not be seen as the impetus to economic development. Look at how the subsidy can be used to stimulate economic development [for example by] using a component of the subsidy as collateral for a loan; look at sweat equity and look at how to [effectively] support housing. Stop looking at numbers and begin to look at the development of communities and a positive attitude.
Hans Smit South Peninsula Municipality	The capital subsidy needs restructuring to enhance its value. We need a consultation process. The Home Builders Registration Council documents are complicated for home builders and emerging contractors]. Housing needs to be addressed [there is a mismatch between the demands for an increase in the subsidy particularly with an increase in the subsidy of only R1 000]. The restrictions on the new Housing Fund should be looked at. We need finances and a policy. The government must consult with implementers when determining policy. The subsidy should also be looked at as it entirely favours the lawless people of the country.

** N.B. In some cases, the quotations have been slightly edited in order to identify the most important points and allow for a table format.*

Appendix ii. The Housing Subsidy Scheme²¹

Project Linked Subsidies

The project linked subsidy is obtained in order to implement a whole project. It provides for individual ownership of what are termed by the government “housing opportunities”. As with all subsidies, the application and approval of the projects is currently carried out by the PHDB.

Individual Subsidies

The individual subsidy gives individuals access to a housing subsidy to acquire ownership of or upgrade an existing property, or to purchase or build a new property that is not the product of a PHDB subsidy. It also allows for a person to purchase a serviced site and construct his or her own top structure. The subsidy can be used in two ways: on a non-credit linked basis - where only the subsidy is used, or on a credit linked basis, where a formal home loan is obtained to purchase a property.

Institutional Subsidies

These are obtained by an institution as opposed to an individual. The subsidy is available to institutions such as housing associations or co-operatives which have to be established in accordance with legislation such as the Companies Act, Share Blocks Control Act or Co-operatives Act. Unlike the other subsidies, the amount does not work on a sliding scale, the full R15 000 (now R16 000) applies. The subsidy guidelines allow for sale of the individual unit to the tenant after a holding time by the institution of 4 years.

Consolidation Subsidies

Consolidation subsidies are available to individuals who have received housing assistance either directly from the state or through the Independent Development Trust in the form of a serviced site under the previous government. The subsidy provides up to R7 500 (now R8 000) to households with an income of R1 500 or less for the provision or upgrade of a top structure. It can be acquired through the project linked or individual route.

Discount Benefit Scheme

This promotes home ownership for long term tenants of public rental stock. Tenants receive a maximum discount of up to R7 500 on the historic cost of a property. In the event of a subsidy not covering the cost, the balance must be made up by the tenant.

Hostel Upgrading Programme

²¹ Adapted from Behrens, Watson and Wilkinson, May 1998 (Appendix C)

This provides state assistance for the upgrading of publicly owned hostels. The subsidy is received by the local authority (owner of the buildings). The upgraded units can then be managed as rental stock or sold to the residents. It allows R15 000 per family and R3 750 per individual. As with the individual subsidy, the hostel subsidy goes to an institution rather than a person, and ex-tenants can also apply for a home ownership subsidy.

Appendix iii. Bibliography

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